

**BYLAWS**

**OF**

**BRIARPATCH COOPERATIVE OF NEVADA COUNTY, INC.**

**Article I  
Organization**

**Section 1.1 Name and status.** The name of the organization is BriarPatch Cooperative of Nevada County, Inc. (the co-op). The co-op is a cooperative corporation under the Cooperative Corporation Law of the State of California.

**Section 1.2 Purpose and mission.** The co-op is organized to provide food and other household products to its owners and others. It is organized primarily for the mutual benefit of its owners as patrons and will be operated on a cooperative basis. The mission of the co-op is to provide healthful, earth-friendly, and affordable products, offer excellent customer service and consumer education, provide a quality work experience and contribute to the local economy.

**Section 1.3 Cooperative principles.** The co-op will be operated in accordance with cooperative principles adopted by the 1995 General Assembly of the International Co-operative Alliance. These principles include the following:

- (1) voluntary and open ownership;
- (2) democratic owner control;
- (3) owner economic participation;
- (4) autonomy and independence;
- (5) education, training and information;
- (6) cooperation among cooperatives; and
- (7) concern for community.

**Section 1.4 Nondiscrimination.** Ownership in the co-op is open without regard to any characteristic that does not directly pertain to a person's eligibility.

**Article II  
Ownership**

**Section 2.1 Eligibility.** Ownership in the co-op is voluntary and open to any person 18 years of age or older and any entity, in each case whose purpose is to use the services of the co-op and who is willing to accept the responsibilities of ownership and abide by the policies adopted by the Board.

**Section 2.2 Types of ownership.** The co-op has three types of ownership. These ownership types are individual, household, and organizational. In these bylaws, the term “owner” means an individual owner, the primary owner of a household ownership and the designated representative of an organizational ownership, unless otherwise specified.

(a) Individual ownership consists of a single person who may use the services of the co-op in connection with that ownership and who may vote on each matter submitted to a vote of owners.

(b) Household ownership consists of two or more adult members who share a household and who may use the services of the co-op in connection with that ownership. The Board may set a maximum number of household members who may use a single household ownership. Each household ownership must designate a single person to act as the ownership’s primary owner. That primary owner may vote on behalf of the ownership on each matter submitted to a vote of owners. The Board may adopt policies and procedures in accordance with which a household ownership may change the person designated as its primary owner.

(c) Organizational ownership consists of one or more adults affiliated with an organization and who may use the services of the co-op in connection with that ownership. The Board may set a maximum number of adults who may use a single organizational ownership. Each organizational ownership must designate a single person to act as the ownership’s representative. That representative may vote on behalf of the ownership on each matter submitted to a vote of owners.

**Section 2.3 Admission.** An applicant will be admitted as an owner after submitting required information and investing equity in an amount and on such terms as determined by the Board. Ownership may be uncertificated or evidenced by certificates in such form as determined by the Board. Before ownership admission, the co-op will provide the prospective owner a disclosure document containing the information required by applicable law and will furnish the prospective owner a copy of these bylaws upon written request. An application for ownership will be presumed accepted unless specifically disapproved in accordance with procedures and criteria established by the Board.

**Section 2.4 Automatic employee ownership.** Any person who becomes an employee of the co-op will automatically become an active owner for the duration of his or her employment without needing to invest equity or to comply with the other provisions of section 2.3. All rights and interests in the co-op of the person who automatically became an owner in accordance with this section will automatically cease upon termination of employment for any reason and that person will have no right to any return of equity. Any employee may also become an owner independent of his or her employment status if he or she complies with the provisions of section 2.3.

**Section 2.5 Rights.** Each individual owner, household member and organizational user may make purchases from the co-op on terms generally available to owners and may use patronage dividends distributed as merchandise credits. Only individual owners, primary owners of household ownerships and designated representatives of organizational ownerships are entitled to attend meetings of owners, vote on matters submitted to a vote of owners, make changes to the ownership, request a return of equity, receive patronage dividends distributed as cash, or otherwise participate in the governance of the co-op as provided in these bylaws.

