



2019

ANNUAL REPORT

General Manager's Report 2019

Your Co-op had an excellent first year in our newly expanded store. Of the many projects staff focused on this year, here are some highlights, listed according to our ENDS. Member-owners, customers and the community benefit from our five ENDS. These goals drive everything we do at the Co-op.



1. Healthy Foods



Our expansion helped us toward this END. Our 10% sale growth reflects an increase in people eating healthy food. New products must meet our strict Buying Criteria: *no artificial preservatives, colors, flavors; no meats raised with hormones or antibiotics; no growth hormones in dairy/cheese; no hydrogenated oils; no product testing on animals; no high fructose corn syrup; and no parabens in wellness.* The Food-For-All program is our member assistance program for Vermonters in need. About 180 households are currently benefiting from this program. Members donate shares which help subsidize these households becoming members at the Co-op. The Co-op also partners with our two main food shelves, CVOEO and HOPE, to help fight food insecurity in our community. In 2018, we donated 13,925 lbs of food to these organizations. We also raised funds to help these organizations purchase food through our Rally for Change and our Empty Bowl Dinner. In addition, we donate money to help purchase CSA shares for Vermonters in need through NOFA Share the Harvest.

Sales Growth by Department



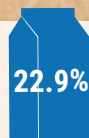
PRODUCE

7.7%



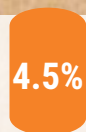
BULK

2.4%



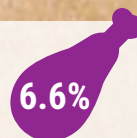
DAIRY

22.9%



GROCERY

4.5%



MEAT

6.6%



DELI

25.7%



WELLNESS

17.6%



STORE TOTAL

CO-OP

10.21%

2. Vibrant Local Economy



Toward this END, sales of local products were \$5.6 million or 34% of the store total sales, a 4.1% increase over last year. Selling local is one of the highest priorities at our Co-op. Our customer satisfaction survey results show that local is also a high priority for our member-owners. Over 300 Vermont producers sold directly to our Co-op this year. We invest a lot of staff time to be the marketplace for local products.

Kari Bradley, General Manager of the Hunger Mt. Co-op, testified recently to the House Agricultural Committee on behalf of all our Vermont Co-ops. Reported in VT Digger, the committee...

..."wanted to hear from a co-op, because of the recent great news in the 2018 Farm-To-Plate Annual Report: last year, \$289 million, or 12.9% of Vermont's food/beverage sales, were from local sources, an impressive increase from 5% in 2010. Moreover, 15% of the total came through Vermont's food co-ops, which speaks to the significant role that co-ops play in our local food system."



3. Environmental practices



This END received lots of attention this year. Check out this quarter's issue of *Under The Sun* (our newsletter), focusing on reusables. The photo on the cover gives a sample of the many ways staff are working with local producers to reduce waste by reusing various delivery containers. Staff also piloted three projects around reducing landfill waste.



The first is with VT Natural Ag Products (aka Foster Farm) to take our compostable packaging like paper coffee cups, soup cups and salad/hot bar to-go containers. Our biggest hurdle is contamination. We need to get near ZERO contamination ... no lids, straws, utensils, plastic bags, etc. Eric, who leads these projects, says, "in our trials using college students to monitor, we found a customer sorting contamination rate of about 30%." We installed new sorting bins and signage for customers, which helped somewhat, but we need your help to make this work.



The second project is with Addison Co. Solid Waste to take our plastic film and bags. Customers often ask us about biodegradable plastics. Unfortunately, we don't have the infrastructure in our region to make use of these yet.



And the third project includes offering more reusable containers in bulk and deli and encouraging shoppers to bring their own containers. Please try the new green plastic to-go containers at the salad/hot bar.

4. Cooperative ownership



Membership grew this past year to 5,257 households, about a 6% increase. We hope you will take the time to vote for the Board elections, and the proposed new bylaws. Our current bylaws served us well for 40 years. As co-ops have developed over the decades, there have been improvements to bylaws that we've incorporated. The Board worked hard on your behalf to find the best of the best. They unanimously support this proposal, and hope you will too. Regionally, we support the Neighboring Food Co-op Association of 35 food co-ops in New England and New York, promoting the co-op business model, sourcing regional products, and helping new co-ops get started. To this END, our Co-op donated \$6,600 to our neighbor, the Ticonderoga Co-op, for their first ever refrigerated produce case. They buy many of the same local products we do, so their success helps our success in growing local. We're all in this together.

