

BYLAWS OF NEVADA COUNTY BRIARPATCH COOPERATIVE, INC.

2008

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Article I. Name and Headquarters

Section 1.01 Name and Location

The name of this corporation shall be NEVADA COUNTY BRIARPATCH COOPERATIVE, INC. The headquarters shall be located in Nevada County, California.

- (a) The corporation may also have offices at such other places as the Board of Directors, from time to time, may designate.

Section 1.02 Purpose

The purpose of this corporation shall be as set forth in the Articles of Incorporation.

Article II. Ownership

Section 2.01 Owner Qualifications

Any person(s), irrespective of age, sex, race, nationality, political opinion, religious belief, handicap, or marital status, who meets ownership requirements and is capable of using and enjoying the benefits of ownership is eligible to become a shareholder of the Cooperative. Such persons may become Owners of the Cooperative by:

- (a) Complying with such uniform conditions as may be prescribed by the Board of Directors; or
- (b) Making full payment of any non-refundable ownership fee as set forth in Section 2.05; or
- (c) Making full payment for one (1) ownership share upon joining and additional shares as required by the Board of Directors.

Section 2.02 Application for Ownership

Any applicant eligible for and desiring admission to ownership in the Cooperative shall file a written application for admission in whatever form and containing whatever information the Board of Directors shall prescribe.

Section 2.03 Acceptance of Owners

Applications for ownership shall be reviewed by the Board of Directors or by an agent designated for that purpose by the Board. Prior to issuing any ownership, the Cooperative shall provide the applicant with a disclosure document containing such information as is required by law. The application shall be accepted or rejected within thirty (30) days for reasons satisfactory to the Board. If accepted, the applicant shall be admitted to ownership and shall be allowed to vote and hold office. If rejected, the applicant shall be entitled to a refund of any amounts paid for ownership fees and shares.

Section 2.04 Transfers Prohibited

No Owner may transfer his or her Ownership or any right arising therefrom.

Section 2.05 Ownership Fee

A one-time non-refundable ownership fee, in an amount set, from time to time, by the Board of Directors, may be charged and collected from each prospective Owner upon joining the Cooperative.

Section 2.06 Ownership Information

Each person, upon becoming an Owner, may receive a copy of the Articles of Incorporation and the Bylaws of the Cooperative.

Section 2.07 Nomenclature

“Shareholder” and “Owner” and their plurals shall be synonymous throughout these Bylaws. “Board” means the Board of Directors and refers to the entire group, while “Director” and “Directors” refer to Members of the Board of Directors.

Section 2.08 Working Owners

The Board of Directors shall provide a system and the rules whereby Owners may provide their labor to the Cooperative in return for a discount on purchases from the Cooperative by such Owners or their household shoppers. Owners may participate in such system at their option.

Section 2.09 Definition of Household

Household shall be defined as any person, or any family, or any group of individuals, residing at the same address where eating facilities are shared.

Section 2.10 Definition of Active/Inactive Owner

An active Owner is an Owner who is paid up to date on his or her fair share. An inactive Owner is an Owner who is not paid up to date on his or her fair share. An inactive Owner has no voting privileges and does not receive a discount on purchases.

Article III. Shares

Section 3.01 Shares Issuance

- (a) Ownership shares may be issued for a price set by the Board.

Section 3.02 Shares Ownership

Each active or fully paid Owner household is entitled to only one vote regardless of the number of ownership shares an Owner owns, and to all the rights of the Ownership as described by statute, the Articles of Incorporation, and these Bylaws. Ownership shares shall be entitled to no dividend or other monetary return on investment.

Section 3.03 Share Certificate and Disclosure Document

- (a) The Corporation may issue, but is not required to issue, share certificates. In the event that they are issued they shall state the information required to be contained in the disclosure document described in subsection (b).

(note 3.01 It appears that this is in reference to an appendix which is not found at this time. It (b) refers to a California Code)

Section 3.04 Transfer of Shares

No owner may transfer his or her ownership or any right arising therefrom, except within the family, or household, of an owner, and then only upon the death of an owner or upon the approval of the Board after written request for such a transfer.

