



## **BYLAWS OF COOS HEAD FOOD CO-OP**

**Adopted 9/16/2010**

### **Article I Organization**

#### **Section 1.1 – Name.**

The name of the organization is Coos Head Food Co-op (referred to in these bylaws as “the Co-op”).

#### **Section 1.2 – Purpose and mission.**

The purpose of the Co-op is to provide groceries and other consumer goods and services to its owners and other patrons. The mission of the Co-op is to serve the community by: operating a socially responsible business that provides a full selection of natural foods and quality products; emphasizing locally produced, organically grown and ecologically sound products; offering a variety of necessities; providing friendly, knowledgeable customer service; promoting awareness about food, nutrition, health and cooperative values; and providing a workplace that fosters opportunities for participation, empowerment and growth in an environment of mutual respect and cooperation. The Co-op is organized and shall be operated exclusively on a cooperative and nonprofit basis.

#### **Section 1.3 – Nondiscrimination.**

The Co-op shall not discriminate on the basis of race, nationality, religion, age, gender, sexual orientation, political affiliation or other arbitrary basis.

#### **Section 1.4 – Principal office.**

The principal office of the Co-op shall be located at 1960 Sherman Avenue, North Bend, Oregon 97459.

#### **Section 1.5 – Fiscal year.**

The fiscal year of the Co-op shall coincide with the calendar year.

### **Article II Ownership**

#### **Section 2.1 – Eligibility and admission.**

Ownership in the Co-op shall be voluntary and open to any individual or any household group that desires to use the services of the Co-op and is willing to accept the responsibilities of ownership. A household group shall be understood to mean a maximum of two adults and their dependents living at the household. Applicants will be admitted to ownership upon submitting required information and purchasing or subscribing to purchase a share at a price determined by

the Board of Directors. Payment options may vary in accordance with the financial circumstances of the purchaser. On or before admission to ownership, each applicant shall be provided a copy of these bylaws, including the appended explanation of the patronage dividend consent provision. In case of doubtful eligibility, ownership shall be subject to approval by the Board.

#### **Section 2.2 Inactive status.**

An owner who becomes delinquent in meeting the share purchase obligation or who shall fail to make purchases from the Co-op during a calendar year shall be placed into inactive status. Participation rights of such person shall then be suspended. An owner in inactive status may attain good standing only upon full payment of all arrearages or reestablishment of a patronage relationship to the Co-op. References in these bylaws to the rights and entitlements of owners shall be understood to refer only to owners in good standing.

#### **Section 2.3 – Rights.**

Each owner shall be entitled to make purchases from the Co-op on terms generally available to owners, and to participate in the governance of the Co-op as set forth in these bylaws.

#### **Section 2.4 – Access to Information.**

Owners shall be provided adequate and timely information as to the organizational and financial affairs of the Co-op. An owner shall, upon request that is made in good faith and for a proper purpose, be provided with information that is directly related to a legitimate interest of owners in the business of the Co-op and is not contrary to the best interests of the Co-op. Information of a confidential or sensitive nature shall be provided by the least intrusive means. Information regarding the Co-op's records of owners shall be accommodated by means other than direct access to such records. The Board may otherwise prescribe reasonable restrictions on disclosure, dissemination, or use of the information provided.

#### **Section 2.5 – Settlement of disputes.**

In any dispute between the Co-op and any of its owners or former owners which cannot be resolved through informal negotiation, it shall be the policy of the Co-op to prefer the use of mediation whereby an impartial mediator may facilitate negotiations between the parties and assist them in developing a mutually acceptable settlement. No party with a grievance against the other shall have recourse to litigation until the matter is submitted to mediation and attempted to be resolved in good faith.

#### **Section 2.6 – Non-transferability.**

Ownership rights and interests may not be sold, assigned, or otherwise transferred. Following termination of ownership the Co-op will upon request of the owner transfer the carrying value of his or her rights and interests, net of any authorized offsets, to the credit of another person designated by the requesting owner, provided that the transfer is gratuitous and that the person so designated is an owner or becomes an owner of the Co-op. Any attempted transfer contrary to this section shall be wholly void and shall confer no rights on the intended transferee.