Member-Owner Growth



5. Learning



Our spring class series is just ending, and featured some wonderful classes on cooking, composting, mushroom growing, herbal therapy, and roasting. Classes are FREE for Food For All members. The Board and staff participated this past year in workshops on inclusivity and unconscious bias training. Many of us read the book *White Fragility* and had discussion group meetings, with the goal of working to make the co-op a more welcoming and inclusive place to shop and work.

If you'd like to learn more about our success this past year and the impact we're having in the community, please come to the annual meeting announced in this report.

Cooperatively yours,

Glenn

Everybody can shop at the Co-op!



Board President's Report 2019



Well it's been another outstanding year for our co-op. Once again we find ourselves stronger for having worked together with a shared sense of purpose. The performance details provided later in this report are impressive, especially since they occurred in the year following our recent expansion project. (Often it takes food co-ops much longer to recover from such ambitious projects, and this speaks volumes about our collective commitment and resilience.) Still, to further build our capacity to meet the challenges of running a thriving,

locally owned market under a wide range of uncertain future conditions, your Board of Directors worked for the last twelve months to make what we believe are several important improvements. (Expanding our store was a huge physical capital improvement, and these other projects represent significant capital improvements to the ways we govern and run the business.)

Updating Our By-laws

Perhaps the most important project was to take a good look at what is essentially the set of rules that describes the way we're structured and how we operate. (Every legal corporate entity has by-laws, and our co-op is no exception.) What we found was that while our existing by-laws were fundamentally sound, they were also outdated in numerous ways. So we created a work-group from both sides of our co-op's leadership team (management and governance), and then added outside organizational and legal expertise. Together, we

worked to make the by-laws clearer, simpler, and even more consistent with our values and with the best practices of other food co-ops.

After several rounds of gathering ideas and feedback from staff, member-owners, and other stakeholders, the final result is here: a proposed draft of our by-laws, included in this report for your formal adoption by vote. The leadership team is pleased with this draft and hopes that you will vote “yes” along with us.



Improving our Governance Policies

As most of you know, your Board of Directors governs the cooperative according to a set of policies. (This powerful, flexible form of governance is called Policy Governance.) But like the by-laws, these policies had not been updated for many years. So we convened another workgroup—comprised of management, directors, and past-president, Jay Leshinsky—and worked through our entire “policy register”. Afterwards, we reviewed the revised register with Michael Healy from Cooperative Development Services (CDS), who provided valuable perspective, technical expertise and wisdom. The Board then voted to adopt this new set of governance policies and so far we have found them much improved. This summer, after a full year of working with the new register, we’ll review all the policies once again and make any necessary refinements.



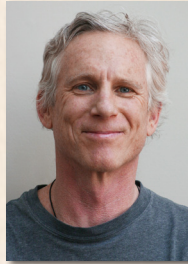
Equity, Diversity and Inclusion

Globally, nationally and locally, leveling the playing field has never been more important and this is also true for our co-op. We are stronger when more of us have access to healthy food at affordable prices. We are smarter and more resilient with a wider range of perspectives, life experiences, and cultural influences. And we all benefit from being more open, welcoming and transparent.

During this past year, raising awareness about these issues, and finding practical solutions to addressing the challenges they present, has been ongoing at every level of our co-op. For example, both staff and directors attended trainings and seminars, not just in Middlebury but at regional venues as well. And in March, your Board focused its annual retreat on a subset of these topics and built regular follow-ups into its work plan for the coming year. Clearly, these issues are close to the values at our core and we will continue working on them together to make a real difference.

Finally, on behalf of the entire Board, thanks once again for your steadfast stewardship of this remarkable cooperative. Hope to see you at the annual meeting.

Tam



TAM STEWART
PRESIDENT



AMANDA WARREN
VICE PRESIDENT



LYNN DUNTON
TREASURER



LOUISE VOJTISEK
SECRETARY



RJ ADLER



MOLLY ANDERSON



NADINE BARNICLE



**ILARIA
BRANCOLI BUSDRAGHI**



SOPHIE ESSER CALVI



KATE GRIDLEY



ANN LAFIANDRA

The MNFC Board of Directors

The Middlebury Natural Foods Co-op is governed by an eleven-member Board of Directors that is elected by its member-owners. The Board is directly accountable to member-owners for all of the activities and accomplishments of the Co-op, including the store. However, the Board does not “micro-manage” the Co-op or its General Manager, but sets policies by which the Co-op (and the Board) are run.



