

North Coast Cooperative, Inc.

Articles of Incorporation
And
By-laws

**NORTH COAST COOPERATIVE, INC.
ARTICLES OF INCORPORATION**

Endorsed and filed in the office of the Secretary of State of the State of California, January 25, 1982.

Know all People by these Presents:

That we, the undersigned, a majority of whom are citizens and residents of the state of California, have this day voluntarily associated ourselves together for the purpose of forming a corporation under the laws of the State of California; and we do hereby certify:

ARTICLE I

The Articles of Incorporation of this corporation are hereby set forth for the purpose of forming a cooperative corporation consistent with the provisions of the Corporations Code of the State of California.

ARTICLE II

The name of this corporation is North Coast Cooperative, Inc. The principal office for transaction of corporate business is in the County of Humboldt, State of California.

ARTICLE III

This corporation is organized as a cooperative corporation under the laws of the State of California for the purpose of conducting any lawful business, primarily for the mutual benefit of its shareholders who may be natural or legal persons.

ARTICLE IV

Without in any way limiting its objects, purposes, and powers, this corporation shall be authorized, and have the power:

- A. to promote and provide a medium whereby consumers may act together, collectively and cooperatively, towards the production, purchase, transportation, storage, and distribution of goods, merchandise and commodities of all kinds, and in rendering and purchase of services to all kinds for the benefit of its members and the public.
- B. to promote the economic welfare of its members and the public through the collective buying, production and distribution of any and all commodities and services which the members may desire.
- C. to engage in any business or activity which shall serve the economic, educational, and cultural welfare of its members and the public.
- D. to advance the consumers' cooperative movement as an economic system having service for its motive; and to join, or otherwise associate itself with other cooperative societies throughout the state and nation, and the counties abroad for the purpose of mutual aid and the creation of a cooperative society.
- E. to have, exercise, and possess all the rights, powers and privileges granted generally to cooperative corporations by the laws of the State of California.

ARTICLE V

This corporation is authorized to issue four (4) classes of shares:

- Class A - Membership Shares
- Class B - Sustaining Shares
- Class C - Co-op Shares
- Class D - Investment Shares

The total number of shares which this corporation shall have authority to issue is 6,100,000; and the total number of each class share this corporation shall have authority to issue is as follows:

- Class A Membership Shares, 100,000;
 - Class B Sustaining Shares, 2,000,000;
 - Class C Co-op Shares, 2,000,000;
 - Class D Investment Shares, 2,000,000.
- No Share of any class shall have any par value.

ARTICLE VI

The preferences, privileges and restrictions granted to or imposed upon the respective classes of shares and upon the holders thereof are as follows:

A. In the event of the liquidation or dissolution of this corporation, its assets shall be distributed as follows:

First: The holders of issued and outstanding Class D investment Shares shall be paid up in full to the amount of the purchase price paid therefore upon issuance, and a further amount equal to any dividends declared and unpaid on such shares on the date of distribution shall be paid. If the assets to be distributed among the holders of Class D Shares should be insufficient to permit the payment to said share holders of the full preferential amounts mentioned, then the entire assets of the cooperative to be distributed shall be distributed ratably among the holders of the said Class D Shares.

Second: The holders of the issued and outstanding Class C Co-op Shares shall be paid up in full to the amount of the purchase price paid therefore, upon issuance and a further amount equal to any dividends declared and unpaid on such shares on the date of distribution shall be paid. If the remaining assets to be distributed among the holders of Class C Shares should be insufficient to permit the payment to said shareholders of the fully preferential amounts mentioned, then the entire remaining assets of the cooperative to be distributed shall be distributed ratably among the holders of said Class C Shares.

Third: The holders of issued and outstanding Class B Sustaining Shares shall be paid up in full to the amount of the purchase price paid therefore upon issuance and a further amount equal to any dividends declared and unpaid on such shares on the date of distribution shall be paid. If the remaining assets to be distributed among the holders of Class B Shares should be insufficient to permit the payment to said shareholders of the full preferential amounts mentioned, then the entire remaining assets of the cooperative to be distributed shall be distributed ratably among the holders of said Class B Shares.

Fourth: The holders of issued and outstanding Class A Membership Shares shall be paid up in full to the amount of the purchase price paid therefore upon issuance. If the remaining assets to be distributed among the holders of the Class A Shares should be insufficient to permit the payment to said shareholders of the full amounts mentioned, then the entire remaining assets of the cooperative to be distributed shall be distributed ratably among the holders of Class A Shares.

Fifth: The balance of any assets remaining to be distributed after making the distributions set forth in paragraphs First, Second, Third and Fourth shall be paid to the holders of all issued and outstanding Class A, Class B, Class C and Class D Shares as if said shares were all of the same class.

B. No Class A Membership Shares shall be sold or issued to a purchaser or transferred on the books of this corporation to one who is not a bonafide resident of the State of California and until a written application therefore containing a written representation concerning the residency of the applicant has been specifically approved by the Board of Directors or its designated representative, and the applicant has agreed in writing to comply with the By-laws of this corporation, from time to time adopted.

C. No Class B Sustaining Share of Class C Co-op Share, no Class D Investment Share shall be issued to, or held by or transferred on the books of this corporation to any person or entity who is not a bonafide holder of an issued and outstanding Class A Membership Share.

D. This corporation shall have the right to purchase at book value as conclusively determined by the Board of Directors any issued and outstanding share of any class which is:

1. Offered by the holder thereof for sale or assignment to this corporation or to any other person or to the public, or,
2. Held in the name of a deceased person, or
3. Held by any member or shareholder who shall have failed to patronize the corporation during the preceding fiscal year to an amount prescribed by the By-laws of the corporation, or
4. Subject to repurchase by the corporation under other provision of law applicable to California Cooperative Corporations.