**Section 2.6 Active and inactive owners.**

(a) Upon becoming an owner of the co-op, an applicant becomes an “active owner.” An active owner may participate in the in the co-op in the following ways:

- (1) attending meetings of owners;
- (2) voting on matters submitted to a vote of owners;
- (3) being nominated to and, if elected, serving on the Board;
- (4) participating in the co-op’s activities to which owners are invited;
- (5) receiving correspondence from the co-op without charge;
- (6) purchasing goods and services from the co-op on terms generally available to owners;
- (7) receiving discounts and other benefits offered to active owners from time to time; and
- (8) receiving distributions to owners if and when made by the co-op.

(b) An active owner automatically becomes an “inactive owner” when that owner fails to satisfy the requirements for active ownership, becomes delinquent by three months in meeting the equity investment obligation, or fails for a period of more than 24 consecutive months to patronize the co-op.

(c) An inactive owner has all the rights and privileges of an active owner, except that an inactive owner may not vote on matters submitted to a vote of owners, be nominated to or serve on the Board, receive discounts or other benefits offered to active owners, or receive distributions from the co-op.

(d) An inactive owner will again become an active owner if that owner fully satisfies the requirements for active ownership, brings current (including all arrearages) that owner’s equity investment obligation, and patronizes the co-op.

**Section 2.7 Access to information.**

(a) The co-op will prepare an annual report not later than 120 days after the close of the co-op’s fiscal year and will send a copy of that report to an owner upon written request. The annual report will contain: (1) a balance sheet as of the end of that fiscal year and an income statement and a statement of cash flows for that fiscal year; (2) a statement of the place where the ownership list of the names and addresses of the current owners is located; and (3) and a statement of the transactions with or indemnifications to interested persons as required by applicable law.

(b) An active owner may inspect the accounting books and records and minutes of proceedings of the owners and the Board at any reasonable time upon written request if the purpose of the inspection is reasonably related to that person’s interests as an owner.

(c) Subject to subsection 2.7(d), upon the written request of at least 5% of all active owners, an owner may do either or both of the following:

- (1) inspect and copy the list of all the owners' names, addresses and voting rights at reasonable times, if the written request states the purpose of the inspection and that purpose is reasonably related to those owners' interests as owners; and
- (2) obtain a list of names, addresses and voting rights of those owners entitled to vote for the election of directors, as of the most recent record date for which it has been compiled, or as of a date specified by the owner subsequent to the date of demand, if the written request states the purpose for which the list is requested and that purpose is reasonably related to those owners' interests as owners.

(d) The co-op may deny access to the ownership list as provided under subsection 2.7(c) where (1) it reasonably believes that the information will be used for a purpose other than the proper purpose stated in the written request, or (2) it offers an alternative method of reasonably achieving the proper purpose stated in the written request without providing access to the ownership list.

**Section 2.8 Prohibition on transfer of ownership.** No ownership may be assigned or transferred, except on death of the primary owner of a household ownership to a member of that primary owner's immediate family by will or the laws of descent and distribution. Any attempted assignment or transfer in contravention of this section 2.8 will be void and will confer no rights on the intended assignee or transferee.

**Section 2.9 Termination of ownership.**

(a) Any owner may resign from the co-op and terminate his, her or its ownership at any time by providing written notice to the co-op. The termination of the ownership will become effective immediately without any action by the co-op.

(b) An ownership will immediately terminate upon the death of an owner or the dissolution of an owner that is an organization.

(c) Any owner may be expelled for any justifiable reason upon a 2/3 vote of the Board after the owner has been provided at least 15 days prior notice of the reason for expulsion. This notice may be given by any method reasonably calculated to provide actual notice. The owner must be given the opportunity to respond, in person or in writing, not less than five days before the effective date of the expulsion. Expulsion will become effective, and the ownership will terminate, upon the Board vote unless the Board fixes another effective time.

