

# **Restated and Amended Bylaws**

## **The Real Good Food Store**

### **Db a Food Front Cooperative Grocery**

#### **Article I Membership / Ownership**

##### **Section 1.1 Eligibility**

Any natural person may apply to become a member of the Cooperative. If the application is accepted, to become a member the applicant must: (i) purchase or subscribe to one share of Member Stock; (ii) purchase or subscribe to any shares of other classes of stock that the Board of Directors (“Board”) requires; and (iii) pay any fees required by the Board. The term “Owner” is frequently used in the Bylaws to refer to a member, although the terms “member,” “Member Stock” and “membership” are used where they better convey cooperative principles than the term “Owner.”

The Cooperative shall not discriminate on race, ethnicity, creed, age, sex, disability, sexual orientation, sexual identity, marital status, or any other social or political grounds.

##### **Section 1.2 Non-transferability**

Ownership rights, including Member Stock and all other rights and interests of membership, are non-transferable. Any attempted transfer is void, shall terminate the Owner’s membership and shall confer no rights on the purported transferee.

#### **Article II Cooperative Equity**

##### **Section 2.1 Stock Issuance**

The Board shall have authority to issue (i) Member Stock, the rights and preferences of which shall be set forth in the Articles of Incorporation and these Bylaws, and (ii) such other classes of stock as the Board shall establish, which non-Member Stock shall carry such rights and preferences as the Board determines, except that non-Member Stock shall have no voting rights except as required by applicable law. The total of Member Stock and all other stock shall be no greater than the aggregate amount of stock authorized for issuance in the Cooperative’s Articles of Incorporation.

Shares of the Member Stock and of any other class of stock established may be issued for such consideration expressed in dollars as may be fixed from time to time by the Board.

### **Section 2.2 Member Stock**

The Board shall have the authority to issue and regulate shares of Member Stock subject to such transfer restrictions and other limitations as may be necessary to ensure compliance with securities laws.

Shares of Member Stock may be owned only by persons eligible for and admitted to ownership in the Cooperative. An Owner may own no more than one share of Member Stock. The Cooperative shall issue shares only upon full payment of the stated value of the shares, as determined by the Board, which payment shall include fees paid prior to adoption of these Bylaws.

### **Section 2.3 Terms of Member Stock**

No dividend or other monetary return on investment shall be paid on Member Stock. Member Stock is nontransferable and may not be pledged as security for a debt. Shares of Member Stock shall be subject to assessment insofar as the Board determines that it is necessary to increase the required capital investment to meet the current or prospective capital needs of the Cooperative.

### **Section 2.4 Redemption of Member Stock**

The Member Stock share of a terminated Owner shall be redeemed when the Board determines, in its sole discretion, that the Cooperative has the wherewithal to do so, and that doing so is in the best interests of the Cooperative. Shares shall be redeemed at the lesser of their carrying value on the books of the Cooperative or their net book value, as determined by the Board. In the case of voluntary termination of membership, a reasonable processing fee may be imposed, as determined by the Board. Reapplication for membership after redemption is subject to full repayment of redemption proceeds and a reprocessing fee established by the Board.

### **Section 2.5 Lien and Offset of Stock**

The Cooperative has a first lien on all of an Owner's stock in the Cooperative (Member Stock and any other classes of stock) for all amounts due and payable to the Cooperative by an Owner. The Cooperative may at any time offset past due amounts against any payments by the Owner made for any purpose. Without limitation, the Cooperative may apply payments by an Owner for stock of any type to any outstanding debt owed. If the Cooperative does so, the Owner is obligated to replenish the capital applied to the outstanding debt to continue in good standing.

