

# BYLAWS OF THE ASTORIA COOPERATIVE

## Article I Organization

Section 1.1 - Name. The name of the organization is "Astoria Cooperative" (referred to in these bylaws as "the Co-op").

Section 1.2 - Purpose, mission and goals. As more fully stated in its articles of incorporation, the purpose of the Co-op is to provide groceries and other consumer goods and services to its owners and other patrons and to engage in other lawful activities. The mission of the Co-op is to serve the Lower Columbia River community by providing fairly priced, wholesome foods and other goods in an ecologically sustainable, socially responsible, and economically appropriate manner. The Co-op will further strive to emphasize food for people, not for profit; to maintain a high standard of quality for the products it sells; to employ a democratic and cooperative governance structure and ethical business practices; to promote fairness, participation, and empowerment in the workplace and the community; to work to encourage and implement appropriate environmental practices; to promote awareness about food, nutrition, health, and cooperative values; and to be responsive and accountable to the community it serves. The Co-op is organized and shall be operated exclusively on a cooperative and nonprofit basis.

Section 1.3 - Cooperative principles. The Co-op shall be operated in accordance with cooperative principles adopted by the International Co-operative Alliance, including the following: (i) voluntary and open ownership without arbitrary discrimination; (ii) democratic governance by owners with equal voting rights among owners and opportunity for participation in setting policies and making decisions; (iii) economic participation by owners with owners equitably contributing to and democratically controlling the capital of the Co-op, and with earnings being equitably applied to the benefit of owners in proportion to their patronage of the Co-op, to the development needs of the Co-op, and to the provision and extension of common services; (iv) autonomy and independence of the Co-op as a self-help organization controlled by its owners being strictly maintained; (v) educating and training owners, directors, managers and employees so they can contribute effectively to the development of the Co-op, and informing the general public about the nature and benefits of cooperation; (vi) strengthening the cooperative movement by working with other cooperative organizations at all levels; and (vii) working for sustainable development of the Co-op's community.

Section 1.4 - Nondiscrimination. The Co-op shall not discriminate on the basis of race, nationality, religion, age, gender, sexual orientation, political affiliation or other arbitrary basis.

Section 1.5 - Principal office. The principal office of the Co-op shall be located at 1389 Duane Street, Astoria, Oregon 97103.

Section 1.6 - Fiscal year. The fiscal year of the Co-op shall begin on the first day of March of each year and end on the last day of February of the following year.

## **Article II Ownership**

Section 2.1 - Admission. Ownership in the Co-op shall be voluntary and open to any individual or any household group that desires to use the services of the Co-op and is willing to accept the responsibilities of ownership. A household group shall be understood to mean a housekeeping unit consisting of one or more adults and any number of dependent children. Applicants will be admitted to ownership upon submitting required information and purchasing or subscribing to purchase a common share at a price determined by the Board of Directors. Payment options may vary in accordance with the financial circumstances of the purchaser. In case of doubtful eligibility, ownership shall be subject to approval by the Board.

Section 2.2 - Share purchase requirement. Each owner shall keep current in payment of the share purchase requirement. An owner who becomes delinquent in meeting the share purchase obligation to an extent determined by the Board shall be placed into inactive status. Participation rights of such person shall then be suspended. An owner in inactive status may attain good standing only upon full payment of all arrearages and a processing fee, if any, as determined by the Board. References in these bylaws to the rights and entitlements of owners shall be understood to refer only to owners in good standing.

Section 2.3 - Rights. Each owner shall be entitled to make purchases from the Co-op on terms generally available to owners, and to participate in the governance of the Co-op as set forth in these bylaws.

Section 2.4 - Access to information. Each owner or applicant for ownership shall be provided with a copy of these bylaws and a written explanation of the meaning and significance of the consent provision in Section 8.3 below. Owners shall be provided adequate and timely information as to the organizational and financial affairs of the Co-op. Subject to ORS 62.440, owners shall be provided access to the books and records of the Co-op at reasonable times and for a proper purpose.

