

BYLAWS

As amended and passed by a majority vote of the cooperative on February 27, 2011.

Outpost Natural Foods exists so that our owners have a healthy, diverse and sustainable community.



100 E. Capitol Drive • Milwaukee
7000 W. State Street • Wauwatosa
2826 S. Kinnickinnic Avenue • Bay View



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Article I – Organization

Section 1.1 - Name. The name of the organization is Outpost Natural Foods Cooperative (referred to in these bylaws as "the Co-op.")

Section 1.2- Nondiscrimination. The Co-op shall not discriminate against any individual on the basis of age, race, creed, color, disability, marital status, sex, national origin, ancestry, arrest record, sexual orientation, conviction record (excluding felonies per section 4.2), or any other protected class as proscribed by Wisconsin Statutes Section 111.3.

Section 1.3 - Principal office. The principal office of the Co-op shall be located at 205 W. Highland Ave., Ste. 501, Milwaukee, WI 53203.

Section 1.4 - Fiscal year. The fiscal year of the Co-op shall end on the Saturday closest to September 30 of each year.

Article II – Ownership

Section 2.1 - Admission. Ownership in the Co-op shall be voluntary and open to any natural person who wishes to support its activities, intends to use its services, and will accept the responsibilities of ownership. Applicants will be admitted to ownership upon submitting required information and purchasing or subscribing to purchase at least eight and no more than twenty common shares, except that persons who acquired ownership before 1988 and have continually maintained such status shall be required to purchase no more than five shares. Such share purchase requirement may be increased by reason of the reasonable capital needs of the Co-op. In case of doubtful eligibility, an application for ownership shall be subject to approval by the Board of Directors.

Section 2.2 - Notification to applicants. Each applicant for ownership shall be provided with a copy of these bylaws and a written explanation of the meaning and significance of the consent provision in Section 8.5 below.

Section 2.3 - Rights. Each owner in good standing shall be entitled to make purchases from the Co-op on terms generally available to owners and to participate in the governance of the Co-op as set forth in these bylaws.

Section 2.4 - Responsibilities. Each owner shall keep reasonably current in payment of the share purchase requirement described in Section 2.1 above and shall notify the Co-op of any change to his or her name or address. An owner who becomes delinquent in meeting his or her share purchase obligation to an extent determined by the Board of Directors shall, no sooner than thirty days after delivery of written notification, be placed into inactive status. All rights and entitlements of such person as an owner shall then be suspended, except for rights to redemption of capital funds. An owner in inactive status may attain good standing upon full payment of all arrearages and paying a reinstatement fee, if any, as determined by the Board. References in these bylaws to the rights and entitlements of owners, except with respect to rights to redemption of capital funds, shall be understood to refer only to owners in good standing.

Section 2.5 – Electronic Documents. Owners may choose to receive notice from, communicate with, and vote in the elections of the Cooperative electronically. It is the Owner's responsibility to provide the Cooperative with a current electronic address.

Section 2.6 - Access to information. Owners shall be provided reasonably adequate and timely information as to the organizational and financial affairs of the Co-op. Subject to the provisions of Wisconsin law, owners shall be provided access to the books and records of the Co-op at all reasonable times and for any proper purpose, provided that written notice stating the purposes thereof is submitted at least one week prior to intended access. The Board of Directors may



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deny such access if it determines that the purpose of such access is not directly related to a legitimate interest of an owner and is contrary to the best interests of the Co-op. The Board may also provide a reasonable alternative to such access that adequately accommodates a proper purpose.

Section 2.7 - Settlement of disputes. In any dispute between the Co-op and any owner or former owner that cannot be resolved through informal negotiation, it shall be the policy of the Co-op to use mediation whereby an impartial mediator located in Wisconsin may facilitate negotiations between the parties and assist them in developing a mutually acceptable settlement. Any grievance involving bylaw ownership issues, including but not limited to owners' rights and responsibilities, must be submitted to nonbinding mediation. Should the mediation process not resolve the issue in dispute, then the grievance shall be dismissed or submitted to binding arbitration upon written request to the Board by one of the parties within ten days of the completion of mediation. The Board shall choose an arbitrator by a majority vote of the disinterested Directors.

