



COOPPORTUNITY MARKET

Co-opportunity Consumers
Cooperative, Inc.

BYLAWS

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ARTICLE 1

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1. IDENTITY

- 1.1. **Name** The name of the Cooperative shall be “Co-opportunity Consumers Cooperative.” Incorporated and referred to in these Bylaws as the “Cooperative.”
- 1.2. **Office and Place of Business** The principal office and place of business of the Cooperative shall be located in the County of Los Angeles, California. The Cooperative may have additional offices and places of business as determined by the Board of Directors.

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2. DEFINITIONS

- 2.1. **Owner** shall mean any person who has complied with and been accepted into the Cooperative pursuant to Article 4 of these Bylaws. “Owner” shall include consumer owners and business owners.
- 2.2. **Consumer Owner** shall mean a natural person whose primary purchases from the Cooperative are for personal or household consumption and may include such other natural person in the household of a consumer owner as provided in these Bylaws or by the Administrative Code.
- 2.3. **Business Owner** shall mean (1) an owner which is a partnership, cooperative, trust, organization, association, or other entity, or (2) a natural person whose primary purchases from the Cooperative are not for personal or household consumption.
- 2.4. **Owner in Good Standing** shall refer to any owner, as defined in section 2.1, above, who:
 - 2.4.1. is current with his Ownership share obligation;
 - 2.4.2. is not in default of debt owed to the Cooperative;
 - 2.4.3. is not suspended;
 - 2.4.4. is not in violation of the Articles of Incorporation, Bylaws, and the Administrative Code.
- 2.5. **Household** shall mean persons who live, buy, or eat jointly in one dwelling. A single dwelling may contain more than one such household. A household may not consist of persons from more than one dwelling.
- 2.6. **Person** shall mean individuals (human beings) and associations, companies, domestic or foreign corporations, estates, joint stock companies, joint ventures, partnerships, government or political subdivisions, agencies or instrumentality’s of a government, organizations, trusts, cooperatives and other entities. “Natural person” shall mean individuals (human beings) only.

2.7. **Written Notice** shall mean either: notice deposited in a United States mail receptacle with first class postage fully prepaid addressed to the owner's address as it appears on the books of the Cooperative; or it shall mean notice transmitted electronically, pursuant to an owner's unrevoked consent to the use of electronic transmission by or to the Cooperative, under California Corporations Code Sections 20 and 21.

Personal delivery of written notice shall also satisfy this requirement. Written notice shall be deemed given when mailed as above, electronically delivered by facsimile or electronic mail, or personally delivered.

If the United States Postal Service or an owner's internet service provider returns any such notice marked that it is unable to deliver the notice to the owner at such address, the written notice remains effective and all future notices shall be deemed given without further mailing if the notices remain available for the owner upon written demand at the principal office of the Cooperative for a period of one (1) year from the date of giving such notices to the other owners or until the owner changes the owner's address on the Cooperative books.

2.7.1. **Electronic Communications** shall mean where an owner has consented to receipt of electronic communications from the Cooperative, all references in these Bylaws to written documents, such as: written applications, written ballots, and written notices shall include documents transmitted electronically by facsimile or electronic mail.

2.8. **Approval by Owners** shall mean approval or ratification by the affirmative vote of a majority of the quorum of owners in good standing required for such action or by written ballot pursuant to Section 6.9 of these Bylaws.

2.9. **Board** shall mean the Board of Directors of the Cooperative.

2.10. **Gender** All references to the masculine gender in these Bylaws shall include the feminine and non-binary.

2.11. **Law** shall mean the California Corporations Code, Consumer Cooperative Corporation Law, beginning with Section 12200, all amendments thereto, and all other applicable statutes, case law and regulations under the laws of the State of California and the United States.

