

BY-LAWS

THE FOOD CO-OP

ARTICLE I – NAME AND LOCATION AND PURPOSE.

Section 1. The name of the cooperative is The Food Co-op.

Section 2. The location of the principal office of The Food Co-op is Port Townsend, Washington.

Section 3. The purpose of The Food Co-op is to serve the community by making available whole foods at a reasonable cost.

ARTICLE II – MEMBERSHIP

Section 1. Membership in The Food Co-op is open to all natural persons fourteen (14) years of age or older.

Section 2. Initial Membership may be obtained by paying a one-time non-refundable fee in an amount set, from time to time, by the Board of Directors. Membership shall be reflected by assignment of a membership number. Active Membership shall be maintained and deemed current during each calendar month with respect to which the Member shall have paid minimum Capital Investment in the amount set forth in Article VII, Section 1, or during which a Member shall have been paid-in-full. If a Member is not current at any time, he/she shall be deemed an Inactive Member at such time. An Inactive Member may become an Active Member by paying the current month's minimum Capital Investment.

Section 3. Membership may be transferred in accordance with the process set forth by the Board of Directors from time to time. Unless membership is transferred within six months after the death of a Member, membership shall terminate and the deceased Member's Capital Investment shall revert to The Food Co-op.

Section 4. Each Active Membership shall be entitled to one vote. Active Membership shall be determined as of the date on which the vote is cast. Proxy voting shall not be permitted. Where there is a Designated Member-Owner, only that Member-Owner may vote. In the event that a Membership is in more than one person's name with no Designated Owner, and more than one person votes, only the first ballot counted on that membership number shall be valid.

Section 5. Active Members shall have the right to participate in the governance of The Food Co-op as provided for in these Bylaws, and to participate in such membership pricing and/or ordering plans as may be in existence from time to time. Members of the household of an Active Member shall be entitled to the pricing and/or ordering plans as may be in existence from time to

time, but shall not be entitled to governance rights. For this purpose “household” shall mean natural persons residing under the same roof as the Active Member.

Section 6. A member may withdraw from The Food Co-op by notifying the Treasurer of The Food Co-op in writing. Where there is a Designated Member-Owner, only the Designated Member-Owner may withdraw or otherwise control the membership interests. A withdrawing member may request return of accumulated Capital Investments as provided in Article VII, Section 3. Such request shall be in writing.

ARTICLE III – BOARD OF DIRECTORS – NUMBER, QUALIFICATION, APPOINTMENT, REMOVAL AND RESPONSIBILITY

Section 1. The Food Co-op shall be managed under the direction of a Board of Directors (in the manner set forth in these By-laws) consisting of not less than five nor more than nine persons (such number to be determined by the Board of Directors prior to each election, but not so as to reduce the term of an elected member), each of whom shall have been an Active Member, or a member of the household of an Active Member, for at least six months prior to being seated on the Board. In order to qualify, such member of the household must become an Active Member on or before being seated on the Board. A Board Member may be a paid employee of The Food Co-op; however, no more than one Board Member may be a Food Co-op paid employee at any given time.

Section 2. So long as it is within the scope of the provisions of Article III, Section 1, the Board may appoint such additional members as they deem advisable. It shall require a unanimous vote of the full Board of Directors to appoint any new member of the Board. Appointees to the Board may serve only until the next election and may not be reappointed without first serving as an elected Board member.

Section 3. Any Board member may be removed by a 2/3 vote of the full Board at any regular meeting, provided that 10 days written notice has been provided to the full Board prior to the meeting.

Section 4. It shall be the responsibility of the Board to represent the membership in establishing governing policies and to monitor and ensure organizational performance.

- (A) The Board will produce and maintain a link between The Food Co-op and the Members.
- (B) The Board will produce written governing policies that, at the broadest levels, address categories of decisions.
 - 1) Ends - Organizational outcomes, recipients, and their relative worth.
 - 2) Executive Limitations - Constraints on the General Manager’s authority that establish the prudence and ethics boundaries within which all executive activity and decisions must take place.
 - 3) Board-General Manager Relationship - How power is delegated and its proper use monitored; the General Manager’s role, authority and accountability.

