BY-LAWS OF COMMUNITY FOOD COOPERATIVE

ARTICLE 1 ORGANIZATION

- 1.1 **Name.** The name of the organization is Community Food Cooperative (referred to herein as "the Co-op").
- 1.2 **Purposes.** As described more fully in its amended Articles of Incorporation, the purposes of the Co-op are to establish and operate one or more retail food stores in the Bellingham-Whatcom County area, to provide educational materials and services regarding issues of concern to its members and community; to work in harmony with other cooperative organizations, and to engage in other activities approved by members. The Co-op is organized and shall be operated exclusively on a not-for-profit basis and in a democratic manner consistent with cooperative principles.
- 1.3 **Business Office.** The business office of the Co-op is located at 1220 North Forest Street, Bellingham, Washington 98225.
- 1.4 **Fiscal Year.** The fiscal year of the Co-op shall be established by the Board of Directors from time to time

ARTICLE 2 MEMBERSHIP

- 2.1 **Eligibility.** Membership shall be available to anyone who is in accord with the purposes of the Co-op, wishes to patronize it and is willing to abide by these by-laws. An applicant for membership must initially submit an application to the business office of the Co-op and pay the required membership fee and capital contribution in the manner required by the Corporation. In the event of questionable eligibility, admission may be subject to approval by the Board of Directors.
- 2.2 **Membership Fee**. Each member shall pay an annual membership fee in an amount and at a time determined by the Board of Directors. The annual membership fee may be waived in

- whole or in part by the Board on any reasonable basis. The membership fee and any available waivers shall be applied uniformly among members. The membership fee shall be paid in cash and is nonrefundable.
- 2.3 **Non Discrimination.** The Co-op shall not discriminate against individuals or groups on the basis of race, creed, age, gender, class, disability, sexual preference, marital status or other arbitrary basis.
- 2.4 **Membership Rights.** Members of the Co-op shall have the right:
- (a) to purchase goods from the Co-op store at prices generally available to members and otherwise to benefit from participation in the activities of the Co-op;
- (b) to receive a copy of the bylaws and to obtain reasonably adequate and timely information as to the organizational and financial affairs of the Co-op, including review of the minutes of Board of Directors' meetings and the Co-op's financial statements and records. The information shall be provided members upon request, with reasonable prior notice, at the Co-op's business office during office hours. Information of a sensitive nature will be provided only for a proper purpose and may be made subject to conditions or restrictions as determined by the Board of Directors;
- (c) to participate in the democratic management of the Co-op by voting on any issues submitted to members, proposing member initiatives, standing for election to serve on the Board of Directors and committees and as otherwise described in these By-laws.

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- **Settlement of Disputes.** In any dispute between the Co-op and any of its members or former members which relates to normal membership transactions and which cannot be resolved through informal negotiations, it shall be the policy of the Co-op to prefer the use of mediation whereby an impartial mediator or mediators may facilitate negotiations between the parties and assist them in developing a mutually agreeable settlement. Members are encouraged to cooperate in this process. In the event that mediation is not mutually agreeable or is unsuccessful in resolving such a dispute, both the Co-op and its members are required to submit the dispute to binding arbitration in a mutually agreeable manner.
- 2.6 **Termination.** Membership may be terminated in any of the following ways:
- (a) voluntarily by a member at any time upon notice to the Co-op;
- (b) automatically whenever payment of annual membership fees or current capital contributions becomes delinquent to an extent determined by the Board of Directors; or
- (c) for reasonable and sufficient cause, including willful violation of these Bylaws, by a two-thirds vote of the Board of Directors, after a fair hearing at which the member has the opportunity to speak and present evidence.
- 2.7 **Household Privileges.** Membership rights are individual to the person who applies and in whose name the requisite fees and capital contributions are paid. The purchasing rights of a member may be shared with other members of her or his household.