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3. PURPOSES AND POWERS

- 3.1. **Purposes** of the Cooperative shall be to function as a cooperative corporation having such lawful purposes as are permitted under applicable law and this corporation's Articles of Incorporation. Such purposes shall include but not be limited to:
 - 3.1.1. The conduct of a financially viable business dealing in articles of common use, primarily for the benefit of the owners of the Cooperative.
 - 3.1.2. The advancement of the cooperative movement as a viable system of business in our society.
 - 3.1.3. The promotion of the cooperative ideal through research and educational activities.
 - 3.1.4. Association with other cooperatives for the purpose of mutual benefit.
 - 3.1.5. The conduct of such other services and activities as will serve the economic, educational, recreational, and cultural welfare of the owners of the cooperative.
- 3.2. **Powers** In order to achieve its purposes, the Cooperative shall have the power and authority to exercise all rights and privileges pursuant to applicable laws and this corporation's Articles of Incorporation and shall include, but not be limited to, the powers below:
 - 3.2.1. To buy, store, distribute, sell, process, and produce for its owners those commodities which the Cooperative may deem appropriate to achieve its purposes;
 - 3.2.2. To acquire, lease, mortgage, sell and convey, real estate or other real or personal property;
 - 3.2.3. To operate and maintain business establishments including but not limited to retail and/or wholesale stores or warehouses which may sell the Cooperative's goods and services to owners and non-owners;
 - 3.2.4. To purchase, hold, sell, assign, convey, or transfer the shares of other Cooperatives.

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4. OWNERSHIP

- 4.1. **Eligibility** Any natural person, 18 years or older, irrespective of sex, race, nationality, political opinion, religious belief, sexual preference, physical or mental handicap, is eligible to become an owner of the Cooperative. Any partnership, cooperative, trust, organization, association, or other entity, as referenced in Section 2.6 of these Bylaws, duly organized and existing, is eligible to become a business

owner of the Cooperative if the Board elects to allow for such business ownerships and it makes fiscal and operational sense for the Co-operative. Persons are not eligible for ownership in the Cooperative if:

- 4.1.1. they have been previously expelled from the Cooperative;
- 4.1.2. they have engaged in conduct inimical, hostile, or harmful to the Cooperative or its owners.

4.2. **Becoming an Owner** A person may become an owner by completing the steps listed in this section.

- 4.2.1. Written application for ownership shall be made in person on an ownership form, accompanied by a non-refundable application fee. This form and fee shall be determined by the Board of Directors. This form shall include, but not be limited to, a statement whereby the applicant agrees to:
 - 4.2.1.1. comply with and be bound by the terms and conditions relating to ownership contained in the Articles of Incorporation, the Bylaws, and amendments thereto, the Administrative Code and rules and regulations enacted by the Board of Directors;
 - 4.2.1.2. purchase eight (8) Class A shares in the Cooperative which shall be known as "Ownership Shares." At least two (2) Class A shares shall be purchased at the time of making application for ownership. All eight (8) Class A shares shall be purchased within a time period to be determined by the Board of Directors, and not to exceed four (4) years from the date of application. A minimum of two (2) Class A shares per year shall be purchased until all eight (8) Class A shares have been purchased. If before all eight (8) Class A shares have been purchased, an owner fails to make the minimum annual share purchase, the ownership shall become inactive. Said ownership can be reactivated if the owner purchases all the past due shares.
- 4.2.2. Applications for ownership shall be reviewed by the Chief Executive Officer (CEO) or his/her/their representative. If accepted, in writing, the applicant shall become an owner, entitled to all the rights and privileges of ownership. If not accepted, the applicant shall be entitled to a refund of any amounts paid for ownership shares, less the application fee.

4.3. **Ownership and Investment Share**

- 4.3.1. The Cooperative is authorized to issue two classes of shares: Class A Ownership shares and Class B Investment shares.
- 4.3.2. Class A shares are Ownership shares. The Cooperative is authorized to issue 1,000,000 Ownership Shares. No owner can purchase more than eight (8) Class A shares.
- 4.3.3. The valuation of Class A shares shall be determined by the Board of Directors. Class A shares are voting shares. Owners in good standing shall be entitled to one vote as provided in these Bylaws.