- 4) Board Process - Specifications on how the Board conceives, carries out and monitors its own work.
- (C) The Board shall ensure performance by monitoring compliance with its policies.
- 1) The Board will assess the General Manager's performance by monitoring its policies on Ends and Executive Limitations.
 - 2) The Board will assess and improve its own performance by regular assessment of compliance with Board policies on Board Process and Board-General Manager Relationship.
- (D) Because one of the Board's major responsibilities is the careful crafting of written policies to guide its own efforts and the efforts of the General Manager, the Board will continually be developing new policies and modifying existing policies.

Section 5. Directors shall be responsible at all times for discharging their duties in good faith, in a manner that they reasonably believe to be in the best interests of The Food Co-op and with the care that an ordinarily prudent person in a like position would use under similar circumstances.

Section 6. Directors shall be under an affirmative duty 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 decision of the matter. Directors shall at all times maintain the confidentiality of sensitive matters.

ARTICLE IV – ELECTION OF DIRECTORS

Section 1. Annual elections shall be held for membership on the Board. It is desired that each Board, as much as possible, consist of two-thirds remaining from the prior Board and one-third being elected (or reelected). To this end, the Board shall determine prior to each election the term (one, two or three years) of each seat on the Board subject to election.

Section 2. Any eligible member (See Article III, Section 1), may run for election to the Board of Directors. All candidates shall have completed an orientation for potential candidates, making candidates aware of:

- (a) the history of the Co-op and the Board;
- (b) the processes utilized by the Board, including consensus decision-making and Policy Governance;
- (c) the expectations of Board Members, including time commitment; and
- (d) those Policies relating to Board Members, particularly the Board Member's Code of Conduct.

Candidates are urged to attend at least two (2) Board meetings prior to the election.

Section 3.

(A) Election shall be by ballot, which shall contain the name of each candidate. Each name

shall be followed by a single check box. Subject to such restrictions upon service on the Board as shall be contained in other provisions of these By-laws, candidates are elected to the Board in order of number of valid votes cast. Runoffs are required in the event of ties.

- (B) Balloting shall commence on a date chosen by the Board and shall terminate no sooner than 14 days thereafter. The ballot box shall be placed in a prominent position in the store(s).

Section 4. Those persons elected to the Board shall be installed at the first Board meeting following their election and shall hold office until their successors are installed.

ARTICLE V - OFFICERS – ELECTION, APPOINTMENT AND DUTIES

Section 1. At its first meeting following an election of directors, and following the installation of new directors, the Board, by the affirmative vote of at least 2/3 of the full Board, shall elect from among its members a president, a vice-president, and a secretary. Upon the nomination of the General Manager, the Board shall elect a treasurer, who need not be a member of the Board of Directors. The Board may appoint such additional officers, as it deems appropriate. Officers shall hold office until their successors are installed.

Section 2. The President shall preside at all meetings of the Board of Directors. S/he shall establish whatever committees may be required from time to time to accomplish the work of The Food Co-op, and shall appoint the chairperson of each such committee. S/he shall be an ex-officio member of all committees, and shall see to it that all committee chairpersons report to him/her and to the Board.

Section 3. The Vice-president shall perform the duties of the President in his/her absence or if a vacancy in the office occurs, and shall undertake such other responsibilities as the President may assign.

Section 4. The Secretary shall be custodian of the Corporate Seal and of the Corporate Binder. The Corporate Binder shall include copies of all important records, legal documents, financial statements, minutes of meetings of the Board of Directors and membership, and any other pertinent documents relating to The Food Co-op. The Corporate Seal and Corporate Binder shall be kept at The Food Co-op office unless they are needed by the Secretary to fulfill his/her duties.

Section 5. The Treasurer shall report to the General Manager and shall be responsible for the maintenance of complete and accurate financial accounts. The Treasurer may execute contracts and agreements approved by the Board of Directors, but may not be the sole signatory on behalf of The Food Co-op.

Section 6. At the expiration of the term of office, by termination or otherwise, of any officer or member of the Board, s/he shall turn over to his/her successor all money, keys, property, papers, records and books of The Food Co-op that may be in his/her possession.