ARTICLE 3 CAPITAL CONTRIBUTIONS

3.1 **Required Payment.** For the reasonable capital needs of the Co-op, members shall make capital contributions in amounts and at times determined by the Board of Directors. Capital contributions shall be made in cash and may be

- waived in whole or in part by the Board on any reasonable basis. Required capital contributions and any available waivers shall be applied uniformly among members. Amounts invested shall be entitled to no dividend or other monetary return. Capital contributions may not be transferred or pledged as collateral.
- 3.2 **Use of Proceeds.** Amounts received from members as capital contributions shall be credited on the books of the Co-op to capital accounts in the names of paying members. Capital contributions may be used as designated by the Board of Directors, as far as is practicable, for acquiring capital assets or paying liabilities incurred for the acquisition of capital assets.
- **Redemption.** Following termination of 3.3 membership for any reason, capital contributions shall be returnable within six months after request by the holder and approval by the Board of Directors. In the event of dissolution of the Co-op, capital contributions shall be returned to members after payment of all liabilities of the Co-op. If sufficient funds are not available for repayment in full, repayment shall be made on a pro rata basis among all members in proportion to their accumulated capital contributions. If any repayment fails to reach any member via a single mailing through US mail at such member's last known address on file with the Co-op, the provisions of Section 4.7 of Article IV shall apply.
- 3.4 **Lien and Offset.** The Co-op shall have first lien on the capital contributions of members to the extent of amounts due and payable to the Co-op by the member. Capital contributions shall at all times be subject to being offset by amounts due and payable by the member to the Co-op.

ARTICLE 4 PATRONAGE DIVIDENDS

4.1 **No dividends on Capital**. No dividends shall be declared or paid with respect to member capital contributions.

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- 4.2 Patronage Dividends. The Co-op shall return the Co-op's net distributable surplus to its members annually as a patronage dividend, subject to the provisions of this Article 4. As used in the Co-op's Articles of Incorporation and these bylaws, the term "net distributable surplus" means (a) the annual earnings from the Co-op's sales attributable to the patronage of its members minus (b) any reserves the Board of Directors decides to retain for necessary or appropriate business purposes or contingencies. The Co-op shall calculate members' patronage dividends in proportion to their purchases from the Co-op during the year, subject to the provisions of this Article 4. The Co-op shall be entitled to take into account losses for prior years when calculating its net distributable surplus.
- 4.3 **Annual Determination.** The Board of Directors shall decide after the close of the Coop's fiscal year whether a net distributable surplus exists for that year, how and when to distribute patronage dividends, and any other related matters, based on the Board's policies. The Board of Directors may elect not to declare or distribute a patronage dividend if it is in the best interest of the Co-op. Under Article VI of the Co-op's Articles of Incorporation, however, the Board of Directors may not forgo a patronage dividend more than once every other fiscal year.
- 4.4 Payment and Compliance. The Co-op shall pay patronage dividends within the time frames provided in, and according to the Internal Revenue Service Code and Treasury Department regulations to qualify for income tax deductions for the Co-op. The Co-op may distribute patronage dividends in cash, merchandise credits, a qualified written notice of allocation or a non-qualified written notice of allocation as defined in 26 U.S.C. Section 1388, other property, or any combination of these methods as the Board of Directors may determine from time to time. Any patronage dividend distributed as a qualified written notice of allocation or a nonqualified written notice of allocation shall be designated as such by the Board of Directors in accordance with the provisions of 26 U.S.C. Section 1388. Any part of a patronage dividend that the Board of Directors elects not to pay in

cash, merchandise credits or other property is called the retained patronage dividend.

4.5 **Application of Retained Patronage Dividend.** The Board of Directors may apply any part of a member's retained patronage dividend to cover that member's unpaid membership dues or capital contributions for that year and future years.

The Co-op shall hold the retained patronage dividends in revolving patronage dividend accounts in the names of the receiving members, and may apply the retained patronage dividends toward the Co-op's operating capital needs. Members will not accrue interest or other monetary return on investment, and the accounts are non-transferable and in whole dollars only. The Coop shall be entitled to offset against retained patronage dividend accounts the amount of any losses subsequently sustained by the Coop, in such manner as the Board of Directors may reasonably determine.

4.6 **Repayment of Retained Patronage Dividends.** At any time, the Co-op may pay some or all of the retained patronage dividends to qualifying members if the Board of Directors decides the funds are no longer required for operating capital. Members will receive retained patronage dividends in the order of the oldest outstanding amounts on a pro rata basis from these amounts. If the Co-op dissolves as a corporation, it shall pay retained patronage dividends to members after payment of all other liabilities. If the remaining funds are insufficient to repay all retained patronage dividends, members will receive retained patronage dividends in proportion to their revolving account balances at the time of dissolution. The Board of Directors may also repay an individual member's retained patronage dividends under compelling circumstances in the Board's discretion. Retained patronage dividends are available at all times to pay amounts otherwise due and payable to the Co-op.