- 4.3.4. Class B shares are Investment shares. The Cooperative is authorized to issue one million (1,000,000) Class B shares. The value of the Class B shares is to be determined by the Board of Directors. Only owners in good standing who have purchased at least two Class A shares can purchase Class B shares.
- 4.3.5. The valuation of Class B shares shall be determined by the Board of Directors. Class B shares constitute preferred, non-voting shares. Holders of Class B shares may be entitled to a dividend as determined by the Board of Directors in its sole discretion. In the event of dissolution or bankruptcy of the Cooperative, Class B shares shall have preference over Class A shares.
- 4.3.6. The Board of Directors may provide incentives to attract the voluntary purchase of Class B shares.
- 4.3.7. There shall be maintained at the principal office of the Cooperative, a complete share register of the names and the latest addresses of all Class A and Class B owners and the dates of issuance and cancellation of each share. Access to this share register is protected by law.
- 4.4. **Transfers** Owners' interests in the Cooperative, and any certificates that may evidence such interests, are non-transferable.
- 4.5. **Ownership Responsibility and Restrictions**
 - 4.5.1. An owner shall purchase all required Class A shares, according to the schedule set forth in the Administrative Code.
 - 4.5.2. An owner shall promptly pay any fee or debt incurred to the Cooperative.
 - 4.5.3. An owner shall comply with the Administrative Code and all rules and regulations of the Board which further the purposes of the Cooperative and are in conformance with the Bylaws as determined by the Board.
 - 4.5.4. An owner shall notify the Cooperative of any change in mailing address within fourteen (14) days of such change.
- 4.6. **Ownership Rights and Privileges**
 - 4.6.1. An owner in good standing shall, subject to these Bylaws, be entitled to:
 - 4.6.1.1. vote at ownership meetings or by written ballot;
 - 4.6.1.2. apply to the Board or its representative for service on any owner committee;
 - 4.6.1.3. run for the office of Director per Article 8 of these Bylaws;
 - 4.6.1.4. purchase goods and services at ownership prices, on such terms as set forth in the Administrative Code.
 - 4.6.2. In the event that ownership in the Cooperative is recorded in the names of two or more persons, in the name of an organization, a family or in joint ownership, such as husband and wife, each ownership is entitled to only one vote, regardless of the number of individuals which comprise the ownership.
- 4.7. **Requirements for Good Standing**
 - 4.7.1. An owner shall not be in good standing if the owner fails:

- 4.7.1.1. To comply with the requirements of an owner in good standing as defined in Section 2.4 of these Bylaws.
- 4.7.2. Unless otherwise provided by these Bylaws, an owner shall return to good standing when the owner remedies the failures described in section 4.7.1 above.
- 4.8. **Record Date** shall be the date set by the Board by which the owners in good standing shall be entitled to exercise their rights for any lawful purpose. In the absence of the Board setting a record date, the record date shall be as provided by law.

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5. TERMINATION OF OWNERSHIP

- 5.1. **Voluntary Withdrawal** An owner may resign from the Cooperative and terminate his ownership by filing a written notice of resignation with the Chief Executive Officer (CEO) or his/her/their representative. The resignation shall become effective immediately without any action on the part of the Cooperative. Class A ownership shares shall be repurchased by the Cooperative at the original purchase price, provided such payment will not, in the opinion of the Board, cause the Cooperative to be unable to meet its liabilities. The Cooperative shall have no obligation to repurchase the Class B investment shares of a resigning owner but may purchase such shares at any time at the discretion of the Board provided such purchase will not, in the opinion of the Board cause the Cooperative to be unable to meet its liabilities. Upon resignation, the owner shall no longer be entitled to the rights, privileges, or benefits of the ownership of the Cooperative. Voluntary withdrawal hereunder shall not affect the Cooperative's right to expel an owner for reasons existing prior to the resignation of such owner.
- 5.2. **Death or Dissolution** An ownership terminates upon the death of all persons who comprise the ownership.
- 5.3. **Termination of Ownership for Inactivity** The Board, or its representative, may, after at least twenty (20) days' written notice, terminate the ownership of any owner who has been under suspension or who has not been in good standing for two (2) consecutive years. The written notice of termination shall state the reasons for termination and the effective date. An owner shall have the opportunity to be heard regarding his/her/their ownership termination, at least five (5) days before the effective date of such termination in an oral or written form to be determined by the Board. Any such hearing shall be before the Board or such other person(s) authorized to decide that such termination shall not take place. A person whose ownership has been terminated pursuant to this section shall not be entitled to have his/her/their shares repurchased by the Cooperative.
- 5.4. **Expulsion and Suspension**