**Article III**  
**Meetings of Owners**

**Section 3.1 Annual meetings.**

(a) An annual meeting of owners is to be held each year for the election of directors (unless the directors are chosen in some other manner authorized by applicable law), to receive reports on the operations and finances of the co-op and to conduct such other business as may properly come before the meeting. At any annual meeting, an item of business may be conducted, and a proposal may be considered and acted upon, only if it is a matter properly before owners and brought before the meeting by or at the discretion of the Board, or by an active owner who complies with the procedures specified in subsection 3.1(b).

(b) For a matter to be brought before an annual meeting by an owner, the matter must be a proper matter for owner action and the active owner must deliver written notice to the Secretary of the co-op no later than four months before the first anniversary of the most recently held annual meeting. That notice must describe the matter in reasonable detail and bear the physical signatures of at least 5% of all active owners as of that date. The notice must also comply with any other procedural guidelines and limitations the Board adopts.

**Section 3.2 Special meetings.** Special meetings of owners may be called by the Board or the president. A special meeting of owners may also be called by owners for any lawful purpose and concerning a proper matter for owner action if the owners deliver to the co-op a written demand describing with reasonable clarity the proper purpose or purposes for which the meeting is called and specifying the nature of the business proposed to be transacted at the meeting. That notice must bear the physical signature of at least 5% of all active owners must be delivered personally or sent by registered mail to the Secretary of the co-op. No business other than that within the purpose or purposes specified in the meeting notice may be transacted at a special meeting.

**Section 3.3 Time and place.** The date, time, and place of all meetings of owners are to be determined by the Board or, in the event that the Board fails to so act, by the Secretary of the co-op. Special meetings will be held at a time fixed by the Board not less than 35 days nor more than 90 days after receipt of a proper written request. The Board may, in its sole discretion, determine that any meeting of owners will not involve a physical assembly of owners at a particular geographic location, but instead will be held solely by means of remote communication, in accordance with section 3.10. If an owner meeting is to involve a physical assembly of owners, that meeting will be held at a place determined by the Board to be reasonably convenient to owners.

**Section 3.4 Notice of meetings.**

(a) The co-op will give notice of any meeting of owners, either in writing or by electronic transmission or in any other manner authorized under applicable law. The co-op will also cause meeting notices to be posted in the co-op's store.

(b) Notices of annual meetings will be given not less than ten nor more than 90 days before the meeting to each owner who is entitled to vote on the record date for the meeting determined in

accordance with section 3.5. Notices of special meetings will be given within 20 days after receipt of a proper written request for a special meeting to each owner who is entitled to vote at that meeting.

(c) Each meeting notice will state the date, time and place of the meeting. Notices of annual meetings will state any matters that the Board, at the time of giving the notice, intends to present for action by the owners. Notices of special meetings will state the general nature of the business to be conducted. Notices of any meetings at which directors are to be elected will include the names of all nominees at the time of giving notice.

**Section 3.5 Record dates.** Only persons who are active owners as of 5:00 p.m., Pacific Time, on the tenth day immediately preceding the date of distribution of notices will be entitled to notice of a meeting and to vote at such meeting.

**Section 3.6 Quorum.** No quorum of owners is required to transact business at any meeting of owners, unless otherwise required by applicable law; except that a quorum of at least 5% of all active owners must be present at a meeting to act on any matter brought before that meeting by an owner in accordance with subsection 3.1(b) or section 3.2. If fewer than 1/3 of all active owners are present in person or by ballot at any meeting, the only matters that may be voted on at that meeting include those matters described in the meeting notice.

**Section 3.7 Voting.**

(a) Each active owner has one and only one vote on each matter submitted to a vote of owners. Only the primary owner of a household ownership and the designated representative of an organizational ownership may vote with respect to the ownership on any matter submitted to a vote of owners.