Section 3.05 Fair Share Investment

- (a) The Board shall, from time to time, set the minimum amount in dollars that each Owner must invest toward his or her fair share in each fiscal year of the Cooperative.
- (b) The Board shall, from time to time, specify the mechanisms by which the annual investments are to be made.
- (c) Once an Owner reaches his or her fair share amount, he or she may make further purchases of, or receive distributions in, ownership shares at his or her option, provided the Board and statute allows this action. Under no circumstances, however, may the Board require an Owner to invest in ownership shares above the current fair share requirement.

Section 3.06 Partial Share Withdrawal

An Owner having ownership shares exceeding the current fair share requirement may reduce his or her equity by withdrawing property from the Cooperative up to

the amount of such excess upon written request to the Board. The Board must, within one (1) year of such request, pay the amount the Owner requests in cash or other property or both. The exact form of payment is within the discretion of the Board.

Section 3.07 Insolvency Delay

The Corporation shall delay the purchase of shares described in Bylaw sections 2.05 and 3.04 if the Corporation, in making such purchase is, or as a result thereof would be, likely to be unable to meet its liabilities (except those whose payment is otherwise adequately provided for) as they mature.

??Section 3.08 Unclaimed Equity Interests

Any share of an owner, together with any accrued and unpaid dividends and patronage distributions related to that owner, that would otherwise escheat to the State of California as unclaimed personal property shall instead become the property of the Corporation if the Corporation gives at least sixty (60) days prior notice of the proposed transfer to the affected owner by (1) first-class mail to the last address of the owner shown on the Corporation's records, and (2) by publication in a newspaper of general circulation in the county in which the Corporation has its principal office. No shares or amounts shall become the property of the Corporation under this section if written notice objecting to the transfer is received by the Corporation from the affected owner prior to the date of the proposed transfer.

Article IV. Termination of Ownership

Section 4.01 Voluntary Withdrawal

An Owner shall have the right to resign from the Cooperative and terminate his or her ownership by filing a written notice of resignation with the Secretary of the Cooperative. The resignation shall become effective without any action on the part of the Cooperative.

Section 4.02 Expulsion

- (a) An owner may be expelled from the Cooperative by resolution adopted by two-thirds (2/3) vote of all the Owners of the Board of Directors for any of the following reasons:
 - 1) Having failed to comply with the Bylaws, rules or regulations of the Cooperative, or
 - 2) Being delinquent on the payment of their fair share for one calendar year or more, or
 - 3) Any other justifiable reason.
- (b) Expulsion shall become effective immediately unless the Board shall, in the resolution, fix another time. On expulsion the name of the Owner expelled shall be stricken from the ownership register and all of his or her rights shall cease except as provided in Section 4.04.
- (c) Before an Owner is expelled, the Board shall give the Owner at least fifteen (15) days written notice of the proposed action and the reasons therefore. The Owner shall have the opportunity to respond, orally or in writing, not less than five (5) days before the effective date of expulsion by the Board.

Section 4.03 Settlement of Share Interest

If an ownership is terminated for any reason set forth in this article, the Cooperative may purchase the paid up value of the Owner's shares as soon as replacement capital has been secured by the Cooperative from a new owner, if so requested by the Owner. The Board, in settling the Owner's property interests, shall have the right to offset any and all indebtedness of the Owner to the Cooperative. The paid-up value of the Owner's share interest is the amount carried on the books of the Cooperative at the time of termination.

Article V. Governance of the Cooperative

Section 5.01 Control

The control of the Cooperative shall be vested in the Owners.

Section 5.02 Administration

The administration of each enterprise of the Cooperative is vested in a Board of Directors responsible to the Owners.

Section 5.03 Management

The management of each enterprise of the Cooperative shall be vested in a Manager selected by and responsible to the Board of Directors.

Section 5.04 Right of Appeal

- (a) Any employee or representative of an employee shall have the right to present a grievance directly to the Board of Directors, as directed in the BriarPatch Policy Manual.
- (b) Any Owner or representative of an Owner shall have the right to present any grievance or concern to the Board of Directors, as directed in the BriarPatch Policy Manual.

Article VI. Owners Meetings

Section 6.01 General

Whenever Owners are required or permitted to take any action at a meeting, a written notice of the meeting's date, time, and place shall be posted in the Cooperative Store at least fourteen (14) days prior to the date of the meeting. This section shall apply to the annual General Owners Meeting and to any special meetings. No fee shall be charged for attendance at any owners meeting.