Section 2.8 – Non-transferability. Ownership rights and interests, including common shares and retained patronage refunds, may not be sold, assigned or otherwise transferred in any way nor pledged or hypothecated as security for a debt. Any attempted transfer shall be wholly void and shall confer no rights on the intended transferee.

Section 2.9 - Termination. Ownership may be terminated voluntarily by an owner at any time upon written notice to the Co-op. Ownership may be terminated involuntarily only for cause by the Board of Directors upon the affirmative vote of two-thirds of all directors, provided the accused owner is first accorded an adequate opportunity to respond to the charges in person or in writing. Upon termination of ownership, all rights and interests in the Co-op shall cease except for rights to redemption of capital funds in accordance with these bylaws.

Article III – Meetings of Owners

Section 3.1 - Annual meeting. An annual meeting of owners shall be held each year within 6 months of the end of the fiscal year.

Section 3.2 - Special meetings. Special meetings of owners may be called by the Board of Directors or by the President, and shall be called by the Secretary as soon as practicable upon receipt of petitions signed by twenty percent of owners, such petitions stating the business to be brought before the meeting. Any business conducted at a special meeting other than that specified in the notice of the meeting shall be of an advisory nature only.

Section 3.3 - Time and place. The date, time and place of all meetings of owners shall be determined by the Board of Directors or, in the event that the Board fails to so act, by the Secretary. Meetings shall be held at a time and place convenient to owners.

Section 3.4 - Notice. Written notice of the date, time and place of any meeting of owners and, in the case of a special meeting, the purposes of the meeting, shall be mailed to each owner at his or her current address on file with the Co-op not less than seven days nor more than thirty days before the date of the meeting.

Section 3.5 - Record dates. Unless otherwise determined by the Board of Directors, only persons who are owners in good standing at the close of business on the business day thirty days prior to the date of distribution of notices or ballots shall be entitled to notice of any meeting of owners and to vote at such meeting or on such ballot.

Section 3.6 - Quorum. The presence in person of fifty owners shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of owners.



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Section 3.7 - Voting. At all meetings of owners, each owner shall have one and only one vote on each issue submitted to a vote of owners. Owners may be required to show their fair share cards or other identification. Voting by proxy shall not be permitted. Unless otherwise required by law or by these bylaws, issues shall be decided by plurality of votes cast in the case of election of directors and by majority of votes cast as to other issues. Meetings of owners shall be conducted under parliamentary procedures that are fair and reasonable in the circumstances.

Section 3.8 - Voting by ballot. The Board of Directors may authorize voting by ballots to be submitted by mail or at designated polling places, including via electronic media, during a period of no less than twenty one days. Such voting may be in lieu of a meeting of owners as to the election or removal of directors, or in conjunction with a meeting of owners as to any other issue. In such case, the Co-op shall provide or make available to owners a ballot together with an exact copy of the motion to be voted upon and any resolution to which it relates. If such materials are mailed to each owner with the notice of the meeting, neither the motion nor any resolution to which it relates may be amended. If such materials are merely made available to owners, the motion and related resolution may be amended, but such amendment will render the ballots void.

Article IV – Board of Directors

Section 4.1 - Powers and duties. Except as to matters reserved to owners by law or by these bylaws, the business and affairs of the Co-op shall be managed under the direction of the Board of Directors (sometimes referred to in these bylaws as "the Board"). The Board shall approve all borrowing of money, pledging of assets as security for amounts so borrowed, and significant contractual obligations.