### **Section 2.6 Termination of Membership**

Membership may be terminated:

- a. voluntarily by an Owner by notice to the Cooperative;

- b. automatically upon death of the Owner;
- c. automatically if the Owner fails to patronize the Cooperative for a period of time determined by the Board in Cooperative policy; and
- d. “For Cause.” At the Board’s discretion the Cooperative may terminate an Owner’s membership “For Cause.” “For Cause” shall be defined by the Board by Cooperative policy or on an ad hoc basis in the Board’s reasonable discretion. The process for terminating the membership of an Owner “For Cause” is as follows:

**i. Notice of Proposed Termination.** The Cooperative shall notify the Owner not less than 30 days in advance of a meeting at which the Board (or its designated committee) will consider whether to terminate the Owner’s membership (the “Notice”). The Notice must be in writing and must be (i) sent by United States certified mail addressed to the Owner’s last known address or (ii) delivered in person. The Owner may request a hearing at the meeting at which termination will be considered. The request must be in writing and must be received by the Cooperative not later than ten (10) days before the date of the meeting specified in the Notice. Following the meeting, the Cooperative shall notify the Owner in writing of the decision. Such notice must be (i) sent by United States certified mail addressed to the Owner’s last known address or (ii) delivered in person. The Board may delegate the right to terminate membership For Cause to a committee of the Board.

**ii. Right of Appeal if Decision to Terminate is Made by Committee.** If the initial decision to terminate is made by a committee of the Board instead of the Board as a whole, and the Owner requested and participated in the hearing about the termination, the Owner may appeal the termination decision to the Board as a whole. To do so, the Owner must notify the Cooperative in writing of the Owner’s appeal not later than 30 days after the date of the Notice. Such notice of appeal must set forth the facts that the Owner believes merit overturning the Owner’s termination. The Board may hold a hearing or it may decide the matter based on the Owner’s notice of appeal and the information it receives from the committee. The Board as a whole shall decide on the Owner’s appeal not later than 60 days after receipt of the Owner’s notice of appeal. A decision by the Board as a whole to terminate, whether of an original decision or of an appeal from a committee’s ruling, is final and not subject to appeal.

Upon termination, the terminated Owner’s Member Stock and any other stock of the Owner shall be cancelled and the terminated

Owner shall no longer have any membership or voting rights in the Cooperative.

### **Article III Operating on a Cooperative Basis**

#### **Section 3.1 Operating on a Cooperative Basis**

The Cooperative's business with or for the Owners shall be conducted on a cooperative service-at-cost basis for their mutual benefit.

#### **Section 3.2 Non-Member Patronage**

The Cooperative may elect, but need not elect, to serve non-members on a cooperative basis at the discretion of, and to the extent determined by, the Board, in accordance with applicable law.

#### **Section 3.3 Patronage Dividends**

**a. Obligation to Pay.** The Cooperative shall, within 8 1/2 months of the close of its taxable year, pay to its Owners in the form of patronage dividends, all its available earnings from business done with Owners during such taxable year, in accordance with 26 U.S.C. 1381 through 1388 and any successor provisions. Such earnings shall be determined on the basis of generally accepted tax accounting principles applicable to cooperatives in accordance with ORS § 62.415(6) and its successor provisions.

**b. Payment Methods and Limitations.** Patronage dividends may be paid in any combination of cash, credit, qualified checks, or other equity interest qualified written notices of allocation, and nonqualified written notices of allocation in amounts or proportions determined by the Board, provided that at least 50% of the total patronage dividends paid to each Owner with respect to any single taxable year shall be paid in the form of written notices of allocation to be credited to each respective Owner's capital account.

**c. Revolving Capital Accounts.** Capital accounts arising from written notices of allocation shall be redeemed at times and in amounts determined at the sole discretion of the Board, provided that the oldest written notices of allocation must be redeemed in full before any written notices from subsequent years may be redeemed, and partial redemptions of written notices of allocation from any taxable year shall be made pro rata to all patrons entitled to receive such distributions.

**d. De Minimis Rule.** Notwithstanding the obligation to pay patronage dividends in Section 3.3(a), the Cooperative shall not be obligated to pay patronage dividends to any patron when the total dividend for the year for that patron is less than

\$5, or such other de minimus amount established by written resolution of the Board on or before the first day of each taxable year to which this de minimus rule applies.