Section 6.02 General Owners Meeting

An annual meeting of the owners shall be held during the last quarter of the fiscal year, as determined by the Board.

Section 6.03 Special Meetings

- (a) Special meetings of Owners for any lawful purpose may be called by the Board or the Chairperson, and shall be called by the Board upon written request to the Board by at least twenty percent (20%) of the active Owners.
- (b) Any special meeting called by the written request of the Owners pursuant to Subsection a) shall be held within one (1) month of the request.

Section 6.04 Record Date for Notice

The record date for determining the owners entitled to notice of any meeting of owners is 30 days before the date of the meeting.

Section 6.05 Contents of Notice

The notice shall state the place, date, and time of the meeting. The notice of a regular meeting shall state any matters that the board, at the time of giving notice, intends to present for action by the owners. The notice of a special meeting shall state the general nature of the business to be transacted. The notice of any meeting at which Directors are to be elected shall include the names of all nominees at the time of giving notice.

Section 6.06 Waivers, Consents, and Approvals

The transactions of a meeting, whether or not validly called and noticed, are valid if a quorum is present and each of the absent owners who is entitled to vote, either before or after the meeting, signs a written waiver of notice, a consent to the holding of the meeting, or an approval of the minutes of the meeting. All waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

An owner's attendance at a meeting shall constitute a waiver of notice of the meeting, unless the owner objects at the beginning of the meeting. However, attendance at a meeting is not a waiver of any right to object to the consideration

of matters required to be included in the notice but not included, if an objection is made at the meeting.

Section 6.07 Functions of Annual Meetings

The functions of the meetings shall be primarily to:

- (a) nominate candidates for the Board of Directors
- (b) request referendums and initiatives
- (c) discuss policies and problems of administration and management
- (d) provide educational information on matters of interest to Owners
- (e) presentation of financial statements

Section 6.08 Chairperson

The President of the Board or his or her designated substitute shall chair owners meetings.

Section 6.09 Quorum at Meeting

The lesser of 25 owners or owners representing five (5) percent of the voting power shall constitute a quorum at a meeting of owners. Any bylaws amendment to increase the quorum may be adopted only by approval of the owners. When a quorum is present, the affirmative vote of the majority of the voting power represented at the meeting and entitled to vote shall be the act of the owners, unless provided otherwise by these bylaws or the law.

Section 6.10 Loss of Quorum at Meeting

The owners present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough owners to leave less than a quorum, if the action taken, other than adjournment, is approved by at least a majority of the owners required to constitute a quorum.

Section 6.11 Adjournment for Lack of Quorum

In the absence of a quorum, any meeting of owners may be adjourned by the vote of a majority of the votes represented in person, but no other business may be transacted except as provided in Section 6.10 of these bylaws.

Section 6.12 Adjourned Meetings

The Corporation may transact any business at an adjourned meeting that could have been transacted at the original meeting. When a meeting is adjourned to another time or place, no notice is required if the time and place are announced at the original meeting. If the adjournment is for more than forty-five (45) days or if a new record date is fixed, a notice of the adjourned meeting shall be given to each owner of record entitled to vote at the meeting.

Section 6.13 Voting Ownerships

- (a) Each ownership share of the Corporation is entitled to one vote on each matter submitted to a vote of the owners.
- (b) If an ownership stands of record in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, husband and wife as community property, tenants by the entirety, persons entitled to vote under an agreement, or otherwise, or if two or more persons have the same fiduciary relationship respecting the same ownership, unless the Secretary is given written notice to the contrary and furnished with a copy of the instrument or order appointing them or creating the relationship, the vote of one joint holder will bind all.
- (c) The record date for determining the owners entitled to vote at a meeting or cast written ballots is 20 days before the date of the meeting or the day on which the first ballot is mailed or solicited.
- (d) Voting by proxy shall not be permitted for any purpose.

Section 6.14 Use of Written Ballots at Meetings

A combination of written ballot and personal voting may be used at any regular or special meeting of owners, and may be used for the election of Directors. Prior to the meeting, the Board may authorize distribution of a written ballot to every owner entitled to vote. When ballots are distributed, the number of owners voting at the meeting by written ballot shall be deemed present at the meeting for purposes of determining a quorum but only with respect to the proposed actions referred to in the ballots.

