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CO-OPERATIVE GROCERY INC.

General Bylaws of The Mustard Seed Co-operative Grocery Inc.

Article 1 – General

1.1 Name: The legal name of the Co-op is The Mustard Seed Co-operative Grocery Inc. (hereinafter, the “Co-op”).ⁱ

1.2 Principal Office: The head office of the Co-op shall be located within the City of Hamilton or such place therein as the directors may from time to time determine.

1.3 Act: In these bylaws, “Act” means the Ontario *Cooperative Corporations Act*, RSO, 1990 C. 35 and its regulations. Unless the context indicates otherwise, all words and phrases used in these bylaws shall have the same meaning as in the Act.

Article 2 – Membership

2.1 Eligibility and Admission: Membership in the Co-op shall be voluntary and open to any individual over the age of 16, and to those incorporated entities who are accepted as members, whose purpose in seeking membership is to use its services and is willing to accept the responsibilities of membership. Applicants will be admitted to membership upon submitting required information and purchasing a membership at a price that is in accordance with the current fee as determined by the Board of Directors. All membership applications shall be subject to approval by the Board at any time within three months of application. Two or more persons may jointly hold a membership provided they are members of the same household and over the age of 16. Joint members within a household constitute one vote for all member voting matters and only one of the joint members may be nominated for or serve on the Board of Directors.ⁱⁱ

2.2 Non-discrimination: The Co-op shall not discriminate on the basis of race, nationality, religion, gender, sexual orientation, political affiliation, disability or other arbitrary basis. Membership shall be open to all who agree to accept the obligations of membership as specified in the membership application.

2.3 Economic Benefits for Households: Economic benefits of membership in the Co-op extend to the household (those residing at a common address).

2.4 Economic Benefits for Incorporated Entities: Economic benefits of membership in the Co-op extend to the legal member and not to the individuals working for the entity.

2.5 Notification to Member-Owners: Once a membership application has been approved by the board, the applicant becomes a member-owner of the Co-op. Each new member-owner shall be provided with a copy of these bylaws or a link to these bylaws.

2.6 Rights: Each member-owner shall be entitled to make purchases from the Co-op on terms generally available to member-owners, to receive benefits and entitlements on an equal or ratable basis with other member-owners, and to participate in the governance of the Co-op as set forth in these bylaws.

2.7 Responsibilities: Each member-owner shall keep current regarding payment of the membership fee described in Section 2.1 and shall notify the Co-op of any change to his or her contact information. A member-owner who is more than six months delinquent in paying his or her fee, or who fails to patronize the Co-op for a period of time determined by the board, shall have his or her participation rights suspended. References herein to the rights and entitlements of members, except with respect to rights to redemption of capital funds, shall be understood to refer only to members in good standing.

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2.8 Non-transferability: Neither membership nor membership rights and interests may be transferred. Any attempted transfer contrary to this section shall be wholly void and shall confer no rights on the intended transferee.

2.9 Limited Liability of Members: Member-owners shall not be liable for any debts or obligations of the Co-op except as otherwise provided by law.

2.10 Access to Information: Member-owners shall be provided reasonably adequate and timely information as to the organizational and financial affairs of the Co-op. Members shall be provided financial statements of the Co-op, minutes of annual meetings or special meetings of member-owners, and other information required by law. Such access shall be at a reasonable time and for a proper purpose.

2.11 Settlement of Disputes: In any dispute between the Co-op and any of its members, or those formerly having such status, which cannot be resolved through informal negotiation, it shall be the policy of the Co-op to prefer the use of mediation whereby an impartial mediator may facilitate negotiations between the parties and assist them in developing a mutually acceptable settlement. No party with a grievance against the other shall have recourse to litigation until the matter is submitted to mediation and attempted to be resolved in good faith.

2.12 Termination: Membership may be terminated voluntarily by a member-owner at any time after the first operating year upon written notice to the Co-op. Membership may be terminated involuntarily for cause by the board in accordance with the procedures outlined in the Act of Ontario, provided that the member-owner is accorded the opportunity to respond to the charges either in person or in writing. Upon termination of membership, all rights and interests in the Co-op shall cease except for rights to redemption of capital funds pursuant to Article 7.4 of these bylaws.

2.13 Administration of Membership: The board shall set, or shall delegate the authority to set, the forms of applications to commence, continue, and terminate membership, the initial and subsequent fees to be paid by members, and the procedures to accept memberships and redemptions of membership fees.

