

EASTSIDE FOOD CO-OP



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BYLAWS OF EASTSIDE FOOD COOPERATIVE

*Last Revised at annual membership meeting on
October 27, 2013*

ARTICLE I (MEMBERSHIP)

Section 1.1. Eligibility. Any natural person, household, cooperative, for-profit or non-profit corporation may, on approval of his, her or its application by the Board of Directors or a Membership Committee, be accepted into membership on terms established by the Board of Directors or by a Membership committee duly authorized to admit members. This association shall not discriminate on social or political grounds, on the basis of race, creed, age, sex, handicap, sexual preference or marital status.

Section 1.2. Application. Any applicant eligible for and desiring admission to Membership in the Cooperative shall file a written application for admission in whatever form and containing whatever information the Board of Directors or Membership committee shall prescribe. Upon application, members will be required to pay a refundable membership fee in an amount set from time to time by the Board of Directors.

Section 1.3. Acceptance of Members. Applications for Membership shall be reviewed by the Board of Directors or the Membership committee. The application shall be accepted unless rejected in writing within 30 days. If rejected, the applicant shall be entitled to a refund of any amounts paid for Membership and shares.

Section 1.4. Articles and Bylaws to Members. Each new member shall receive a copy of the Articles of Incorporation and Bylaws of the Cooperative.

Section 1.5. Membership Rights. Each member shall have one vote in the affairs of the association. Corporate or family memberships shall designate one person to vote on their behalf.

Section 1.6. Termination. Membership may be terminated by in any of the following ways:

- 1) voluntarily by a member upon notice to the association;
- 2) automatically if a member shall die, cease to exist, or fail to patronize the association for a period of one (1) year;
- 3) automatically for failure to keep current on equity investment payments;
- 4) automatically for failure to pay past due debts to the association; and
- 5) by the Board of Directors for cause, including but not limited to willful violation of the bylaws, after an opportunity by the member to address the board if requested by the member prior to the termination.

When a membership is terminated, the association shall either:

- 1) purchase the Class A stock of the member by tendering to the member, or his, or her, or its heir or successors in the appropriate case, the par value or the book value, whichever is less, together with any cash portion of a patronage dividend due or unpaid, less any indebtedness due the association; or
- 2) purchase the Class A stock of the member by tendering to the member, or his, her or its heirs or successors in the appropriate case, Class B stock, together with any cash portion of a patronage dividend due or unpaid, less any indebtedness due the association.

Regardless of the reasons for termination, repurchase of the association's stock by the association shall be subject to the same terms and limitations governing all stock repurchases, including availability of replacement capital and the discretion of the Board of Directors to determine terms of repurchase. In any case, the Class A stock of the member shall be canceled and he, she or it shall no longer have voting rights in the association.

Section 1.7. Restrictions upon withdrawal and transfers of membership. Every member upon uniting with this association agrees that in the case the member shall desire to withdraw his, her or its membership in the association, that the stock can be only be transferred to the association and only upon approval by the Board of Directors. The stock of this association is not transferable in any other event.

Section 1.8. Inactive Status. The Board of Directors may, at its discretion, designate a member inactive for failing to patronize the association for a period of one (1) year. An inactive member will be removed from newsletter mailing and promotional mailing lists. Inactive members will receive mailings regarding annual meetings, special meetings and elections. Inactive members may be returned to active status by:

1. paying in full any equity investments due; and
2. patronizing the association.

ARTICLE II (MEETINGS)

Section 2.1. Annual meeting. The annual meeting of the members shall be held in the territory served by the association every year within four months after the date of the close of the fiscal year at such date and time as may be determined by the Board of Directors.

Section 2.2. Notice of meeting. Notice shall be given by the secretary of all meetings of the members by publication in a legal newspaper published in the county of the principal place of business of the association, or by publication in a house newsletter, regularly published by or on behalf of the association and circulated generally amongst its members, or by mailing a notice thereof to each member at his, her or its last known address, at least fifteen (15) days before the date of the meeting. The Secretary shall document compliance of this provision by preparing a copy of the notice given to members with proof of the mailing or publication attached. The failure of any member to receive any such notice of the annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such annual or special meeting.

Section 2.3. Special meetings. The president shall cause a special meeting of the members to be called upon a written petition of at least twenty percent (20%) of the members, or upon a majority vote of the Board of Directors. If the special meeting is called by a member petition, the notice of the time, place and purpose of the special meeting shall be issued within ten (10) days from the receipt of the petition by the president, and the special meeting shall be held within thirty (30) days from the receipt of the petition by the president. No business shall be considered at the special meeting except as has been mentioned in the call and included in the notice of the meeting.