Section 2.5 - Settlement of disputes. In any dispute between the Co-op and any of its owners or former owners which cannot be resolved through informal negotiation, it shall be the policy of the Co-op to prefer the use of mediation whereby an impartial mediator may facilitate negotiations between the parties and assist them in developing a mutually acceptable settlement. No party with a grievance against the other shall have recourse to litigation until the matter is submitted to mediation and attempted to be resolved in good faith.

Section 2.6 - Non-transferability. Ownership rights and interests may not be transferred except to the Co-op. Any attempted transfer contrary to this section shall be wholly void and shall confer no rights on the intended transferee.

Section 2.7 - Termination. Ownership may be terminated voluntarily by an owner at any time upon notice to the Co-op. Ownership may be terminated involuntarily only for cause by the Board, provided the accused owner is first accorded an adequate opportunity to respond to the charges in person or in writing. Upon termination of ownership, all rights and interests in the

Co-op shall cease except for rights to redemption of capital pursuant to Articles VII and VIII of these bylaws.

### **Article III Meetings of Owners**

Section 3.1 - Annual meeting. An annual meeting of owners shall be held to receive reports on operations and finances, and to conduct such other business as may properly come before the meeting.

Section 3.2 - Special meetings. Special meetings of owners may be called by the Board and shall be called by the Secretary as soon as practicable upon receipt of petitions signed by the lesser of twenty five owners or ten percent of all owners, such petitions stating any proper business to be brought before the meeting. 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 3.3 - Time and place. The date, time and place of all meetings of owners shall be determined by the Board or, in the event that the Board fails to so act, by the Secretary. Meetings shall be held at a time and place convenient to owners, and need not be held at the principal office of the Co-op.

Section 3.4 - Notice. Written notice of the time and place, and in the case of a special meeting the purposes of the meeting, shall be mailed or electronically transmitted to each owner not less than seven days nor more than thirty days before the date of the meeting. The Co-op shall also endeavor to post the notices of meetings in a timely manner and in a conspicuous place in the Co-op's store.

Section 3.5 - Record dates. Unless otherwise determined by the Board, only persons who are owners at the close of business on the business day immediately preceding the date of distribution of notices shall be entitled to notice of any meeting of owners and to vote at such meeting.

Section 3.6 - Quorum and voting. The lesser of twenty-five owners or ten percent of all owners shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of owners. Except as otherwise set forth in these bylaws, each owner shall have one and only one vote on each issue submitted to a vote at a meeting of owners. Voting by proxy shall not be permitted. Unless otherwise required by law or by these by-laws, issues shall be decided by a simple majority of votes cast except where one or more choices are to be made from several alternatives, in which case the alternative(s) receiving the most votes shall be considered approved. To prevent a tie an instant runoff system will be used. Voters will have the option to vote preferentially by indicating first, second, third choices and so on. If two options or candidates are tied for first place, then second choice votes which had been awarded to non-first place finishing options or candidates will be counted to break the tie. Meetings of owners shall be conducted generally in accordance with reasonable and accepted rules of parliamentary procedure.

Section 3.7 - Balloting by mail. The Board may authorize balloting by mail on any issue that may properly be brought before owners. Balloting by mail may be used in conjunction with, or in lieu of, a meeting of owners. When balloting by mail is used, the notice shall include a copy of the issue to be voted upon, together with a ballot and a voting envelope and notification of the date by which ballots must be returned. Ballots must be returned in a sealed envelope that is authenticated by the owner's signature. If mail ballots are used in conjunction with a meeting of owners, votes cast by mail ballot shall be counted together with votes cast in person at the meeting. A vote cast by mail ballot shall be equivalent to presence in person by the owner at a meeting of owners.

Section 3.8 - Issues submitted by owners. Notices of a meeting of owners shall include any proper issues submitted by petition of at least fifteen owners. Petitions must be received at the Co-op not less than forty-five days before the date of the meeting at which they are to be presented to a vote of owners.

#### **Article IV Board of Directors**

Section 4.1 - Powers and duties. Except as to matters reserved to owners by law or by these bylaws, the corporate powers of the Co-op shall be exercised by or under the authority of the Board of Directors, and the business and affairs of the Co-op shall be managed under the direction of the Board of Directors (sometimes referred to in these bylaws as "the Board").