Article 3 – Meetings of Member-Owners

3.1 Annual Meeting of Member-Owners: A meeting of member-owners will be held annually at a place within the City of Hamilton and a time determined by the directors, and should be held no later than five months after the end of each fiscal year.

3.2 Special Meetings: A special meeting of the members may be called by the board at any time, in the manner prescribed by the Act. The board must call a special meeting of members within 60 days of receipt of a written petition signed by at least 5% of member-owners which specifies the general nature of the business to be presented at the special meeting, provided that purpose is not inconsistent with the Act. The agenda will be limited to the specific items listed on the petition.

3.3 Notice: Written notice of the place, date and time of any meeting of member-owners shall be provided to member-owners at least 10 calendar days prior to the date fixed for the holding of such a meeting. The notice shall include the purpose of the meeting and a description of any matter or matters that shall be approved by the members. Only the business stated in the notice calling the meeting may be transacted. Any member may request postal delivery of notice in place of electronic communication. Accidental omission to give notice to any member or the non-receipt of any notice by any member shall not invalidate any resolution passed or any proceedings taken at such meeting. If any notice is returned, the Co-op is not required to send any further notices to such member until the member informs the Co-op in writing of his or her new electronic or postal address.

3.4 Quorum: The presence in person at the opening of a meeting of fifty member-owners or ten percent of all member-

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owners, whichever is lesser, shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of member-owners. No decision shall be made at any meeting unless the requisite quorum is present.

3.5 Absence of Quorum: If at any annual or special meeting a quorum is not present within 45 minutes of the time for which the meeting is called, the meeting shall be dissolved and adjourned to a date not more than 30 days thereafter. The decisions of the rescheduled meeting shall be binding provided at least twenty members are present.

3.6 Record Dates: Unless otherwise determined by the board, only persons who are member-owners prior to the start time of the annual or special meeting shall be entitled to vote at such meeting.

3.7 Voting: All meetings of member-owners will be subject to the following modified consensus model.

3.7.1 Prior to any voting, group consensus decision making will be used at the Chair's discretion.

3.7.2 For matters brought to a vote, each member-owner shall have one vote, and unless otherwise decided or mentioned elsewhere in these bylaws or in the Act, matters will be decided by majority vote. Incorporated entities shall designate one representative to attend and vote on their behalf. No member of the Co-op may vote by proxy. All questions shall be decided by a show of hands, unless written ballots are authorized by the board or requested by a member prior to a vote and approved by the board.

3.7.3 The Chair, as a member, may exercise his or her vote on a question, and shall not have a second vote in the event of a tie.

3.7.4 Voting to elect directors, except to fill a vacancy as described in Article 4.4, must be by written ballots. Member-owners will elect directors during a period determined by the board which will terminate at the annual meeting of the member-owners. Vacant seats will be awarded to the candidate(s) with the greatest number of votes, and so on until all seats are filled. Voting ballots to include the option to select 'Vacant Seat' to allow members to reject some or all of the candidates if necessary. In the event of a tie for the final seat, the deciding vote will be cast by the board. – *Amended April 14, 2014*

3.8 Presiding Officer: The President, or other designee as determined by the board, shall preside at member-owner meetings. However, if at a meeting the President or designee is not present within 15 minutes after the time appointed for the holding of the meeting, the directors present shall choose a person from their number to be the Chair, provided quorum is present.

3.9 Nominations: The board is responsible for recruiting and reviewing interested candidates for the Board of Directors throughout the year. At least three months prior to the annual meeting of the member-owners, a Nominating Committee will be established by the board and a Chair appointed. The Chair of the Nominating Committee will call upon directors and member-owners to sit on the committee, which will propose a slate of candidates. Candidates may also be proposed in writing by any member-owner to the committee, provided those candidates are proposed at least 30 days prior to the designated nomination meeting. The committee will not be enlisted in the event of vacancies with a balance in the term of less than one year as such vacancies shall be filled in accordance with Article 4.4 of these bylaws.

Article 4 – Board of Directors

4.1 Number and Composition: The Board of Directors will consist of five to eleven (the exact number to be determined from time to time by the directors) member-owners elected by the member-owners. Each board member shall be at least 18 years of age and must meet the requirements necessary to obtain and maintain all licenses and permits for providing the services of the Co-op and cooperate fully in any application process for obtaining and maintaining such licenses and permits. A person

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with an overriding conflict of interest with the Co-op shall not be qualified to serve as a director. Ideally, the board will reflect the diversity of member stakeholders, including workers, consumers, and producers.