The Board of Directors may in its discretion pay retained patronage dividends to qualifying members in cash, as merchandise credits, or any

- Co-op Bylaws/ 2006/Page 4 combination of cash and merchandise credits. The Board of Directors may in its discretion establish the terms and conditions governing the issue and use of merchandise credits, including any period within which merchandise credits must be used or forfeited.
- 4.7 **Unclaimed Dividends.** If the Co-op wishes to pay retained patronage dividends to any member who holds a revolving patronage dividend account, but such payment fails to reach such member via a single mailing through US mail at such member's last known address on file with the Co-op, such member shall be deemed to have contributed such payment entitlement to the Co-op and the Board of Directors may, by appropriate action, pay such amount to all other active members who hold revolving patronage dividend accounts as a supplemental patronage dividend in the same ratio that such members would then be entitled to patronage dividends.
- 4.8 **Treatment of Nominal Amounts.** The Board of Directors may exclude from distribution any patronage dividend that is so small that it does not justify the cost of distribution. These nominal amounts may not be distributed at any time to other members.
- 4.9 **Tax Provision.** If the Co-op distributes part of its annual earnings or income as a patronage dividend, and then discovers it cannot deduct some part of its annual earnings or income as a patronage dividend under the Internal Revenue Code and applicable regulations, then the Co-op and its Board of Directors deem that all of the patronage dividend declared shall come from earnings or income that does qualify for a deduction under the revenue laws. This designation shall occur regardless of whether the Board adopted a resolution or act that makes specific reference to the source of revenues for the dividend.

4.10 **Consent of Member to Tax Treatment.** By joining the Co-op, all members consent to having their patronage dividends, whether paid or retained, taken into account for the taxable year. Any patronage distribution the Co-op makes with a qualified written notice of allocation under 26 U.S.C. § 1388 will be taken into account by the receiving member at the stated dollar amount of the distribution as provided in 26 U.S.C. § 1385(a) in the taxable year the member receives the written notice of allocation.

ARTICLE 5 MEETINGS OF MEMBERS

- 5.1 **Annual Meeting.** An annual meeting of members shall be held within four months after the close of the fiscal year at a time and place determined by the Board of Directors. The purpose of the annual meeting shall be to report to members on the operations and finances of the Co-op, and to conduct voting for directors and on other issues properly submitted to a vote of members.
- 5.2 **Special Meetings.** Special meetings of members may be called by the Board of Directors or by the President, and shall be called by the Board of Directors upon receipt of a member initiative.
- 5.3 **Balloting.** A meeting of the members may be conducted in whole or in part by written ballots as determined by the Board of Directors.
- 5.4 **Notice.** Written notice of the time, place and purpose of any meeting of members shall be delivered to each member not less than ten nor more than thirty days before the date of the meeting. In the event of voting by mail, the notice shall include necessary ballots and materials which impartially describe the candidates for election or issues for decision.
- 5.5 **Quorum.** The presence in person of five percent of all members shall constitute a quorum at a meeting held to consider the adoption of a proposal that RCW 24.06 requires be adopted by a two-thirds vote of members. The presence in

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- 5.6 **Voting.** Each member shall have one vote on any matter submitted to a vote of members. Proxy voting is not permitted. All issues shall be decided by a majority of members voting except where a higher percentage is required by law or by these By-laws. A decision on any issue which was not included in the notice of the meeting shall be of an advisory nature only.
- 5.7 **Member Initiative.** An annual or special meeting of members shall include a vote on any issue submitted by a member initiative. A member initiative shall be in writing and signed by at least sixty members or four percent of all members, whichever is lesser. A member initiative must specify the issues for decision which may concern any matter appropriate for a vote of members. A member initiative must be submitted to the Co-op at least two months prior to the date of the meeting at which the issue is to be decided.