Section 2.4. Voting. The Board of Directors may authorize a mail ballot for voting on all matters that members are entitled to vote upon, including voting to elect directors. If authorized, mail ballots shall be sent to all members with the notice of a meeting. If a ballot is received on or before the date of the meeting, it shall be accepted and counted. There shall be no proxy voting.

Section 2.5. Presiding officer. The president or his or her designee of the association shall preside at all meetings of the members or directors.

Section 2.6. Quorum, member meetings. At any regular or special meeting of the members, a quorum necessary for the transaction of business shall be at least ten percent (10%) of the total number of holders of voting stock of the association, except that when the number of members shall exceed five hundred, fifty members present shall constitute a quorum. Only members in actual attendance at the meeting shall count towards a quorum, except for matters submitted to the membership by mail, in which case mail ballots cast shall be counted towards fulfillment of the quorum requirement.

Section 2.7. Directors meetings and quorum. Regular meetings of the Board of Directors shall be held at such time and place as the Board of Directors shall from time to time determine. A majority of the directors shall constitute a quorum at all meetings of the Board, and a majority vote of the members present shall decide all

questions. Presence at a meeting shall constitute a waiver of notice of such meeting. Directors meetings may be held by telephone conference call, if so approved by all directors, providing all persons participating can hear each other at the same time.

Section 2.8. Special directors meeting. Special meetings of the Board of Directors may be called by the president or by a majority of said Board. Each member of the Board of Directors shall be duly notified of all such meetings.

Section 2.9. Action without a meeting. Decisions of the Board of Directors may be made without a meeting if a consent in writing, stating the action to be taken, is signed by all directors and filed with the minutes.

ARTICLE III (BOARD OF DIRECTORS)

Section 3.1. Number of directors, eligibility and terms. The number of directors of this association shall be no less than five (5) and no more than nine (9), each of whom shall be a member of the association. Only one individual from a firm or nonprofit corporation shall be eligible to be elected to the Board of Directors at a time. One-third of the directors shall be elected by ballot at each annual meeting for a term of three (3) years, and shall hold office until their successors shall be elected. The directors shall be elected to staggered terms, such that approximately one-third of the directors shall be elected each year. If any director shall cease to be a member, his or her office shall be automatically vacated. No more than two (2) members of the Board of Directors shall be paid employees of the association.

Section 3.2. Organizing meeting. The Board of Directors shall meet not more than thirty (30) days after the annual members meeting. At this time, the Board of Directors shall establish its annual meeting schedule and elect officers.

Section 3.3. Compensation and reimbursement. Compensation of the Board of Directors shall be determined by the members of the association at any regular or special meeting called for that purpose. Officers and directors may, at the discretion of the Board, also be entitled to reimbursement for actual expenses incurred in attending board meetings or other business of the association. Such expense claims shall be approved by a majority of the Board. Compensation and/or reimbursement to directors shall not constitute payments to them as employees.

Section 3.4. Removal. Failure of a director to attend two consecutive directors meetings or one-third of the directors meetings during a year, except for cause as determined by a majority vote of the remainder of the board, shall result in automatic removal from office. Any director of the association may, for cause, at any annual or special meeting of the members, be removed from office by a majority vote. No director shall be removed from office at either an annual or special meeting unless he or she has been informed of the meeting at which the matter is to be considered at least ten (10) days before such meeting. Such notice shall be by certified mail addressed to him or her at his or her last known address, and he or she shall be entitled to be heard at such meeting. In case of removal by action of the members, the members shall fill the vacancy for the un-expired term of such director by special election.

ARTICLE IV (DUTIES AND POWERS OF DIRECTORS)

Section 4.1. Management of business. The Board of Directors shall govern the business and the affairs of the association and make all necessary rules and regulations not inconsistent with law or with these bylaws. The Board of Directors shall have power to employ and dismiss a manager of the association and to determine his or her duties and compensation.

Section 4.2. Bonding of employees. The Board of Directors may require the manager and/or other officers, agents, and employees charged with the custody of any of the association's funds or property to provide a fidelity bond in such sum as the Board of Directors shall determine. Such bond shall be furnished by a

responsible bonding company approved by the directors, and the cost of such bonding coverage shall be paid by the association.

Section 4.3. Accounting system and audit. The Board of Directors will install and maintain an adequate system of accounts and records. The Board shall review financial statements at least quarterly. At least once each year, the books and accounts of the cooperative will be audited or reviewed in such manner as the Board deems advisable and the report of such audit or review will be made at the next annual meeting of the members.

