

**BY-LAWS
OF
WELLSPRING LAND COOPERATIVE**

Article I
Organization

Section 1.1 - **Name.** The name of the organization is Wellspring Land Cooperative (hereinafter "the Cooperative").

Section 1.2 - **Purposes.** The Cooperative is organized: (i) to acquire, hold and manage farm and forest land to assure its long-term affordability and responsible stewardship; (ii) to enter into proprietary ground leases that permit home owners to reside on such land and agricultural producers to use such land in accordance with such principles; and (iii) to maintain development restrictions and conservation easements associated with such land. The Cooperative shall conduct all of its activities on a nonprofit and cooperative basis for the primary and mutual benefit of its associates as patrons of its services.

Section 1.3 - **Location.** The Cooperative shall be located at Rural Route 1, Box 880, Plainfield, VT 05667 until changed by the Council.

Section 1.4 - **Fiscal year.** The fiscal year of the Cooperative shall be the calendar year.

Article II
Land use policies

Section 2.1 - **Conservancy.** It shall be the policy of the Cooperative to conserve its land for associates and for future generations. The Cooperative shall refrain from selling its land except under extraordinary circumstances, and shall minimize the risk of loss of the land through avoidance of mortgages or other encumbrances except when deemed necessary. No interest in the natural resources of the land shall be granted in any manner which does not maximize the continued use of the land and regeneration of its resources.

Section 2.2 - **Ground leases.** It shall be the policy of the Cooperative to enter into ground lease agreements with

associates that restrict the use of the land in a manner consistent with the purposes of the Cooperative while, at the same time, recognizing appropriate and reasonable uses of the land. Fees shall adequately reflect the fair use value of the land with reductions to be based only upon the financial circumstances of associates.

Section 2.3 - **Land use planning.** It shall be the policy of the Cooperative to maintain land use plans. Each plan shall set forth the natural characteristics of the land and ecologically-sound proposals for the uses of, and improvements to, the land. Land use plans shall be periodically reviewed and updated.

Article III Associates

Section 3.1 - **Admission.** Admission as an associate in the Cooperative shall be voluntary and open to any person who is in accord with its purposes and policies and will abide by these by-laws, will enter into a ground lease agreement with the Cooperative and is approved for admission by the Council. Each applicant will be provided a copy of these by-laws, together with a written explanation of the significance of the consent provision in Section 7.3. The Cooperative shall not discriminate against any person on account of race, national origin, age, sex, religion, sexual preference, handicap or other arbitrary basis.

Section 3.2 - **Responsibilities.** Upon admission to the Cooperative, an associate shall be required to pay the issuing price of a capital certificate, as determined by the Council. Such financial obligations may be paid in installments as determined by the Council. Financial obligations may be waived in part, with or without conditions, by the Council for reasons of financial hardship. Each associate shall responsibly participate in the affairs of the Cooperative.

Section 3.3 - **Transferability.** Rights and interests of associates may be transferred only in accordance with the terms of the Cooperative's ground lease agreement. Any attempted unauthorized transfer shall be wholly void and shall confer no rights upon the transferee.

Section 3.4 - **Meetings.** An annual meeting of associates shall be held after the end of each fiscal year at a time and place determined by the Council. Special meetings of

associates may be called by the Council and shall be called upon written request of any associate that states the specific business to be brought before the meeting. Notice of all meetings of associates, together with a statement of the purposes of the meeting, shall be delivered to each associate at least ten days prior to the meeting. Meetings of associates shall be conducted under procedures analogous to those applicable to meetings of the Council. Each associate shall have one and only one voice or vote in each matter under consideration.

Section 3.5 - **Access to information.** Associates shall be provided adequate and timely information as to the organizational and financial affairs of the Cooperative. Associates shall be provided access to the books and records of the Cooperative for any proper purpose.

Section 3.6 - **Settlement of disputes.** In any dispute between the Cooperative and any associate or former associate which cannot be resolved through informal negotiation, it shall be the policy of the Cooperative to use mediation whereby an impartial mediator may facilitate negotiations between the parties and assist them in developing a mutually acceptable settlement. Costs of mediation shall be borne equally by the associate and the Cooperative. 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.