The price so fixed for the repurchase of any issued and outstanding share A or B Share shall never exceed the purchase price therefore upon the issuance thereof. The price so fixed for the repurchase of any issued and outstanding C or D Share shall be the repurchase price established for said share prior to its issuance. In either case, the repurchase price shall be subject to such administrative charge as the Board of Directors shall, from time to time, fix for the processing of the issuance or redemption of any said share of any class.

E. Any attempted assignment or transfer of any issued and outstanding share of any class without first offering said share or shares to this corporation for repurchase in accordance with the provisions of D.1. of this Article shall be wholly void and shall confer no rights on the intended assignee or transferee.

F. The voting rights and privileges of this corporation shall rest exclusively in the voters of its Class A Membership Shares. Neither Class B Sustaining Shares, Class C Co-op Shares, nor Class D Investment Shares shall have the right to vote.

G. Any holder of a Class A Membership Share shall be entitled to cast one vote and no more.

ARTICLE VII

The management of the affairs of this corporation shall be vested in a Board of Directors consisting of nine (9) persons elected from the holders of its membership shares. The number of Directors may be changed at any time by an amendment of these Articles or by the adoption of a By-law, and special authority is delegated to the members and shareholders of this corporations holding voting power to change the number of

Directors thereof at any time by the adoption of a By-law to that effect, provided that any such change shall be in accordance with the law.

ARTICLE VIII

The first Directors of this corporation, each of whom has paid in the sum of ten dollars (\$10.00) to the corporation as and for a membership fee,, as such statements appear in the original Articles of Incorporation of this corporation are:

- Ava Kahn, 1729 Charles Avenue
Arcata, CA. 95521
- Angela Koken, 1769 School Road
McKinleyville, CA. 95521
- Jim Johnson, 135 Sylvia Avenue,
Arcata, CA. 95521
- Steven Newmark, 1729 Charles Avenue
Arcata, CA. 95521
- Raymond Glover, 769 School Road,
McKinleyville, CA. 95521
- William Fassnacht, 1460 A Street,
Arcata, CA. 95521
- Michael S. Rhodes, Route 1, Box 210
Arcata, CA. 95521



Bylaws

Revised and Approved September 6, 2017

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ARTICLE I. MEMBERSHIP

Section 1.01. **Classification of Members.** The corporation shall have one (1) class of members and four (4) classes of shares, with such shares described in the Articles of Incorporation and section 2.02 of these bylaws.

Section 1.02. **Qualifications of Members.** Any person, including any organizations (except a subsidiary of the Corporation) may become and remain a member of this Corporation by:

- (a) Complying with such uniform conditions as may be prescribed by the Board of Directors;
- (b) Making full payment of any non-refundable membership fee as set forth in Section 1.06 of these Bylaws;
- (c) Making full payment for one A share(s); and
- (d) If a natural person, being a resident of California.

Section 1.03. **Application and Admission of Members.** An applicant eligible for and desiring admission to membership in the Corporation shall file a written application for admission in whatever form and containing whatever information the Board of Directors shall prescribe.

Section 1.04. **Acceptance of Members.** Applications for membership shall be reviewed by the Board of Directors or by a Membership Committee duly authorized by resolution to admit members. The application shall be accepted unless rejected in writing within thirty (30) days for reasons satisfactory to the Board. If accepted, the applicant shall be admitted to membership and shall be allowed to vote and hold office. If rejected, the applicant shall be entitled to a refund of any amounts paid for membership fees and shares.

Section 1.05. **Transfers Prohibited.** No member may transfer his or her membership or any right arising there from

Section 1.06. **Membership Fee.** A one-time non-refundable membership fee, in an amount set from time to time by the Board of Directors, may be

charged to and collected from each member upon joining the Corporation.

Section 1.07. **Bylaws and Articles to Prospective Members.** Each prospective member, upon application for membership, shall receive a copy of the Articles of Incorporation, Bylaws, and disclosure document of the Corporation. Such documents may be sent by electronic transmission by the Cooperative (as defined in Section 20 of the California Corporations Code).

Section 1.08. **Shareholders and Members.** "Shareholder" and "member" and their plurals shall be synonymous terms throughout these Bylaws.

ARTICLE II. SHARES

Section 2.01. **Share Issuance.** Shares may be issued for money paid in an amount as is determined from time to time by the Board of Directors and as share dividends, patronage refunds, or other changes affecting outstanding shares. Subject to the approval of the Board of Directors, the Articles of Incorporation, and any other applicable law, each member may own any number of Class B, C, and D shares. Each member must acquire and hold one and only one Class A Share.

Section 2.02. **Share Class and Ownership.** The Co-op shall have four (4) classes of shares, with such shares described in the Articles of Incorporation, and these Bylaws. All shares shall be purchased or issued in amounts to be determined from time to time by the Board of Directors, subject to applicable law.

Class A Membership Shares. Each membership shall purchase and hold only one (1) Class A Membership Share. No dividends shall be paid on such shares.

Class B Sustaining Shares. Each membership may purchase Class B shares. Dividends will be determined by the Board from time to time, subject to applicable law. Any patronage refunds not paid in cash may be distributed to the member-owners in the form of Class B Shares or fractions thereof.

Class C Co-op Shares. Each Fair Share membership, as defined in Section 2.08 of these Bylaws, may hold a maximum number of Class C Shares as set by the Board. Class C Shares and fractions thereof may be issued as a share dividend credit, or patronage refund or upon a share split, reverse share split, or other change affecting outstanding C Shares. The Board of Directors may declare dividends on paid up Class C Shares not to exceed applicable law.

Class D Investment Shares. Class D Shares are defined in the Articles of Incorporation.

Some rights and preferences related to these various classes of shares are stated in these bylaws; additional rights and preferences related to such classes are set forth in the Articles of Incorporation of this Corporation.

Section 2.03. **Share Certificates and Disclosure Document.**

(a) Nothing in this section shall restrict the Corporation from issuing membership cards or similar devices to members which serve to identify members qualifying to use facilities or services of the Corporation.