ARTICLE V (DUTIES AND POWERS OF OFFICERS)

Section 5.1. President. The president shall:

- (a) preside over all meetings of the association and of the directors; and
- (b) sign as president, with the secretary, all notes, deeds and other conveyances of real estate, as well as all certificates of stock of the association.

Section 5.2. Vice President. In the absence or disability of the president, the vice president shall perform the duties of the president.

Section 5.3. Secretary. The secretary shall:

- (a) ensure that a complete record of the meetings of the association and of the Board of Directors is kept;
- (b) sign as secretary, with the president, all notes, deeds and other conveyances of real estate, as well as certificates of stock of the association;
- (c) shall cause to be prepared and submitted to the annual meeting of the members a complete and detailed report of the current year's business. The annual report shall contain a statement of assets and liabilities, a statement of income and expenses, and such other statements and statistical memoranda as the Board of Directors shall require. The Board of Directors may delegate these duties to some employee or employees of the association;
- (d) provide all notices required by law be served; and
- (e) perform such other duties as may be required of him or her by the association or the Board of Directors.

Section 5.4. Treasurer. The treasurer shall:

- (a) oversee the receipt and disbursement of all funds of the association;
- (b) ensure that complete records of all financial transactions of the association are kept; and
- (c) perform such other duties pertaining to his or her office as may be required by the Board of Directors.

Section 5.5. Manager. The Board of Directors shall have power to employ and dismiss a general manager of the association. The general manager shall have general charge of the ordinary and usual business operations of the association subject to the direction and approval of the directors. The manager shall be required to maintain all business records and accounts in such a manner that the true and correct condition of the business may be determined whenever practical. He or she shall provide annual and periodic reports in a form and manner prescribed by the directors. The manager shall employ and discharge employees subject to the direction and guidelines approved by the Directors. The manager shall handle and account for all monies belonging to the association which come into his or her possession in the manner and form prescribed by the Directors.

ARTICLE VI (CAPITAL STOCK)

Section 6.1. Certificates or proof of membership. Membership cards shall be issued, in lieu of certificates for Class A stock, when the initial required stock is fully paid for and the membership application has been received. Class B stock received as patronage dividends shall be evidenced by written notice of allocation mailed to the members. Certificates evidencing other types of stock shall contain the name of the person, household, firm, cooperative, or non-profit corporation that owns the stock, the membership number assigned to that member, and shall bear the signature of the president and the secretary. The association retains the right to

terminate all memberships as provided in the bylaws and to purchase or recall all stock. Redemption of capital stock by the association is subject to any indebtedness owing the association by the stockholder.

Section 6.2. Classes and issue. In order to further the cooperative character of this association and provide a means whereby its current and active members will finance the association, this association is authorized to issue Class B stock, equity reserve or capital interest certificates, or any other media as determined by the Board of Directors and as permitted by the law under which this association is organized. Funds and credits arising from the issue of such stock, certificates or other media may be used for creating a revolving fund for the purpose of building up an account of working capital to meet the association's financing needs. Whenever the association determines that all of its funds are not necessary for the proper financing of the operations of the association, the Board of Directors may choose to retire Class B, or Class C, or Class D stock, liquidate equity or capital reserves or any other media previously issued.

Section 6.3. Redemption upon hardship or death. At its discretion, the Board of Directors may authorize redemption of Class B, C or D stock upon the death of a member or in qualifying hardship situations. Total redemptions under this section may not exceed five thousand dollars (\$5,000) in any fiscal year, and are subject to additional guidelines adopted by the Board of Directors in its discretion.

Section 6.4. Order of payment upon dissolution or liquidation. Upon dissolution or liquidation of the association the debts and liabilities of the association shall first be paid according to their respective priorities. Stockholders or other holders of equity or capital reserve credits or other media issued by the Board of Directors shall then be paid the par value of their shares or credits with payment made in the order of preference stated in the Articles of Incorporation. Any additional property remaining after stockholders and other equity holders have been paid shall be distributed to another association doing business on a cooperative basis or a nonprofit organization exempt from taxes under Section 501(c) of the Internal Revenue Code, as shall be determined by the Board of Directors.

ARTICLE VII (DISTRIBUTION OF SURPLUS)

Section 7.1. Annual net savings.

(a) Gross receipts. Gross receipts from patronage shall be all proceeds from the sale of goods and services to members and non-members and all other sums received which constitute patronage income (including patronage dividends). Gross receipts from non-patronage shall be all income from non-patronage activities of the association.

(b) Deductions from gross receipts. The association shall deduct from each of the gross receipts above all expenses incurred in generating the "gross receipts" including, but not limited to, marketing expenses, costs of goods or services sold, taxes, depreciation, reserves for doubtful accounts and all other necessary expenses incurred in generating the gross receipts.

