

BASICS COOPERATIVE BYLAWS

(as amended, June 2012)

Article I

Organization

Section 1.1 – Name. The name of the company is Basics Cooperative (referred to in these bylaws as "the Co-op").

Section 1.2 – Purpose and mission. The Co-op is formed to purchase and continue the business of its predecessor: Basics, Inc. By purchasing an ownership interest in the Co-op, each owner acknowledges that the Co-op will use the ownership fees and other resources available to the Co-op to purchase and continue such business. The purpose of the Co-op is to continue the mission of its predecessor: to provide groceries and other consumer goods and services to its owners and other patrons. The mission of the Co-op is to serve the community by: operating a socially responsible and financially sound business that provides a full selection of natural foods and quality products; offering a variety of necessities at basic prices; providing friendly, knowledgeable customer service; promoting awareness about food, nutrition, health, and cooperative values; and providing a workplace that fosters opportunities for participation, empowerment, and growth in an environment of mutual respect and cooperation. The Co-op is organized and shall be operated exclusively on a cooperative and nonprofit basis.

Section 1.3 – Cooperative principles. The Co-op shall be operated in accordance with the following cooperative principles: (i) voluntary and open ownership without arbitrary discrimination; (ii) democratic governance by owners with equal voting rights among owners; (iii) equitable economic participation by owners, with earnings being equitably applied to the benefit of owners in proportion to their patronage of the Co-op, to the development needs of the Co-op, and to the provision and extension of common services; and (iv) working for sustainable development of the Co-op's community.

Section 1.4 - Principal office. The principal office of the Co-op shall be located at 1711 Lodge Dr., Janesville, Wisconsin 53545.

Article II

Ownership

Section 2.1 - Admission. The Co-op shall have one class of members. Ownership in the Co-op shall be voluntary and open to any individual that desires to use the services of the Co-op and is willing to accept the responsibilities of ownership. A household group may share any individual's ownership, and a household group is defined as the individual owner, one other adult, and any dependent children. Whether or not a household group shares in any ownership, the individual owner shall be the owner of the Co-op and shall personally have all the rights and responsibilities of ownership. An applicant may become an owner of the Co-op upon submitting information required by the Board of Directors and paying an equitable ownership fee at a price and on terms determined by the Board of Directors. Ownership shall be subject to approval by

the Board, and the Board may establish a reasonable administrative fee to be charged in addition to the ownership fee.

Section 2.2 - Ownership purchase requirement. Each owner shall purchase an ownership interest, as provided in Section 2.1. Following purchase of the ownership interest, each owner shall renew her or his ownership by making at least one purchase at the Co-op each year. An owner who does not timely pay an installment of her or his ownership fee or fails to make an annual purchase at the Co-op shall become an inactive owner and shall have no rights as an owner of the Co-op, except as otherwise determined by the Board. An owner in inactive status may attain good standing only upon full payment of all arrearages and a processing fee, if any, as determined by the Board. References in these bylaws to the rights and entitlements of owners shall be understood to refer only to owners who are not inactive owners. Inactive owners may terminate their ownership, as provided in these bylaws.

Section 2.3 - Rights. Each owner 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 - Access to information. Each owner or applicant for ownership shall be provided with a copy of these bylaws. Owners shall have access to the books and records of the Co-op, as provided in and subject to the limitations of Section 185.47 of the Wisconsin Cooperative Association Act.

Section 2.5 - Non-transferability. Ownership rights and interests may not be transferred except to the Co-op. Any attempted transfer contrary to this section shall be wholly void and shall confer no rights on the intended transferee.

Section 2.6 – Termination. Ownership may be terminated voluntarily by an owner at any time upon notice to the Co-op. Ownership may be terminated involuntarily only for cause by the Board, provided the 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 or return of ownership fees pursuant to these bylaws.

Article III Meetings of Owners

Section 3.1 - Annual meeting. An annual meeting of owners shall be held no later than June 30 of each calendar year.