Section 6.15 Contents of Written Ballot Used at Meeting

Any written ballot used at a meeting shall set forth the proposed action to be taken, provide an opportunity to specify approval or disapproval of the proposed action, and state that unless revoked by the owner voting in person, the ballot will be counted if received by the corporation on or before the time of the meeting.

Section 6.16 Action by Ballot Without Meeting

Any action that may be taken at any regular or special meeting, including election of Directors, may be taken without a meeting through distribution of a written ballot to every owner entitled to vote on the matter. The Secretary shall cause a vote to be taken by written ballot on any action or recommendation proposed in writing by twenty (20) percent of the owners.

Section 6.17 Contents of Written Ballot Used Without Meeting

- (a) Any ballot used without a meeting shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal,

and provide a reasonable time within which to return the ballot to the Corporation.

- (b) The form of written ballot distributed to ten (10) or more owners shall afford an opportunity to specify a choice between approval and disapproval of each matter or group of related matters intended, at the time of distribution, to be acted on by the ballot. The form must also provide that whenever the person solicited specifies a choice with respect to any matter, the vote will be cast in accordance with that choice.
- (c) A written ballot cannot be revoked. Approval by written ballot shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

Section 6.18 Solicitation of Written Ballots

Ballots shall be solicited in a manner consistent with Sections 6.19, and 6.17(b) of these bylaws. The solicitations shall indicate the number of responses needed to meet the quorum requirement and specify the time by which the ballot must be received to be counted. Ballots other than for the election of Directors shall state the percentage of approvals necessary to pass the measure.

Section 6.19 Appointment of Inspectors of Election

In advance of any meeting of owners the Board may appoint inspectors of election to act at the meeting and any adjournment. If inspectors are not appointed or if any appointed persons to appear or refuse to act, the chairman of the meeting may, and, on the request of any owner, shall, appoint inspectors at the meeting.

Section 6.20 Duties of Inspectors of Election

The inspectors shall determine the number of ownerships outstanding and the voting power of each, the number represented at the meeting, and the existence of a quorum. They shall receive votes, ballots, and consents, hear and determine all challenges and questions regarding the right to vote, count and tabulate all votes and consents, determine when the polls will close, and determine the result. They may do those acts that are proper to conduct the election or vote with fairness to all owners. The inspectors shall perform these duties impartially, in good faith, to the best of their ability, and as expeditiously as is practical.

Section 6.21 Owner Committees

Any duly called owners meeting may, by the majority vote of those present and voting, appoint a committee to report back at a subsequent meeting.

Section 6.22 Referendums and Initiatives

- (a) Any official act, either proposed or taken, at an owners meeting or a Board meeting, shall be submitted to a referendum or initiative of the Owners under the procedures outlined below in any of the following situations:
- 1) A petition, stating the action requested, signed by at least ten percent (10%) of all the active Owners is received by the secretary of the Board.
(note 3/01. Governance Committee believes this may conflict with section 6.16, which states 20%)
 - 2) The majority of the active Owners present and voting at a duly called regular or special Owners meeting deem it necessary.
 - 3) The Board so directs.
- (b) The results of any referendum shall be binding on the Board and the Owners.

Section 6.23 Advisory Survey

In the event it shall be deemed advisable for any reason, the Board, or the Board when directed to do so by a motion approved at an owners meeting, shall conduct a non-binding advisory survey of the Owners on a specific issue or issues.

Article VII. Directors and Other officers

Section 7.01 Composition of the Board

- (a) The Board of Directors shall be composed of seven to nine (7-9) persons.
- (b) Each Director shall be an active Owner of the Cooperative.
- (c) Two or more Owners who share the same household or who are members of the same immediate family may not serve on the Board simultaneously.
- (d) No more than two (2) employee may serve on the Board at any one time.
- (e) The Manager may not be a Member of the Board.

Section 7.02 Nomination Procedures

A prospective candidate for a seat on the Board shall secure the nomination by one of the following methods:

- (a) Selection by the nominating committee, if one exists.
- (b) Nomination and second by any two Owners at the owners meeting preceding the election.
- (c) Nomination and second by two members of the Board.