### **Section 3.4 Owner's Consent to Tax Treatment**

Each Owner consents that the amount of any distributions with respect to that Owner's patronage that are made in the form of a written notice of allocation received by that Owner, shall be taken into account by the Owner at their stated dollar amounts in the manner provided in 26 U.S. Code 1385(a) and any successor provisions in the tax year in which such written notices of allocation are received by it. Written notification of this Bylaw and a statement of its significance shall be given separately to each Owner and to each prospective Owner before he or she becomes an Owner.

### **Section 3.5 Setoff and Security Interest**

The Cooperative in its sole discretion may withhold any and all net proceeds distributable to an Owner and apply it to the Owner's indebtedness to the Cooperative. In such event, the Cooperative shall give the Owner written notice of the amount so applied. Right of set off are secured in accordance with ORS 62.235(1), as amended. Each Owner agrees to promptly execute and return such documents as the Cooperative reasonably requests to perfect and continue the perfection of such security interest.

### **Section 3.6 Allocation of Net Loss**

If the Cooperative incurs a net loss in any fiscal year, such loss may be charged against retained savings, other unallocated equity accounts, or as otherwise determined by the Board in compliance with applicable law. If the net loss exceeds retained earnings, and other reallocated equity accounts, or 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 that are not so offset may be charged against the carrying value of shares only upon termination of membership. Allocated net losses shall not be assessed to or collected from Owners.

## **Article IV Meetings of Owners**

### **Section 4.1 Annual Meeting**

The Annual Meeting of the Owners of the Cooperative shall be held following the close of each fiscal year of the Cooperative at such time and place as shall be determined by the Board. The Board shall report to the Owners on the operations and finances of the Cooperative.

#### **Section 4.2 Special Meetings**

The Board may call special meetings of Owners as necessary. The Secretary shall call special meetings as soon as practicable after the filing of a petition signed by at least ten percent of all Owners. Such petition must state the business to be brought before the meeting. The stated business must be appropriate for Owner consideration, as determined by the Board. The Board may make such a determination on either an ad hoc basis or pursuant to a policy adopted by the Board. 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 4.3 Time and Place of Meetings**

The date, time and place of all meetings of Owners shall be determined by the Board or, if the Board fails to so act, by the Secretary. Meetings shall be held at a time and place convenient to Owners.

#### **Section 4.4 Notice of Meetings**

Written notice of the time, place and purpose of an Owner meeting shall be posted at Food Front Grocery locations and, if practical, highlighted in any existing Food Front publications, in addition to any other legally-required notices. Notice by mail shall be given not less than seven days or more than thirty days before the date of the meeting.

### **Article V Voting by Owners**

Each Owner shall have one vote upon any matter submitted to a vote of the Owners.

All voting by Owners shall be done by mail by written ballot or comparable medium as determined in published board policy. The voting ballot shall be sent with the meeting notice and a voting envelope or envelope equivalent. The ballot shall state the close of the election period, which will be set by the Board. Voting shall be conducted in compliance with applicable law.

Unless otherwise required by the Articles of Incorporation, these Bylaws, or applicable law, all questions shall be decided by a vote of a majority of the votes cast, except where one or more choices are to be made from several alternatives, in which case the alternative receiving the most votes shall be considered approved.

At any meeting of the Owners, or for any vote of the Owners, a quorum necessary for decision-making shall be 3% of the total number of Owners or 200 Owners, whichever is less.

## **Article VI Board of Directors**

### **Section 6.1 Powers and Duties**

Except as to matters reserved to Owners by law, by the Articles of Incorporation, or by these Bylaws, the Cooperative's corporate powers shall be exercised by or under the Board's authority, and the Cooperative's business and affairs shall be managed under the Board's direction. Without limiting its powers and duties under law, the Board shall exercise its powers and duties primarily through making policy. The Board may delegate to any person or entity its powers and duties to the full extent permitted by law, provided that the Cooperative shall be managed and all powers and duties shall be exercised under the Board's ultimate direction.