ARTICLE 6 BOARD OF DIRECTORS

- 6.1 **Powers.** The business and affairs of the Co-op shall be directed and controlled in the interests of members by a Board of Directors (sometimes referred to herein as "the Board.") The Board shall consist of nine persons, including eight directors elected by members and one director selected by the staff. Staff membership on the Board of Directors shall be limited to 1/3 of the total membership of the Board. No other person shall serve as director.
- 6.2 **Duties to Members.** The duties of the Board of Directors to members shall include, but not be limited to:

Communicating important decisions of the Board to members, ensuring that accurate lists of members and directors are kept at the Co-op's business office, and initiating a referendum on any matter that is likely to affect the basic survival of the Co-op or change its purposes.

- 6.3 **Nominations.** Nominations for the eight directors elected by members shall be made by the Board of Directors or a committee empowered by it or by petition of members. A member petition must be signed by at least twenty-five members or one percent of the membership eligible to vote in the previous year's election, whichever is greater, and must be submitted to the business office of the Co-op at least ten days prior to the issuance of the notice of the annual meeting. Nominees shall be stated in the notice of the meeting of members. All directors must be members in good standing of the Co-op.
- 6.4 **Election.** Voting for directors shall be conducted in a manner which encourages maximum member participation. Each member shall have one vote for each vacancy to be filled on the Board of Directors.
- 6.5 **Term of Office.** Directors shall be elected for terms of three years. Each term shall begin at the first meeting of the Board following the annual meeting. The terms of office of the directors shall be staggered so that terms shall expire on a three year cycle of 3-3-3.
- 6.6 **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. Unless otherwise determined by the Board, a director having a conflict of interest in any matter may not participate in the discussion or decision of an issue involving that matter.
- 6.7 **Referenda**. The Board of Directors may call a referendum on any issue, and shall call a referendum on an issue when petitioned by at least sixty members or four percent of all members, whichever is lesser. Referenda shall be conducted pursuant to Article 5 of these Bylaws. A decision of the Board which is referred to members will stand until annulled or modified by members. Modification by members shall not

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- 6.8 **Removal.** A director may be removed and replaced by the Board only for reasonable and sufficient cause after a fair hearing at which the director is given the opportunity to speak and present evidence. Members may remove, or remove and replace, a director with or without cause at any meeting of members. Unexcused absence from two meetings of the Board per fiscal year is expressly deemed cause for removal.
- 6.9 **Vacancies.** Any vacancy occurring between annual meetings by reason of the death or resignation of a Director or removal by the Board or members may be filled by the Board for the duration of the vacated term.

ARTICLE 7 MEETINGS OF THE BOARD

- 7.1 **Regular Meetings.** The Board of Directors shall determine the times and places of regular meetings, which require no further notice to directors than the resolution of the Board.
- 7.2 **Special Meetings.** Special meetings of the Board of Directors may be called by the Board Chair, and shall be called on request of any three directors. Written or personal notice of all special meetings shall be provided to each director. Written notice shall be mailed not less than ten days and personal notice shall be given not less than three days before the date of the meeting.
- 7.3 **Quorum and Decision Making.** A majority of directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. The Board shall strive to make all decisions by consensus, attempting to reconcile differing points of view based upon the purposes and mission of the Co-op. If, in the opinion of a two-thirds majority of directors present, consensus cannot be reached within a reasonable period of time, particularly on an issue requiring immediate action, then a majority of directors present may decide such issue.

- 7.4 **Open Meetings.** Meetings of the Board of Directors shall be open to observation and limited participation by members of the Co-op. The Board may, however, conduct a closed session when necessary to protect the vital interests of the Co-op.
- 7.5 **Action by Consent**. Decisions of the Board of Directors may be made without a meeting if a consent in writing, stating the action to be taken, is signed by all directors and filed with the minutes of meetings.
- 7.6 **Notice to Members.** Notice of meetings of the Board of Directors shall be posted in the Co-op store and published in any newsletter or regular mailing to members.

ARTICLE 8 COMMITTEES

- 8.1 **Executive Committee.** The Board of Directors may designate an Executive Committee to exercise interim or other stated authority of the Board except as to matters involving long-range policies or unusually large expenditures. The committee shall consist of at least three Directors, and shall include the Board Chair, Board Vice Chair, and Finance Committee Chair. Only directors may sit on committees. Any action by the Executive Committee shall require the affirmative vote of at least three of its members and must be reported to and ratified by the Board of Directors at the next following meeting of the Board of Directors. The Executive Committee shall not operate to relieve the Board of general supervisory responsibilities in the management of the Co-op.
- 8.2 Committees Generally. Other committees may be designated and their members appointed, removed or replaced at any time by the Board of Directors. All such committees shall function to advise the Board and develop proposals for its consideration. Committees may take action only as empowered by the Board of Directors in which case they shall require actual notice of meetings to all of

Co-op Bylaws/ 2006/Page 7 their members and a quorum of at least three committee members including the chairperson.