Section 3.2 - Special meetings. Special meetings of owners may be called by the Board and shall be called by the Secretary as soon as practicable upon receipt of petitions signed by the lesser of fifty owners or ten percent of all 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 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 time and place, and in the case of a special meeting the purposes of the meeting, shall be mailed or personally delivered to each owner not less than seven days or more than thirty days before the date of the meeting, which may be combined with any other mailings of the Co-op. The Co-op shall also endeavor to post the notices of meetings in a timely manner and in a conspicuous place in the Co-op's store.

Section 3.5 - Record dates. Unless otherwise determined by the Board, only persons who are owners at the close of business on the business day immediately preceding the date of distribution of notices shall be entitled to notice of any meeting of owners and to vote at such meeting.

Section 3.6 - Quorum and voting. The lesser of fifty owners or ten percent of all owners shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of owners. Except as otherwise set forth in these bylaws, each owner shall have one and only one vote on each issue submitted to a vote at a meeting of owners. Voting by proxy shall not be permitted. Unless otherwise required by law or by these bylaws, issues shall be decided by a simple majority of votes cast except where one or more choices are to be made from several alternatives, in which case the alternative(s) receiving the most votes shall be considered approved. The Board may establish any reasonable voting procedures to avoid the need for multiple rounds of voting. Meetings of owners shall be conducted generally in accordance with reasonable and accepted rules of parliamentary procedure.

Section 3.7 - Balloting by mail. The Board may authorize balloting by mail on any issue that may properly be brought before owners. Balloting by mail may be used in conjunction with, or in lieu of, a meeting of owners. When balloting by mail is used, the notice shall include a copy of the issue to be voted upon, together with a ballot and notification of the date by which ballots must be returned. If mail ballots are used in conjunction with a meeting of owners, votes cast by mail ballot shall be counted together with votes cast in person at the meeting. A vote cast by mail ballot shall be equivalent to presence in person by the owner at a meeting of owners.

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 corporate powers of the Co-op shall be exercised by or under the authority of the Board of Directors, and the business and affairs of the Co-op shall be managed by the General Manager under the direction of the Board of Directors (sometimes referred to in these bylaws as "the Board"). Subject to these bylaws, the Board may adopt such rules, regulations and resolutions as it may deem proper for the conduct of its meetings and the management of the Co-op. The duties of the Board shall include, without limitation, the following:

- Establishment of policies to further the mission and goals of the Co-op, to interpret and implement the mission and purpose of the Co-op, and to introduce proposals for change to the mission and purpose of the Co-op.
- Long-range financial planning.
- Selection, evaluation, compensation, hiring, and firing of the General Manager.
- Definition of the duties and authority of the General Manager.
- Employment of an accounting firm.
- Retention of board legal counsel.
- Approval of basic changes in financial structure.
- Approval of major plans and commitments.
- Approval wage and benefit structure.

Section 4.2 - Number and qualifications. The Board shall consist of five individuals. All directors shall be owners. No Co-op employee shall serve as a director at any time, and the General Manager shall not serve as a director.

Section 4.3 - Nominations, election, and terms. Directors may be nominated by the Board, by a committee of owners, or by petition signed by at least twenty-five owners and, if by petition, submitted to the Co-op at least forty-five days before commencement of election of directors. Directors shall be elected by owners at the annual meeting or at a meeting in lieu thereof. Terms of directors shall be so staggered that one-third of the terms, or as nearly so as may be practicable, shall expire in each year. Directors shall be elected for terms of two years. To facilitate staggering of terms, some directors may periodically be elected for one-year terms. Directors shall hold office until their successors are elected or until their terms are terminated sooner in accordance with these bylaws.