### **Section 6.2 Number and Qualifications**

The Board shall consist of not less than 3 Directors and not more than 9 Directors. All Directors must be Owners and shall not have a material conflict of interest with the Cooperative. The general manager and employees of the Cooperative are ineligible to serve as a Director. No more than one person from any household or from any immediate family (one degree of consanguinity) may serve as a Director at any one time.

### **Section 6.3 Nominations, Election and Terms**

Candidates for Director may be nominated by the Board (or a committee designated by the Board) or by a petition signed by at least ten percent of Owners eligible to vote and submitted to the Cooperative at least 60 days prior to the Annual Meeting. Board elections shall be held consistent with Bylaws. To be eligible, the candidate's name must be included on the ballot mailed with the notice of meeting sent to the Owner.

Directors shall be elected by the Owners at the Annual Meeting or at an alternative meeting designated by a majority vote by the Board.

Directors are elected to three-year terms, unless they are filling a vacated position, in which case they shall be elected to fulfill the remaining duration of a three-year term. Terms of Directors shall be staggered so that one-third of the Directors' terms, or as nearly so as may be practicable, shall expire in any one year.

Vacant seats shall be filled by election either through the regular three-year election cycle for each seat or by special election if the seat is vacant in a year outside the regular election cycle. A majority of the Board may appoint a Director to fill a vacant seat until the next Annual Meeting. Such appointments may not exceed 12 months in duration.

#### **Section 6.4 Standards of Conduct**

Directors are 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 the Directors reasonably believe to be in the Cooperative's best interests. The Cooperative may not lend money to or guarantee the obligation of a Director or officer.

#### **Section 6.5 Conflicts of Interest**

Each Director has an affirmative duty to disclose to the Board his or her actual or potential conflicts of interest when nominated, and continuing throughout the period of candidacy and, if elected, to the Board service. When a Director has a conflict of interest, that Director may not participate in deciding the matter, unless otherwise determined by the Board. The Board may allow the Director to participate in discussing the matter, but may not allow the Director to vote on the matter. The Board must maintain a policy to apply and enforce this Bylaw.

#### **Section 6.6 Committees**

The Board may appoint special or standing committees to advise the Board or to exercise such authority as is delegated by the Board. Advisory, task forces, and other committees shall include at least one Director. Committees exercising Board authority shall consist of only Directors. A committee must follow Section 6.9 and Section 6.11 of the Bylaws. A committee may not take action without a meeting.

#### **Section 6.7 Indemnification**

Subject to limitations in the Articles of Incorporation and applicable law, the Cooperative shall indemnify current and former Directors and officers to the fullest extent permitted by law. Indemnification payments and advances of expenses must be made on a priority basis but only in such increments and at such times as will not jeopardize the ability of the Cooperative to pay its ordinary and necessary obligations as they become due. The Board shall report in writing all indemnification payments made under this Bylaw to the Owners with or before the notice for the next scheduled Owners' meeting.

#### **Section 6.8 Termination, Removal and Resignation**

A Director's term of office is terminated prior to its expiration in the following ways:

- a. Voluntarily by a Director, upon notice to the Cooperative; or
- b. Automatically upon terminating membership in the Cooperative; or
- c. By majority vote of Owners voting by written ballot thereon at an Owners' meeting, provided that written reasons for removal are included

- in the meeting notice and the Director whose removal is sought has had an opportunity to answer the reasons at the meeting; or
- d. A Director is declared incompetent by final court order, or convicted of a felony.

Unless excused by the Board for good cause, the Board may presume that a Director absent from three consecutive Board meetings has resigned and may declare that Directorship position vacant. A Director may be removed from office for cause by a two-thirds (2/3) vote of the other Directors and said cause shall be specified in detail in the language of the motion to remove and the minutes of the meeting.

### **Section 6.9 Board Meetings**

The Board may hold regular meetings as it sees fit. Written notice of each meeting of the Board shall be given to each Director by, or under the supervision of, the secretary of the Cooperative not less than seventy-two (72) hours prior to the time of meeting. Notice may be waived by any Director, and appearance at a meeting shall constitute a waiver of notice. Notice is not required if the Board fixes the time and place for these meetings by resolution.