Section 3.7 - **Termination.** Associate status shall terminate automatically upon termination or transfer of the associate's ground lease agreement. Associate status may be terminated for cause by the Council only after a fair hearing at which the associate is accorded the opportunity to be heard and to present evidence. Cause shall include, but not be limited to, substantial breach of contract with the Cooperative, intentional or repeated violation of these by-laws, willful obstruction of any lawful purpose of the Cooperative, serious delinquency in payment of financial obligations and protracted nonparticipation in the affairs of the Cooperative.

Article IV Council

Section 4.1 - **Designation and powers.** The management of the Cooperative shall be vested in the Council. The Council

shall exercise all powers of the Cooperative except those specifically reserved by law to associates. Each associate of the Cooperative shall become a Councilmember upon admission to associate status and shall serve until his or her term of office is terminated pursuant to this Article. The Council may include one nonassociate selected to represent community or public interests. The term of office of such person shall be one year.

Section 4.2 - **Meetings and notice.** Meetings of the Council may be called by the Council and shall be called upon request of any Councilmember. Meetings called by resolution of the Council shall require no notice other than such resolution. All other meetings of the Council shall require actual notice, either written or oral, to each Councilmember at least ten days before the meeting.

Section 4.3 - **Waiver of notice.** Notice may be waived at any time before or after the meeting for which notice is required. The attendance of any person at a meeting shall constitute a waiver of notice of the meeting except where the person attends for the express purpose of objecting to the transaction of business because the meeting is not lawfully convened.

Section 4.4 - **Quorum and decision making.** A quorum for the transaction of business at any meeting of the Council shall consist of a majority of all Councilmembers, provided that each associate household is represented. The Council shall endeavor to decide all issues by consensus. If, in the opinion of a majority of Councilmembers present, consensus cannot be reached after diligent efforts on a matter of special urgency or importance, then the issue shall be resolved through a two-thirds majority vote.

Section 4.5 - **Action without a meeting.** Decisions of the Council may be made without a meeting if a consent in writing, stating the action to be taken, is signed by all Councilmembers and filed with the minutes of meetings.

Section 4.6 - **Conflicts of interest.** Councilmembers shall have an affirmative obligation to disclose their actual or potential conflicts of interest in any matter under consideration by the Council. Councilmembers having such interest may not participate in the discussion or decision of the matter unless otherwise determined by the Council.

Section 4.7 - **Termination.** The term of office of a Councilmember shall be terminated automatically upon termination of associate status in the Cooperative, and may be terminated for cause by the Council after a fair hearing at which the Councilmember is accorded the opportunity to be heard and to present evidence.

Article V
Officers

Section 5.1 - **Designation.** The officers of the Cooperative shall consist of President, Vice President, Secretary and Treasurer. The Council may designate other officers or assistant officers. Any two or more offices may be held by the same person except those of President and Secretary.

Section 5.2 - **Selection and removal.** Officers shall be selected annually by the Council from among its number. Terms of office shall be for one year or until their successors are selected. Officers may be removed and replaced at any time whenever the best interests of the Cooperative would thereby be served.

Section 5.3 - **Duties.** In addition to signing or attesting to formal documents on behalf of the Cooperative as authorized by the Council, officers shall have the following duties, together with such other duties as may be determined by the Council:

(a) The President shall coordinate the activities of the Council, assure that meetings are properly planned and facilitated and represent the Cooperative in its dealings with outside parties;

(b) The Vice President shall perform the duties of the President in his or her absence and shall, as requested, assist other officers in the performance of their duties;

(c) The Secretary shall attend to the correspondence of the Cooperative and shall oversee the issuance of notices and the taking and keeping of minutes of meetings; and

(d) The Treasurer shall oversee the maintenance of financial records, safeguarding of the property of the Cooperative and the filing of required reports and returns.

Article VI
Capital certificates

Section 6.1 - **Issuance.** To evidence capital funds provided by associates, the Cooperative shall issue capital certificates in a form approved by the Council. The issuing price of a capital certificate shall be set at an amount which, in conjunction with prior capital assessments upon associates, shall be, as nearly as may be possible, equal among associates. No certificate shall be issued until it is fully paid for. Capital certificates shall entitle associates to no dividend or other monetary return on investment.

Section 6.2 - **Capital assessments.** Capital certificates shall be assessable for the reasonable capital needs of the Cooperative. Such assessments shall be, as nearly as may be possible, equal among associates. To the extent practicable, the Cooperative shall use capital assessments only for acquiring capital assets or discharging liabilities incurred for such purpose.