Section 4.2 - Number and qualifications. The Board shall consist of nine individuals. All directors shall be owners who are at least eighteen years of age and shall not have any overriding conflict of interest, have no felony convictions, and have been owners in good standing for the 30 days prior to the close of nomination applications and continuing through the end of elections and any elected term. No more than three employees shall serve as directors at any time. Former employees terminated by the Co-op for cause, who are not eligible for rehire, shall not be eligible to serve on the Board for a period of five (5) years from the effective date of their termination. No employee who reports directly to the Board may be a director. The Board may consist of less than nine individuals in the case of one or more directors' terms of office being terminated prior to its scheduled expiration as outlined in sections 4.9 and 4.10 of these bylaws.

Section 4.3 - Nominations, election and terms. Directors may be nominated by the Board or by a committee of directors chosen for the purpose or by petitions signed by at least twenty owners and submitted to the Co-op at least forty-five days before the date of commencement of voting. Directors shall be elected by owners annually for terms of three years. Periodically as may be necessary, directors shall be elected for specific one or two year terms in order to assure that three terms expire in each year. At other times directors shall be elected for terms of three years. Directors shall hold office until their successors are elected or until their offices are terminated sooner in accordance with these bylaws. Directors shall be elected to terms based on the eligible person receiving the highest number of votes being elected to the longest term and this continues until all open positions are filled with eligible persons. In the event of a tie, the Board will decide which candidate receives the longest term or open position in question.

Section 4.4 - Report of changes in directors. Whenever any change is made to persons serving as directors, the Co-op shall file with the Department of Financial Institutions within twenty days of such change a report showing the names and addresses of all directors.



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Section 4.5 - Standards of conduct. Directors shall exercise the fiduciary duties of care, loyalty, and obedience and shall be responsible at all times for discharging their duties in good faith, in a manner that they reasonably believe to be in the best interests of the Co-op and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Directors agree to abide by the written governance policies approved by the Board.

Section 4.6 - Conflicts of interest and confidentiality. Directors and committee members shall be under an affirmative duty to disclose their actual or potential conflicts of interest in any matter under consideration by the Board or a committee. Directors having such an interest may not participate in either the discussion or the decision of the matter. Directors and committee members shall at all times maintain the confidentiality of non-public matters.

Section 4.7 - Committees. The Board may appoint standing or special committees to advise the Board or to exercise such authority as the Board shall designate. Members of all committees shall be appointed by the Board and may be removed or replaced by the Board whenever the best interests of the Co-op would thereby be served. A committee shall exercise authority only upon reasonable notice to all of its members and a quorum of at least three members.

Section 4.8 - Indemnification. The Co-op shall indemnify its current and former directors and officers against all reasonable expenses to which they may become subject by reason of their positions with the Co-op or their service in its behalf to the fullest extent permitted by law, except with respect to conduct as described in Wis. Stat. 185.035(2)(a)1., 2., 3., or 4. Indemnification payments and advances of expenses shall be made on a priority basis but only in such increments and at such times as will not jeopardize the ability of the Co-op to pay its other obligations as they become due.

Section 4.9 - Termination. The term of office of a director may be terminated prior to its expiration in any of the following ways:

- (i) voluntarily by a director upon notice to the Co-op;
- (ii) automatically upon termination of ownership in the Co-op;
- (iii) by action at a meeting of owners whenever the best interests of the Co-op would thereby be served; or
- (iv) for cause by a two-thirds vote of the Board.

Termination may be effected under clauses (iii) or (iv) only if the director to be removed is given notice of the reasons for termination and an adequate opportunity to respond in person or in writing. A director who is absent from two consecutive Board meetings, unless excused by the Board for good cause, shall be presumed to have resigned.

Section 4.10 - Vacancies. Any vacancy among directors occurring between annual elections may be filled by the Board until the next election of directors. The Board may choose to leave one or more vacancies until the next annual election, provided that the Board maintains the minimum number of directors per Wisconsin law.

Article V – Meetings of the Board

Section 5.1 - Meetings. The Board of Directors shall meet as often as may be necessary to effectively discharge its duties. The Board may determine the times and places of regular meetings. Special meetings may be called by the President and shall be called by the Secretary upon request of any three directors.

