

BYLAWS OF SKAGIT VALLEY FOOD CO-OP, INC.

ARTICLE I. IDENTITY

Section 1. Name. The name of the organization shall be the Skagit Valley Food Co-op (“Co-op” hereafter).

Section 2. Principal Office. The main office and place of business shall be 202 South First Street, Mount Vernon, Washington, or at such other location as may be designated by the Board of Trustees.

Section 3. The fiscal year shall be January 1 to December 31.

ARTICLE II. PURPOSE

Section 1. The Co-op shall promote owner welfare by utilizing their united funds and their united efforts for the purchase and distribution of commodities in accordance with the following criteria:

- A. Maintaining the not-for-profit status of the Co-op;
- B. Offering high quality products which contribute to good nutrition;
- C. Supporting a low impact, non-harmful approach to the environment;
- D. Supporting local suppliers and producers;
- E. A commitment to building a cooperative economy and supporting others who share that commitment;
- F. A commitment to educational programs relevant to members and non-members in the community

ARTICLE III. MEMBERSHIP/OWNERSHIP

Section 1. Eligibility. All persons are eligible.

Section 2. Application. The method of application for ownership shall be determined, written and posted in the Co-op Policy Book by the Board of Trustees.

Section 3. Definition of Active Ownership. All members are owners and in these By-Laws the terms are interchangeable. An active ownership has met all of the following requirements

1. Has met the requirements for application in Section 2,
2. Is current in payment of fees
3. Has made a purchase in the Co-op within the last 12 months;
4. Has provided the Co-op with a current address.

Any owner who does not fulfill the above requirements is an inactive owner.

Section 4. Type of Ownership. Any person or household with up to four adults may be an owner of the Co-op. Each owner is entitled to one vote or refund of ownership.

Section 5. Ownership Interest. Each owner shall invest into the Co-op a level of invested funds in an amount declared and posted in the Co-op Policy Book by the Board of Trustees.

Section 6. Transfer of Ownership Interest. Ownership interest and rights shall not be transferable.

Section 7. Withdrawal from Ownership. Ownership may be terminated voluntarily by a member upon notice to the Co-op. Withdrawal from membership shall not affect a withdrawing member’s existing liabilities to the Co-op.

Section 8. Responsibilities of Owners. Responsibilities of ownership shall be as follows:

- To support the Co-op by doing business with it,
- To participate in owners meetings and elections,
- To communicate opinions about policies of the Co-op to the Board and Management,

To provide needed capital through an owner capitalization system; i.e. memberships,
To provide the Co-op with current mailing address,
To abide by decisions of the Co-op.

Section 9. Rights of Owners. The rights of owners in the Co-op shall be as follows:

To speak and vote at ownership meetings,
To vote for Trustees, and to attend and have reasonable opportunity to speak in a Board meeting,
To participate in any ownership benefits including patronage refunds as may be determined and declared by the Board.
To have reasonable access to Co-op records and financial information as legally required.

ARTICLE IV. OWNERSHIP MEETINGS

Section 1. Annual Meetings. An annual member/owner meeting shall be held at a place, date, and time as determined, written and posted by the Board of Trustees. If a quorum is present, the annual meeting shall take action on all phases of Co-op business as set forth in the agenda as determined by the Board.

Section 2. Special Meetings. Special ownership meetings may be called at any time by the written request of the President of the Board. Special ownership meetings may also be called upon written request by 5% of the active owners provided that the request specifies the purpose(s) of the special meeting. Notice of the special meeting must be given within 30 days of receiving said valid written request and the meeting must be held within 60 days. Notice of special meeting shall state the business to come before it, and no business other than that specified in the notice shall be transacted.

Section 3. Notice of Meetings. Notice of meetings and an agenda of topics to be considered shall be posted at all Co-op retail places of business at least two weeks before such meeting. Notice of the Annual meeting, its agenda, and a list of Board candidates shall be sent to all active memberships at least 30 days prior to the meeting at their last known address.

Section 4. Quorum. The presence in person or submission of a valid ballot by 5% of all active member-owners or 60 persons, whichever is less, shall constitute a quorum for Annual and Special meetings. Only owners in actual attendance at the meeting shall count toward a quorum except for matters submitted to the ownership by mail. Ballots cast shall be counted towards fulfillment of the quorum requirement.

Section 5. Decision Making. Decision making other than election of Trustees at ownership meetings or by ballot shall be by two-thirds (2/3) majority. Each active owner shall be entitled to one vote upon each matter submitted to a vote.

Section 6. Balloting. Official Ballots will be issued. Ballots will be received in an official ballot box in the store or by mail during a thirty day period prior to and at the annual meeting and special meetings, ending five minutes prior to the start of the meeting.

ARTICLE V. BOARD OF TRUSTEES

Section 1. Qualifications. Trustees shall be active owners of the Co-op.