- 5.4.1. The Board may, after a hearing and notice as provided in this section, suspend or expel any owner upon finding that such owner has engaged in conduct inimical, hostile, or harmful to the Cooperative or its owners.
- 5.4.2. The Board shall provide no less than twenty (20) days' prior written notice of such suspension or expulsion. The written notice shall state the reason for the suspension or expulsion and the effective date.
- 5.4.3. At least five (5) days before the effective date of such suspension or expulsion, an owner shall have the opportunity to be heard regarding his suspension or expulsion, in an oral or written form to be determined by the Board. The form for being heard, as determined by the Board, shall be included in the notice provided pursuant to section 5.4.2 above. Any such hearing shall be before the Board or such other person authorized to decide that suspension or expulsion shall not take place.
- 5.4.4. Any owner who has been suspended or expelled pursuant to this section shall not be entitled to his Class A or Class B shares repurchased or redeemed, and the Cooperative shall have no obligation to repurchase the shares of a suspended or expelled owner.

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6. OWNERSHIP MEETINGS AND ACTIONS

- 6.1. Place of Meetings** All meetings of the ownership shall be held within the County of Los Angeles, at a place determined by the Board of Directors.
- 6.2. Annual Meetings** An Annual Ownership Meeting shall be held in the fall quarter of each year to receive reports on the operations and finances of the Cooperative and to conduct such business as may properly come before the meeting. The date, time, and place of the meeting shall be determined by the Board or, in the event that the Board fails to so act, by the Board Secretary. The meeting shall be held at a place reasonably convenient to owners.
- 6.3. Special Meetings**
 - 6.3.1. A special meeting of owners may be called by the Board President for any lawful purpose upon vote by a majority of the Board. In addition, a special meeting of owners for any lawful purpose may be called by five percent (5%) or more of the owners in good standing.
 - 6.3.2. The Board's resolution or owner's written request for a special meeting must specify the purpose of the special meeting and only that business shall be transacted at such a meeting.
- 6.4. Notice of Meetings**
 - 6.4.1. It shall be the duty of the Board Secretary to ensure that written notice of all ownership meetings is given not less than ten (10) and not more than ninety (90) days before such meeting. This notice must be provided to each owner

in good standing by whatever methods the Cooperative determines is most cost effective and practicable.

- 6.4.2. The written notice shall state the place, date, time of the meeting, and a brief statement of the purpose of the meeting and description of the business to be transacted at the meeting.
- 6.4.3. Where Directors are to be elected at the Annual Ownership Meeting, the ballot shall be included in the official notice.

6.5. Quorum

- 6.5.1. A quorum in any meeting of owners is at least five percent (5%) or 250, whichever is less, of all the owners in good standing. Any bylaw amendment to increase the quorum may be adopted only by the approval of the owners in good standing. If a quorum is present, the affirmative vote of the majority of the owners in good standing, represented in person or by ballot at the meeting and entitled to vote shall be the act of the owners unless the vote of a greater number is required by law, the Articles of Incorporation, or these Bylaws.
- 6.5.2. There shall be no quorum requirement at the Annual Ownership Meeting to conduct any business which does not require the vote of the owners.

6.6. Agenda

- 6.6.1. The agenda for ownership meetings shall be determined by the Board except as provided in Section 6.3 of these Bylaws.
- 6.6.2. Requests by owners to include any issue in the Annual Ownership Meeting notice to be voted upon by the ownership must be presented to the Board in writing no later than September 1, prior to the Annual Ownership Meeting. The written request must describe the issue in reasonable detail and be signed by at least fifty (50) owners in good standing. If approved by a majority of Directors, such issue shall be included in the notice, sent to all owners in good standing, and included on the agenda.
- 6.6.3. Only items placed on the agenda and for which notice was sent, may be voted on at an ownership meeting.