(b) An active owner may cast a vote solely by means of a written or electronic ballot or a ballot distributed at a meeting of owners. A written ballot will be valid only if it is signed by the owner, and an electronic ballot will be valid only if the owner sends the electronic ballot along with sufficient information to determine the sender's identity. A ballot will be counted only if it is received by the co-op on or before the time of the meeting.

(c) Unless otherwise required by law or by these bylaws, action on any matter, other than the election of directors, is approved if the votes cast favoring the matter exceed the votes cast opposing the matter. If a matter includes one or more choices to be made from several alternatives, the alternative receiving the most votes will be considered approved.

(d) Directors will be elected by a plurality of the votes cast where the nominees who receive the most votes cast in favor are elected to the Board until all Board seats are filled. If there is a tie as to two or more nominees for the last open seat, the tie is to be broken by a vote of the directors then in office (not including any nominees for election at that election), whether or not less than a quorum.

(e) Neither voting by proxy nor cumulative voting is permitted for any purpose.

**Section 3.8 Conduct of meetings.** Meetings of owners are to be conducted generally in accordance with what the Board determines are reasonable rules of parliamentary procedure.

**Section 3.9 Action by ballot without meeting.**

(a) Any action that may be taken at any meeting of owners, including the election of directors, may be taken without a meeting through distribution of a written or electronic ballot to every active owner entitled to vote on the matter.

(b) Any ballot used without a meeting must describe 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 co-op. The ballot must indicate the number of responses needed to meet the quorum requirement and state the percentage of approvals necessary to approve the proposal. The ballot must also specify the time by which the ballot must be received by the co-op to be counted.

(c) An action taken by written or electronic ballot is approved if the number of votes cast in favor of a matter equals or exceeds the number of votes that would have been required to approve the matter at a meeting, but only if the total number of votes cast by ballot within the time period specified equals or exceeds the quorum that would have been required to be present at a meeting authorizing the action.

(d) A written or electronic ballot cannot be revoked. Any action approved in accordance with this section 3.9 is for all purposes a valid approval and will have the same force and effect as if approved at a meeting of owners.

**Section 3.10 Virtual owner meetings.** If authorized by the Board in its sole discretion, any meeting of owners may be held by means of electronic transmission by and to the co-op or by electronic or remote communications to the fullest extent permitted by and subject to the requirements of applicable law and any other procedural guidelines and limitations the Board adopts.

**Article IV  
Board of Directors**

**Section 4.1 Powers and duties.** Except as to matters reserved to owners by law or by these bylaws, the activities and affairs of the co-op will be conducted and all corporate powers will be exercised by or under the direction of the Board of Directors. Such powers reside exclusively in the Board as a deliberative body; they may reside in individual directors only to the extent explicitly so delegated by the Board. The duties of the Board include the following:

- (1) overseeing the operations and finances of the co-op;
- (2) establishing policies to govern operational decisions;
- (3) engaging a general manager and monitoring and evaluating his or her performance;  
and

- (4) assuring that the purpose and mission of the co-op are properly carried out.

**Section 4.2 Number and qualifications.**

(a) The number of directors of the co-op will be between seven and eleven, the specific number to be set by resolution of the Board. No reduction of the authorized number of directors may have the effect of removing any director before that director's term of office expires.

(b) To be qualified as a director, a person must:

- (1) have been an active owner for at least six months prior to the commencement of the election of directors;
- (2) be at least 18 years old;
- (3) be unwaveringly committed to the best interests of the co-op;
- (4) not have any overriding conflict of interest with the co-op; and
- (5) satisfy any other reasonable eligibility requirements set by the Board.

(c) Only individual owners, household members and designated representatives of an organizational ownership are eligible to serve as directors, on condition that they otherwise meet the director qualification requirements. No more than one household member connected with a household ownership nor more than one person connected with an organizational ownership may simultaneously serve as directors.

(d) No employee of the co-op is eligible to serve as a director.