#### **Section 2.7 – Termination.**

Ownership may be terminated voluntarily by a owner at any time upon notice to the Co-op. Ownership may be terminated involuntarily only for cause by the Board, provided the accused owner is given not less than 15 days prior notice by first class or certified mail of the proposed termination and the reasons therefore and an opportunity to be heard orally or in writing not less than five days before the date of termination. Upon termination of ownership, all rights in the

**Co-op shall cease except for rights to redemption of capital pursuant to Articles VII and VIII of these bylaws.**

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

#### **Section 3.1 – Annual meeting.**

**An annual meeting of owners shall be held to receive reports on the activities and financial condition of the Co-op, and to conduct such other business as may properly come before the meeting.**

#### **Section 3.2 – Special meetings.**

**Special meetings of owners may be called by the Board and shall be called by the Secretary as soon as practicable upon receipt of petitions signed by not less than ten percent of all owners, such petitions stating the business to be brought before the meeting. Any business conducted at a special meeting other than that specified in the notice of the meeting shall be of an advisory nature only.**

#### **Section 3.3 – Time and place.**

**The date, time and place of all meetings of owners shall be determined by the Board or, in the event that the Board fails to so act, by the Secretary. Meetings shall be held at a time and place convenient to owners.**

#### **Section 3.4 – Record dates.**

**Unless otherwise determined by the Board, only persons who are owners at the close of business on the business day immediately preceding the date of distribution of notices shall be entitled to notice of a ownership meeting. Unless otherwise determined by the Board, only persons who were owners for ten days before the date of the meeting shall be eligible to vote at a meeting.**

#### **Section 3.5 – Notice.**

**Written notice of the time and place, and in the case of a special meeting the purposes of the meeting, shall be provided to each owner not less than seven days nor more than thirty days before the date of the meeting or, if mailed by other than first class mail, not less than thirty days nor more than sixty days before the date of the meeting.**

#### **Section 3.6 – Quorum and voting.**

**Thirty owners or ten percent of all owners shall constitute a quorum for the transaction of business at any meeting of owners. Except as otherwise set forth in these bylaws, each owner shall have one and only one vote on each issue submitted to a vote at a meeting of owners. Voting by proxy shall not be permitted. Unless otherwise required by law or by these by-laws, issues shall be decided by a simple majority of votes cast except where one or more choices are to be made from several alternatives, in which case the alternative(s) receiving the most votes shall be considered approved. Meetings of owners shall be conducted in such a way that each owner who so desires is given a reasonable opportunity to express his or her views.**

#### **Section 3.7 – Balloting by mail.**

**The Board may authorize balloting by mail on any issue that may properly be brought before owners. Balloting by mail may be used in conjunction with, or in lieu of, a meeting of owners. When balloting by mail is used, the notice shall include a copy of the issue to be voted upon, together with a ballot and a voting envelope and notification of the number of responses needed**

to meet the quorum requirements, the percentage of approvals necessary to approve each matter and the date by which ballots must be returned. Ballots must be returned in a sealed envelope that is authenticated by the owner's signature and ownership number. If mail ballots are used in conjunction with a meeting of owners, votes cast by mail ballot shall be counted together with votes cast in person at the meeting. A vote cast by mail ballot shall be equivalent to presence in person by the owner at a meeting of owners.

#### **Section 3.8 – Issues submitted by owners.**

Notices of a meeting of owners shall include any proper issues submitted by petition of the lesser of twenty owners or ten percent of all owners. Petitions must be received at the Co-op not less than forty-five days before the date of the meeting at which they are to be presented to a vote of owners.

### **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 corporate powers of the Co-op shall be exercised by or under the authority of the Board of Directors, and the business and affairs of the Co-op shall be managed under the direction of the Board of Directors (sometimes referred to in these bylaws as “the Board”).