- 6.7. **Referendum** A referendum is an owner-initiated advisory action to the Board. It is structured as a progression of owner actions designed to empower the majority and to assure that positions held are dealt with responsibly and appropriately by the Board. It provides for owner input to the Board, which the Board must consider.

6.7.1. Procedure

- 6.7.1.1. A referendum is initiated by written petition to the Board signed by ten percent (10%) of the owners in good standing.
- 6.7.1.2. The Board shall, within thirty (30) days consider the recommendation specified in the petition.
- 6.7.1.3. If the petitioned recommendation is not adopted by the Board, the Board Secretary shall cause an ownership questionnaire to be sent to the owners in good standing.

- 6.7.1.4. The ownership questionnaire shall be designed by the Board to assure that the Board receives clear sense of ownership's position on the issue presented in the referendum petition. Owners receive a clear indication of the Board's position and ownership expresses a range of options from which the Board can derive appropriate responses. To minimize expense and to facilitate efficiency the Board may include in such questionnaire other issues about which it wishes owner input.
 - 6.7.1.5. The Board shall post the response of ownership in the store and communicate it to owners by any other appropriate manner.
 - 6.7.1.6. Within thirty (30) days of the return date of the questionnaire, the Board shall review the owners' response to consider options and shall post the action taken as per Section 6.8.1.E above. The Board shall also report on its referendum actions in the Annual Report to owners.
- 6.7.2. In the event that a referendum topic is reintroduced within one (1) year after ownership has expressed a position counter to the recommendation, the owners initiating such referendum shall bear all the cost and expenses of the new referendum action.

6.8. Written Ballots

- 6.8.1. Prior to any annual or special meeting of owners, the Board may authorize distribution of a written ballot to every owner entitled to vote at the meeting. The ballot shall (1) set forth the proposed action to be taken at the meeting, (2) provide an opportunity to specify approval or disapproval of the proposed action, and (3) state that the ballot will be counted if received by the Cooperative on or before the time of the meeting unless revoked in person, at the meeting, by the owner. If ballots are so distributed with respect to a meeting, the number of owners voting at the meeting by un-revoked written ballots shall be deemed present for purposes of determining the existence of a quorum, but only with respect to the proposed action referred to in the ballots.
- 6.8.2. Subject to this Bylaw section, any acts which may be taken at any annual or special meeting of owners may be taken without a meeting if the Cooperative sends a written ballot to every owner entitled to vote on the matter. The ballot must 1) state the proposed action, 2) provide an opportunity to specify approval or disapproval of the proposal and 3) provide a reasonable time no longer than thirty (30) days from mailing within which to return the ballot to the Cooperative. A written ballot under this subsection (without meeting) may not be revoked after it is cast.
- 6.8.3. Approval by written ballot is valid only when the number of votes cast within the time period specified by the Board equals or exceeds the quorum required to be present at a meeting authorizing the action.
- 6.8.4. Directors may be elected by written ballot under this Bylaw section if, on the ballot to elect Directors, an owner marks "withhold" or a similar indication the ballot shall not be voted for the election of a Director but shall be counted for purposes of a quorum.

- 6.8.5. The Board Secretary shall cause a vote to be taken by written ballot upon any action or recommendation proposed in writing by twenty percent (20%) of the owners in good standing of the Cooperative.
- 6.9. **Absentee Ballots** At any meeting of the owners in good standing, the written vote of an absent owner in good standing, signed by him shall be received and counted, provided he shall have been previously notified, in writing, of the exact motion, resolution or nomination upon which such vote is taken and a copy of the motion shall have been forwarded with and attached by him to the written vote.
- 6.10. **Proxies** There shall be no voting by proxy.

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7. ESCHEAT

- 7.1. The Cooperative shall have all rights and powers to effectuate the transfer of ownership to the Cooperative of the otherwise escheated proprietary interests of the owners pursuant to Section 12446 of the California Corporation Code, and amendments thereto.