Section 2. Number. The Board shall consist of seven persons including one and only one paid staff member.

Section 3. Candidates. Candidates shall submit a written notice of intent to the Secretary at least 45 days prior to the annual owner meeting in order to appear on the official ballot and in the newsletter.

Section 4. Election. Trustees shall be elected at the annual owner meeting. Each owner shall have one vote for each elected position including the staff position. Those candidates receiving the most votes shall fill the open positions with the provision that the staff candidate receiving the most votes will fill the staff position.

Section 5. Term of Office. All Trustees shall serve a three year term of office. Terms shall be staggered such that each year at least two positions are up for election.

Section 6. Removal of Trustees. (A) If a Trustee fails to attend three consecutive regular Board meetings, that Trustee's seat may be declared vacant at the next regular Board meeting and the vacancy filled as provided in Section 7. (B) Any Trustee who has been charged in writing

with malfeasance or misconduct regarding Co-op business must be allowed to reply to such charges in an open meeting of the Board and ownership. In such instance any Trustee may be removed from office by a secret ballot with a two-thirds (2/3) majority at any regular or special ownership meeting after said Trustee has had an opportunity to reply to the charges.

Section 7. Vacancies. Any vacancy on the Board shall be filled by an eligible member/owner appointed by the Board to serve. In the case of the staff position, eligibility is limited to a staff person who is also an active owner. Said appointee shall serve until the next Annual Meeting. At said Annual Meeting the party elected shall serve the unexpired vacant term.

Section 8. Responsibilities. The Trustees shall govern the business and affairs of the Co-op and shall exercise all of the powers of this Co-op, except those powers that are conferred upon or reserved to the members by law, the Articles of Incorporation, or these By-Laws. The Board of Trustees shall adopt such policies, rules, and regulations and take such actions as it may deem advisable, provided that the Board of Trustees does not act in a manner inconsistent with the law, the Articles of Incorporation, or these By-Laws.

ARTICLE VI. BOARD OF TRUSTEES MEETINGS

Section 1. Monthly Meetings. The Trustees shall hold monthly meetings.

Section 2. Decision Making. Decision-making shall be by consensus minus one of the total Board of Trustees. A quorum is required for Board action. Each Trustee shall be entitled to one vote upon each matter submitted to a vote.

Section 3. Quorum. Six members of the Board of Trustees shall constitute a quorum.

ARTICLE VII. OFFICERS

Section 1. Election of Officers. The Board shall elect annually a President and Vice-President, a Secretary and Treasurer from Board members.

Section 2. Duties of the President and Vice-President. The President shall preside at all meetings of the membership and the Board. In the absence of the President, the Vice-President shall act when necessary.

Section 3. Duties of the Secretary. The Secretary shall ensure the:

- A. Proper notification for membership and Board meetings;
- B. Recording of meeting minutes; and
- C. Updating the Co-op Policy Book and the Minute Book, including the Articles of Incorporation, Bylaws, and Meeting Minutes.

Section 4. Duties of the Treasurer. The Treasurer shall ensure that a monthly financial report is reported. The Treasurer, or other officer, shall sign all year-end tax reports.

ARTICLE VIII. AMENDMENTS

Section 1. The Bylaws of the Co-op may be altered, amended, rescinded, or added to by two-thirds (2/3) majority of those owners voting. Balloting will be done in store and by mail during the month prior to the annual ownership meeting, and ending five minutes prior to the start of the meeting, provided that proper notice of the meeting as specified in Article IV, Section 3 has set forth fully and clearly the proposed alteration, amendment, rescission, or addition.

ARTICLE IX. INDEMNIFICATION.

Section 1. The Co-operative shall indemnify each person who is or has been a director, officer, or employee of this Co-operative, and each person who is serving or has served at the request of this Co-operative as an agent of this Co-operative against expense including attorney 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 indemnification under applicable law.

Section 2. The Co-operative may purchase liability insurance coverage for any person serving as an officer, director employee, or agent to the extent permitted by applicable law.

ARTICLE X. LIMITS OF LIABILITY.

No Trustee of this Co-operative shall be personally liable to the Co-op or its members for monetary damage for his or her acts or omissions as a trustee on or after the date this Article becomes effective except for acts or omissions that involve intentional misconduct or a knowing violation of law. The liability of a trustee of the Co-op shall be eliminated or limited to the fullest extent permitted by the Washington Business Corporation Act, and any amendment thereto. Any amendment to or repeal of this Article shall not adversely affect any right or protection of a trustee of this Co-op for or with respect to any acts or omissions of such trustee occurring prior to such amendment or repeal.