(e) In addition to the eligibility requirements stated above, a person is only eligible to serve as a director if his or her service as a director would not result in two or more related persons being directors at any one time. If any election would otherwise result in two or more related persons being directors at any one time, then only that person receiving the greatest number of votes in the election will be elected as a director. The term "related person" means the spouse, child, grandchild, sibling or parent of the person, and any individual sharing the household of the person.

**Section 4.3 Nominations.**

(a) Nominations of candidates for election as directors may only be made by the Board or by an active owner in accordance with subsection 4.3(b).

(b) An active owner who is entitled to vote at an annual meeting may nominate a candidate for election as director if the owner delivers to the co-op written notice of the nomination no later than 45 days before the first anniversary of the prior year's annual meeting, except that if the date of the annual meeting is more than 30 days before or 30 days after the anniversary of the prior year's annual meeting, to be timely, the notice must be delivered no later than (1) 45 days before the meeting date or (2) 10 days after the date on which public announcement of the date of the meeting is first made by the co-op,



whichever is later. That notice must include all information reasonably requested by the co-op and bear the physical signatures of at least 5% of all active owners as of that date. The owner must also comply with any other procedural guidelines and limitations the Board adopts.

**Section 4.4 Election.** Directors will be elected by written or electronic ballot or by a ballot distributed at a meeting of owners in accordance with sections 3.7 – 3.10.

**Section 4.5 Terms of office.** The Board will be divided into three classes designated as Class I, Class II and Class III. One class will stand for election at each annual election of directors, with each class standing for election every third year. Except in situations where shorter terms are expressly permitted under these bylaws, at each annual election of directors the directors of a class will be elected by owners for terms expiring upon the certification of the election results by the Secretary for the election held in the third year following the year of their election. Directors will hold office until their successors are elected or until their offices are sooner terminated in accordance with these bylaws.

**Section 4.6 Board positions.**

(a) The Board positions include a president, vice president, secretary and treasurer. Board positions are chosen annually by the Board. The same person may hold any number of positions.

(b) The president is responsible for coordinating the activities of the Board, assuring the orderly conduct of all meetings, maintaining effective communication with the general manager, and presenting a report of Board activities at the annual meeting of owners. The president must be a director elected by the owners and may not be the chief executive officer.

(c) The vice president is responsible for performing the duties of the president in his or her absence or disability and, as requested, assisting other Board members in the performance of their duties.

(d) The secretary is responsible for the recording and keeping of adequate minutes of all meetings of the Board and of owners, overseeing the issuance of notices required under these bylaws, and authenticating records of the co-op.

(e) The treasurer is responsible for overseeing the maintenance of financial records, issuing financial reports and filing of required reports and returns.

**Section 4.7 Compensation.** Directors may receive reasonable compensation approved by the Board. Directors will be reimbursed for reasonable and necessary expenses incurred in connection with the performance of authorized business of the co-op.

**Section 4.8 Standards of conduct.** Directors are responsible at all times for performing their duties in good faith, in a manner that they believe to be in the best interests of the co-op, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

**Section 4.9 Conflicts of interest.** Directors have an affirmative duty to disclose their actual or potential conflicts of interest, either direct or indirect, in any matter under consideration by the Board or by

a committee exercising any authority of the Board, and that interest is to be made a matter of record in the minutes of the meeting. After disclosing the existence and nature of the conflicting interest and the material facts known to the director respecting the matter, the director must recuse himself or herself from the discussion and any vote on the matter. The Board's or committee's action respecting such matter is effective if a majority of the disinterested directors on the Board or committee, as applicable, consent to such action. Directors may not do business with the co-op except in the same manner as other owners generally do business with the co-op or under other conditions that are procedurally defined to avoid preferential treatment.

**Section 4.10 Indemnification.** The co-op will indemnify and advance expenses to its directors and officers, and may indemnify and advance expenses to its other employees and agents, to the fullest extent permitted by applicable law. Indemnification payments will be made on a priority basis but only in such increments and at such times as will not jeopardize the ability of the co-op to pay its other obligations as they become due. Any indemnification payments or advances are to be reported to owners not later than the next-scheduled meeting of owners. The co-op may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the co-op against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the co-op would have the authority to indemnify him or her against such liability.