Section 6.3 - **Redemption.** Capital certificates may be redeemed in part when funds are determined by the Council to be no longer necessary for the reasonable or prospective capital needs of the Cooperative. Such redemptions shall be on a pro rata basis among all outstanding amounts. Capital certificates of individual associates shall be redeemed upon receipt by the Cooperative of funds provided by persons who succeed to the interests of the associate or sooner as determined by the Council. Redemption proceeds may not exceed their carrying value on the books of the Cooperative and shall at all times be subject to offset by amounts otherwise due and payable to the Cooperative.

Article VII Distributions of Net Savings

Section 7.1 - **Patronage dividends.** The net savings of the Cooperative derived from the excess of revenues over operating costs and expenses for each fiscal year shall first be determined according to generally accepted accounting principles. In arriving at the portion allocable to associates, such net savings shall be adjusted to eliminate the amount, if any, which may be attributable to other than the patronage of associates and to make any other adjustments required under federal tax laws or laws of the State of Vermont. Further reductions may be made for reasonable reserves for necessary business purposes as determined by the Council. The net savings, as so adjusted, shall be allocated among associates in the proportion which their patronage bears to

the patronage of all associates. All such amounts shall be allocated and distributed in such a manner as to qualify as patronage dividends within the meaning of federal tax laws.

Section 7.2 - **Distribution and notice.** Patronage dividends shall be evidenced by written notices delivered to recipient associates within a payment period of eight months and fifteen days following the close of each fiscal year. Each notice shall, if positive in amount, be accompanied by a check in an amount determined by the Council which shall be at least twenty percent of the allocation. Notices shall be in such form as to constitute qualified written notices of allocation within the meaning of federal tax laws.

Section 7.3 - **Consent of associates.** By obtaining or retaining associate status in the Cooperative after the adoption of these by-laws, each associate shall thereby consent to take into account for federal income tax purpose in the taxable year in which such notice is received the stated dollar amount of the written notice except for such portion as may be attributable to personal, living or family items.

Section 7.4 - **Deferred patronage dividends.** The portion of patronage dividends not currently distributed by check may be retained for the current or prospective capital needs of the Cooperative. Such deferred patronage dividends shall be credited to revolving capital accounts in the names of recipient associates. Deferred patronage dividends shall entitle associates to no dividend or other monetary return on investment.

Section 7.5 - **Allocation of net losses.** In the event the Cooperative shall incur a net loss in any fiscal year, such loss may be, as determined by the Council, assessed against associates, charged against any unallocated associates' equity or carried forward to offset adjusted net savings of subsequent fiscal years.

Section 7.6 - **Redemption.** Deferred patronage dividends may be redeemed when determined by the Council to be no longer needed for capital purposes of the Cooperative. At that time they shall be redeemed only in the order of the oldest outstanding amounts and on a ratable basis if such amounts are not redeemed in full. Deferred patronage dividends of individual associates may be redeemed, at the discretion of the Council, under compelling circumstances. Deferred patr-

onage dividends shall be redeemed at no more than their carrying value on the books of the Cooperative and shall be subject at all times to being offset by amounts otherwise due and payable to the Cooperative.

Article VIII Dissolution

Section 8.1 - **Distributions.** Upon dissolution of the Cooperative, if its assets, liabilities and equities are not transferred to an organization that will assume the functions of the Cooperative, its assets shall be applied in the following manner and order: (i) to the payment of all liabilities and expenses of liquidation; (ii) if any assets remain, they shall be applied to the redemption of deferred patronage dividends which, if they cannot be redeemed in full, shall be redeemed in the order of the oldest outstanding amounts on a pro rata basis among all outstanding amounts for each fiscal year; (iii) if any assets remain, they shall be applied to the redemption of other contributed capital (including the issuing price of capital certificates and related capital assessments) which, if they cannot be paid in full, shall be redeemed on a pro rata basis among all outstanding amounts; (iv) if any assets remain, they shall be distributed equally among associates or former associates of the Cooperative in proportion to their patronage during the immediately preceding seven fiscal years.

Article IX By-laws

Section 9.1 - **Severability.** In the event that any provision of these by-laws 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 by-laws.

Section 9.2 - **Amendment.** These by-laws may be amended by the Council, provided that notice of intention to make amendments is provided to all Councilmembers.