4.2 Term of Office: Directors will be elected for three year board service terms at the annual meeting of member-owners. Terms of office shall be so staggered that one-third shall expire in each year. Directors shall hold office until their successors are elected. A 'board service year' is the time between successive annual meetings. Directors shall be eligible for serving for a maximum of three consecutive terms.

4.3 Termination: The term of office of a director may be terminated prior to its expiration in any of the following ways: (a) voluntarily by a director upon notice to the Co-op; (b) automatically upon termination of membership in the Co-op; (c) by action at a meeting of member-owners whenever the best interests of the Co-op would thereby be served; (d) for cause by member-owners or by the board provided that the accused director is accorded the opportunity to respond to the charges in person or in writing; (e) by a vote of two-thirds of the board; (f) if that individual dies or becomes disqualified under the Act. A director who is absent from three consecutive board meetings, unless excused by the board for good cause, shall be considered as having resigned.

4.4 Vacancies: Whenever any vacancy occurs on the board, the remaining members thereof, so long as there is a quorum in office, may appoint a member to the said board to serve until the next commencement of term (the next annual meeting). At the annual meeting, if there remains a year or more on the term of office of the director causing the vacancy, the members shall elect a candidate to fill the remainder of the term.

4.5 Remuneration: Directors will serve without pay, except that the board by resolution, confirmed by the membership of the Co-op at an annual meeting or a special meeting or by a two-thirds affirmative vote of all disinterested directors, may award special remuneration to any director undertaking special services on behalf of the Co-op other than the work ordinarily required of a director. A director shall not attend or otherwise participate in any portion of a meeting of the board at which the board is considering engaging such director in any capacity involving remuneration. Officers and directors shall be entitled to reimbursement for actual expenses incurred in attending board meetings or other business of the Co-op. Such expense claims shall be approved by two additional directors and must be accompanied with receipts.

4.6 Contracts for Profit: During her or his term of office, a director shall not be a party to a contract for profit with the Co-op which in substance differs in any way from other similar contracts.

4.7 Conflict of Interest: Directors shall be under an affirmative duty as per the Act and these bylaws to disclose their actual or potential conflicts of interest in any matter under consideration by the board. Directors having such an interest may not participate in the discussion or decision of the matter. This interest must be disclosed and recorded in the minutes of the meeting of the Board of Directors. A transaction in which a director has an interest shall be prohibited unless the transaction is fair to the Co-op and is approved by no less than a two-thirds majority of all disinterested directors. The person having such an interest will refrain from voting upon or in any way influencing or attempting to influence such decision.

When another party, Director, staff, or Member, perceives a conflict of interest, that party has the duty to present their case in writing to the Board either via the Chair, or via another Director. The Board will then assess and resolve the asserted conflict of interest.

4.8 Standards of Conduct: Directors shall be responsible at all times for discharging their duties in good faith and with that degree of care which an ordinarily prudent person in a like position would use under similar circumstances and in a manner that they reasonably believe to be in the best interests of the Co-op and in accordance with the Act.

4.9 Powers and Duties: The business and affairs of the Co-op shall be managed under the direction of the board. The board shall make all necessary rules and regulations consistent with the law and with these bylaws. The board shall have power to

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hire, oversee and dismiss a General Manager or management team to coordinate and facilitate the daily functioning of the Co-op.

4.10 Indemnification: In order to attract and retain qualified people to serve as directors and officers, the Co-op shall indemnify its directors and officers as required or permitted under Ontario law.

4.10.1 Every director and officer and his or her heirs, executors, administrators, and other legal personal representatives shall from time to time be indemnified and saved harmless by the Co-op from and against any liability and all costs, charges, and expenses that he or she sustains or incurs in respect to any action, suit, or proceeding that is proposed or commenced against him or her in respect of the execution of the duties of his or her office and all other costs, charges, and expenses that he or she sustains or incurs in respect of the affairs of the Co-op.

4.10.2 Indemnification payments 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.

4.10.3 No director or officer of the Co-op shall be indemnified by the Co-op in respect to any liability, costs, charges or expenses that he or she sustains or incurs in or about any action, suit or other proceeding as a result of which he or she is adjudged to be in breach of any duty or responsibility imposed upon him or her under the Act or under any other statute unless, in an action brought against him or her in his or her capacity as director or officer, she or he has achieved complete or substantial success as a defendant.

4.11 Committees: The board may establish standing and ad hoc committees. Non-director members may be voting members of any committee of the board. At minimum, one director will sit on each committee. The board may not establish an Executive Committee (a committee of the board which has all the powers of the board).