(b) Except as provided in Subsection (c) of this Bylaw section, prior to issuing a share, the Corporation shall provide the purchaser of a share with a “disclosure document.” The disclosure document may be a prospectus, offering, circular, brochure, or similar document, a specimen copy of the share certificate, or a receipt that the Corporation proposes to issue. The disclosure document shall contain the information required by Section 12401 of the California Corporations Code.

(c) The Corporation shall issue a receipt or written advice of purchase to anyone purchasing a share upon the member’s first purchase of a share. No disclosure document need be provided to an existing member prior to the purchase of additional shares if that member has previously been provided with a disclosure document which is accurate and correct as of the date of the purchase of additional shares.

Section 2.04. **Prohibition on Transfer of Shares.** No shares of this Corporation may be assigned or transferred. Any attempted assignment or transfer shall be wholly void and shall confer no rights on the intended assignee or transferee.

Section 2.05. **Partial Withdrawal.** A member having a monetary amount in his or her Class B, C and D share account in excess of any minimum required monetary amount to be determined from time to time by the Board of Directors may cause the Corporation to purchase his or her excess share amount upon written request to the Board. Subject to Section 2.06 of these Bylaws, the Board must, within one (1) year of such request, pay the amount the member requests in cash or other property or both. The exact form of payment is within the discretion of the Board.

Section 2.06. **Insolvency Delay.** The Corporation shall delay the purchase of shares as described in Sections 2.05 and 3.04 of these Bylaws if the Corporation, in making such purchase is, or as a result thereof would be, likely to be unable to meet its liabilities (except those whose payment is otherwise adequately provided for) as they mature.

Section 2.07. **Unclaimed Equity Interests.** Any share of a member, together with any accrued and unpaid dividends and patronage distributions related to that member, that would otherwise escheat to the State of California as unclaimed personal property shall instead become the property of the Corporation if the Corporation gives at least sixty (60) days’ prior notice of the proposed transfer to the affected member by (1) first-class or second-class mail to the last address of the member shown on the Corporation’s records, and (2) by publication in a newspaper of general circulation in the county in which the Corporation has its principal office. No shares or amounts shall become the property of the Corporation under this section of the Bylaws if written notice objecting to the transfer is received by the Corporation from the affected member prior to the date of the proposed transfer.

Section 2.08. **Fair Share Membership Status**
Definition. A “Fair Share” membership status is attained when a membership owns one (1) Class A Membership Share and at least \$300 in Class B Sustaining Shares. *(rev. by board vote June 1, 2017)*

ARTICLE III. TERMINATION OF MEMBERSHIP

Section 3.01. **Voluntary Withdrawal.** A member shall have the right to resign from the Corporation and terminate his or her membership by filing with the Secretary of the Corporation a written notice of resignation. The resignation shall become effective immediately without any action on the part of the Corporation.

Section 3.02. **Death or Dissolution.** A membership shall immediately terminate upon the death of a member or the dissolution of a member that is an organization.

Section 3.03. **Expulsion.**

(a) A member may for failure to comply with these Bylaws, rules, or regulations of the Corporation, for failure to patronize the Corporation during the immediately preceding fiscal year of the Corporation in the amount of at least **FIFTY dollars (\$50.00)**, or for any other justifiable reason, be expelled from the Corporation by resolution adopted by a two-thirds (2/3) vote of all members of the Board of Directors. Expulsion shall become effective immediately unless the Board shall, in the resolution, fix another time. On expulsion, the name of the member expelled shall be stricken from the membership register and all of his or her rights shall cease except as provided in Section 3.04 of these Bylaws.

(b) Prior to expulsion of a member, the Board of Directors shall give such member at least fifteen (15) days notice prior thereto and the reasons thereof. Such member shall have the opportunity to be heard, orally or in writing, not less than five (5) days before the effective date of expulsion by the Board.

(c) The notice required pursuant to Subsection (b) of this section of these Bylaws may be given by any method reasonably calculated to provide actual

notice. Any notice given by mail must be given by first-class or registered mail sent to the last known address of the member shown on the Corporation’s records.

Section 3.04. **Settlement of Share Interest.** If a membership is terminated for any reason set forth in this Article of the Bylaws, the share interest held by the member shall be purchased by the Corporation, subject to Section 2.06 of these Bylaws, within one (1) year of the date of termination to the extent of the paid-up value of the member’s shares on such date. The Board of Directors, in so settling the member’s share interest, shall have the right to set off any and all indebtedness of the member to the Corporation. The paid-up value of the member’s share interest is the monetary amount of such interest (including fractional shares) that the member has been issued in accordance with Section 2.01 of these Bylaws.

ARTICLE IV. MEMBERSHIP MEETINGS AND MEMBERS

Section 4.01. **Location.** Meetings of members shall be held at a place determined by Board of Directors. If no specific place is stated or fixed by the Directors, such place is the principal office of the corporation.

Section 4.02. **Regular Annual Meetings.** A regular meeting of members shall be held annually in October for the purpose of transacting any proper business, including the election of Directors, that may come before the meeting. The Board of Directors shall determine the date and location of the regular membership meeting.

Section 4.03. **Special Meetings.** Special meetings of members for any lawful purpose may be called by the Board of Directors, the President, or by five percent (5%) or more of the members.

Section 4.04. **Time for Notice of Meetings.** Whenever members are required or permitted to take action at a meeting, a written notice of the meeting shall be given not less than ten (10) nor more than ninety (90) days before the date of the

meeting to each member who is entitled to vote on the record date for notice of the meeting. In the case of a specially called meeting of members, within twenty (20) days after receipt of a written request, the Secretary shall cause notice to be given to the members entitled to vote that a meeting will be held at a time fixed by the Board of Directors not less than thirty-five (35) nor more than ninety (90) days after receipt of the request.

Section 4.05. Method of Giving Notice.