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8. DIRECTORS

- 8.1. **Powers of the Board of Directors** Subject to applicable law, the Articles of Incorporation and these Bylaws, the activities and affairs of the Cooperative shall be conducted and all corporate powers shall be exercised by or under the direction of the Board of Directors. The Board shall establish a Policy Register, which shall describe organizational ends to achieve, and an Administrative Code, which shall include procedures for actions and directives outlined in the law and these Bylaws.
- The Board may delegate the management of the activities of the Cooperative to any persons, management committee or company: however, all activities, affairs and corporate powers are under the ultimate power of the Board.

8.2. Composition of the Board of Directors and Term of Office

8.2.1. The Cooperative shall have a Board of Directors of nine owners in good standing.

8.2.2. The term of office for Directors shall be three (3) years. No Director may serve more than four (4) consecutive three-year terms. Following the expiration of the fourth consecutive term, a Director that has been off the Board for at least one (1) year is eligible to serve on the Board again.

8.3. Eligibility and Qualifications of Directors

8.3.1. Any natural person shall be eligible to serve as a Director who qualifies for candidacy and directorship as per these Bylaws, is and has been an owner in good standing in each of the nine months immediately prior to the Board of Director application deadline date set by the Board Perpetuation Committee or is a member of a household in which at least one person has been an owner in good standing in each of the nine months prior to the Board of Director application deadline date. A person shall be at least 21 years old to be a candidate or serve as a Director.

8.3.2. The following persons are ineligible to be a Director: a) an employee of the Cooperative, b) a person discharged with cause from employment or removed as a director by the Cooperative, and c) if either a person or his employer is a supplier to or is in competition with the Cooperative.

8.3.3. Eligibility to serve as a Director as per these Bylaws shall be determined by the Board.

8.3.4. Only one person from a household or dwelling is eligible for candidacy or service on the Board as an officer of the Cooperative at any one time, regardless of the number of consumer ownerships by individuals in a single household or dwelling.

8.3.5. Directors resigning from office, remain eligible for appointment, but shall not again be eligible for election by ownership to the Board for twelve (12) months following their date of resignation.

8.4. Election of Directors

8.4.1. Three directors shall be elected each year.

8.4.2. Directors shall be elected by written ballot within six (6) months of the Annual Ownership Meeting. Terms of Directors so elected shall begin in January of the next calendar year.

8.5. Filling of Vacancies and Resignations

8.5.1. The Board may, by majority at a noticed meeting, or by unanimous consent of all remaining Directors without a meeting, appoint Directors for the unexpired term of Directors who leave office for any reason. The nine-month length of ownership requirement may be reduced to sixty (60) days when the appointee meets all other eligibility requirements as per Section 8.3 above.

- 8.5.2. Any director may resign from office at any time. Such resignation shall be made in writing and take effect from the time stated for resignation, or if none is stated, upon delivery to the President of the Board.
- 8.5.3. Should the number of directors fall to five (5) or less in number for more than thirty (30) consecutive days, the Board shall call a special meeting of owners to elect directors to fill vacant directorships for the remainder of the unexpired terms. This shall be done within sixty (60) days if no such election is already scheduled within ninety (90) days.

8.6. Removal of Directors

- 8.6.1. Directors elected by the ownership at large may be removed from office with or without cause by a majority vote of a quorum of thirty percent (30%) of owners in good standing. A Board-appointed Director may also be removed by a majority vote of the Board.
- 8.6.2. A Director shall automatically be removed from office upon two absences from any Board meeting within any calendar year unless expressly excused by the Board.