(Note: add candidate signs BOD application form)

Section 7.03 Election and Nominating Committees

- (a) An election committee may be appointed by the Board to administer elections. The election committee shall be composed of no fewer than three (3) and no more than five (5) Owners.
- (b) A nominating committee may be appointed by the Board to recruit a slate of candidates for the Board and to aid in recruitment of active Owners to serve on committees. The nominating committee shall be composed of no less than two (2) and no more than five (5) active Owners.

Section 7.04 Length and Limitation of Term

- (a) A full term shall be two (2) years.
- (b) Directors shall be elected by a schedule established pursuant to Section 7.05.

Section 7.05 Schedule of Board Elections

- (a) Election to the Board for full terms shall be staggered such that five (5) members are elected in even number years and four (4) are elected in odd numbered years, except when there are unexpired terms, then additional directors may be elected to fill those terms. The full term Directorships shall be filled first by the nominees receiving the highest number of votes, then the unexpired terms shall be filled.
- (b) Election to fill unexpired terms will occur at the first available election cycle.
- (c) Installation of the new Board shall occur at the first Board meeting following the election.

Section 7.06 Compensation

The Directors shall approve any compensation to the Board of Directors. The Board of Directors shall be compensated for any necessary expenses incurred ---in serving the corporation.

Section 7.07 Call of Meetings

The President, any Vice President, the Secretary, or any two Directors may call meetings of the Board.

Section 7.08 Place of Meetings

The Board of Directors shall have regular monthly meetings on a date and at a place of their choosing. All meetings, except for Executive Sessions, shall be open to the Owners. All meetings shall be announced at least seven (7) days prior to the meeting by posting a notice in the Store. Meetings will also be announced in the newsletter if time allows.

Section 7.09 Presence at Meetings

Directors may participate at meetings of the Board through the use of conference telephone or other communications equipment, as long as all participating Directors can hear one another. Participation by communications equipment constitutes presence at the meeting.

Section 7.10 Regular Meetings

All meetings of the Board shall be conducted according to "Robert's Rules of Order" unless decided otherwise by a majority of the Board.

Section 7.11 Special Meetings

Special meetings shall be held on four days notice to the Directors by first class mail or 48 hours notice delivered personally or by telephone. **(note: add email)** Notice of special meetings need not be given to any director who signs a waiver of notice, a written consent to holding the meeting, or an approval of the minutes

(either before or after the meeting), or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to that Director. All waiver, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

- (a) The Board may meet in executive session to discuss personnel matters, real estate issues, and legal matters. With the unanimous consent of all the Board Members, the Board may meet in executive session to discuss other matters provided the topics are announced to the Owners and posted with the meeting announcement.

Section 7.12 Quorum at Meetings

A majority of the seated Directors constitutes a quorum for the transaction of business.

Section 7.13 Acts of Board at Meetings

Unless provided otherwise in the Articles, these bylaws, or by law, every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present is the act of the Board. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, if any action taken is approved by at least a majority of the required quorum for the meeting or a greater number required by the articles, bylaws, or by law.

Section 7.14 Adjournment of Meetings

A majority of the Directors present, whether or not a quorum is present, may adjourn to another time and place. If the meeting is adjourned for more than twenty-four (24) hours, notice of the adjournment shall be given prior to the time of the adjourned meeting to the Directors who were not present at the time of adjournment.

Section 7.15 Action Without Meeting

If a specific time sensitive action must be voted on by the Board before the next regularly scheduled meeting and an attempt hold a special meeting fails, a majority of the Board can decide to vote on that action. Board members may use written consent, email, or phone poll both to decide to vote by these alternative methods outside of regular meeting and to vote on the time sensitive action. The decision shall be filed with the minutes of the next regular meeting of the Board. A vote by written consent or phone or email has the same force and effect as a majority vote of the Directors in a regular meeting.

Section 7.16 Board Committees

- (a) The Board may create one or more committees to serve at its pleasure by resolution adopted by a majority of the number of Directors then in office when a quorum is present. Each committee shall consist of one or more Directors, appointed by a majority vote of the Directors then in office.

Section 7.17 Resignation of Directors

- (a) Any Director may resign effective upon written notice to the President, the Secretary, or the Board of Directors, unless the notice specifies a later time for the effectiveness of the resignation. If a resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.
- (b) No leave-of absence will be accepted. If a director finds that she or he will not be able to attend meetings he or she should resign. Alternatively, the provisions of Section 7.20 will apply.