The MNFC Board is responsible for:

- ✓ Developing, monitoring, and revising policies that guide the store to achieve outcomes that are consistent with the members' values and vision.
- ✓ Ensuring (through consistent monitoring) that management achieves goals set by the Board and that the Board operates according to its established processes.
- ✓ Acting as a representative for all of the Co-op's member-owners.

**Board members hold their positions for three-year terms,
and elections are held every Spring.**



How Do I Bring An Issue Before the Board?

We encourage members to be active in their participation.

**Contact the Board:
board@middlebury.coop**

2019 BOARD ELECTION CANDIDATES

This year there are three (3) available seats on the Board of Directors.

Voting will happen in May. Votes must be received to your co-op by Friday May 31ST, 2019 - before 7:00pm.

Election results will be announced at the annual meeting on Wednesday, June 5th at American Flatbread, Middlebury.

Candidates were asked to answer the following questions:

1. *Why are you interested in serving on the Board of Directors?*
2. *Briefly describe any experience you have had with cooperatives or not for-profit organizations*
3. *What has been your experience working with groups and what is your approach to group dynamics?*
4. *Is there anything else you would like the membership to know about you?*



RJ Adler



incumbent

I've spent the past five years serving the member-owners of the Middlebury Natural Foods Cooperative on the board. I enjoy representing our community as we strive to make our store more perfect. The issues facing the organization after expansion are less tangible than before. How do we make our store more welcoming? How do we treat our employees as best as possible? Will we ever decide if local or organic is more important? If these answers were easy to find, and less fun to continually rediscover, I wouldn't be running.

After almost five years at SunCommon, I moved to the Keewaydin Foundation, my boyhood summer camp in Salisbury, VT on Lake Dunmore. My career in socially responsible business, and the non-profit sector has given me an appreciation for how businesses need to run differently in 2019 to make a true impact. People want to feel good about the products they buy, and where they are buying them. The coop is that kind of market. The coop has been the institution in our community to drive the change in food awareness, and if re-elected to the board I will keep us in that direction.

I have served the town of Middlebury on the energy committee and economic health task force. My approach to group dynamics is to listen and get diverse perspectives on a topic. As one of two people under 35 on the board I also bring a diverse perspective. As a member of the board development committee I've gone out to seek these points of view as we prepare for elections: I have organized and hosted information sessions and board tabling so we can learn from the other member-owners, and encourage them to run for the board.

I've spent two of the last five years as vice-president of the board, I have a good understanding of policy governance, and board dynamics. I've spent ten years in the Middlebury community, and I hope you will support my candidacy for another term on the Board at the coop!

Erin Buckwalter



I am excited to run for the Middlebury Co-op Board. I have spent my adult life working and volunteering in the Vermont food system and am passionate about connecting with people through food and agriculture. I see Co-ops as an integral partner in creating a sustainable food system, and the Middlebury Co-op is key to this vision locally. I am excited to participate more in the democratic processes of our Co-op and support others in keeping more dollars and decisions local!

Since 2011, I have been the Market Development Director at the Northeast Organic Farming Association of Vermont (NOFA-VT). I am also temporarily NOFA-VT's Executive Director until we complete our search for this position. I support Vermont farms selling through farmers markets, CSAs, farm stands and institutions. I also oversee our statewide food access programs to connect all eaters, regardless of income, to local and organic food. As a Management Team member, I have deep experience with program development and implementation, grant writing, strategic planning, and developing organizational policies.

I have a strong grasp on statewide food systems strategy, having held different leadership positions in the Vermont Farm to Plate Network, including for the past three years on the Steering Committee and co-chair of the Food Access Cross Cutting Team. I also served five years on Vermont Community Garden Network's Board, with two years as Board Chair. In the late 2000s, I volunteered to help start three community gardens in Addison County, including one in Middlebury, and also was a manager for the Bristol Farmers.

I have experience working with groups of all sizes and thrive working as part of teams. I like facilitating group processes and also being an active listener. I appreciate open and direct conversations, and healthy debate.

My partner and I live in Starksboro with our two sons, on land that's long been in his family. In the past, we ran a small pasture-based livestock farm and currently homestead with a large garden, chickens, and a 300-tap sugar bush. I look forward to putting my experience and passion to use in supporting our vibrant Co-op community.