#### **Section 4.2 – Number and qualifications.**

The Board shall consist of not less than five nor more than nine individuals elected by the owners. All directors shall be owners and shall not have any overriding conflict of interest with the Co-op. Each director shall be an active owner of the Co-op for at least six months prior to the date of election date and shall continue to be an active owner for the entire term of office. Two or more owners who share the same household or who are owners in the same immediate family may not serve on the Board simultaneously. The Manager shall serve as ex-officio (non-voting) member of the board of Directors.

#### **Section 4.3 – Nominations, election and terms.**

Directors may be nominated by the Board, by a committee of owners or by petition signed by 50 or 10% of owners, whichever is smaller, and submitted to the Co-op at least forty-five days before commencement of election of directors. Directors shall be elected by mail. Directors shall be elected for terms of three years and shall not serve more than three (3) consecutive terms. However, Directors may hold office until their successors are elected or until their terms are terminated sooner in accordance with these bylaws. Terms of directors shall be so staggered that one-third of the terms, or as nearly so as may be practicable, shall expire in each year. To facilitate staggering of terms, some directors may periodically be elected for one- or two-year terms.

#### **Section 4.4 – Termination.**

The term of office of a director may be terminated prior to its expiration in any of the following ways: (i) voluntarily by a director upon notice to the Co-op; (ii) automatically upon termination of ownership in the Co-op; and (iii) by vote of owners or of directors in person at a meeting of owners or of the Board as the case may be, provided that written reasons for removal are included in the notice of the meeting and the director whose removal is sought has had an opportunity to answer the charges in person or in writing. A director who is absent from two

consecutive Board meetings, or three meetings in a term year, unless excused by the Board for good cause, shall be presumed to have resigned.

**Section 4.5 – Vacancies.**

Whenever a vacancy among directors occurs before a term of office has been completed, the board may appoint a director to fill the vacancy. Such director or directors shall serve until the next regularly scheduled election of directors.

**Section 4.6 – Compensation of directors.**

Directors shall receive no compensation for normal duties of the Board. Directors may be reimbursed for expenses incurred in their duties as directors.

**Section 4.7 – Standards of conduct.**

Directors shall be responsible at all times for discharging their duties in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances and in a manner that they reasonably believe to be in the best interests of the Co-op. The Co-op may not lend money to, or guarantee the obligation of, a director. Directors shall sign the Code of Ethics statement.

**Section 4.8 – Conflicts of interest.**

Directors shall be under an affirmative duty to disclose their actual or potential conflicts of interest in any matter under consideration by the Board, and such interest shall be made a matter of record in the minutes of the meeting. Directors having such an interest may not participate in the decision of the matter or in deliberations leading to such decision. A transaction in which a director has an interest may be approved only by a majority of directors who have no interest in the transaction and only upon full disclosure of the material facts of the transaction and the directors interest in it or a determination that the transaction is fair to the Co-op.

**Section 4.9 – Committees.**

The Board may appoint special or standing committees to advise the Board or to exercise such authority as the Board shall designate. Advisory committees shall include at least one director. Committees exercising any authority of the Board shall consist only of directors and shall conform to all procedural requirements applicable to the Board.

**Section 4.10 - Indemnification.**

The Co-op shall indemnify its directors and officers to the fullest extent required or permitted under Oregon law, and may indemnify its employees and other agents. Indemnification payments shall 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 shall be reported to owners not later than the next-scheduled meeting of owners.

**Article V Meetings of the Board**

**Section 5.1 – Meetings.**

The Board of Directors may determine the times and places of regular meetings. Special meetings may be called by the President and shall be called by the Secretary upon request of any three directors. Meetings of the Board shall be held no less frequently than once in each month.

**Section 5.2 – Notice.**

Regular meetings shall require no notice other than the resolution of the Board, it being the responsibility of absent directors to inquire as to the time of further scheduled meetings. Special meetings shall require written or oral notice to all directors at least five days before the date of the meeting. Notices of meetings of the Board shall also be posted in a timely manner and in a conspicuous place in the Co-op, but an inadvertent failure to do so shall 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 shall be presumed to have waived notice unless the person attends for the express purpose of objecting to the transaction of business because the meeting is not lawfully convened.

