

Articles of Incorporation

Adopted July 12, 2010

ARTICLE I **Name**

The name of this association is KINGSTON FARM AND GARDEN COOPERATIVE.

ARTICLE II **Duration**

The duration of KINGSTON FARM AND GARDEN COOPERATIVE (herein "THE CO-OP") shall be perpetual.

ARTICLE III **Purposes**

The purposes for which THE CO-OP is formed are:

Paragraph 1. To engage in the business of buying and selling goods as a wholesaler and as a retailer, including the rendering of services, according to consumer cooperative principles;

Paragraph 2. To support the local manufacture, production, and growing of goods;

Paragraph 3. To educate members and the public in the wise and efficient production, purchase, and use of consumer goods and services;

Paragraph 4. To educate members and others on cooperative practices and structures;

Paragraph 5. To cooperate with other cooperatives on a local, regional or national basis; and

Paragraph 6. To engage in all such activities as are incidental or conducive to attainment of the purposes of THE CO-OP and to exercise all powers now or hereafter permitted by the laws of the State of Washington for corporations formed under the Nonprofit Miscellaneous and Mutual Corporations Act, Chapter 24.06 RCW, Chapter 23.86 RCW, or any successor statute.

ARTICLE IV **Membership**

Paragraph 1. Membership Rights

Membership in THE CO-OP shall comprise the following personal, nontransferable (including by succession) rights for the lifetime of each member, subject to these Articles and the Bylaws in effect from time to time:

(a) Active Membership: Active Members shall have the following rights and privileges:

- (i) to vote in all elections and proceedings submitted to the vote of the members,
- (ii) to be nominated for membership and, if elected, to serve on the Board of Directors (the "Board"),
- (iii) to serve, if appointed by the Board, on standing committees as provided for in the Bylaws,
- (iv) to participate in THE CO-OP's activities to which members are invited,
- (v) to receive correspondence from THE CO-OP without charge,
- (vi) to purchase goods and services at THE CO-OP's places of business according to member benefit programs in effect from time to time,
- (vii) to receive other benefits offered to Active Members by THE CO-OP from time to time, and
- (viii) to receive surplus funds if and when distributed pursuant to Article VI hereof.

(b) Inactive Membership: Inactive Members shall have all of the rights and privileges of Active Members except:

- (i) the right to vote in elections and proceedings submitted to the vote of the members,
- (ii) the right to be nominated or serve on the Board or any other committee established for Active Members' participation from time to time,
- (iii) the right to purchase goods and services at THE CO-OP's places of business according to member benefit programs in effect from time to time, and
- (iv) to receive other benefits offered to Active Members by THE CO-OP from time to time.

(c) Affiliate Membership: Affiliate Members shall have so many of the rights and privileges of the Active Members as the Board may accord to other organizations, associations, corporations, and

similar entities, or their members, whether by reciprocity or otherwise, and whether by class or on a case-by-case basis, but which rights and privileges shall not in any event include the rights to vote in any CO-OP elections or proceedings, to be nominated for membership or to serve on the Board, to serve on any standing committee, or to receive surplus funds pursuant to Article VI hereof.

Paragraph 2. Requirements for membership.

(a) Active Membership: Any natural person eighteen years of age or older, independent of race, nationality, political position, sex, age, religious belief, handicap, sexual preference, or marital status, is eligible to become a member of THE CO-OP and shall become a member upon:

(i) making written application to THE CO-OP on its prescribed form which shall include subscription to cooperative principles,

(ii) payment of a nonrefundable membership fee and purchase of a membership certificate as provided for in the Bylaws, and

(iii) acceptance of such application by the Secretary of THE CO-OP. Upon acceptance by the Secretary, the applicant becomes an Active Member entitled to all of the rights and privileges thereof.

(b) Inactive Membership: An Active Member shall be automatically converted to an Inactive Member if such member fails to satisfy the requirements for membership established by the Board pursuant to the Bylaws of THE CO-OP or if such member fails for a period of more than twelve (12) consecutive months to use the services at THE CO-OP's places of business. An Inactive Member will again become an Active Member if such member fully satisfies the requirements for membership established by the Board pursuant to the Bylaws of THE CO-OP, uses the services at THE CO-OP's places of business or submits a written request to THE CO-OP for reactivation.