**Section 4.11 Committees.** The Board may appoint special or standing committees to advise the Board or to exercise such authority as the Board may designate. All committees must include at least one director, and a committee exercising any authority of the Board must consist exclusively of directors and is to follow procedures applicable to Board meetings. The appointment of any committee will not relieve the Board of its responsibilities in the oversight of the co-op.

**Section 4.12 Resignation of directors.** Any director may resign by providing written notice to the Board or the president. The resignation will be effective immediately unless the notice specifies a later effective time. If a resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

**Section 4.13 Removal of directors.**

(a) Any director may be removed, with or without cause, by the affirmative vote of at least 2/3 of the owners entitled to vote in the election of directors. The vote must be by means of a written or electronic ballot or a ballot distributed at a meeting of owners in accordance with sections 3.7 – 3.10.

(b) Any director may be removed by the affirmative vote of at least 2/3 of the disinterested directors on the Board if the person no longer meets the eligibility requirements for service on the Board, when that person has missed three Board meetings within a period of six months without being excused by the Board for good cause, or for other cause permitted under state law.

**Section 4.14 Vacancies on Board.** Any vacancy occurring on the Board (whether caused by resignation, removal, death or otherwise) may be filled only by a majority of the directors then in office, whether or not less than a quorum. A person chosen by the Board to fill a vacancy will hold office only until the next meeting of owners at which directors are elected, at which time the owners will elect a person to serve for the remaining term of the class for which the vacancy occurred.

**Article V**  
**Meetings of the Board**

**Section 5.1 Meetings.** Meetings of the Board are to be held regularly and special meetings may be called by the president or any three directors.

**Section 5.2 Notice of meetings.**

(a) Notice of the place, day, and time of any meeting of the Board for which notice is required must be given to directors at least two days preceding the day on which the meeting is to be held. The notice must be given by the Secretary of the co-op or by the person calling the meeting and may be given in any manner permitted by law, including orally, in writing or via electronic transmission. Notice will be deemed to have been given on the earliest of (1) the day of actual receipt, (2) five days after the day on which written notice is deposited in the United States mail, or (3) on the next business day if transmitted electronically during normal business hours of the director.

(b) No notice of any regular meeting need be given to directors if the place, day, and time thereof have been fixed by resolution of the Board and a copy of that resolution has been provided to each director at least two days before the day of the meeting.

(c) Notice of the place, day and time of any meeting of the Board must also be posted in a timely manner and in a conspicuous place in the co-op's store, but the inadvertent failure to do so will not affect the validity of the meeting.

**Section 5.3 Waiver of notice.** Any notice of a meeting required under these bylaws may be waived in writing at any time before or after the meeting for which notice is required. A person who attends a meeting other than for the sole purpose of objecting to the adequacy of the notice will be deemed to have waived any objection to the notice.

**Section 5.4 Quorum and voting.** The presence of a majority of the authorized number of directors is necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the Board. Decisions at meetings of the Board are to be made by majority voting. Meetings are to be conducted generally in accordance with reasonable and accepted rules of parliamentary procedure.

**Section 5.5 Meetings by telecommunication.** Directors may participate in a meeting of the Board by conference telephone, electronic video screen communication, or other electronic transmission whereby all persons participating can hear one another.

**Section 5.6 Action without a meeting.** Any action required or permitted to be taken at a meeting of the Board may be taken without a meeting if all directors individually or collectively consent in writing or by electronic transmission to the action. Such written or electronic consent or consents are to be filed with the minutes of the proceedings of the Board. The Board should not use action by consent for the purpose of avoiding the open meeting requirement.