8.7. Board Meetings

- 8.7.1. The Board shall hold regular meetings at least quarterly in the State of California.
- 8.7.2. Written notice of regular Board Meetings shall be given to Board Directors with seven days' notice except where waived pursuant to law.
- 8.7.3. Minutes of regular and special Board meetings shall be posted in the store. Where practical the Board shall communicate a summary of meetings in the Newsletter and shall in the Annual Report to owners report the number of its regular and special meetings.
- 8.7.4. Meetings of the Board may be called by an officer of the Board or any two Directors.
- 8.7.5. Special meetings of the Board may be held after four (4) days' notice to directors by first-class mail or electronic mail; after 48 hours' notice if delivered personally, by telephone, or courier mail to each Director. The notice shall state the purpose of the meeting, and no other business shall be conducted without the unanimous consent of all Directors holding office.
- 8.7.6. Every act or decision done or made by a majority of the Board present at a meeting duly held at which a quorum is present is the decision of the Board.
- 8.7.7. Directors-elect may attend meetings of the Board or its committees at the discretion of the Board, but they shall have no right to vote on any matter.
- 8.7.8. Any action required or permitted to be taken by the Board may be taken without a meeting if the Board Directors shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of such Directors.

8.8. Compensation

- 8.8.1. Directors not serving as officers shall be compensated at the rate of \$182.01 per month, as of 2020.
- 8.8.2. Directors serving as officers of the Board shall be compensated at the rate of \$237.93 per month, as of 2020. A director serving as President-Select shall be compensated at the same rate as officers of the Board (other than President)."
- 8.8.3. The President shall be compensated at the rate of \$475.85 per month for service as President, as of 2020.
- 8.8.4. Directors shall also be entitled to receive as compensation for service on the Board, such forms and amounts of owner incentives as are available to employees to the Cooperative.
- 8.8.5. The foregoing sums shall be payable monthly or quarterly to all Directors and Directors-Elect who continue to be active participants in the Board process in the judgment of the Board.
- 8.8.6. In its discretion the Board may increase the compensation provided in these Bylaws by a percentage not greater than the percentage increase in the applicable United States Department of Labor Consumer Price Index. The Board may select another index or standard providing a similar measure of increase in the cost of living with thirty (30) days' prior notice to ownership by posting in the store and printing in the newsletter. The Board Treasurer will move to adjust compensation to CPI at the January meeting.
- 8.8.7. Current Board compensation shall be reflected through amending the articles 8.8.1-8.8.3 of the Bylaws every 5 years starting in 2015.

8.9. **Indemnification** The Cooperative shall have all rights and powers allowed by law and Corporations Code Section 12377, and amendments thereto, to indemnify, and advance expenses to, directors, officers, and other agents, and shall indemnify, and advance expenses to present and former directors, officers, and other agents to the full extent permissible thereunder.

8.10 **Advisory Board** The Board may establish an Advisory Board. These Advisory Board members shall be appointed by the Board, shall receive the same compensation, and have the same obligations as elected Board of Directors, but will not be allowed to vote on Board matters.

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9. OFFICERS

- 9.1. **Designation** Officers of this corporation shall be the President, Vice President, Secretary and Treasurer.
- 9.2. **Term of Office** The term of each office shall be for one (1) year or until election of successors. Any officer or agent elected or appointed by the Board may be removed at any time with or without cause by vote of the Board. Removal of such parties shall be without prejudice to contractual rights of employment where such exist. No person shall serve more than three (3) consecutive terms in any office.
- 9.3. **Duties** Each officer shall perform the duties incident to the particular office as prescribed by law and the Policy Register, and such other duties as the Board may from time to time prescribe.

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10. NOMINATIONS AND ELECTIONS OF DIRECTORS

- 10.1. **Board Perpetuation Committee** The Board President, subject to the approval of the Board, shall appoint a Board Perpetuation Committee comprised of three owners in good standing. The nomination and election process shall be run according to the procedures outlined in the Administrative Code.

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11. MANAGEMENT

- 11.1. **Chief Executive Officer (CEO)** There shall be a Chief Executive Officer (CEO) who shall be hired and can be terminated by the Board. The CEO's duties and reporting obligations shall be governed by the policies and limitations in the Policy Register.