Section 4.2 - Number and qualifications. The Board shall consist of not less than five nor more than nine individuals, as determined at a meeting of owners. One of such directors shall be a staff director. All directors shall be owners and shall not have any overriding conflict of interest with the Co-op. No more than one employee shall serve as a director at any time.

Section 4.3 - Nominations, election and terms. Patron directors may be nominated in the following ways: (i) by the Board; (ii) by petition signed by at least fifteen owners and submitted to the Co-op at least forty-five days before commencement of election of directors. The staff director shall be nominated and elected by the staff who are owners. Patron directors shall be elected by owners at the annual meeting or at a meeting in lieu thereof. Terms of directors shall be so staggered that one-third of the terms, or as nearly so as may be practicable, shall expire in each year. Patron directors shall be elected for terms of three years. Staff directors shall be elected for terms of two years. To facilitate staggering of terms, some directors may periodically be elected for a one or two-year terms. Directors shall hold office until their successors are elected or until their terms are terminated sooner in accordance with these bylaws.

Section 4.4 - Termination. The term of office of a director may be terminated prior to its expiration in any of the following ways: (i) voluntarily by a director upon notice to the Co-op; (ii) automatically upon termination of ownership in the Co-op; (iii) in the case of a staff director, by vote of the staff who are owners; and (iv) in the case of a patron director, for cause by a two-thirds vote of the board or a majority vote of owners at a meeting of owners, provided that written reasons for removal are included in the notice of the meeting and the director whose removal is sought has had an opportunity to answer the charges in person or in

writing. A director who is absent from two consecutive Board meetings, or three meetings in a term year, unless excused by the Board for good cause, shall be presumed to have resigned.

Section 4.5 - Vacancies. Whenever a vacancy among patron directors occurs before a term of office has been completed, the board may appoint a director to fill the vacancy. Whenever the staff director position shall become vacant for any reason, the staff shall appoint a replacement. Such director or directors shall serve until the next regularly scheduled election of directors.

Section 4.6 - Compensation of directors. Directors may be reimbursed for expenses directly related to their duties as directors. Directors may receive stipends as determined by action at a meeting of owners or by balloting in lieu of a meeting.

Section 4.7 - Standards of conduct. Subject to ORS 62.283, directors shall be 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 they reasonably believe to be in the best interests of the Co-op. The Co-op may not lend money to, or guarantee the obligation of, a director.

Section 4.8 - Conflicts of interest. Directors shall be under an affirmative duty to disclose their actual or potential conflicts of interest in any matter under consideration by the Board, and such interest shall be made a matter of record in the minutes of the meeting. Directors having such an interest may not participate in the decision of the matter nor in deliberations leading to such decision. A transaction in which a director has an interest may be approved only by a majority of directors who have no interest in the transaction and upon a determination that the transaction is fair to the Co-op.

Section 4.9 - Committees. The Board may appoint special or standing committees to advise the Board or to exercise such authority as the Board shall designate. Advisory committees shall include at least one director. Committees exercising any authority of the Board shall consist only of directors and shall conform to all procedural requirements applicable to the Board.

Section 4.10 - Indemnification. Subject to limitations in ORS 62.462 to 62.482 and in the Co-op's Articles of Incorporation, the Co-op shall indemnify its current and former directors and officers against all reasonable expenses to which they may become subject by reason of their positions with the Co-op or their service in its behalf to the fullest extent permitted by law. Indemnification payments and advances of expenses shall be made on a priority basis but only in such increments and at such times as will not jeopardize the ability of the Co-op to pay its ordinary and necessary obligations as they become due. All such payments made shall be reported in writing to owners with or before the notice of the next scheduled meeting of owners.

## **Article IV Board of Directors**

Section 4.1 - Powers and duties. Except as to matters reserved to owners by law or by these bylaws, the corporate powers of the Co-op shall be exercised by or under the authority of the Board of Directors, and the business and affairs of the Co-op shall be managed under the direction of the Board of Directors (sometimes referred to in these bylaws as "the Board").