(c) Employee Membership: For so long as and only so long as they are employees, all CO-OP employees shall be ex-officio Active Members, and termination of employment shall terminate membership on this basis; provided, however, employees may also be Active Members of THE CO-OP independent of employment if they comply with all of the provisions of subparagraph (a), above.

(d) Affiliate Membership: The Board may grant affiliate memberships on such terms and conditions as it shall determine, and may alter or revoke the same at any time.

Paragraph 3. Each Active Member shall be entitled to only one vote, notwithstanding that such member may be both a paid member and an employee member. Active Members shall be determined as of the date on which a resolution to submit a proposal or subject of voting to the membership is passed or, if the proposal or subject of voting be submitted by initiative petition, as of the date on which such petition is filed with the Board or at such later date as the Board determines. All such matters, including the election of Board members, shall be submitted to the Active Members pursuant to a resolution passed by the Board or pursuant to an initiative petition filed with the Board. The right to submit and procedure for submitting an initiative measure shall be subject to any provisions of the Bylaws relating thereto.

Paragraph 4. The annual meeting of the members of THE CO-OP may be held at such times and places as prescribed in the Bylaws.

All votes shall be on forms prepared and provided by THE CO-OP.

Paragraph 5. Whenever proposals or board members are to be voted upon, such vote may be taken by mail if the name of each candidate and the text of each proposal to be so voted upon are set forth in a writing accompanying or contained in the notice of the meeting. Notices, including without limitation electronic notices, of annual, regular or special meetings of the members shall be given as provided in the Bylaws. Quorum requirements, both for meetings and proposals to be voted on by mail, shall be set forth in the Bylaws, but in any event shall not be less than the percentage of Active Members required by law.

Paragraph 6. During his or her lifetime any member may personally or by his or her guardian or personal representative, and upon written notice to THE CO-OP, terminate his or her own membership. The membership certificate in that member's name shall be redeemable upon such termination in the manner set forth in the Bylaws. Upon the death of a member, all sums theretofore paid by such member for his or her membership certificate shall be deemed fully earned by THE CO-

OP and nonrefundable to such member's personal representatives, estate or heirs, and the decedent's membership shall terminate.

ARTICLE V **Capital Stock**

THE CO-OP shall make available 5000 shares of capital stock (pursuant to RCW 23.86.050) with an initial purchase price of \$100 per share. Shares shall be issued in four classes with different rates of return and maturity dates as follows:

Class	# of Shares	Total Value	Maturity (years)	Interest Rate	Total Interest	Total Value + Interest
A	1500	\$150,000	5	1.5%	\$11,250	\$161,250
B	1500	\$150,000	10	2.25%	\$33,750	\$183,750
C	1000	\$100,000	15	3%	\$45,000	\$145,000
D	1000	\$100,000	20	4%	\$80,000	\$180,000

Purchase of shares is only available to members of THE CO-OP. Shares shall be redeemable for their face value upon reaching their stated maturity date. Shares may be withdrawn prior to the term stated above, at their face value, with no interest paid, and a 1% early withdrawal penalty.

Shareholders will be given 30 days to withdraw their shares with no interest paid and with no early withdrawal penalty at such time as a major shift in the direction of THE CO-OP (as defined in the bylaws) is ratified by a vote of its members. Shares carry no voting rights and shareholders may not vote in THE CO-OP issues except as granted through their membership. The shares and their interest are nontransferable except in the case of death, operation of law, and in other limited circumstances dictated by the Washington State Securities Division.

Capital stock issued by a cooperative is exempt from registration with the Washington State Securities Division. THE CO-OP is not required to register as a broker-dealer pursuant to RCW 21.20.320(16). Commissions may be paid to salespersons or broker-dealers.

ARTICLE VI **Surplus Funds**

THE CO-OP may from time to time and at such rate or rates determined by the Board, distribute annually as a patronage rebate, in kind or in cash, to its members based on their respective purchases of goods or services, the net earnings of THE CO-OP attributable to business done with members, reserving such funds as the Board deems necessary for inventories, depreciation, capital expenses, working capital, or any other reasonable future business expense. THE CO-OP shall not distribute as a patronage refund any income from operations not attributable to business with its members. The Bylaws of THE CO-OP may contain such other provisions not inconsistent with the foregoing which the Board deems appropriate regarding distribution of surplus funds.