**Section 5.4 – Quorum.**

The presence in person of a majority of directors then in office shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the Board.

**Section 5.5 – Decision making.**

The Board shall strive to make decisions by consensus, attempting to reconcile differing points of view based upon the best interests of the Co-op. If diligent efforts have failed to produce a consensus and the issue requires immediate action, then such issue shall be decided by a majority vote.

**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 sign a written consent to the action which will be filed with the minutes of meetings. Such consents may be executed by e-mail. Any action without a meeting shall be read into the minutes of the next meeting of the board.

**Section 5.7 – Open meetings.**

Meetings of the Board and all committees shall be open to owners. Executive sessions, or closed meetings, may be held to discuss issues of a particularly sensitive nature. Any actions arising from such discussions must be made in an open meeting. Owners may otherwise be excluded from board or committee meetings only for cause.

**Article VI Officers**

**Section 6.1 – Designation and Qualifications.**

The principal officers of the Co-op shall consist of President, Vice President, Secretary, and Treasurer. The Board may designate other officers or assistant officers. All principal officers shall be directors.

**Section 6.2 – Election, terms and removal.**

Officers shall be elected by the Board at its first meeting following election of new directors. Officers shall serve for terms of one year or until election of their successors. Officers may be removed and replaced by the Board at any time whenever the best interests of the Co-op would thereby be served.

### **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 shall have the following duties and such additional duties as are determined by the Board:

- (a) The President shall be responsible for coordinating the activities of the Board and assuring the orderly conduct of all meetings;**
- (b) The Vice President shall be responsible for performing the duties of the President in his or her absence or disability and, as requested, assisting other officers in the performance of their duties;**
- (c) The Secretary shall be responsible for the recording and keeping of adequate minutes of all meetings of the Board and of owners, issuing notices required under these bylaws, and authenticating records of the Co-op.**
- (d) The Treasurer shall oversee the financial affairs of the Co-op and the filing of required reports and returns, and shall keep the Board apprised of significant financial developments affecting the Co-op.**

### **Article VII Capital Shares**

#### **Section 7.1 – Issuance and terms.**

To evidence capital funds provided by owners, the Co-op shall issue common shares. A share may be issued only to a person eligible for, and admitted to ownership in, the Co-op, and no owner shall hold more than one share. Shares shall be issued only upon full payment of no less than their issuing price. The purchase price of a share shall be subject to increase for the reasonable capital needs of the Co-op but shall not exceed three hundred dollars unless otherwise permitted by Oregon law. A share shall be entitled to no dividend or other monetary return on contributed capital.

#### **Section 7.2 - Certificates.**

Every holder of a fully paid share shall be entitled to receive a certificate evidencing such holding. All certificates shall be signed by the President or Vice President and the Secretary or Assistant Secretary and shall be numbered and recorded in a stock register maintained by the Co-op. Each certificate shall contain a prominent notation that, in accordance with these bylaws, it is transferable only to the Co-op and that voting rights pertain only to ownership on a one-owner-one-vote basis. The Co-op may issue a replacement certificate for any certificate alleged to have been lost, stolen or destroyed without requiring the giving of a bond or other security against related losses.

#### **Section 7.3 – Redemption.**

Upon request following termination of ownership, shares shall be redeemed when replacement capital is provided by other owners. Shares shall be redeemable at the lesser of their carrying value on the books of the Co-op or their net book value less a reasonable processing fee, if any, as determined by the Board. No redemption shall be made when such payment would impair the ability of the Co-op to meet its other obligations as they become due or would impair the claims of instruments having a higher priority than shares. Reapplications for ownership after full or partial redemption shall be subject to full repayment of redemption proceeds.

#### **Section 7.4 – Lien and offset.**

The Co-op shall have a continuing perfected security interest in the carrying value of shares which shall have priority over all other perfected security interests to secure any indebtedness by a owner to the Co-op. Upon redemption of shares proceeds shall be subject to offset by such indebtedness.