Section 4.2 - Number and qualifications. The Board shall consist of not less than five nor more than nine individuals, as determined at a meeting of owners. One of such directors shall be a staff director. All directors shall be owners and shall not have any overriding conflict of interest with the Co-op. No more than one employee shall serve as a director at any time.

Section 4.3 - Nominations, election and terms. Patron directors may be nominated in the following ways: (i) by the Board; (ii) by a committee of owners; (iii) by petition signed by at least fifteen owners and submitted to the Co-op at least forty-five days before commencement of election of directors. The staff director shall be nominated and elected by the staff who are owners. Patron directors shall be elected by owners at the annual meeting or at a meeting in lieu thereof. Staff directors shall be elected for terms of two years. Terms of directors shall be so staggered that one-third of the terms, or as nearly so as may be practicable, shall expire in each year. Directors shall be elected for terms of two years. To facilitate staggering of terms, some directors may periodically be elected for a one-year term. Directors shall hold office until their successors are elected or until their terms are terminated sooner in accordance with these bylaws.

Section 4.4 - Termination. The term of office of a director may be terminated prior to its expiration in any of the following ways: (i) voluntarily by a director upon notice to the Co-op; (ii) automatically upon termination of ownership in the Co-op; (iii) for cause by a two-thirds vote of the board or a majority vote of owners at a meeting of owners, provided that written reasons for removal are included in the notice of the meeting and the director whose removal is sought has had an opportunity to answer the charges in person or in writing. A director who is absent from two consecutive Board meetings, or three meetings in a term year, unless excused by the Board for good cause, shall be presumed to have resigned.

Section 4.5 - Vacancies. Whenever a vacancy among directors occurs before a term of office has been completed, the board may appoint a director to fill the vacancy. Such director or directors shall serve until the next regularly scheduled election of directors.

Section 4.6 - Compensation of directors. Directors may be reimbursed for expenses directly related to their duties as directors. Directors may receive stipends as determined by action at a meeting of owners or by balloting in lieu of a meeting.

Section 4.7 - Standards of conduct. Subject to ORS 62.283, directors shall be 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 they reasonably believe to be in the best interests of the Co-op. The Co-op may not lend money to, or guarantee the obligation of, a director.

Section 4.8 - Conflicts of interest. Directors shall be under an affirmative duty to disclose their actual or potential conflicts of interest in any matter under consideration by the Board, and such interest shall be made a matter of record in the minutes of the meeting. Directors having such an interest may not participate in the decision of the matter nor in deliberations leading to such decision. A transaction in which a director has an interest may be approved only by a majority of directors who have no interest in the transaction and upon a determination that the transaction is fair to the Co-op.

Section 4.9 - Committees. The Board may appoint special or standing committees to advise the Board or to exercise such authority as the Board shall designate. Advisory committees shall include at least one director. Committees exercising any authority of the Board shall consist only of directors and shall conform to all procedural requirements applicable to the Board.

Section 4.10 - Indemnification. Subject to limitations in ORS 62.462 to 62.482 and in the Co-op's Articles of Incorporation, the Co-op shall indemnify its current and former directors and officers against all reasonable expenses to which they may become subject by reason of their positions with the Co-op or their service in its behalf to the fullest extent permitted by law. Indemnification payments and advances of expenses shall be made on a priority basis but only in such increments and at such times as will not jeopardize the ability of the Co-op to pay its ordinary and necessary obligations as they become due. All such payments made shall be reported in writing to owners with or before the notice of the next scheduled meeting of owners.

## **Article V Meetings of the Board**

Section 5.1 - Meetings. The Board of Directors may determine the times and places of regular meetings. Special meetings may be called by the President and shall be called by the Secretary upon request of any three directors. Meetings of the Board shall be held no less frequently than once every other month.

Section 5.2 - Notice. Regular meetings shall require no notice other than the resolution of the Board, it being the responsibility of absent directors to inquire as to the time of further scheduled meetings. Special meetings shall require written or oral notice to all directors. Written notice shall be delivered at least five days before the date of the meeting and oral notices shall be given in person or by a telecommunications device at least forty-eight hours before the time of the meeting. The Co-op shall also endeavor to post the notices of meetings of the Board in a timely manner and in a conspicuous place in the Co-op's store.