Section 5.2 - Notice. Regular meetings shall require no notice other than the resolution of the Board, it being the responsibility of absent directors to inquire as to the time of further scheduled meetings. Special meetings shall require written or oral notice to all directors. Written notice shall be delivered at least five days before the date of the meeting and oral notices shall be given in person or by a telecommunications device at least forty-eight hours before the time of the meeting. The Co-op shall endeavor to post notices of all meetings of the Board in a timely manner and



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in a conspicuous place in the Co-op's store(s).

Section 5.3 - Quorum. The presence in person of a majority of directors shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the Board.

Section 5.4 - Voting. Unless otherwise required by law or by these bylaws, decisions at meetings of the Board shall be made by majority vote. Any owner may propose an item for consideration of the Board by delivering it to the Secretary no less than ten days before the date of the meeting. Meetings of the Board shall be conducted under parliamentary procedures that are fair and reasonable in the circumstances.

Section 5.5 - Telephone conferences. A meeting of the Board may be conducted by means of a telephone conference or other communications equipment whereby all persons participating can hear or otherwise communicate with each other at the same time. Participation by such means shall constitute presence in person at such a meeting. Telephone conferences shall not be used for the purpose of excluding owners.

5.6 - Electronic Documents and Actions. The Board may agree to use electronic communication to conduct business, give notice, vote or create other binding decisions, as if those documents had been in writing or approved in person. All such electronic communications shall be considered a valid fulfillment of a Director's rights and responsibilities. The Board may, with unanimous consent of all members present, agree under extenuating circumstances, to make decisions telephonically when no other reasonable option exists.

Section 5.7 - Action without a meeting. Any action required or permitted to be taken at a meeting of the Board may be taken without a meeting if a written consent to the action is signed by all directors and filed with the minutes of meetings.

Section 5.8 - Open meetings. Meetings of the Board and all committees shall be open to owners. Sessions of a meeting may be closed only as to issues of a particularly sensitive nature. Such closed session shall be for purposes of discussion only and no decisions shall be made in closed session. Owners may otherwise be excluded only for cause.

Article VI – Officers

Section 6.1 - Designation and qualifications. The principal officers of the Co-op shall consist of President, Vice President, Secretary and Treasurer. The Board may designate other officers or assistant officers. All officers shall be owners, and the President, Vice President and Secretary shall be directors. The President may not be an employee.

Section 6.2 - Election, terms and removal. Officers shall be elected by the Board within ninety days following the election of directors and when a vacancy in office exists. Officers shall serve for terms of one year or until election of their successors. Officers may be removed and replaced by the Board whenever the best interests of the Co-op would thereby be served.

Section 6.3 - Report of changes in officers. Whenever any change is made to persons serving as officers, the Co-op shall file with the Department of Financial Institutions within twenty days of such change a report showing the names and addresses of all officers.



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Section 6.4 - Duties. In addition to signing or attesting to formal documents on behalf of the Co-op as authorized by the Board, officers shall have the following duties and such additional duties as are determined by the Board:

- (a) The President shall be responsible for assuring the orderly conduct of all meetings and coordinating the activities of the Board, and shall deliver a report of activities to the annual meeting of owners;
- (b) The Vice President shall be responsible for performing the duties of the President in his or her absence and for assuring proper and accurate distribution, collection and counting of ballots at annual meetings;
- (c) The Secretary shall be responsible for the recording and keeping of adequate minutes of all meetings, issuing notices required under these bylaws, and safekeeping of other pertinent records of the Board; and
- (d) The Treasurer shall be responsible for overseeing the maintenance of financial records, reporting of financial information and filing of required reports and returns, and shall deliver a financial report to the annual meeting of owners.

Article VII – Capital Stock

Section 7.1 - Issuance. To evidence capital funds provided by owners, the Co-op shall issue its common shares. Common shares may be issued only to persons eligible for and admitted to ownership in the Co-op. Shares shall be issued only upon full payment of their par value of twenty-five dollars per share.