### **Article VIII Patronage Dividends**

#### **Section 8.1 – Distribution obligation.**

The realized net earnings of the Co-op attributable to the patronage of owners shall be allocated and distributed among owners as patronage dividends in proportion to their patronage and in such a manner and at such a time as to constitute patronage dividends within the meaning of federal income tax law. If the Co-op's operations encompass more than one allocation unit, such allocation units shall be netted.

#### **Section 8.2 – Reductions.**

Any distributable net earnings of such a nominal amount as not to justify the expenses of distribution may, as determined by the Board, be excluded from distribution. Net earnings may be reduced by such reasonable reserves for necessary business purposes as is determined by the Board. A patronage dividend to which owners are entitled may be waived in whole or in part by vote of owners.

#### **Section 8.3 – Consent of owners.**

By obtaining or retaining ownership in the Co-op, each owner shall thereby consent to take into account, in the manner and to the extent required by Section 1385 of the Internal Revenue Code, the stated dollar amount of any qualified written notice of allocation in the taxable year in which such notice is received.

#### **Section 8.4 – Deferred amounts.**

Payment of a portion of patronage dividends, not to exceed eighty percent of the allocation, may be deferred as determined by the Board. Such amounts shall be credited to revolving capital accounts in the names of recipient owners and shall accrue no dividend or other monetary return on contributed capital. They may be redeemed when determined by the Board to be no longer needed for capital purposes. At that time, they shall be redeemed in the order of the oldest outstanding amounts and on a pro rata basis among such amounts, except that redemptions shall be payable only to owners who are then in good standing or become so within a six-month period of time. Deferred amounts may also be redeemed under compelling circumstances as determined by the Board. They shall be subject at all times to being offset by amounts otherwise due and payable to the Co-op.

#### **Section 8.5 – Net losses.**

In the event the Co-op shall incur a net operating loss in any fiscal year, the portion of such loss attributable to the patronage of owners shall be carried forward to offset income of the same character in subsequent years, and any remaining loss shall be carried back and forward to offset income of the same character in prior and subsequent years as required or permitted under federal income tax law.

### **Article IX Reversion of Unclaimed Property**

**Section 9.1 – Reversion.**

Any distribution of patronage dividends or redemption of stock or indebtedness which remains unclaimed four years after the date authorized for payment may be forfeited by action of the Board. Any amount so forfeited shall revert to the Co-op if, at least six months prior to the declared date of forfeiture, notice that the payment is available has been mailed to the last-known address of the person shown by the Co-op's records to be entitled thereto or, if the address is unknown, is published at least once a month for four months in a newspaper of general circulation in the county in which the registered office of the Co-op is located.

**Article X Interpretation and Amendment of Bylaws**

**Section 10.1 – Interpretation.** The Board of Directors shall have 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 shall be deemed inoperative to such extent and shall be deemed modified to conform with such statute or rule of law without affecting the validity or enforceability of any other provision of these bylaws.

**Section 10.3 – Amendment.** These bylaws may be amended or repealed only by vote of owners, provided that the proposed amendments are stated in the notice of the meeting at which the amendments are to be adopted.

**Appendix:**

**EXPLANATION OF PATRONAGE**

**DIVIDEND CONSENT PROVISION**

The Internal Revenue Code generally requires each person receiving a patronage dividend to include the amount of such distribution in his or her gross income in the taxable year in which it is received. Under bylaw section 8.3, mere acceptance or retention of ownership in the Co-op constitutes consent to such inclusion in taxable income, including the portion of the patronage dividends that is deferred by the Co-op for its capital needs.

The Co-op has been advised by legal counsel, however, that the general rule for inclusion in income of patronage dividends is subject to an exception that is applicable to consumer cooperatives. Under that exception, a patronage dividend is not required to be included in gross income if the owner's purchases from the Co-op related to "personal, living or family items." The patronage dividend would thus be taxable to an owner only if his or her purchases related to the operation of a trade or business or other income-producing activities. In effect, the consent provision is of no significance to owners of the Co-op, except when the purchases of owners are for business or income-producing purposes.