Section 5.3 - Waiver of notice. Any notice of a meeting required under these bylaws may be waived in writing at any time before or after the meeting for which notice is required. A person who attends a meeting shall be presumed to have waived notice unless the person attends for the express purpose of objecting to the transaction of business because the meeting is not lawfully convened.

Section 5.4 - Quorum. The presence in person of a majority of directors then in office shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the Board.

Section 5.5 - Decision making. The Board shall strive to make decisions by consensus, attempting to reconcile differing points of view based upon the best interests of the Co-op. Any decision made by consensus shall be deemed to be inclusive of a vote in any required percentage. If, in the opinion of a majority of directors present, diligent efforts have failed to produce a consensus and the issue requires immediate action, then such issue shall be decided by a two-thirds vote of directors.

Section 5.6 - Action without a meeting. Any action required or permitted to be taken at a meeting of the Board may be taken without a meeting if a written consent to the action is signed by all directors and filed with the minutes of meetings. Such consents may be executed by e-mail. Any action without a meeting shall be read into the minutes of the next meeting of the Board.?

Section 5.7 - Open meetings. Meetings of the Board and all committees shall be open to owners. Sessions of a meeting may be closed only as to issues of a particularly sensitive nature. Action at a closed session shall be read into the minutes of meetings at the first opportunity which would not compromise the sensitivity of the matters at issue. Owners may otherwise be excluded from Board or committee meetings only for cause.

## **Article VI Officers**

Section 6.1 - Designation and qualifications. The principal officers of the Co-op shall consist of President, Vice President, Secretary and Treasurer. The Board may designate other officers or assistant officers. The offices of Secretary and Treasurer may be held by one director. All principal officers shall be directors. Employees of the Co-op are not eligible to serve as principal officers.

Section 6.2 - Election, terms and removal. Officers shall be elected by the Board at its first meeting following election of new directors. Officers shall serve for terms of one year or until election of their successors. Officers may be removed and replaced by the Board at any time whenever the best interests of the Co-op would thereby be served.

Section 6.3 - Duties. In addition to signing or attesting to formal documents on behalf of the Co-op as authorized by the Board, officers shall have the following duties and such additional duties as are determined by the Board: (a) The President shall be responsible for coordinating the activities of the Board and assuring the orderly conduct of all meetings; (b) The Vice President shall be responsible for performing the duties of the President in his or her absence or disability and, as requested, assisting other officers in the performance of their duties; (c) The Secretary shall be responsible for the recording and keeping of adequate minutes of all meetings of the Board and of owners, issuing notices required under these bylaws, and authenticating records of the Co-op; and (d) The Treasurer shall oversee the maintenance of financial records, reporting of financial information and filing of required reports and returns.

## **Article VII Capital Stock**

Section 7.1 - Issuance. To evidence capital funds provided by owners, the Co-op shall issue common shares. Common shares may be issued only to persons eligible for and admitted to ownership in the Co-op. Such shares shall be issued only upon full payment of the stated value of the shares, as determined by the Board of Directors. Payment for shares shall not exceed three hundred dollars or such higher amount as may be permitted by ORS 59.025(11) or the corresponding provision of any subsequently enacted Oregon statute.?

Section 7.2 - Terms. Common shares shall be entitled to no dividend or other monetary return on investment. Such shares shall be nontransferable and may not be pledged as security for a debt. Shares shall be subject to assessment insofar as it may become necessary to increase the required capital investment of owners by reason of the current or prospective capital needs of the Co-op.

Section 7.3 - Certificates. Owners shall be entitled to receive certificates evidencing outstanding shares. All certificates shall be signed personally or by facsimile by a principal officer of the Co-op and shall be numbered and registered by the Co-op. Each certificate shall have printed upon it such information as is required by law. The Co-op may issue a replacement certificate for any common share alleged to have been lost, stolen or destroyed without requiring the giving of a bond or other security against related losses.