Debra Hurlburt

I am very excited to submit my application as a candidate for the MNFC Board of Directors. I have worked as a part-time cashier, and then as a substitute cashier for MNFC for approximately 10 years. I have enjoyed the direct contact with customers, seeing new ones, as well as long-time members, in this capacity. I enjoy the conversations and catching up. However, I am now looking to try a different experience, one in which I can still serve and be a part of the Coop.

I was born and raised in Salisbury, VT attended Middlebury Union High School, and remember the Coop in its many iterations. I have seen it grow and expand in size, population, and activities. Good food is key to a healthy lifestyle and growing up in Vermont, my family always had a huge vegetable garden. My husband and I continue this tradition and believe it is important for people to have access to good quality food, foods that the Coop offers. Good food is definitely a passion for me.

For a bit of time, I moved to the North Shore of Massachusetts many years ago, had a career, married, and had a child. And whenever visiting my family in Vermont, the MNFC was a never-to-be-missed stop. But 20 years later, our family decided to move back to Salisbury to be closer to family and friends.

I have extensive experience working with boards and commissions; while living in Salem, Mass, I worked or volunteered in many capacities on them. I find that in this capacity, working in the group dynamics is vital and stimulating. I continued the service of volunteering on boards in Salisbury when we moved back to Vermont. I thoroughly enjoy working in this type of setting; it is interesting and rewarding.

My family is grateful for the Coop, we have shopped here for many, many years and promote it every chance we can; it is a gem in Middlebury.

I appreciate your consideration to serve on the Board! Happy spring!



Ann LaFiandra



incumbent

During my first three-year term on the board I have learned a great deal about food, cooperative governance, and our Coop specifically, especially during the final phase of the recent expansion. I'd be grateful for a second term to utilize that experience for the growth and health of our Coop.

I will continue to look for ways to expand our appeal to the greater community, so more people will feel welcome and able to access healthy food.

I moved to Vermont in 1973 to teach, met my husband and subsequently raised three children. I grew up with home grown organic food in the 1950's without realizing how lucky I was, so having a large family garden in Middlebury was a foregone conclusion. I joined what was then a pre-order buying group in 1974, which became the Middlebury Natural Food Coop in 1976. Over 40 years later it continues to evolve and serve Addison County, and I would be honored to help for the next three years.

Amanda Warren



incumbent

I have served as Vice President of the Co-op board for the last two years, and I have been a board member since 2016. Over my first term, I have found the work deeply meaningful, and I have brought a unique perspective to the board's work because of my background in collaborative leadership, agriculture, and education.

I frequently get asked why I choose to be a Co-op board member. We are all familiar with the refrain "voting with your dollars". I choose to spend my money at the Co-op because I believe in this slogan. I choose to be a member of the Board of Directors because I similarly believe in the concept of "voting with your time." Being a member of the board allows me to "spend" my time committing to democracy. Wendell Berry writes: "No matter how much one may love the world as a whole, one can live fully in it only by living responsibly in some small part of it." Participating in the democratic leadership of a cooperatively owned, local business allows me to practice living responsibly in my small part of the world.

As Co-Director at Bridge School, I bring a unique perspective to the Co-op board. In my work at Bridge, I sit on the other side of the board table. Therefore, within the Co-op, I bring the perspective of being an employee within an organization that is governed by a board. I bring a sense of empathy and a holistic perspective.

I have been a MNFC member-owner, and a part of the agricultural community of Addison County since I first came to Middlebury College in 2008. Both as a college student, and since graduating, the agricultural community has played a significant part in my life, as both my husband, David Dolginow, and I have worked on local vegetable farms and apple orchards.

The Co-op, and the entire agricultural community has been integral to my life over the last ten years. I am excited to continue giving back to this community as Vice President of the Co-op board.

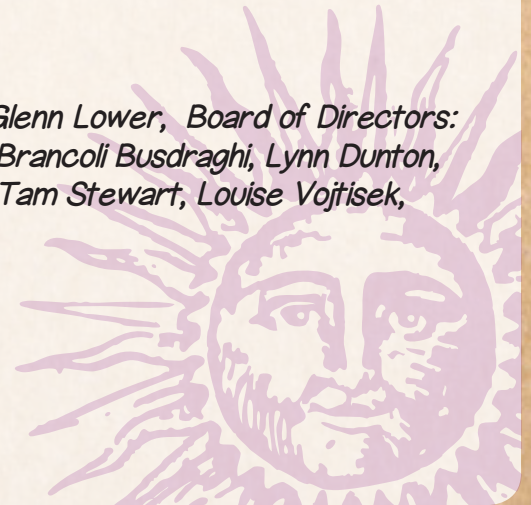
Dear Member-Owners,

Concluding a long and collaborative process, the MNFC Board of Directors recently voted unanimously to approve this updated draft of our co-op's By-Laws for your approval. We now encourage you to vote YES as well to make the updates official.