Section 4.4 - 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; and (iii) by vote of the Board or of owners at a meeting of owners, provided that written reasons for removal are included in the notice of the meeting and the director whose removal is sought has had an opportunity to answer the charges in person or in writing. The Board may remove any Director who fails to attend 3 consecutive meetings of the Board, by a vote of 2/3 of the Directors present at any meeting of the Board, not counting the Director to be removed.

Section 4.5 - Vacancies. Whenever a vacancy among directors occurs before a term of office has been completed, the board may appoint a director to fill the vacancy. Such director or directors shall serve until the next regularly scheduled election of directors.

Section 4.6 - Compensation of directors. Directors and/or officers shall receive stipends approved by the owners at a meeting of owners or by balloting in lieu of a meeting.

Section 4.7 - Standards of conduct. Directors shall be responsible at all times for discharging their duties in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances and in a manner that they reasonably

believe to be in the best interests of the Co-op. The Co-op may not lend money to, or guarantee the obligation of, a director.

Section 4.8 - Conflicts of interest. Directors shall 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 shall be made a matter of record in the minutes of the meeting. Directors having such an interest may not participate in the decision of the matter or in deliberations leading to such decision. A transaction in which a director has an interest may be approved only by a majority of directors who have no interest in the transaction and upon a determination that the transaction is fair to the Co-op.

Section 4.9 - Committees. The Board may appoint special or standing committees to advise the Board or to exercise such authority as the Board shall designate. Advisory committees shall include at least one director. Committees exercising any authority of the Board shall consist only of directors and shall conform to all procedural requirements applicable to the Board, provided, however, that the Board may establish a Budget and Finance Committee, which committee shall include the General Manager of the Co-op and any other Co-op employee(s) selected by the General Manager.

Article V

Meetings of the Board

Section 5.1 - Meetings. The Board of Directors 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. The Board shall meet at least once quarterly at a time and place determined by the Board of 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 also endeavor to post the notices of meetings of the Board in a timely manner and in a conspicuous place in the Co-op's store.

Section 5.3 - Waiver of notice. Any notice of a meeting required under these bylaws may be waived in writing at any time before or after the meeting for which notice is required. A person who attends a meeting shall be presumed to have waived notice unless the person attends for the express purpose of objecting to the transaction of business because the meeting is not lawfully convened.

Section 5.4 - Quorum. The presence in person of a majority of directors then in office shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the Board.

Section 5.5 - Decision making. The affirmative vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board or a committee of the Board.

Section 5.6 - 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. Such consents may be executed by e-mail. Any action without a meeting shall be read into the minutes of the next meeting of the board.

Section 5.7 - 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. Action at a closed session shall be read into the minutes of meetings at the first opportunity which would not compromise the sensitivity of the matters at issue. Owners may otherwise be excluded from board or committee meetings 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, all of whom shall be directors. The Board may designate other officers or assistant officers. The offices of Secretary and Treasurer may be held by one director. Employees of the Co-op are not eligible to serve as principal officers.

Section 6.2 - Election, terms, and removal. Officers shall be elected by the Board at its first meeting following election of new directors. Officers shall serve for terms of one year or until election of their successors. Officers may be removed and replaced by the Board at any time whenever the best interests of the Co-op would thereby be served.

Section 6.3 - 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 the principal officer of the Co-op and shall be responsible for (i) coordinating the activities of the Board, (ii) acting as the principal liaison between the Board and the General Manager, and (iii) assuring the orderly conduct of all meetings;
- (b) The Vice President shall be responsible for performing the duties of the President in his or her absence or disability and, as requested, assisting other officers in the performance of their duties;
- (c) The Secretary shall be responsible for the recording and keeping of adequate minutes of all meetings of the Board and of owners, issuing notices required under these bylaws, and authenticating records of the Co-op; and
- (d) The Treasurer shall oversee the maintenance of financial records, reporting of financial information and filing of required reports and returns.

Article VII Ownership Interests

Section 7.1 – No stock. The Co-op is organized without capital stock. The Co-op may issue certificates or other evidence of each owner's ownership interest.