ARTICLE XI PATRONAGE REFUNDS

Section 1. Patronage Refunds. The Co-op shall return the net distributable surplus to its members as a patronage refund, subject to the provisions of this Article. As used here, the term "net distributable surplus" means (a) the annual earnings from the Co-op's sales attributable to the patronage of its members minus (b) any reserves the Board of Trustees decides to retain for necessary or appropriate business purposes or contingencies. The Co-op shall calculate members' patronage refunds in proportion to their purchases from the Co-op during the year, subject to the provisions of this Article. The Co-op shall be entitled to take into account losses for prior years when calculating its net distributable surplus.

Section 2. Annual Determination. The Board of Trustees shall decide after the close of the Co-op's fiscal year whether the net distributable surplus exists for the year, how and when to distribute patronage refunds and any other related matters, based on the Board's policies. The Board of Trustees may elect not to declare or distribute if it is in the best interest of the Co-op.

Section 3. Payment and Compliance. The Co-op shall pay patronage refunds within the time frame provided in, and according to the Internal Revenue Service Code and Treasury Department regulations so as to qualify for income tax deductions for the Co-op. The Co-op may distribute patronage refunds in cash, merchandise credits, a qualified written notice of allocation or a non-qualified written notice of allocation as defined in 26 U.S.C. Section 1388, other property, or any combination of these methods as the Board of Trustees may determine from time to time. Any patronage refund distributed as a qualified written notice of allocation or a non-qualified written notice of allocation shall be designated as such by the Board of Trustees in accordance with the provisions of 26 U.S.C. Section 1388. Any part of a patronage refund that the Board of Trustees elects not to pay in cash, merchandise credits or other property is called the retained patronage refund.

Section 4. Application of Retained Patronage Refund.

The Co-op shall hold retained patronage refunds in a revolving patronage refund account in the names of the receiving owners, and may apply the retained patronage refunds toward the Co-op's operating capital needs. The Board of Trustees may apply any part of a member's retained patronage refund to cover that member's unpaid membership dues for that year and future years.

Owners will not accrue interest or other monetary return on investment, and the accounts are non-transferable. The Co-op shall be entitled to offset against retained patronage refund accounts the amount of any losses subsequently sustained by the Co-op, in such a manner as the Board of Trustees may reasonably determine.

Section 5. Repayment of Retained Patronage Refunds. At any time, upon decision of the Board, the Co-op may pay some or all of the retained patronage refunds to qualifying owners if the Board of Directors decides the funds are no longer required for operating capital. Owners will receive retained patronage refunds in the order of the oldest outstanding amounts on a pro rata basis from these amounts. If the Co-op dissolves as a corporation, it shall pay retained patronage refunds to members after payment of all other liabilities. If the remaining funds are insufficient to repay all retained patronage refunds, members will receive retained patronage refunds in proportion to their revolving account balances at the time of dissolution. The Board of Directors may also repay an individual member's retained patronage refunds under compelling circumstances in the Board's discretion. Retained patronage refunds are available at all times to pay amounts otherwise payable to the Co-op.

The Board of Directors may in its discretion pay retained patronage refunds to qualifying owners in cash, as merchandise credits, or any combination of cash and merchandise credits. The Board of Directors may in its discretion establish the terms and conditions governing the issue and use of merchandise credits, including any period within which merchandise credits must be used or forfeited.

Section 6. Unclaimed Refunds. If the Co-op wishes to pay retained patronage refunds to any member who holds a revolving patronage refund account, but such payment fails to reach such member via a single mailing through US mail at such member's last known address on file with the Co-op, such member shall be deemed to have contributed such payment entitlement to the Co-op and the Board of Directors may, by appropriate action, pay such amount to all other active members who hold revolving patronage refund accounts as a supplemental patronage refund in the same ratio that such members would then be entitled to patronage refunds.

Section 7. Treatment of Nominal Amounts. The Board of Directors may exclude from distribution any patronage refund that is so small that it does not justify the cost of distribution. These nominal amounts may not be distributed at any time to other members.

Section 8. Tax Provision. If the Co-op distributes part of its annual earnings or income as a patronage refund, and then discovers it cannot deduct some part of its annual earnings or income as a patronage refund under the Internal Revenue Code and applicable regulations, then the Co-op and its Board of Directors deem that all of the patronage refund declared shall come from earnings or income that does qualify for a deduction under the revenue laws. This designation shall occur regardless of whether the Board adopted a resolution or act that makes specific reference to the source of revenues for the refund.

Section 9. Consent of Owner to Tax Treatment. Each person who hereafter applies for and is accepted to ownership in the Co-op, and each owner of the Co-op on the effective date of this Article XI who continues as an owner after such date shall, by such act alone, consent to having their patronage refund, whether paid or retained, taken into account for the taxable year. Any patronage distribution the Co-op makes with a qualified written notice of allocation under 26 U.S.C. § 1388 will be taken into account by the receiving owner at the stated dollar amount of the distribution as provided in 26 U.S.C. § 1385(a) in the taxable year the owner receives the written notice of allocation.

Section 10. No Refunds on Capital. No refunds shall be declared or paid with respect to owner capital contributions.