(a) Notice of a meeting of the Members or any report shall be given personally, by mail, by electronic transmission by the corporation, or other means of written communication, addressed to the Member at the address of such Member appearing on the books of the corporation or given by the Member to the corporation for purpose of notice; or if no such address appears or is given, at the place where the principal office of the corporation is located or by publication at least once in a newspaper of general circulation in the county in which the principal office of the corporation is located.

(b) Notice given by electronic transmission by the corporation shall be valid only if it complies with Section 20 of the California Corporations Code. Notwithstanding the foregoing sentence, notice shall not be given by electronic transmission by the corporation if the corporation is unable to deliver two consecutive notices to the Member by such means or if the inability to so deliver the notices to the Member becomes known to the Secretary, any Assistant Secretary, or other person responsible for the giving of such notice.

(c) If any notice or report addressed to a Member at the address of such Member appearing on the books of the corporation is returned to the corporation by the United States Postal Service marked to indicate that it is unable to deliver the notice or report to the Member at such address, all 2 future notices or reports shall be deemed to have been duly given without further mailing if the same shall be available to the Member upon written demand of the Member at the principal office of the Cooperative

for a period of one year from the date of the giving of the notice or report to all other Members.

Section 4.06. Record Date for Notice. The record date for determining the members entitled to notice of any meeting of members is thirty (30) days before the date of the meeting.

Section 4.07. Contents of Notice. The notice shall state the place, date, and time of the meeting. The notice of a regular meeting shall state any matters that the Board of Directors, at the time of giving notice, intends to present for action by the members. The notice of a special meeting shall state the general nature of the business to be transacted. The notice of any meeting at which Directors are to be elected shall include the names of all nominees at the time of giving notice.

Section 4.08. Waivers, Consents, and Approvals. The transactions of any meeting of the Members however called and noticed, and wherever held, are as valid as though had at a meeting duly held after regular call and notice, if a quorum is present, and if, either before or after the meeting, each of the persons entitled to vote, not present in person, provides a waiver of notice or consent to the holding of the meeting or an approval of the minutes thereof in writing. All waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

A member's attendance at a meeting shall constitute a waiver of notice of and presence at the meeting, unless the member objects at the beginning of the meeting. However, attendance at a meeting is not a waiver of any right to object to the consideration of matters required to be included in the notice but not included, if an objection is made at the meeting.

Section 4.09. Quorum at Meeting. The lesser of two hundred fifty (250) members or members representing five percent (5%) of the voting power shall constitute a quorum at a meeting of members. Any Bylaw amendment to increase the quorum may be adopted only by approval of the members. When a quorum is present, the affirmative vote of the

majority of the voting power represented at the meeting and entitled to vote shall be the act of the members, unless provided otherwise by these Bylaws or applicable law. The only matters that may be voted upon at any regular meeting actually attended by less than one third (1/3) of the voting power are matters notice of the general nature of which was given pursuant to the first sentence of Section 4.04 of these Bylaws.

Section 4.10. **Loss of Quorum at Meeting.** The members present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum, if the action taken, other than adjournment, is approved by at least a majority of the members required to constitute a quorum.

Section 4.11. **Adjournment for Lack of Quorum.** In the absence of a quorum, any meeting of members may be adjourned by the vote of a majority of the votes represented in person, but no other business may be transacted except as provided in Section 4.10 of these Bylaws.

Section 4.12 **Adjourned Meetings.** The corporation may transact any business at an adjourned meeting that could have been transacted at the original meeting. When a meeting is adjourned to another time or place, no notice is required if the time and place are announced at the original meeting. If the adjournment is for more than forty-five (45) days or if a new record date is fixed, a notice of the adjourned meeting shall be given to each member of record entitled to vote at the meeting.

Section 4.13. **Voting of Memberships.**

(a) Each member of the Corporation is entitled to one (1) vote on each matter submitted to a vote of the members regardless of the number of shares owned in any class.

(b) If a membership stands of record in the names of two (2) or more persons whether fiduciaries, members of a partnership, joint tenants, tenants in common, husband and wife as community property,

tenants by the entirety, persons entitled to vote under a agreement, or otherwise, or if two (2) or more persons have the same fiduciary relationship respecting the same membership, unless the Secretary is given written notice to the contrary and furnished with a copy of the instrument or order appointing them or creating the relationship, the vote of one (1) joint holder will bind all, when only one (1) votes, and the vote of the majority will bind all, when more than one (1) joint holder votes.

(c) The record date for determining the members entitled to vote at a meeting or cast written ballots is forty-five (45) days before the date of the meeting.

(d) Cumulative voting shall not be permitted for any purpose.

(e) Voting by proxy shall not be permitted for any purpose.

Section 4.14. **Use of Written Ballots at Meetings.** A combination of written ballot and personal voting may be used at any regular or special meeting of members, and may be used for the election of Directors. Prior to the meeting, the Board of Directors may authorize distribution of a written ballot to every member entitled to vote. The ballots shall be distributed in a manner consistent with the provisions of Sections 4.05, 4.17(b), and 4.19 of these Bylaws. When ballots are distributed, the number of members voting at the meeting by written ballot shall be deemed present at the meeting for purposes of determining a quorum but only with respect to the proposed actions referred to in the ballots.

Section 4.15. **Contents of Written Ballot Used at Meetings.** Any written ballot used at a meeting shall set forth the proposed action to be taken, provide an opportunity to specify approval or disapproval of the proposed action, and state that unless revoked by the member voting in person, the ballot will be counted if received by the Corporation on or before the close of the election.

Section 4.16. **Action by Ballot Without Meeting.**

Any action that may be taken at any regular or special meeting, including election of Directors, may be taken without a meeting through distribution of a written ballot to every member entitled to vote on the matter. If approved by the Board of Directors, such ballot and any related material may be sent by electronic transmission by the Cooperative (as defined in Section 20 of the California Corporations Code) and responses may be returned to the Cooperative by electronic transmission to the Cooperative (as defined in Section 21 of the California Corporations Code). The Secretary shall cause a vote to be taken by written ballot on any action or recommendation proposed in writing by at least twenty percent (20%) of the members.