Section 7.2 - Terms. Ownership interests shall be entitled to no dividend or other monetary return on investment. Such interests shall be nontransferable and may not be pledged as security for a debt. Ownership interests shall be subject to assessment insofar as it may become necessary to increase the required capital investment of owners by reason of the current or prospective capital needs of the Co-op.

Section 7.3 – Return of ownership fees. Within 180 days after written request following voluntary termination of ownership, the Co-op shall refund to the terminating owner all ownership fees paid to the Co-op. Ownership fees also shall be refunded within 180 days after involuntary termination of ownership, within 180 days after receipt of written notice of the death of an owner from the personal representative of such owner's estate, and under other compelling circumstances as determined by the Board. The Board may extend the time for return of ownership fees if it determines that money is not available for refunds and/or the refund will cause undue hardship to the Co-op. A reasonable processing fee may be imposed at the time an ownership is terminated, as determined by the Board. Ownership fees may be forfeited to the Co-op as provided in the Wisconsin Cooperative Association Act.

Article VIII Finances

Section 8.1 – Fiscal year. The fiscal year of the Co-op shall coincide with the calendar year.

Section 8.2 – Large capital expenditures. Any capital expenditures in excess of \$100,000 must be approved by the owners.

Section 8.3 – Net proceeds. The net proceeds of the Co-op shall be determined by the Board and distributed or paid in accordance with Section 185.45 (or its successor) of the Wisconsin Cooperative Association Act. Any of the net proceeds may be credited to allocated or unallocated surplus or reserves of the Co-op.

Section 8.4 – Distribution of net proceeds. In the discretion of the Board of Directors, net proceeds, if any, may be distributed to the owners as patronage dividends or may be income to the Co-op, in whole or in part. If the Board retains any net proceeds as income to the Co-op, such net proceeds shall be used to further the goals and purposes of the Co-op.

Section 8.5 – Consent of owners. By obtaining or retaining ownership in the Co-op, each owner thereby consents 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 qualified written notice of allocation in the taxable year in which such notice is received.

Section 8.6 - Retentions. A portion of patronage refunds may be retained for the reasonable capital needs of the Co-op. Such retentions shall be credited to revolving capital accounts in the names of recipient owners, shall accrue no monetary return on investment, and shall not be transferable. They shall be redeemed when determined by the Board to be no longer needed for capital purposes. At that time, they shall be redeemed in the order of the oldest outstanding amounts and on a pro rata basis among such amounts. Retentions may also be redeemed under compelling circumstances as determined by the Board.

Section 8.7 - Forfeiture. Any distribution of patronage dividends may be forfeited to the Co-op as provided in the Wisconsin Cooperative Association Act.

Article IX General Provisions

Section 9.1 - 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 9.2 - Amendment. These bylaws may be amended or repealed only by vote of owners.

Section 9.3 – Indemnification. The Co-op shall, to the fullest extent authorized by the Wisconsin Cooperative Association Act, indemnify any director or officer of the Co-op against reasonable expenses and against liability incurred by a director or officer in a proceeding in which he or she was a party because he or she was a director or officer of the Co-op. These indemnification rights shall not be deemed to exclude any other rights to which the director or officer may otherwise be entitled. The Co-op shall, to the fullest extent authorized by the Wisconsin Cooperative Association Act, indemnify any employee who is not a director or officer of the Co-op, to the extent the employee has been successful on the merits or otherwise in defense of a proceeding, for all reasonable expenses incurred in the proceeding if the employee was a party because he or she was an employee of the Co-op. The Co-op may, to the fullest extent authorized by the Wisconsin Cooperative Association Act, indemnify, reimburse, or advance expenses of directors or officers.

Section 9.4 – No seal. The Co-op shall not have a seal, and in its place there shall be affixed, whenever appropriate, a statement to the effect that the Co-op has no seal.