(c) Total annual net savings. The amount remaining after reducing the "gross receipts" by these deductions shall constitute the annual net savings of the association from patronage and annual net savings from non-patronage sources whose sum shall equal the total annual net savings (net earnings).

Section 7.2. Member patronage income.

(a) Member patronage. Annual net savings from patronage shall be divided into 1) annual net savings from member patronage and 2) annual net savings from non-member patronage. Annual net savings from member patronage shall be determined by taking the percentage of gross receipts attributable to business done with or for members (including patronage dividends, etc.) and multiplying that percentage times the total annual net savings from patronage minus non-patronage savings. The amount resulting shall be annual net savings from member patronage, which shall be distributed to the member-patrons of this association in proportion to the amount of business done by them with the association, subject only to the deductions and the exceptions provided in Sections 7.3 and 7.4 of these bylaws.

b) Non-member patronage. The difference between total annual net savings from patronage and net savings from member patronage shall be annual net savings from non-member patronage.

Section 7.3. Educational reserve. The Board of Directors may set aside a sum not to exceed five percent (5%) of annual net savings as an educational fund which shall be used for the purpose of promoting and encouraging cooperative associations.

Section 7.4. Capital Reserve. The Board of Directors shall annually set aside all annual net savings from non-member patronage and all annual net savings from non-patronage sources less any deductions for the educational reserve as a capital reserve. In addition, the Board of Directors may also place into the capital reserve fund: 1) all annual net savings from member patronage attributable to member-patrons who are unidentified, or who do not consent to take into account patronage dividends from the association in the manner provided in 26 U.S.C. Section 1385, and 2) annual net savings from patronage attributable to members who so consent, but which result in a distribution of less than the minimum amount of three dollars (\$3.00) to any one member. Amounts previously set aside as capital reserves shall not be allocated to the member-patrons but shall be kept in the general reserve fund of the association. The Board of Directors may, by resolutions duly adopted prior to the beginning of the fiscal year, set aside up to fifty percent (50%) of the total annual net savings from member patronage or other reasonable amounts as capital reserve.

(a) The annual net savings from member patronage, less any deductions or exceptions as determined by Sections 7.3 or 7.4 of this Article, shall be distributed annually to the member-patrons of the association. Member-patrons shall, by their ongoing membership in the association, consent to include in their income such patronage distributions from the association in the manner provided in and to the extent required by 26 U.S.C. Section 1385.

(b) Patronage dividends shall be distributed in cash or in equity (Class B stock) or by any combination thereof designated by the Board of Directors. Equity distributions (Class B stock) may be paid or redeemed in whole or in part at such time, in such manner and such order as shall be determined by the Board of Directors in its sole discretion. The Board of Directors may establish policies and programs for the payments of or redemption of such equities. No transfer or assignment of such equity (Class B stock) shall be allowed without the approval of the association.

Section 7.5. Allocation of losses. If this association has sustained an annual loss in net savings from member patronage, it shall have the power and authority to allocate such losses from member-patron business in the following manners:

- (a) To the member patrons for such year or years on a patronage basis and apply such losses against the equity credits or stock of said member-patrons;
- (b) To apply the loss to the association's capital reserve; or
- (c) To carry forward or back such loss, as determined by the Board of Directors.

ARTICLE VIII (CONSENT BY MEMBERS)

Each member of this association shall, by becoming a member, consent that the amount of any distributions with respect to his, her or its patronage occurring in any fiscal year which are made by qualified written notices of allocation (as defined in 26 U.S.C. 1388) received by him, her or it from the association shall be included in his, her or its income in the manner provided in 26 U.S.C. 1385 during the taxable year in which the qualified written notices of allocation are received. It is the intent of this provision to provide a consent binding on all members who retain or obtain membership in this association and receive a written notification and copy of this bylaw, for the purpose of making such distributions "qualified" within the meaning of the Internal Revenue Code.

ARTICLE IX (INDEMNIFICATION)

This association shall indemnify each person who is or has been a director, officer or employee of this association, and each person who is serving or who has served at the request of this association as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including attorneys' fees, judgments, fines and amounts paid in settlements, actually and reasonably

incurred by him or her to the fullest extent of his or her right to indemnity under current Minnesota corporation law.

ARTICLE X (MISCELLANEOUS PROVISIONS)

Section 10.1. Fiscal year. The fiscal year of this association shall begin on the first day of July and close on the last day of June of each year.

Section 10.2. Amendments. These bylaws may be amended, repealed, or altered in whole or in part by a majority vote of the members provided that all members receive written notice of the proper changes to the bylaws.