Section 4.17. **Written Ballot Used Without Meeting.**

(a) Any ballot used without a meeting shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide a reasonable time within which to return the ballot to the Corporation.

(b) The form of written ballot distributed to ten (10) or more members shall afford an opportunity to specify a choice between approval and disapproval of each matter or group of related matters intended, at the time of distribution, to be acted on by the ballot. The form must also provide that whenever the person solicited specifies a choice with respect to any matter, the vote will be cast in accordance with that choice.

(c) A written ballot cannot be revoked. Approval by written ballot shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

(d) Should the election quorum not be achieved in writing by the date of the close of the election, voting may remain open for an additional seven (7) days to ensure that a quorum is met.

In the absence of a quorum for an election of the Board of Directors, the Board of Directors will fill vacancies in accordance with section 5.21 of these bylaws.

Section 4.18. **Solicitation of Written Ballots.** Ballots shall be solicited in a manner consistent with Sections 4.05, 4.17(b), and 4.19 of these Bylaws. The solicitations shall indicate the number of responses needed to meet the quorum requirement and specify the time by which the ballot must be received to be counted. Ballots other than for the election of Directors shall state the percentage of approvals necessary to pass the measure.

Section 4.19 **Withholding Vote.** In an election of Directors, any form of written ballot, which names the candidates for Director and which the member has marked "withhold" (or otherwise indicated that the authority to vote in the election of Directors is withheld) shall not be used for voting in that election.

Section 4.20. **Appointment of Inspectors of Election.** In advance of any meeting of members, the Board of Directors may appoint inspectors of election to act at the meeting and any adjournment. If inspectors are not appointed or if any appointed persons fail to appear or refuse to act, the chairperson of the meeting may and, on the request of any member, shall, appoint inspectors at the meeting.

Section 4.21. **Duties of Inspectors of Election.** The inspectors shall determine the number of memberships outstanding and the voting power of each, the number represented at the meeting, and the existence of a quorum. They shall receive votes, ballots, and consents, hear and determine all challenges and questions regarding the right to vote, count and tabulate all votes and consents, determine when the polls will close, and determine the result. They may do those acts which are proper to conduct the election or vote with fairness to all members. The inspectors shall perform these duties impartially, in good faith, to the best of their ability, and as expeditiously as is practical.

ARTICLE V. DIRECTORS

Section 5.01. **Number.** The corporation shall have seven Directors, collectively known as the Board of Directors. Two and only two members of the board of directors shall be employees of the cooperative.

Section 5.02. **Qualifications.** The Directors of the Corporation shall be members of the Corporation and residents of California. Individuals serving in management positions of the corporation shall not serve on the board of directors while they occupy such positions. "Management positions" will be defined as follows: employees with management and administrative responsibilities that directly report to the General Manager.

Section 5.03. **Nomination.**

- a) The Board of Directors shall prescribe reasonable nomination and election procedures for the election of Directors given the nature, size, and operations of the Corporation. The procedures shall include: (1) a reasonable means of nominating persons for election as Directors, (2) a reasonable opportunity for a nominee to communicate the nominee's qualifications and the reasons for the nominee's candidacy to the members, (3) a reasonable opportunity for all nominees to solicit votes, (4) a reasonable opportunity for all the members to choose among the nominees.
- b) When either employee position on the Board of Directors becomes vacant or is due to expire, the employees shall select one candidate for the position. The procedures used by the employees to select an employee to be voted upon by the members shall be established from time to time by the Board of Directors. Only employees who are members of the corporation may vote for the employee-directors before such candidates are presented to the members for approval, the person or persons who receive the highest number of votes shall then be subject to the approval in the members.

All other directors shall be nominated and elected by the membership of the corporation in accordance with these bylaws. The membership shall vote to approve or disapprove nominees for the employee positions of the board.

c) When the Corporation distributes any material soliciting a vote for any nominee, including employee nominees for Director in any publication owned or controlled by the Corporation, it shall make available to each other nominee, in the same material, an equal amount or space with equal prominence to be used by the nominee for a purpose reasonably related to the election. The corporation shall mail within ten (10) business days to all members any material related to the election which a nominee for any non-employee director has furnished, upon written request and payment of mailing costs by the nominee, or allow the nominee to obtain the names, addresses, and voting rights of members within five days after the request.

Section 5.04. **Election.** The Directors shall be elected at the annual meetings or by written ballot in accordance with Sections 4.17-4.20 of these bylaws. With the exception of the candidates for employee-directors, the candidates receiving the highest number of votes of the members up to the number of non-employee Directors to be elected shall be elected.

Section 5.05. **Terms of Office.** The terms of office for all Directors shall be three years. Directors will be elected such that terms are staggered and will serve no more than three consecutive terms as a director. Each Director shall hold office until the expiration of the term for which he or she is elected and until the election of a qualified successor. Director terms begin on the first day of November of each year.

Section 5.06. **Compensation.** The Directors of this corporation shall receive any compensation as may be set from time to time by resolution of the Board of Directors. The Directors may be paid in advance or reimbursed by the corporation for their actual and reasonable expenses incurred in the

performance of their duties as Directors of the Corporation.

Section 5.07. **Call of Meetings.** Meetings of the Board of Directors may be called by the President, any Vice-President, the Secretary, or any two Directors.

Section 5.08. **Place of Meetings.** Meetings of the Board of Directors may be held at any place designated in the notice of the meeting, or, if not stated in a notice, by resolution of the Board.