This project began when we found that the By-Laws had remained mostly unchanged for nearly forty years. The goal was to make them clearer, simpler, and even more consistent with our values and with the best practices of other food co-ops. We are confident that this draft achieves those objectives. (For more details, please see the President's Letter in this Report, as well as the list of significant changes below.)

Cooperatively Yours,

*The MNFC Leadership Team, General Manager Glenn Lower, Board of Directors:
R.J. Adler, Molly Anderson, Nadine Barnicle, Ilaria Brancoli Busdraghi, Lynn Dunton,
Sophie Esser Calvi, Kate Gridley, Ann LaFiandra, Tam Stewart, Louise Vojtisek,
and Amanda Warren*



Here is a list of significant proposed changes:

- ✦ Allow for electronic voting as a convenient way to increase participation in the democratic process.
- ✦ Add language to allow for runoff elections in the event of a tie (rather than the Board choosing between the tied candidates, as is currently written).
- ✦ Provide language for reconciling the membership records for shareholders who have abandoned shares in the co-op and comply with VT state law.
- ✦ As our co-op has grown to over 5,200 member-owners, our goal is to reduce the required signatures for petitioning a special meeting, from 10% to "5% of the total number of member-owners or 200 member-owners, whichever is less."
- ✦ Add "employees and spouses or family members of employees may not serve as a Director." Peer co-ops point out the inherent conflict of interest due to employee board members being the employer of the GM who is also their employer.
- ✦ Remove "member-owners shall also be permitted to contribute services for additional discounts and other entitlements as determined by the Board." Our goal is to continue the practice of voluntary member-workers as long as possible, but remove it from the bylaws to allow flexibility in the future.
- ✦ Remove "goods and services at the lowest possible cost". It is our goal to provide the fairest prices possible to both members and customers, while also balancing other factors such as a fair price to farmers/producers, and fair compensation for employees, all while keeping the co-op financially sustainable.
- ✦ Remove "non-profit", because the Co-op is technically not a 501c3 non-profit. This language was from an earlier era and does not currently legally apply. The Co-op does make a profit (about 2%) most years, pays taxes on those profits and uses them to build a better community.

Proposed MNFC Bylaws 2019

Please review before voting on these changes

Article I: Organization

1.1 *Name. The name of the organization will be the Middlebury Natural Foods Cooperative (henceforth the "Cooperative").*

1.2 *Ownership and Purpose. The Cooperative will be owned by its members. The objectives of the Cooperative are to provide a democratic, member-owned cooperative organization; to provide healthy foods and other useful goods and services; to encourage patterns of production and consumption that are ecologically sound and healthful; and to serve as a center for activities, education and services consistent with these objectives.*

Article II: Membership

2.1 *Eligibility. Membership in the Cooperative will be open to any individual who is in accord with its purposes and is willing to accept the responsibilities of membership.*

2.2 *Nondiscrimination. Membership will be open without regard to any characteristic that does not directly pertain to an individual's eligibility.*

2.3 *Admission. Any eligible individual may be admitted to membership upon submitting an application and investing equity in an amount and on such terms as determined by the Board of Directors (henceforth the "Board").*

2.4 Rights. Member-owners have the right to elect the Cooperative's Board, to attend meetings of the Board, to receive notice of and attend membership meetings, to petition as described in these bylaws, and to approve amendments to these bylaws. Each member-owner has one vote and no more on all matters submitted to member-owners. The rights of member-owners will apply only to active member-owners in good standing. All rights and responsibilities of member-owners are subject to applicable state law, to the bylaws as they may be amended from time to time, and to policies and decisions of the Cooperative or the Board.

2.5 Responsibilities. Member-owners will keep current in equity investments due to the Cooperative, will keep the Cooperative informed of any changes in name or current address, and will abide by these bylaws and the policies and decisions of the Cooperative or the Board. Member-owners will also patronize the Cooperative. A member-owner who upholds these responsibilities is considered an active member in good standing.