Section 7.4 - Redemption. Upon termination of ownership, the common share of the owner shall be redeemed as soon as replacement capital has been secured by the Co-op from other owners. Common shares may also be redeemed under other compelling circumstances as determined by the Board. Shares shall be redeemable at the lesser of their carrying value on the books of the Co-op or their net book value. In the case of voluntary termination of ownership, a reasonable processing fee may be imposed, as determined by the Board. Reapplications for ownership after redemption shall be subject to full repayment of redemption proceeds and a reasonable reprocessing fee, if any, as determined by the Board.

## **Article VIII Patronage Refunds**

Section 8.1 - Distribution of net savings. The realized net savings of the Co-op, to the extent attributable to the patronage of owners, shall be allocated and distributed among owners as patronage refunds in proportion to their patronage and in such a manner as to constitute patronage dividends within the meaning of federal income tax law. Such obligation shall apply only to fiscal years during all of which, or substantially all of which, the Co-op has in place a functioning system to electronically track the patronage of individual owners. In determining and allocating such adjusted net savings, the Co-op shall use a single allocation unit except to the extent that, subsequent to the adoption of these bylaws, it shall engage in any new and distinct line of business.

Section 8.2 - Exceptions. Net savings may be reduced by such reasonable reserves for necessary business purposes as is determined by the Board. Any allocations of such a nominal amount as not to justify the expenses of distribution may, as determined by the Board, be

excluded from distribution provided that they are not then or later distributed to other owners. Owners shall retain the right to waive in whole or in part, by action at a meeting of owners, any patronage refunds to which they may be entitled.

Section 8.3 - Consent of owners. By obtaining or retaining ownership in the Co-op, each owner shall thereby consent to take into account, in the manner and to the extent required by Section 1385 of the Internal Revenue Code, the stated dollar amount of any qualified written notice of allocation in the taxable year in which such notice is received.

Section 8.4 - Retentions. A portion of patronage refunds may be retained for the reasonable capital needs of the Co-op. Such retentions shall be credited to revolving capital accounts in the names of recipient owners, shall accrue no monetary return on investment, and shall not be transferable. They shall be redeemed when determined by the Board to be no longer needed for capital purposes. At that time they shall be redeemed in the order of the oldest outstanding amounts and on a pro rata basis among such amounts. Retentions may also be redeemed under compelling circumstances as determined by associates.

Section 8.5 - Forfeiture. Any distribution of patronage refunds or any redemption of an equity interest of the Co-op which remains unclaimed four years after the date authorized for payment may be forfeited by action of the Board. Any amount so forfeited shall revert to the Co-op if, at least six months prior to the declared date of forfeiture, notice that the payment is available has been mailed to the last-known address of the person shown by the Co-op's records to be entitled thereto or, if the address is unknown, is published at least once a month for four months in a newspaper of general circulation in the county in which the registered office of the Co-op is located.

## **Article IX Interpretation and Amendment of Bylaws**

Section 9.1 - Severability. In the event that any provision of these bylaws is determined to be invalid or unenforceable under any statute or rule of law, then such provision shall be deemed inoperative to such extent and shall be deemed modified to conform with such statute or rule of law without affecting the validity or enforceability of any other provision of these bylaws.

Section 9.2 - Amendment. These bylaws may be amended or repealed only by vote of owners, provided that the proposed amendments are stated in the notice of the meeting at which the amendments are to be adopted.

## **EXPLANATION OF PATRONAGE DIVIDEND CONSENT PROVISION**

The Internal Revenue Code generally requires each person receiving a patronage dividend to include the amount of such distribution in his or her gross income in the taxable year in which it is received. Under bylaw section 8.3, mere acceptance or retention of ownership in the Co-op constitutes consent to such inclusion in taxable income, including the portion of the patronage dividend that is retained by the Co-op for its capital needs. The Co-op has been advised by legal counsel, however, that the general rule for inclusion in income of patronage dividends is subject to an exception that is applicable to consumer cooperatives. Under that

exception, a patronage dividend is not required to be included in gross income if the owner's purchases from the Co-op are related to "personal, living or family items." The patronage dividend would be taxable to an owner only if his or her purchases related to the operation of a trade or business or other income-producing activities.