Section 5.09. **Presence at Meetings.** Directors may participate in meetings of the Board of Directors through the use of conference telephone, electronic video screen communication, or electronic transmission by and to the corporation (pursuant to Sections 20 and 21 of the California Corporations Code). Participation in a meeting through use of conference telephone or electronic video screen communication constitutes presence in person at such meeting as long as all Directors participating in the meeting can hear one another. Participation in a meeting through the use of electronic transmission by and to the corporation, other than conference telephone and electronic video screen communication constitutes presence in person at such meeting if both (1) each Director participating in the meeting can communicate with all of the other Directors concurrently; and (2) each Director is provided the means of participating in all matters before the Board of Directors, including, without limitation, the capacity to propose, or to interpose an objection to, a specific action to be taken by the corporation.

Section 5.10. **Regular Meetings.** Regular meetings of the Board of Directors shall be held as determined by the Board of Directors.

Section 5.11. **Special Meetings and Notice.** Special meetings of the Board of Directors shall be held upon four days' notice by first class mail or forty-eight (48) hours' notice delivered personally or by telephone, including a voice messaging system or by electronic transmission by the corporation (as

defined in Section 20 of the California Corporations Code). Notice of regular or special meetings need not be given to any Director who provides a waiver of notice or consent to holding the meeting, or an approval of the minutes thereof in writing, whether before or after the meeting, or who attends the meeting without protesting prior thereto or at its commencement, the lack of notice to that Director. All waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meetings.

Section 5.12. **Quorum at Meetings.** A majority of the authorized number of Directors constitutes a quorum for the transaction of business.

Section 5.13. **Acts of Board at Meetings.** Unless provided otherwise in the Articles of Incorporation, these Bylaws, or by law, every act, or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present is the act of the Board. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, if any action taken is approved by at least a majority of the required quorum for the meeting or a greater number required by the Articles, these Bylaws, or by law.

Section 5.14. **Adjournment of Meetings.** A majority of the Directors present, whether or not a quorum is present, may adjourn to another time and place. If the meeting is adjourned for more than twenty-four (24) hours, notice of the adjournment shall be given prior to the time of the adjourned meeting to the Directors who were not present at the time of adjournment.

Section 5.15. **Action Without Meeting.** Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all Directors individually or collectively consent in writing to the action. The consents shall be filed with the minutes of the proceedings of the Board. Action by written consent has the same force and effect as a unanimous vote of the Directors.

Section 5.16. **Committees.**

(a) The Board of Directors may create one or more committees to serve at its pleasure by resolution adopted by a majority of the number of Directors then in office when a quorum is present. Each committee shall consist of two (2) or more Directors appointed by a majority vote of the Directors then in office and shall be designated as an “executive committee.”

(b) Any executive committee, to the extent provided in the resolution of the Board, shall have all the authority of the Board, except with respect to the following actions:

- (1) The approval of any action for which the approval of the members or a majority of all members is required by law;
- (2) The filling of vacancies on the Board or in any committee that has the authority of the Board;
- (3) The fixing of compensation of the Directors for serving on the Board or on any committee;
- (4) The amendment or repeal of Bylaws or the adoption of new Bylaws;
- (5) The amendment or repeal of any resolution of the Board which by its express terms are not amendable or repealable;
- (6) The appointment of committees of the Board or the members of such committees;
- (7) The expenditure of corporate funds to support a nominee for Director after there are more people nominated for Director than can be elected.

(c) A committee exercising the authority of the Board (executive committee) shall not include as members persons who are not directors. However, the Board may create other committees that do not exercise the authority of the Board and these other committees may include persons who are not Directors.

(5.16 rev. by board vote June 1, 2017)

Section 5.17. **Resignation of Directors.** Any Director may resign effective upon written notice to the President, the Secretary, or the Board of Directors, unless the notice specifies a later time for the

effectiveness of the resignation. If a resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

Section 5.18. **Removal of Directors.** Any or all Directors may be removed without cause by the members. If the Corporation has fewer than fifty (50) members, the removal shall be approved by an affirmative vote or written ballot of a majority of all the votes entitled to be cast. If the Corporation has fifty (50) or more members, the removal shall be approved or ratified by the affirmative vote of a majority of all the votes represented and voting at a duly held meeting at which a quorum is present, or by written ballot, or by the affirmative vote or written ballot of any greater proportion of the votes as required in these Bylaws or by law.

Section 5.19. **Cause of Vacancies on Board.** Vacancies on the Board of Directors shall exist on the death, resignation, termination of membership, or removal of a Director; whenever the authorized number of Directors is increased; whenever the Board declares an office vacant pursuant to Section 5.21 of these Bylaws; and on the failure of the members to elect the full number of Directors authorized.

Section 5.20. **Declaration of Vacancies.** The Board of Directors may declare vacant the office of any Director whose eligibility for election has ceased, who has been declared of unsound mind by a final order of court, who is convicted of a felony, or who has three (3) or more unexcused consecutive absences from regular or special meetings of the Board.

Section 5.21. **Filling Vacancies on Board.** Except for vacancies created by removal of a Director pursuant to Section 5.18 of these Bylaws, vacancies may be filled by a majority of the Directors then in office, whether or not less than a quorum, or by a sole remaining Director. Vacancies created by the removal of a Director may be filled only by approval (as defined by Section 12224 of the California Corporations Code) of the members. The members

may elect a Director at any time to fill any vacancy not filled by the Directors.

ARTICLE VI. OFFICERS

Section 6.01. **Titles.** The officers of the Corporation shall be a President, Vice President, Secretary, Treasurer, and any other officers with such titles and duties as determined by the Board of Directors and as may be necessary to enable it to sign instruments. The President is the Chief Executive Officer of the Corporation. Any number of offices may be held by the same person. The President shall be chosen from among the Directors elected by the membership of the Corporation.

(a) **The President.** The president shall be the chief executive officer of the Corporation and shall, subject to the direction of the Board of Directors, have the general powers and duties of management usually vested in the office of president of a corporation, and shall have such other powers and duties as may from time to time be prescribed by the Board of Directors or these Bylaws. The President shall preside at all meetings of the members and Directors.