ARTICLE 9 OFFICERS

- 9.1 **Designation.** The officers of the Co-op shall consist of President, Vice President, Secretary and Treasurer. Any two offices may be held by the same person except those of President and Secretary. The offices of President and Treasurer shall not be held by the staff director.
- 9.2 **Selection and Removal.** The Board of Directors shall select the officers of the Co-op no later than at its first regular meeting after the annual meeting. Terms of officers shall be for one year or until their successors are selected. Officers may be removed and replaced, with or without cause, at any time by the Board of Directors.
- 9.3 **Powers and Duties.** The officers shall have the following powers and duties together with other powers and duties described in the Board policies or determined by the Board.
- (a) the President shall be responsible to the Board of Directors for all Co-op operations and compliance with Board policies.
- (b) the Vice-President shall perform the duties of the President whenever the President is unable to do so, and as requested by the President, shall assist the President in the performance of his or her duties.
- (c) the Secretary shall supervise the maintenance of membership records, and oversee issuing notices for, and keeping minutes of, all meetings of members and the Board of Directors; and
- (d) the Treasurer shall oversee the financial affairs of the Co-op, the maintenance of financial records, the control of receipts and disbursements, and the filing of required tax returns and corporate reports.

ARTICLE 10 OTHER PERSONNEL PROVISIONS

- 10.1 **General Manager.** The Board of Directors shall employ a General Manager to manage the business of the Co-op under the direction and control of the Board. The general manager is expected to attend all meetings of the Board of Directors.
- 10.2 **Bonding.** The Treasurer, General Manager and other employees disbursing funds of the Co-op may be required to be bonded in amounts and on terms determined by the Board of Directors.
- **Indemnification rights**. Subject to 10.3 limitations in this Article, the Co-op shall indemnify its current and former directors and officers against all losses and expenses, including reasonable attorneys' fees, to which they may become subject by reason of their positions with the Co-op or their service in its behalf. Such indemnification shall apply whenever such person is a party or is threatened to be made a party to any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative. The Co-op shall advance the cost incurred in defending a suit or proceeding. Payment of expenses incurred in defending a suit or proceeding in advance of its final disposition may be made only upon receipt by the Co-op of a contractual undertaking by such person to repay such amounts unless the person shall be determined to be entitled to indemnification under this Article.
- 10.4 **Limitations to indemnification.** No indemnification shall be provided in connection with any action by or in the right of the Co-op. No indemnification shall be provided unless the person is determined to have acted in good faith or in the reasonable belief that his or her action was in the best interests of the Co-op, or, in regard to criminal actions, that such person had no reasonable cause to believe that his or her action was unlawful. If such determination is not

Co-op Bylaws/ 2006/Page 8 made in a legal proceeding related to the claim, it may be made by a quorum of disinterested directors or by independent legal counsel selected by such quorum. If not made or able to be made by either, the determination shall be made by independent legal counsel at a membership meeting. Indemnification payments shall be made only in such amounts and at such times as will not jeopardize the solvency of the Co-op.

ARTICLE 11 NOTICE

- 11.1 **Notice.** Any notice required under these By-laws shall be deemed delivered when deposited in the U.S. mail with names and addresses as they appear in the records of the Coop.
- 11.2 **Waiver of Notice**. Any notice of a meeting may be waived in writing at any time before or after the meeting. 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.

ARTICLE 12 BYLAWS

12.1 **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 modified to conform with such statute or rule of law without affecting the validity or enforceability of any other provision of these bylaws.

12.2 **Amendment of By-laws**. These By-laws may be amended by members at a meeting called in part for that purpose. They may also be amended by a three-fourths vote of the Board of Directors provided that the proposed amendment is placed on the agenda of the meeting prior to the meeting at which the vote is taken. Amendments by the Board shall be presented for ratification at the next scheduled meeting of members, and shall take effect, if at all, on the date so ratified.