The President, or Vice-President, or Secretary, or any two Directors may call a special meeting of the Board. The Secretary shall give notice of any special meeting within seven (7) days after being notified by an approved person(s) that they are calling a meeting.

A simple majority of Directors constitutes a quorum of the Board for transacting business. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, but any action must be approved by at least a majority of the required quorum, or a greater number, as is required by the Articles of Incorporation, these Bylaws or statute.

Unless agreed otherwise by a majority of the Directors, meetings will be conducted according to Roberts Rules of Order.

Meetings may be held at any place determined by the Board in a resolution or designated in a meeting notice. Directors may participate in meetings by electronic means and be counted present, so long as all Directors can hear each other.

A majority of the Directors present at a meeting, whether or not a quorum is attained, may adjourn that meeting to another time and place. If the meeting is adjourned for more than 24 hours, the Secretary must notify any absent Director about the time and place for the reconvened meeting.

Every act done or decision made by the required quorum at a duly held meeting will be considered an official act or decision of the Board, and recorded as such by the secretary, or designee of the board.

#### **Section 6.10 Action without a Meeting**

The Board may act or make a decision without a meeting if each Director consents in writing to that action. E-mail or comparable written communication as determined in published board policy constitutes a writing. Any action by written consent has the same force and effect as a vote of the Directors. The Secretary must file in the corporate records or make a part of the minutes any Board approval, which may include copies of the written consent or a record of such consent that was provided by Directors.

#### **Section 6.11 Open Meetings**

Except as noted in this section, Board meetings and committee meetings are open to the Owners. Pursuant to policy, the Board may discuss issues in closed session that are of a sensitive nature. Official actions or decisions must be made in open session and on the record, except for decisions that involve matters that the President determines to be confidential.

The Board may exclude an Owner for cause during any particular meeting.

#### **Section 6.12 Director Compensation**

The Board shall report to the Owners the amount of compensation given to the Directors at least once per year.

### **Article VII Officers**

#### **Section 7.1 Designations and Qualifications**

The Cooperative shall have a President, Vice-President, Secretary and Treasurer. The offices of the Secretary and Treasurer may be combined. The President and Vice-President must be Directors and Owners of the Cooperative. The Board may establish other offices as it deems advisable. In establishing an office, the Board shall establish duties and responsibilities for the officers.

#### **Section 7.2 Election, Terms and Removal**

Officers shall be elected by the Board annually at its first meeting following the annual election of Directors. Officers shall be elected for one year, but shall serve until election of their successors. The Board may remove and replace an officer whenever the best interests of the Cooperative would thereby be served.

### **Section 7.3 Duties**

When signing or attesting to formal documents on behalf of the Cooperative as authorized and directed by the Board, officers shall have the following duties and any additional duties established by the Board:

- a. The President is responsible for assuring the orderly conduct of all meetings and managing the activities of the Board in accordance with published board policy.
- b. The Vice-President is responsible for performing the duties of the President in his or her absence or disability, and assisting other officers in the performance of their duties, as requested.
- c. The Secretary is responsible for recording and keeping minutes of meetings of the Board and of Owners, issuing notices required under these Bylaws and applicable law, and authenticating records of the Cooperative, in accordance with published board policy.
- d. The Treasurer is responsible for overseeing the maintenance of financial records, reporting of financial information to the Board and filing of required reports and returns, in accordance with published board policy.

## **Article VIII Interpretation & Amendment of Bylaws**

### **Section 8.1 Severability**

Any provision of these Bylaws determined to be invalid or unenforceable shall be deemed inoperative to such extent and shall be deemed modified to conform with applicable law without affecting the validity or enforceability of any other provision of these Bylaws.

### **Section 8.2 Amendment by Owners**

The Bylaws may be amended by a simple majority of votes cast by the Owners.