Section 7.18 Removal of Directors

Any or all Directors may be removed without cause. If the Corporation has fewer than fifty (50) owners, the removal shall be approved by an affirmative vote or written ballot of a majority of the votes entitled to be cast. If the Corporation has fifty (50) or more owners, the removal shall be approved or ratified by the affirmative vote of a majority of the votes represented and voting at a duly held meeting at which a quorum is present or by written ballot, or by the affirmative vote or written ballot of any greater proportion of the votes required in these bylaws or by law.

Section 7.19 Cause of Vacancies of Board

Vacancies on the Board of Directors shall exist on the death, resignation, or removal of any Director; whenever the authorized number of Directors is increased; whenever the Board declares an office vacant pursuant to Section 7.20 of these bylaws; and on the failure of the owners to elect the full number of Directors authorized.

Section 7.20 Vacancies and Removals

The Board may declare vacant the office of a Director whose eligibility for election as a Director has ceased, or who has been declared of unsound mind by a final order of court, or convicted of a felony, or who has failed to attend three (3) regular or special meetings in any six (6) month period. A Director whose seat will become subject to the above described action through his or her absence from a subsequent meeting shall be notified by the Secretary after missing two (2) meetings.

Section 7.21 Filling Vacancies on Board

Except for vacancies created by removal of a Director pursuant to Section 7.18 of these bylaws, vacancies may be filled by a majority of the Directors then in office, whether or not less than a quorum, or by a sole remaining Director. Vacancies created by the removal of a Director may be approved only by approval of the owners. The owners may elect a Director at any time to fill any vacancy not filled by the Directors. Such appointed directors must run for election at the next regularly scheduled general election.

Section 7.22 Officers

- (a) At the first meeting of the Board following the Board elections, the Directors shall elect, as Officers of the Cooperative, a President and one or more Vice-Presidents from among the Directors; the Directors shall further elect a Secretary and a Treasurer who may, but not need be, a Member of the Board. The same person may be elected both Secretary and Treasurer.
- (b) Responsibilities of the Officers shall be those set forth in the Policy Manual of the Board.

Section 7.23 Board Policy

The Board shall develop and state in writing those policies necessary to carry out the duties of the Board and the functions of the Cooperative. A copy of these policies shall be available to the Owners on request. The statements shall include policies on election procedures, personnel, duties of Officers and Directors, and any other matters deemed necessary by the Board.

Article VIII. Recordkeeping and Reports

Section 8.01 Required Records

The Corporation shall keep adequate and correct books and records of account and minutes of the proceedings of its owners, Board, and committees of the Board. It shall also keep a record of the owners, including the names, addresses, and number of shares held by each. The minutes shall be kept in written form. Other books and records shall be kept either in written form or in any other form capable of being converted into written form.

Section 8.02 Annual Report

- (a) For fiscal years in which the Corporation has, at any time, more than twenty-five (25) owners, the Corporation shall notify each owner yearly of the owner's right to receive an annual financial report. The Board shall promptly cause the most recent annual report to be sent to an owner on written request. The annual report shall be prepared no later than one hundred twenty (120) days after the close of the Corporation's fiscal year.
- (b) The annual report shall contain in appropriate detail all of the following:
 - 1) A balance sheet as of the end of the fiscal year, an income statement, and statement of changes in financial position for the fiscal year;
 - 2) A statement of the place where the names and addresses of the current owners are located; and
 - 3) The statement required by Section 8.03 of these bylaws.
- (c) The annual report shall be accompanied by any pertinent report by independent accounts, or, if there is no such report, by the certificate of an authorized officer of the Corporation that the statements were prepared without audit from the books and records of the corporation.

!! Section 8.03 Annual Statement of Transactions and Indemnifications

In addition to the annual report described in Section 7.02, the Corporation shall furnish annually to its owners and Directors a statement of the transactions and indemnifications as required by law. If the Corporation does not issue an annual report pursuant to Section 8.02 of these bylaws, the statement shall be mailed or delivered to owners within one hundred twenty (120) days after the close of the fiscal year.

Article IX. Inspection Rights

Section 9.01 Articles and Bylaws

The Corporation shall keep at its principal office in California the original or a copy of its articles and bylaws as amended to date, which shall be open to inspection by the owners at all reasonable times during office hours. If the Corporation has no office in California, it shall furnish on the written request of any owner a copy of the articles or bylaws as amended to date.