ARTICLE VII **Dissolution**

Upon dissolution or final liquidation of THE CO-OP, the assets of THE CO-OP shall be distributed in the following order or priority:

Paragraph 1. All debts to nonmembers shall be satisfied.

Paragraph 2. All debts to holders of capital stock shall be satisfied

Paragraph 3. All debts to members shall be satisfied.

Paragraph 4. All membership certificates or members resigning more than 180 days prior to dissolution or final liquidation shall be redeemed.

Paragraph 5. All other membership certificates shall be redeemed.

Paragraph 6. All surplus funds shall be given to such nonprofit organization or organizations as the Board shall designate.

ARTICLE VIII **Dissenting Member**

Any member who becomes a dissenting member pursuant to RCW 23.86.135, or a successor statute, shall be limited to a return equal to the aggregate price which the member has paid for a membership certificate in such person's name plus the member's membership fee or the fair value of such

member's membership, whichever is lesser, less any debt, including interest, such member then owes THE CO-OP.

ARTICLE IX Registered Office

The registered office of THE CO-OP is 11132 Northeast East 2nd Street, Kingston, WA 98346, and the registered agent at this address is Kinley Deller.

ARTICLE X Board of Directors and Officers

Paragraph 1: The administration of THE CO-OP shall be vested in the Board of seven directors. The names and addresses of the persons who are to serve as the initial directors are as follows:

Monica Glines - 22431 Sunridge Way NE, Poulsbo, WA 98370
Roxann Hawley - 11878 NE Jefferson Point Rd., Kingston, WA 98346
Bill Kowalski - 33762 Hansville RD. NE, Kingston, WA 98346
Leah Smith - 29661 Rash Rd NE, Kingston, WA 98346
Melodee Smith - 22283 Tree Farm Lane NE, Poulsbo, WA 98370
Stephanie Stebbing - 34911 Bodine Rd, Kingston, WA 98346
Julia Zander - 2502 NE Ariel Ct. Poulsbo 98370

Paragraph 2: The Board shall be filled as provided by the Bylaws and may be increased or decreased from time to time in the manner specified therein.

Paragraph 3: The directors, as provided by the Bylaws, shall elect a president and one or more vice presidents who need not be directors. They shall also elect a secretary and a treasurer who need not be directors.

Paragraph 4: A director or officer may be removed from the Board in one of two ways: (i) by the Board, upon adoption of a resolution by two-thirds of the full membership of the Board removing such director or officer because such trustee has substantially failed to perform the duties of a director or officer, has acted in a manner not in the best interests of THE CO-OP, or has engaged in behavior that is disruptive to the proceedings of the Board, or (ii) by the Active Members, upon the proposal by any Active Member that such director or officer be removed. If an Active Member proposes to have a

director or officer removed from office, a written statement must be filed with THE CO-OP's secretary stating the objections to the actions and/or votes on corporate matters of the director or officer in question. The written statement will be posted at each of the places of business with a petition form. The statement and petition will be posted for thirty days. All Active Members will be eligible to sign the petition during the thirty day period following posting of the statement and petition. If 10% of the Active Members at the time the removal is proposed sign the petition, the removal will be voted upon by the Active Members as prescribed in these Articles and the Bylaws. A quorum for a vote to remove a director shall be 5% of the Active Members, with a simple majority needed to approve the proposal. The director or officer against whom such charges have been brought shall be informed in writing of the charges prior to the meeting and shall have an opportunity at the meeting to be heard in person or by counsel and to present witnesses. The person or persons bringing the charges shall have the same opportunity.

ARTICLE XI Liability of the directors or officers

The directors and officers of THE CO-OP shall not be held personally liable for monetary damages for conduct as a director/officer provided that such provision shall not eliminate or limit the liability of a director/officer for acts or omissions that involve intentional misconduct by a director/officer or a knowing violation of law by a director/officer, or for any transaction from which the director/officer will personally receive a benefit in money, property, or services to which the director/officer is not legally entitled.

ARTICLE XII Incorporators

The names and addresses of each of the incorporators are as follows:

Kinley Deller - 8202 State Highway 104, Suite 102, PMB 272, Kingston, WA 98346