ARTICLE VI – MEETINGS AND QUORUM – MEMBERSHIP AND BOARD OF DIRECTORS

Section 1. There shall be an Annual Meeting of the membership. The Board of Directors may also call special meetings. A quorum of the membership at these meetings shall be 5% of Active Members, as determined on the first day of the month in which the meeting is held.

Section 2. The obligation to hold an Annual Meeting shall be fulfilled even though a quorum is not present if the Annual Meeting is held after (a) notice of the meeting and the agenda was posted in the store(s) at least 20 days before the meeting, and (b) prior notice of the meeting was advertised in *The Leader* or any other newspaper of general circulation.

Section 3. Regular meetings of the Board shall be held at least once monthly. Special meetings of the Board may be called by the President when deemed necessary, or by written request of a quorum of the Board. A quorum of the Board shall be a simple majority of the current number of Board members.

ARTICLE VII – CAPITAL

Section 1. Each Member shall be required to make at least one \$2 Capital Investment upon joining, then at least \$2 in Capital Investment each month the membership is used, up to a total of \$100 in Capital Investment. A Member who has made this total of Capital Investment shall be considered “paid-in-full.” Capital Investments do not bear interest.

Section 2. The active membership shall determine the need for additional member investment by a secret ballot at the store(s) for 25 business days following a general membership meeting at which the change is proposed.

Section 3. Capital Investments made by a Member shall be redeemed in the order of request, no sooner than ninety days after joining The Food Co-op, and no later than ninety days after he/she has requested redemption in writing in connection with a written withdrawal from membership. A member who withdraws his/her entire Capital Investment must pay a non-refundable fee as set forth in Article II, Section 2 to reactivate membership.

Section 4. A withdrawal of that portion of a Member’s Capital Investment that exceeds the “paid-in-full” amount is permitted upon written request. Return of such excess Capital Investment shall be made no later than ninety days after written request. Otherwise no partial withdrawal of Capital Investment is permitted.

Section 5. Debts that a Member has incurred to The Food Co-op may be charged against the Member’s Capital Investment if the debt is older than 90 days. All debts to The Food Co-op must be paid before a Capital Investment withdrawal may be made.

Section 6. No loans may be taken aggregating more than The Food Co-op’s net worth (as reflected on its last available balance sheet prior to the date of the relevant general meeting) unless and to the extent authorized by a 2/3 majority of those Active Members voting. The

voting shall be at the store(s) by secret ballot. Voting shall be open for a period of 25 business days following a general membership meeting explaining the loan proposal.

ARTICLE VIII – AMENDMENTS

Section 1. Except for the provisions of Article VII, Sections 2 and 6, these by-laws may be altered, amended or repealed by the affirmative vote of 2/3 of the full Board of Directors at any regular or special meeting thereof, provided written notice of the proposed amendment is given at least ten (10) days in advance of the meeting to each Director and posted at that place where minutes and related matters are ordinarily posted in the store(s).

Section 2. Alteration, repeal or amendment of Article VII, Section 2 or Section 6 may be by membership vote only. Voting method, specifications and percentage of active membership voting necessary for passage of change to these by-law sections shall be the same as provided in such sections with respect to the issues referred to therein.

ARTICLE IX – DISSOLUTION

Section 1. In the event of dissolution, obligations of The Food Co-op shall be discharged in the following order:

- 1) Debts
- 2) Capital Investments of members properly requested at least 90 days prior to the date of dissolution.
- 3) All other Capital Investments in the order received by The Food Co-op.

Section 2. Any surplus shall be given to such non-profit organization as the Board of Directors may determine.

ARTICLE X – INDEMNITY CLAUSE

Section 1. The Food Co-op shall indemnify and hold harmless each person who serves or has served as a director, officer and/or manager from and against any and all claims and liabilities for action alleged to have been taken or omitted by him/her as such director, and for all legal and other expenses reasonably incurred by him/her in connection with any such claim or liability, to the fullest extent permitted by law.

Section 2. The Food Co-op, its directors, officers, employees and agents shall be fully protected in taking any action or making any payment under this article, or refusing to do so, in reliance on advice from counsel.