Section 7.2 - Certificates. Owners shall be entitled to receive certificates evidencing their share holdings. Each certificate shall be signed personally or by facsimile by a principal officer of the Co-op and shall be numbered and registered by the Co-op. Each certificate shall have printed upon it such information as is required by law. The Co-op may issue a replacement certificate for any common share alleged to have been lost, stolen or destroyed upon receipt of a written statement acceptable to the Co-op.

Section 7.3 - Redemption. Upon voluntary termination of ownership, the shares of the requesting owner shall be redeemed after a ninety-day waiting period and at not more than two hundred dollars per month, provided that replacement capital has been secured by the Co-op. Shares shall also be redeemed as soon as practicable upon involuntary termination of ownership, upon death of the owner and, to the extent of amounts due and payable to the Co-op by an owner, upon filing of a bankruptcy petition by or against the owner. In the case of voluntary termination of ownership, a reasonable processing fee may be imposed, as determined by the Board. An owner who redeems their shares, but rejoins the co-op within one year will be required to reinvest the same amount of capital as was withdrawn. Reapplications for ownership after redemption shall be subject to any reasonable reprocessing fee, as determined by the board.

Article VIII – Patronage Refunds

Section 8.1 - Allocations to owners. The Co-op shall allocate and distribute to owners its adjusted net savings from business done with them in the manner set forth in this Article. Owners shall retain the right to waive in whole or in part, by action at a meeting of owners, any patronage refunds to which they may be entitled.

Section 8.2 - Adjusted net savings. In determining amounts distributable to owners, the net savings of the Co-op derived from the excess or deficit of revenues over costs and expenses shall first be determined in accordance with generally accepted accounting principles. Such net savings shall then be reduced by amounts not attributable to business done with owners, by other amounts which are not allowable under federal tax laws and by such reasonable reserves for necessary business purposes as may be determined by the Board. An amount not to exceed five percent of such savings may be set aside as an educational fund to be used in teaching or promoting cooperative organization or principles. In determining and allocating such adjusted net savings, the Co-op shall use a single allocation unit except



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to the extent that it shall, subsequent to the adoption of these bylaws, engage in any new and distinct line of business. Net savings attributable to business done with non-owners shall be credited to unallocated owners' equity.

Section 8.3 - Basis of allocation. The adjusted net savings for each fiscal year shall be allocated to each owner in the proportion which his or her patronage bears to the total of all owner patronage during the year. Patronage shall be understood to mean goods and services purchased from the Co-op and shall be measured in terms of its dollar amount. Any allocations of such a nominal amount as not to justify the expenses of distribution may, as determined by the Board of Directors, be excluded from distribution provided that they are not then or later distributed to other owners.

Section 8.4 - Distribution and notice. Patronage refunds shall be evidenced by written notices of allocation delivered to recipient owners within eight months and fifteen days following the close of the fiscal year. Written notices shall state the dollar amount of the allocation which constitutes a patronage dividend within the meaning of federal tax laws. All notices, except those subject to Section 8.7 below, shall be accompanied by checks in an amount determined by the Board which must be at least twenty percent of the total allocation.

Section 8.5 - Consent of owners. By obtaining or retaining ownership in the Co-op, each owner shall thereby consent to take into account, in the manner and to the extent required by Section 1385 of the Internal Revenue Code, the stated dollar amount of any written notice of allocation in the taxable year in which such notice is received.

Section 8.6 - Retained amounts. Patronage refunds not currently distributed by check shall be credited or charged to revolving capital accounts in the names of recipient owners. Retained patronage refunds shall accrue no dividend or interest. Retained amounts that are no longer needed for capital purposes of the Co-op may be redeemed in such amounts and at such times as may be determined by the Board of Directors. At that time they shall be redeemed only in the order of the oldest outstanding amounts and only on a ratable basis among such amounts for each fiscal year, except that redemptions may be made payable only to owners who are then in good standing or become so within a stated period of time.