**Section 5.7 Open meetings.** Meetings of the Board and all committees exercising any authority of the Board are to be open to owners, except that sessions of a meeting may be closed as to matters of a

confidential or sensitive nature. Examples of these matters include labor relations or personnel issues, negotiations of contracts, discussions of strategic goals or business plans, and discussions of matters that may, by law or contract, be considered confidential.

## **Article VI Officers**

**Section 6.1 Titles.** The officers of the co-op include a chief executive officer and chief financial officer, and any other officers with such titles and duties as the Board may determine. Unless expressly prohibited by applicable law or these bylaws, the same person may hold any number of offices.

**Section 6.2 Appointment and resignation.** Officers are chosen by the Board and serve at the pleasure of the Board. Any officer may resign at any time on written notice to the co-op. Any officer may be removed by the Board at any time, with or without cause.

**Section 6.3 Duties.** In addition to signing or attesting to formal documents on behalf of the co-op as authorized by the Board, officers have the duties as are determined by the Board.

## **Article VII Owner Equity**

**Section 7.1 Return of equity.** Upon written request by a former owner (or the former owner's personal representative) within 30 days of termination of ownership, that former owner's equity may be returned under terms determined by the Board, provided that the Board has determined that the equity is no longer needed by the co-op. Any return of equity under this section may be offset by amounts due and payable to the co-op by the former owner.

### **Section 7.2 Unclaimed equity.**

(a) If an owner voluntarily or involuntarily terminates ownership and fails to request a return of equity in accordance with section 7.1, or if the Board has not determined that the equity is no longer needed by the co-op as provided in section 7.1, then the equity amount allocated to that former owner that would otherwise escheat to the state, if any, will revert to the co-op and will become property of the co-op in accordance with this section 7.2 and to the extent authorized by state law.

(b) The co-op will provide notice to the former owner at least 60 days before the proposed transfer of equity to the co-op by first-class or second-class mail to the last address of the former owner shown on the co-op's records. The co-op will also publish the notice in a newspaper of general circulation in the county in which the co-op has its principal office.

(c) No equity will become the property of the co-op under this section 7.2 if the former owner provides written notice objecting to the transfer to the co-op prior to the date of the proposed transfer.

**Section 7.3 Non-transferability of equity interests.** Other than in accordance with this Article VII and section 2.8, owner equity interests may not be transferred in any manner.

**Article VIII  
Patronage Dividends**

**Section 8.1 Patronage dividends.** The co-op will allocate and distribute to active owners the net profit from business done with them in such a manner as to qualify them as patronage dividends consistent with cooperative principles, applicable state and federal laws and generally accepted accounting principles. The Board will determine when and how such allocations and distributions will be made.

**Section 8.2 Consent of owners.** By obtaining or retaining ownership in the co-op, each owner thereby consents to take into account, in the manner and to the extent required by federal and state tax law, any patronage dividend received from the co-op. By obtaining or retaining ownership in the co-op, each owner thereby agrees that if his, her or its patronage dividend is not used or otherwise redeemed by the expiration deadline established by the Board in accordance with applicable tax regulations, the Board may, in its discretion, declare that the unused or unredeemed dividend will revert to the co-op or the co-op may make a contribution in the name of that owner to support other organizations aligned with the co-op's purpose.

**Section 8.3 Retained amounts.** A portion of any allocated patronage dividends, not to exceed 80% of the allocation, may be retained by the co-op for the reasonable capital needs of the co-op as determined by the Board. Such retained amounts will be allocated to active owners on the books of the co-op on a patronage basis. Retained patronage dividends will accrue no dividend or interest or other monetary return on capital. Retained patronage dividends may be redeemed when determined by the Board to be no longer needed for capital purposes. If the Board determines to redeem any retained amounts, they will be redeemed in the order of the oldest outstanding amounts and on a pro rata basis among such amounts, except that redemptions will be payable only to active owners. Any retained amounts may be subject to being offset by amounts otherwise due and payable to the co-op.