Article 5 – Meetings of Board of Directors

5.1 Regular Meetings: Regular board meetings will be held according to a schedule determined by the board, not less than quarterly and at a place within the City of Hamilton. A portion of the meeting may be devoted to hearing member-owners' concerns. Additional member-owner participation during board meetings is at the discretion of the Chair. Sessions of a board or committee meeting may be closed to discuss issues of personnel, litigation, real estate or other issues of a sensitive nature as determined by the Board.

5.2 First Meeting of Newly Elected Board: The incoming board will hold a board meeting within one month after the election of new directors at the annual meeting of the member-owners.

5.3 Special Meetings: Special meetings may be called by two-thirds of the directors at any time.

5.4 Notice: Meetings called by resolution of the board shall require no notice other than such resolution, 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, and notice shall ideally be delivered at least five days before the date of the meeting. Notices of meetings of the board shall also be publically posted in a timely manner, but the failure to do so shall not affect the validity of the meeting.

5.5 Quorum: A majority of the directors shall constitute a quorum, or fifty percent plus one if there is an even number of directors.

5.6 Official Acts of the Board: Questions arising at any meeting of the board shall be decided using group consensus

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decision making. If a consensual decision cannot be made within the time required for a decision, as decided by the Chair, then the board will act by majority vote of those present at a meeting with a quorum. The Chair, as a director, may exercise his or her vote on a question, and shall not have a second vote in the event of a tie.

5.7 Participation by Telecommunication: If a majority of directors of the Co-op consent, a director may participate in a meeting of the board by means of telephone, electronic, or other communications facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and a director participating in such a meeting by such means is deemed to be present at the meeting. Any such consent shall be effective whether given before or during the meeting to which it relates, and may be given with respect to all meetings of the board and of committees of the board.

5.8 Action Without a Meeting: Decisions of the board may be made without a meeting if a consent in writing, stating the action to be taken, is signed or emailed by all directors and filed with the minutes.

Article 6 – Officers and Employees

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 from time to time. None of the said officers except the President and Vice President need be a member of the board of directors.

6.2 Election, Terms of Removal: Officers shall be elected by the board at its first meeting following the annual meeting of member-owners. Officers shall serve for terms of one 'board service year' or until election of their successors. Officers may be removed and replaced by a majority decision of the board at any time whenever the best interests of the Co-op would thereby be served, in accordance with Article 9.1.

6.3 Delegation: In the case of the absence or inability to act of the President, Vice President or any other officer, the directors may delegate all or any of the powers of such officer to any other officer or to any director for the time being, provided that a majority of directors concur therein.

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:

6.4.1 The **President** shall be responsible for ensuring the orderly conduct of all meetings, coordinating the activities of the board, maintaining effective communication with the General Manager or management team, signing all instruments which require his or her signature, and shall deliver a report of board operations to the annual meeting of member-owners;

6.4.2 The **Vice President** shall be responsible for performing the duties of the President in his or her absence or disability and, as requested or assigned, shall assist other officers in the performance of their duties;

6.4.3 The **Secretary** shall be responsible for the recording and keeping of adequate minutes of all meetings of the board and of the member-owners, assuring the safe-keeping of corporate records including legal documents and membership database, issuing notices required under these bylaws, and authenticating records of the Co-op; and

6.4.4 The **Treasurer** shall have the care and custody of all the funds and securities of the Co-op, 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 member-owners.

6.5 General Manager: The directors may appoint a general manager or a management team who shall not be one of the

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directors of the Co-op and may delegate to him, her or them full authority to manage and direct the affairs of the Co-op except such matters and duties as by law must be transacted or performed by the directors or by the members in an annual meeting. The management shall be under the supervision of the board.

Article 7 – Capital Funds

7.1 Issuance: To evidence borrowed funds or loans provided by member-owners, the Co-op shall issue promissory notes. Promissory notes may be issued only to persons eligible for and admitted to membership in the Co-op and shall be issued only upon full payment of their subscription price.

7.2 Terms: Promissory notes shall accrue an interest rate as determined by the board and shall be issued based upon the capital needs of the Co-op.

7.3 Certificates: Owners of fully-paid promissory notes shall be entitled to receive one or more certificates evidencing such holdings. All certificates shall be signed by the President or Vice-President and recorded by the Co-op. The Co-op may issue a replacement for any certificate alleged to have been lost, stolen or destroyed without requiring the giving of a bond or other security against losses.