2.6 Termination of Membership. A member-owner may terminate his or her membership voluntarily at any time by written notice to the Cooperative. Membership may be terminated involuntarily by the Board for cause after the member-owner is provided written notice of the reasons for proposed termination and has thirty (30) days from the date of notice to contest the termination in person or in writing. Cause may include intentional or repeated violation of any provision of the Cooperative's bylaws or policies, actions that will impede the Cooperative from accomplishing its purposes, actions or threats that adversely affect the interests of the Cooperative or its member-owners, willful obstruction of any lawful purpose or activity of the

Cooperative, breach of any contract with the Cooperative, or failure to patronize the business for more than two and a half (2.5) years.

2.7 Return of Equity. Equity shall be returned upon termination of membership in the Cooperative, under terms determined by the Board, and provided that the Board has determined that the equity is no longer needed by the Cooperative. Each member-owner also agrees that if he or she fails to cash the equity return check within ninety (90) days of the date on which it was issued, the Cooperative will have the right to retain the equity, or to make a contribution in the name of the former member-owner to support the local food system or other organizations aligned with the Cooperative's purpose in a manner as may be directed by the Board.

2.8 Transferability. Transferability of shares by member-owners is under the authority of the Board of Directors.

Article III: Member-Owner Meetings and Decision Making

3.1 Annual Meeting. A membership meeting will be held each year at a time and place to be determined by the Board. The purpose of such meetings will be to hear reports on governance, operations and finances, to review issues that vitally affect the Cooperative, and to transact such other business as may properly come before the meeting.

3.2 Special Meetings. The Board may call special meetings of the membership. The Board will call a special meeting if presented with a written petition stating a proper purpose and signed by five percent (5%) of the total number of member-owners or 200 member-owners, whichever is less.

Notice of special meetings will be issued to member-owners. In the case of a petition, notice of the special meeting will be issued within ten (10) days after a presentation of the petition to the Board. No business will be conducted at that special meeting except that specified in the notice of meeting.

3.3 Notice of meetings. Notice of the date, time, place and purpose of each meeting of the membership will be posted in a conspicuous place at the Cooperative and communicated to members not less than fifteen (15) days prior to the date of the meeting.

3.4 Voting. Voting on all matters that member-owners are entitled to vote upon will be accomplished through paper or electronic ballots, or both, as authorized by the Board. Unless otherwise specified in these bylaws, notice of the vote will be posted in a conspicuous place at the Cooperative and communicated by written notice delivered to member-owners' postal or electronic address not less than fifteen (15) days prior to the end of the voting period. Unless otherwise stated in the articles of incorporation, or these bylaws, or required by law, all questions will be decided by a vote of a majority of the member-owners voting thereon. Proxy voting is not allowed.

3.5 Quorum. At any meeting of the member-owners, or for any vote of the members, a quorum necessary for decision-making will be five percent (5%) of the total number of member-owners or 200 member- owners, whichever is less.

ARTICLE IV: Board of Directors

4.1 Powers and Duties. The Board will be composed of eleven (11) Directors. The Board will have full power to govern the Cooperative and assure that its mission is articulated and carried out except

for matters for which member-owner voting is required.

4.2 Eligibility. Directors must be member-owners of the Cooperative in good standing. Employees and spouses or family members of employees may not serve as a Director. A person with a conflict of interest so on-going and pervasive that he or she is unable to effectively fulfill the responsibilities of a director with the Cooperative may not serve as a Director.

4.3 Terms and Elections. Elections will occur annually, in a manner prescribed by the Board. Directors will serve a term of three (3) years and will serve staggered terms. In the event of a tie vote for Director, there will be a runoff election.

4.4 Vacancies. Any vacancy among Directors may be filled by a majority vote of the remaining Directors. A Director so elected will serve until the end of the pertinent term.

4.5 Removal. A Director may be removed by decision of two-thirds (2/3) of the remaining Directors for conduct contrary to the Cooperative or failure to follow Board policies. A Director may be removed by decision of the member-owners in accordance with the petition and voting provisions of these bylaws.

4.6 Board Meetings. The Board will hold regular and special meetings at such time and place as it will determine, and all Directors will be notified in writing of said meeting at least five (5) days in advance, unless the Board agrees to a shorter notice. The Board will provide reasonable notice

of all Board meetings to member-owners. Attendance at any meeting constitutes waiver of notice of that meeting. Meetings will be open to all member-owners unless the Board decides to go into executive session regarding confidential or proprietary matters such as: labor relations or personnel issues; negotiation of a contract; discussion of strategic goals or business plans, the disclosure of which would adversely impact the Cooperative's position in the marketplace; and/or discussion of a matter that may, by law or contract, be considered confidential.