**Article IX  
Fiscal and Miscellaneous Matters**

**Section 9.1 Fiscal year.** The fiscal year of the co-op will coincide with the calendar year.

**Section 9.2 Communication by electronic means.** Unless otherwise required by these bylaws, any notice, consent, ballot, petition, or other document required or permitted by these bylaws may be delivered by electronic means, provided that, in the case where such communication expressly or impliedly requires the signature of the person submitting the communication, means are in place to reasonably assure the authenticity of the signature.

**Section 9.3 Transfer of proprietary interests to the co-op.** Any proprietary interest in the co-op that would otherwise escheat to the state will instead become the property of the co-op. The co-op will give at least 60 days prior notice of the proposed transfer of the proprietary interest to the co-op to the affected owner by first-class or second-class mail to the last address of the owner shown on the co-op's records and by publication in a newspaper of general circulation in the county in which the co-op has its principal office. No proprietary interest will become the property of the co-op under this section if written notice objecting thereto is received by the co-op from the affected owner prior to the date of the proposed transfer. If there is no objection to the transfer of the proprietary interest from the owner to the co-op

prior to the date of the proposed transfer, then that proprietary interest will become the property of the co-op on the transfer date. A "proprietary interest" means any ownership, ownership certificate, ownership equity, ownership share, share certificate or any share certificate of any class representing a proprietary interest in and issued by the co-op together with all accrued and unpaid dividends and patronage distributions relating thereto.

**Section 9.4 Loans prohibited.** The co-op may not make a loan to, or guarantee the obligation of, any director or officer.

**Section 9.5 Liquidation.** Upon liquidation and dissolution of the co-op, its assets are to be distributed in the following manner and order:

- (1) by paying or making provision for payment of all liabilities and expenses of liquidation;
- (2) by redeeming any retained patronage dividends which, if they cannot be paid in full, must be paid in the order of the oldest outstanding amounts and on a pro rata basis among all amounts for each fiscal year;
- (3) by redeeming equity at its carrying value on the books of the co-op which, if it cannot be paid in full, must be paid on a pro rata basis among all outstanding amounts; and
- (4) by distributing any remaining assets among current and former owners in proportion to their patronage during the five years immediately preceding the date of dissolution, or, if so determined by a vote of owners, to one or more cooperative or nonprofit organizations that may further the purposes and mission of the co-op.

## **Article X Interpretation and Amendment of Bylaws**

**Section 10.1 Interpretation.** The Board has the power to interpret these bylaws, apply them to particular circumstances, and adopt policies in furtherance of them, provided that all such actions are reasonable and consistent with these bylaws.

**Section 10.2 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 is to be deemed inoperative to such extent and is to be deemed modified to conform with such statute or rule of law without affecting the validity or enforceability of any other provision of these bylaws.

**Section 10.3 Amendment by the Board.**

(a) These bylaws may be amended or repealed, or new bylaws may be adopted, by the Board unless the action would:

- (1) materially and adversely affect the rights or obligations of owners as to voting, dissolution, redemption, transfer, distributions, patronage dividends, patronage, property rights, or rights to repayment of contributed equity;
- (2) authorize a new class of owners or effect an exchange, reclassification or cancellation of all or part of ownership interests;
- (3) change the number or terms of directors; or
- (4) effect any other action in violation of state law.

(b) No such amendment, repeal or new bylaws may, however, alter in an adverse manner or reduce or diminish the rights and benefits of any current or former director, officer, employee or agent under section 4.9 except with the advance written consent of each individual so affected.

**Section 10.4 Amendment by owners.** These bylaws may be amended or repealed, or new bylaws may be adopted, by owners, provided that the proposed changes or new bylaws are stated or fully described in the notice of the meeting at which the bylaws are proposed to be amended, repealed or adopted. No such amendment, repeal or new bylaws may, however, alter in an adverse manner or reduce or diminish the rights and benefits of any current or former director, officer, employee or agent under section 4.9 except with the advance written consent of each individual so affected.

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