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12. RECORDS, REPORTS AND RIGHTS OF INSPECTION

- 12.1. Books and Records** The Cooperative shall keep adequate and correct books and records of account, minutes of the proceedings of its owners, Board and committees of the Board, and record of its owners with their names, addresses, and the number and type(s) of shares held by each owner. The minutes shall be kept in written form and other books and records shall be kept in written form or in any other form capable of being converted into written form. An ownership list is a corporate asset protected by law.
- 12.2. Annual Report**
- 12.2.1. An annual report shall be prepared and presented at the Annual Ownership Meeting or no later than one hundred twenty days (120) after the close of the Cooperative's fiscal year.
- 12.2.2. The Cooperative shall notify each owner yearly of the owner's right to receive the annual report. Such notification may be done, among other ways, by posting a visible notice in the Cooperative's store or by announcement at the Annual Ownership Meeting.
- 12.3. Inspection of Records** The Board of Directors shall make its records available to ownership as provided by law.

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13. PATRONAGE DIVIDENDS

- 13.1. Distribution of Net Savings** The realized net savings of the Cooperative, to the extent attributable to the patronage of owners, shall be allocated and distributed among owners in good standing in proportion to their patronage and in such a manner as to constitute patronage dividends within the meaning of federal income tax law. In determining and allocating such adjusted net savings, the Cooperative shall use a single allocation unit except to the extent that, subsequent to the adoption of these Bylaws, it shall engage in any new and distinct line of business or operate stores at two or more locations.
- 13.2. Exceptions** Net savings may be reduced by such reasonable reserves for necessary business purposes as is determined by the Board. Any allocations of such a nominal amount as not to justify the expenses of distribution may, as determined by the Board, be excluded from distribution provided that they are not then or later distributed to other owners. Owners shall retain the right to waive in whole or in part, by action at a meeting of owners, patronage dividends to which they may be entitled in one or more particular years without abrogating such rights as to future fiscal years.

- 13.3. **Distribution and Notice** A portion of patronage dividends constituting not more than eighty percent (80%) of each allocation may be retained for the capital needs of the Cooperative, as determined by the Board. Distributions shall be accompanied by written notices of allocation delivered to recipient owners within eight (8) months and fifteen (15) days following the close of the fiscal year.
- 13.4. **Consent of Owners** By obtaining or retaining ownership in the Cooperative, 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.
- 13.5. **Retained Amounts** Amounts retained pursuant to section 13.3 above shall be credited to revolving capital accounts in the names of recipient owners, shall accrue no monetary return on investment, and shall not be transferable. They shall 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. Retained amounts may also be redeemed under compelling circumstances as determined by the Board. Retained patronage dividends shall be redeemed at their carrying value on the books of the Cooperative or their net book value, whichever is lesser.
- 13.6. **Allocation of Net Loss** In the event the Cooperative shall incur a net loss in any fiscal year, such loss may be charged against retained savings or other unallocated owner equity. If the net loss exceeds such amounts, or in any event if the Board so determines, the amount of such loss may either be carried forward to offset adjusted net savings of subsequent fiscal years or allocated to owners in the same manner as for adjusted net savings except that such allocation shall not exceed the total of invested capital. Any such allocated net loss shall be charged first against retained patronage dividends of prior fiscal years and then against patronage dividend allocations of subsequent fiscal years. Allocated net losses which are not so offset may be charged against the carrying value of shares only upon termination of ownership. Allocated net losses shall not otherwise be assessed to or collected from owners.

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14. AMENDMENTS TO BYLAWS

- 14.1. Bylaws may be adopted, amended or repealed by the approval of owners or by the affirmative vote of Directors equal to two-thirds of the total positions on the Board specified by these Bylaws, except where the approval of owners is required for such adoption, amendment or repeal pursuant to these Bylaws, the Articles of Incorporation or law.

APPENDIX: EXPLANATION OF PATRONAGE

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DIVIDEND CONSENT PROVISION

The Internal Revenue Code generally requires each person receiving a patronage dividend to include the amount of such distribution in his gross income in the taxable year in which it is received. Under Bylaw Section 13.4, mere acceptance or retention of ownership in the Cooperative constitutes consent to such inclusion in taxable income, including the portion of the patronage dividend that is retained by the Cooperative for its capital needs.

The Cooperative 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 Cooperative are for "personal, living or family items." The patronage dividend would be taxable only if the owner's purchases related to the operation of a trade or business or other income-producing activities.

These Bylaws shall be effective as of November 16, 2022.