Section 8.7 - Allocation of net loss. In the event the Co-op shall incur a net loss in any fiscal year, such loss may be charged against retained savings or other unallocated owners' equity. If the net loss exceeds such amounts, or in any event if the Board so determines, the amount of such loss may either be carried forward to offset adjusted net savings of subsequent fiscal years or allocated to owners in the same manner as for adjusted net savings except that such allocation shall not exceed the owner's invested capital. Any such allocated net loss shall be charged first against retained patronage refunds of prior fiscal years and then against patronage refund allocations of subsequent fiscal years. Allocated net losses which are not so offset may be charged against the carrying value of shares only upon termination of ownership. Allocated net losses shall not otherwise be assessed to or collected from owners.

Article IX – Redemption of Funds

Section 9.1 - Redemption. In addition to redemption under circumstances set forth above, common shares and retained patronage refunds may be redeemed under compelling circumstances as determined by the Board of Directors. Common shares and retained patronage refunds shall be redeemable at the lesser of their carrying value on the books of the Co-op or their net book value.

Section 9.2 - Lien and offset. The Co-op shall have a first lien on common shares and retained patronage refunds to secure payment of amounts otherwise due and payable to the Co-op by the owner. The Co-op may, at any time after such amounts remain due and payable for thirty days, offset such amounts first against payments for common shares



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and then against retained patronage refunds. Such offset may not be effected by an owner or by anyone acting in the right of an owner.

Section 9.3 - Forfeiture of unclaimed funds. Any unclaimed funds of owners-including redemptions of shares, distributions of patronage refunds or redemptions of retained patronage refunds-shall be forfeited to the Co-op if all of the following conditions are met. No earlier than three years and no later than five years after the funds first become available to owners, the Board of Directors shall declare such funds forfeited to the Co-op if not claimed by a specified date that is a business day at least sixty days after providing of notice. Such notice shall be mailed to the last-known address of each owner of the funds, and shall be published on or before the date of mailing of such notice as a class 1 notice under Wis. Stat. chap. 985 in a newspaper published in the municipality containing the service area of the Co-op. Any funds so forfeited shall be dedicated to charitable purposes or for scholarships or loans for educational purposes, and shall be so used within one year after being forfeited. Subsequent to such a forfeiture the owner of such funds may make a claim for such funds which, if found to be legitimate, shall result in a refund to such claimant.

Article X – Interpretation and Amendment of Bylaws

Section 10.1 - Severability. In the event that any provision of these bylaws is determined to be invalid or unenforceable under any statute or rule of law, then such provision shall be deemed inoperative to such extent and shall be deemed modified to conform with such statute or rule of law without affecting the validity or enforceability of any other provision of these bylaws.

Section 10.2 - Amendment. These bylaws may be amended or repealed only by a two-thirds vote of owners at a meeting of owners, provided that the proposed amendments are stated or fully described in the notice of the meeting at which the amendments are to be adopted.

Explanation of Patronage Refund Consent Provision

The Internal Revenue Code generally requires each person receiving a patronage refund to include the amount of such refund in his or her gross income in the taxable year in which it is received. Under bylaw section 8.5, mere acceptance or retention of ownership in the Co-op constitutes consent to such inclusion in taxable income, including the portion of the patronage refund that is retained by the Co-op for its capital purposes.

The Co-op has been advised by legal counsel, however, that the general rule for inclusion in income of patronage refunds is subject to an exception that is applicable to consumer cooperatives. Under that exception, a patronage refund is not required to be included in gross income if the owner's purchases from the Co-op related to "personal, living or family items." 26 U.S.C. sec. 1385(b). A patronage refund will therefore be taxable to an owner only if his or her purchases related to the operation of a trade or business or other income-producing activities. For more specific information, the Co-op recommends that owners consult their tax advisers.

Bylaws amended by a majority vote of Outpost owners at the Annual Meeting on February 27, 2011.