Section 9.02 Books and Records

The accounting books and records and minutes of proceedings of the owners, the Board, and committees of the Board shall be open to inspection on the written request to the GM or his/her designee of any owner at any reasonable time, for a purpose reasonably related to that person's interests as an owner. They will be provided in a reasonable time.

Every Director has the absolute right at any reasonable time to inspect and copy all books, records, and documents of every kind, and to inspect the physical properties of the Corporation. The request shall be made in writing to the GM or designee and honored in a reasonable time. The use of owner lists by candidates running for election to the Board is prohibited.

Article X. Finances

Section 10.01 Fiscal Year

The fiscal year of the Cooperative shall begin on January 1 and end on December 31.

Section 10.02 Mortgage Loans

- (a) The Board shall not obtain any loan secured by a mortgage unless approved by the Owners by either of the following means:
 - 1) By the vote of an owners meeting with at least one (1) week previous notice of the proposed plan.
 - 2) By a ballot in accordance with the Bylaws.
- (b) "Mortgage" shall be defined as a pledge of property to a creditor as security against debt.

Section 10.03 Other Loans

- (a) Except for loans described in Section 10.02 the Board shall not obtain any loans that in aggregate exceed the net worth of the Cooperative unless authorized by either of the following means:
 - 1) By the vote of an owners meeting with at least one (1) week previous notice of the proposed plan.
 - 2) By a ballot in accordance with the Bylaws.
- (b) The Board may seek loans from Owners and other qualified lenders when insufficient capital is available.

Section 10.04 Bonding of Officers and Employees

- (a) A bond may be required of the General Manager and Treasurer.
- (b) A bond may be required of other Officers and employees as the Board may direct.

Section 10.05 Annual Audit

If deemed necessary by the Board, an auditor may make an annual audit or financial review of accounts. A summary of the audit or financial review shall be posted in the store and newsletter, and the complete audit or financial review shall be available to the Owners.

Article XI. INDEMNIFICATION

Section 11.01 Rights

In order to induce qualified persons to serve as directors and officers, the corporation shall, subject to the terms and conditions in this Article, indemnify its directors and officers, including those formerly holding such positions, against all liabilities and expenses, including reasonable attorneys' fees, to which they may actually and reasonably become subject by reason of their positions with the corporation or their service in its behalf. Such indemnification shall include direct payment of liabilities and expenses, and shall apply whenever such person was or is a party or is threatened to be made a party, to any threatened, pending or completed proceeding, whether civil, criminal, administrative or investigative.

Section 11.02 Limitations

No indemnification shall be provided unless the person to be indemnified is determined to have met the standard of conduct required by law. In any proceeding by or in the right of the corporation, indemnification shall be provided only to the extent permitted by law. Indemnification payments and advances of expenses shall be made only in such increments and at such times as will not impair the ability of the corporation to meet its other obligations as they become due.

Article XII. Committees

Section 12.01 Board Committees

The Board has the authority to appoint standing committees to deal with the management and operations of the Cooperative.

Article XIII. Bylaw Changes

Section 13.01 Bylaw Changes by the Board

The bylaws shall be adopted, amended, or repealed by the Board unless the action would:

- (a) Materially and adversely affect the rights or obligations of Owners as to voting, dissolution, redemption, transfer, distributions, patronage distributions, patronage, property rights, or rights to repayment of contributed capital;
- (b) Increase or decrease the number of Owners authorized in total or for any class;
- (c) Effect an exchange, reclassification or cancellation of all or part of the Ownerships;
- (d) Authorize a new class of Ownerships;
- (e) Change the number of Directors or establish a variable number of Directors;
- (f) Extend the term of a Director beyond that for which the Director was elected or increase the terms of the Directors;
- (g) Allow up to one-third (1/3) of the Directors to hold office by virtue of designation or selection rather than by election by the Owners; and
- (h) Allow the Board to fill vacancies occurring in the Board by reasons of the removal of Directors;

Section 13.02 Bylaw Changes by the Owners

Where the Board is denied the right to adopt, amend, or repeal the bylaws pursuant to subsections (a) through (h) of Section 13.01 of these bylaws, the bylaws shall be adopted, amended, or repealed by approval of the Owners.

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