4.7 Action Without a Meeting. Any action required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting if a written consent to the action is given by all Directors and filed with the minutes of the meetings.

4.8 Quorum. A majority of current Directors will constitute a quorum for the transaction of business at any meeting of the Board of Directors. Decisions of the Board of Directors shall be made by majority vote of Directors present.

4.9 Conflicts of Interest. Directors will be under an affirmative duty to disclose their actual or potential conflicts of interest in any matter under consideration by the Board, and such interest will be made a matter of record in the minutes of the meeting. Directors having such an interest will be permitted to make a statement with regard to the matter and shall then be required to leave the meeting room. A transaction in which a director has an interest will be prohibited unless the transaction is fair to the Cooperative and is approved by no less than a two-thirds majority of all disinterested directors.

4.10 *Officers.* The Board will elect officers as necessary for the effective conduct of Board business, consistent with any requirements of state law.

4.11 *Indemnification.* The Cooperative will indemnify and reimburse each present, past and future Director or Officer for any claim or liability (including expenses and attorneys' fees actually and reasonably incurred in connection therewith) to which such person may become subject by reason of being a Director or Officer, to the full extent allowed by law, except to the extent the Director or Officer acted in bad faith.

ARTICLE V: Patronage Dividends

5.1 *Allocations to member-owners.* The Cooperative will allocate and distribute to member-owners the net profit from business done with them in such a manner that the allocation and distribution qualify as patronage dividends consistent with cooperative principles, applicable state and federal laws and generally accepted accounting principles. The Board will determine when and how such allocations and distributions will be made.

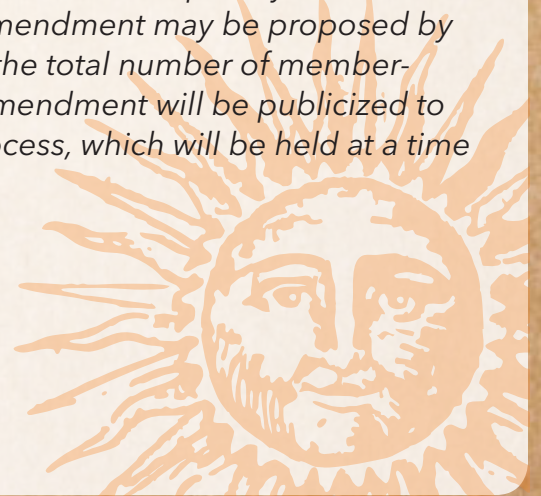
5.2 *Consent of member-owners.* By obtaining or retaining membership in the Cooperative, each member-owner consents to take into account, in the manner and to the extent required by federal and state tax law, any patronage dividend received from the Cooperative. Each member-owner also agrees that if his or her patronage dividend is not cashed within ninety (90) days of the date on which it was issued by the Cooperative, the Cooperative will have the right to make a contribution in the name of that member to support other organizations aligned with the Cooperative's purpose in a manner as may be directed by the Board from time to time.

ARTICLE VI: Dissolution and Liquidation

6.1 *Asset Distribution.* The Cooperative may be dissolved or liquidated upon a decision of the Board and a two-thirds (2/3) vote of the member-owners who participate in the vote. Upon dissolution of the Cooperative, its assets will be distributed in the following manner and order: (i) by paying or making provision for payment of all liabilities and expenses of liquidation; (ii) by redeeming any equity accounts which, if they cannot be paid in full, will be paid on a pro rata basis; (iii) by distributing any remaining assets in a way that furthers the Cooperative's mission, as determined by the Board.

ARTICLE VII: Bylaws

7.1 *Amendments.* These bylaws may be amended or repealed in whole or in part by a two-thirds (2/3) vote of the member-owners who participate in the vote. An amendment may be proposed by decision of the Board or by petition of at least five percent (5%) of the total number of member-owners or 200 member-owners, whichever is less. The proposed amendment will be publicized to the membership not less than four (4) weeks prior to the voting process, which will be held at a time and in a manner determined by the Board.



MNFC

1 Washington Street
Middlebury VT, 05753

**PRESORT STANDARD
U.S. POSTAGE**

PAID

**PERMIT NO. 56
MIDDLEBURY, VT**