(b) **Any Vice President.** In the absence or disability of the president, or in the event of the President's inability or refusal to act, the vice president shall perform all the duties of the president and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the president. The vice president shall have such other powers and perform such other duties as may from time to time be prescribed by the Board of Directors or these Bylaws.

(c) **The Secretary.** The secretary shall perform all duties incident to the office of Secretary and such other duties as may be required by law, or by these Bylaws, or which may be assigned to him or her from time to time by the Board of Directors. Such duties shall include, but not necessarily be limited to, keeping or causing to be kept in good order the records of the Corporation.

(d) **The Treasurer.** The Treasurer shall have all powers and perform all duties incident to the office of

Treasurer and such other duties as may be required by law, or which may from time to time be prescribed by the Board of Directors or these Bylaws.

(6.01 rev. by board vote Sept. 6, 2017)

Section 6.02. **Appointment, Removal, and Resignation.** The officers shall be chosen by the Board of Directors and serve at the pleasure of the Board, subject to the rights, if any, of an officer under any contract of employment. Any officer may resign at any time on written notice to the Corporation without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

Section 6.03. **Compensation.** The officers of this Corporation shall receive any such compensation for their services as officers as may be set from time to time by resolution of the Board of Directors. Officers may be paid in advance or reimbursed by the corporation for their actual and reasonable expenses incurred in the performance of their duties as officers of the corporation.

ARTICLE VII. CORPORATE RECORDS AND REPORTS

Section 7.01. **Required Records.** The Corporation shall keep adequate and correct books and records of account and minutes of the proceedings of its members, Board of Directors, and committees of the Board. It shall also keep a record of the members, including the names, addresses, and number of shares held by each. Such minutes and other books and records shall be kept either in written form or in any other form capable of being converted into clearly legible tangible form or in any combination of the foregoing.

Section 7.02. **Annual Report.**

(a) For fiscal years in which the Corporation has, at any time, more than twenty-five (25) members, the Corporation shall notify each member yearly of the member's right to receive an annual financial report. The Board of Directors shall promptly cause the most recent annual report to be sent to a member on written request. The annual report shall be prepared

no later than one hundred twenty (120) days after the close of the Corporation's fiscal year. If approved by the Board of Directors, the annual report and any accompanying material may be sent by electronic transmission by the Cooperative (as defined in Section 20 of the California Corporations Code).

(b) The annual report shall contain in appropriate detail all of the following: (1) a balance sheet as of the end of the fiscal year, an income statement, and a statement of cash flow for such the fiscal year; (2) a statement of the place where the names and addresses of the current members are located; and (3) the statement required by Section 7.03 of these Bylaws.

(c) The annual report shall be accompanied by any pertinent report by independent accountants, or, if there is no such report, by the certificate of an authorized officer of the Corporation that the statements were prepared without audit from the books and records of the Corporation.

Section 7.03. Annual Statement of Transactions and Indemnifications. In addition to the annual report described in Section 7.02 of these Bylaws, the Corporation shall furnish annually (pursuant to Section 12592 of the California Corporations Code) to its members and Directors a statement of the transactions and indemnifications to interested persons. If the Corporation does not issue an annual report pursuant to Section 7.02 of these Bylaws, such statement shall be mailed or delivered to members within one hundred twenty (120) days after the close of the fiscal year. If approved by the Board of Directors, such statement may be sent by electronic transmission by the Cooperative (as defined in Section 20 of the California Corporations Code).

ARTICLE VIII. INSPECTION RIGHTS

Section 8.01. Articles and Bylaws. The corporation shall keep at its principal office in California the original or a copy of its Articles of Incorporation and Bylaws as amended to date, which shall be open to inspection by the members at all reasonable times during office hours.

Section 8.02. Books and Records. The accounting books and records and minutes of proceedings of the members, the Board of Directors, and committees of the Board shall be open to inspection on the written demand of any member at any reasonable time, for a purpose reasonably related to that person's interests as a member.

The Board of Directors has the right to review any aspect of the Corporation's operations, structures and procedures at any reasonable time. Every Director has the absolute right at any reasonable time to inspect and copy all books, records, and documents of every kind, and to inspect the physical properties of the Corporation.

Section 8.03. Inspection of Membership List.

(a) Subject to the Corporation's right to set aside a member's demand for inspection pursuant to Section 12601 of the California Corporations Code and the power of the court to limit inspection rights pursuant to Section 12602 of the California Corporations Code, and unless the Corporation provides a reasonable alternative pursuant to Section 8.03(c) of these Bylaws, a member may do either or both of the following:

(1) Inspect and copy the record of all the members' names, addresses, and voting rights, at reasonable times, on making a written demand five (5) business days in advance which states the purpose for which the inspection rights are requested;

(2) Obtain from the Secretary, upon written demand and tender of a reasonable charge, a list of names, addresses, and voting rights of those members entitled to vote for the election of Directors, as of the most recent record date for which it has been compiled, or as of a date specified by the member subsequent to the date of demand. The demand shall state the purpose for which the list is requested. The membership list shall be made available on or before the later of ten (10) business days after the demand is received or after the date specified as the date as of which the list is to be compiled.

(b) The rights set forth in Subsection (a) of this Bylaw section may be exercised by any member or members possessing five percent (5%) or more of the voting power for a purpose reasonably related to the members' interest as members. The Corporation may deny access to the membership list where it reasonably believes that the information therein will be used for another purpose or where the Corporation provides a reasonable alternative pursuant to Section 8.03(c) of these Bylaws.

(c) The Corporation may within ten (10) days after receiving a demand, deliver a written offer of an alternative method of achieving the purpose identified in the demand without providing access to or a copy of the membership list. An alternative method that reasonably and in a timely manner accomplishes the proper purpose set forth in a demand made pursuant to Section 8.03(a) of these Bylaws shall be a reasonable alternative, unless the Corporation fails to do the things that it offered to do within a reasonable time after acceptance of the offer. Any rejection of the offer shall be in writing and indicate the reasons the proposed alternative does not meet the proper purpose of the demand.