7.4 Redemption of Membership Fees: A member, upon terminating their membership to the Co-op, may elect to request a refund of their membership fee or to donate their fee. A refund of membership fees is at the board's discretion based on the availability of replacement capital. If a member does not request a refund of their membership fee, the funds will become equity of the Co-op six months after the membership is terminated, and the member deemed to have donated the fee to the Co-op. A member who has not shopped at the Co-op for a period of 18 months shall be considered to have voluntarily terminated their membership. Redemption proceeds shall be subject to a reasonable processing fee that may be set by the board. Re-applications for membership after redemption shall be subject to the current membership terms.

7.5 Grants and Other Funding: The Co-op may accept contributions from any source subject to the approval of the board and may from time to time conduct fundraising activities unless the receipt of such monies places an obligation upon the board, or any member or the board or Co-op that is inconsistent with the purpose of the Co-op or with the Act.

Article 8 – Fiscal Matters

8.1 Fiscal Year: The fiscal year of the Co-op shall be October 1 – September 30. The Board shall notify the membership of any change to the fiscal year.

8.2 Annual Audit and Report: The operations of the Co-op for each fiscal year shall be audited by an experienced bookkeeper, accountant, or auditor as appointed by the member-owners at each Annual General Meeting. No person will be appointed as an auditor of the Co-operative who is a person that is disqualified by the Act from being an auditor for the Co-operative. A written report of the audit, including a statement of services rendered by the Co-op, with total amount of business transacted, balance sheet, and income and expense statement shall be submitted to the annual meeting of member-owners and shall at all times be available for inspection by any member-owner.

Article 9 – Fundamental Changes

9.1 Reserved Rights of the Membership: Only the membership, voting according to Article 3.7, can amend the Articles of Incorporation in accordance with Article 9.2, sell or distribute assets of the Co-op (other than in the normal course of business) in accordance with Article 9.4, and fill vacancies on the board of more than one year remaining in the term in accordance with Article 3.7 and Article 3.9. Only an affirmative vote of two-thirds of the member-owners present at a meeting

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or an affirmative two-thirds vote of the disinterested directors voting according to Article 3.7 can remove directors without cause in accordance with Article 4.3. Only two-thirds of the member-owners present at a meeting and voting according to Article 3.7 can dissolve the Co-op in accordance with Article 9.4.

9.2 Amendments to the Articles of Incorporation: A two-thirds affirmative vote of the member-owners present at a meeting and voting according to Article 3.7, in concert with consultation with a legal advisor as selected by the Board of Directors, is required to amend the Articles of Incorporation. Amendments to the Articles of Incorporation must be properly filed by the Secretary and must be in accordance with the Act.

9.3 Amendments to the General Bylaws: Amendment of these bylaws requires passage by the board and confirmation by affirmative vote of two-thirds of member-owners present at a meeting held after due written notice setting forth the proposed action. These bylaws can also be amended by a two-thirds vote of the board, but any amendment adopted by the board shall be reported to the next annual meeting of member-owners and, if not affirmatively approved thereat, shall cease to be in effect. Whenever the Act or regulations under that Act require the filing of bylaw amendments with agencies of the Ontario Government, it shall be the duty of the Secretary to file a copy of the amended bylaws, certified by the President and Secretary, within the time limit required by the act or regulations. Approved amendments to the bylaws become effective immediately following their adoption by the board and approval by the members, provided quorum is present.

9.4 Dissolution of the Corporation: Dissolution can proceed only with two-thirds vote of member-owners present at a meeting called and conducted in accordance with Article 3. In the event of a dissolution of the Co-operative, all decisions pertaining to the disposal of assets and the general winding up of the business is to be decided by the Members of the Co-operative by Resolution at a meeting called for that purpose. The net assets remaining after the discharge of all liabilities shall be given to non-profit co-operative and/or charitable organizations as the Members determine by resolution". I think ensuring that those decisions proceed as per any other decision (i.e. with Member approval) is the best way to proceed. Notice of dissolution must be provided to the member-owners of the Co-op.

9.5 Authorization of Material Acquisitions: The purchase, lease, or other acquisition of real or personal property by the Co-op which would result in a substantial and material change in the business, assets or operation of the Co-op, and which would require the Co-op either to raise additional capital from its members or to pledge all or substantially all of its real property as security for a loan in order to complete such a purchase, lease or other acquisition, must be authorized by a special resolution passed by two-thirds of member-owners present at a meeting and voting according to Article 3.7.

Article 10 - Miscellaneous

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.

President

Secretary

Date

Date

Amended June 20, 2016

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ⁱ Deletion of comma in official name approved by BoD on June 20, 2016

ⁱⁱ Joint ownership approved at 2016 AGM March 3, 2016