ARTICLE IX. SURPLUS ALLOCATIONS AND DISTRIBUTIONS

Section 9.01. **Fiscal Year.** The fiscal year of the Corporation shall end at the close of the business day on the last Saturday of the month of March of each year.

Section 9.02. **Surplus and Patronage Defined.**

(a) "Surplus" shall be defined as the excess of revenues and gains over expenses and losses for a fiscal year. Such surplus shall be determined in accordance with generally accepted accounting principles and shall be computed without regard to any patronage refunds, capital allocations, dividends, or income tax.

(b) "Patronage" shall be defined as the purchases of products or services marketed by the cooperative and any other transactions considered to be patronage-related by applicable law.

Section 9.03. **Annual Allocations and Distributions of Surplus.**

(a) Before any dividends or patronage refunds are distributed for each fiscal year, any surplus should first be allocated to any deficit in the accounting of "retained earnings" of the Corporation.

(b) After any deficit in retained earnings has been eliminated, the Board of Directors may declare a dividend upon shares at a rate not to exceed any maximum rate established by Section 12451 of the California Corporations Code (taking into account any other "distributions" as defined by Section 12235 of the California Corporations Code). No such dividends shall be cumulative.

(c) The Directors shall then uniformly distribute all the remaining surplus attributed to patronage of the members of the Corporation to such members as described in the following paragraphs of this subsection of these Bylaws. For the purposes of this subsection of the Bylaws, the remaining patronage surplus shall be computed consistent with Subchapter T of the Internal Revenue Code, related Treasury Regulations, and related court and other relevant interpretations.

(1) Any remaining patronage surplus attributed to the members and to be distributed to them shall be the total remaining patronage surplus attributed to both member and non-member business (but reduced by dividends on shares and any allocations to eliminate a deficit in retained earnings) multiplied by the ratio of member patronage to total patronage.

(2) A member is entitled to a patronage refund, if such is distributed, in the amount of the remaining patronage surplus, as determined by Paragraph (1) of this subsection of these Bylaws, multiplied by the ratio of such member's patronage with the Corporation to the patronage of all members with the Corporation.

(d) Any dividends declared or patronage refunds paid or allocated pursuant to this section of the Bylaws may be in the form of cash and/or shares as

determined by the Board, subject to Subsection (e) and (f) of this section of these Bylaws. (rev. by membership vote October 21, 2012)

(e) To Members with the status of “Fair Share”, the Board may uniformly distribute up to 100% of such members’ patronage refunds and dividends in cash. (rev. by membership vote October 21, 2012)

(f) If the cash payment to a member for such member’s dividends and patronage refunds together would total less than ten dollars (\$10.00), the Board of Directors may distribute such dividends and patronage refunds to the member wholly in shares. (rev. by membership vote October 21, 2012)

(g) Each person who becomes a member of this Corporation consents to include in his or her gross income for federal income tax purposes the amount of any patronage refund paid to him or her by this Corporation in money or by written notice of allocation (as defined in the Internal Revenue Code), except to the extent that such a patronage refund is not income to the member because (i) it is attributable to the purchase of personal, living, or family items, or (ii) it should properly be treated as an adjustment to the tax basis of property previously purchased. The term “patronage refund,” as used herein, shall have the same meaning as the term “patronage dividend,” as used in the Internal Revenue Code.

(h) For the purpose of allocating and distributing any annual surplus, the entire operations of the Corporation shall be considered as a unit; provided that by resolution of the Board of Directors, the Corporation may distribute patronage refunds on the basis of the business transacted by each of the departments or divisions into which the operations of the Corporation shall be divided by the Board for the purpose of such allocation.

ARTICLE X. BYLAW CHANGES

Section 10.01 **Bylaw Changes by the Board.** The Bylaws may be adopted, amended, or repealed by the Board of Directors to the extent permitted by

law at a duly held meeting of the Board of Directors by a majority of all directors unless the action would:

(a) materially and adversely affect the rights or obligations of members as to voting, dissolution, redemption, transfer, distributions, patronage distributions, patronage, property rights, or rights to repayment of contributed capital;

(b) increase or decrease the number of members or shares authorized in total or for any class;

(c) effect an exchange, reclassification, or cancellation of all or part of the memberships or shares;

(d) authorize a new class of memberships or shares;

(e) change the number of Directors or establish a variable number of Directors;

(f) extend the term of a Director beyond that for which the Director was elected or increase the terms of the Directors;

(g) allow all or any portion of the Directors to hold office by virtue of designation or selection rather than by election by the members; or

(h) allow the Board to fill vacancies occurring in the Board by reason of the removal of Directors.

(10.01 rev. by board vote June 1, 2017)

Section 10.02. **Bylaw Changes by the Members.**

Where the Board of Directors is denied the right to adopt, amend, or repeal these Bylaws pursuant to Section 10.01 of these Bylaws, or where a majority of Directors then in office vote to submit the action to the members for approval, these Bylaws shall be adopted, amended, or repealed by approval of the members. (10.02 rev. by board vote June 1, 2017)

Section 10.03 **Automatic Review of Bylaws.** The Board of Directors shall review the Bylaws each year to ensure that the Bylaws conform to the California Consumer Cooperative Corporations code, and the Board shall conduct a full review every five (5) years

to ensure that the bylaws are meeting the needs of the Corporation.

CERTIFICATE OF SECRETARY OF NORTH COAST COOPERATIVE

I hereby certify that I am the duly elected and acting Secretary of this Corporation and that the foregoing Bylaws constitute the Bylaws of this Corporation, as duly adopted by the Board of Directors on _____, 20__.

Dated: _____, 20__.

[signature]
[Colin Fiske], Secretary