

## **Bylaws of the Kingston Farm and Garden Cooperative**

### **SECTION I Name and Location**

The name of this cooperative is Kingston Farm and Garden Cooperative (herein "THE CO-OP").  
The cooperative office is in the Town of Kingston and the State of Washington.

### **SECTION II 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 Chapter 23.86 RCW, or any successor statute.

### **SECTION III Membership**

**Paragraph 1.** Any natural person eighteen years of age or older who agrees to abide by the Bylaws of THE CO-OP and any other rules promulgated by the Board of Directors of THE CO-OP (the "Board"), and who meets the conditions required for membership, may become a member. No change in any of these conditions will affect any person who is a member on the effective date of such change. THE CO-OP does not discriminate on social or political grounds or on the basis of race, creed, age, sex, handicap, national origin, sexual preference or marital status.

**Paragraph 2.** A person seeking active membership in THE CO-OP must make written application to THE CO-OP on its prescribed form and pay the membership fee. The amount of the membership fee and the terms of membership will be established from time to time by the Board. Upon and after acceptance of an application for active membership by the Secretary or designee of THE CO-OP, no change will be made in the application fee or the purchase price or terms of purchase of the membership certificate for the Active Member so accepted.

**Paragraph 3.** Employees of THE CO-OP are automatically Active Members for the duration of their employment, and their membership certificate purchases will be waived for this period. Individuals who are full time employees of THE CO-OP for a period greater than twelve months are granted membership in THE CO-OP for the lifetime of the individual, subject to the Articles and Bylaws of THE CO-OP.

**Paragraph 4.** Each new member shall have access to the Articles of Incorporation and the Bylaws.

### **SECTION IV Rights and Benefits of Members**

**Paragraph 1.** The rights and privileges of members, Active and Inactive, are set forth in Article IV of the Articles of Incorporation. Each Active Member will have one vote on all matters on which members may vote. Inactive Members, affiliates and others will have no right to vote. Proxies are prohibited.

**Paragraph 2.** Members are not liable for debts of THE CO-OP.

### **SECTION V Meetings of Members, Notice and Quorum**

**Paragraph 1.** The annual meeting of members will be held at a date, time and place selected by the Board. The Board will coordinate the annual meeting and agenda.

**Paragraph 2.** A special meeting of the members may be called at any time by the Board or its Chair. A special meeting of the members will be called on petition of 3%, or four of the Active Members, whichever is greater, to take place between 30 and 60 days after delivery of the petition to the Board.

**Paragraph 3.** The secretary or designee, will, not less than 10 days and not more than 50 days in advance of the date of any meeting of the members, give notice to the Active Members as of the record date, setting forth the date, time and place of the meeting (a) electronically or (b) by other means setting forth the required information. Such notice will also be posted in the primary place of business of THE CO-OP and will include the full text of any referendum issue or proposed bylaw amendment on which the members will vote. The record date for determining the Active Members qualified to vote at any meeting will be the date of the meeting. Notices provided electronically are deemed delivered when sent addressed to the member at his or her electronic transmission address

as it appears in the records of THE CO-OP.

**Paragraph 4.** The quorum for voting on all issues at all properly called meetings of the members will be 3% or four of the Active Members, whichever is greater, as determined at the record date for the meeting, except that: (a) the quorum is 5%, or 8 people, whichever is greater, of the Active Members for (i) the removal of a director or officer, and (ii) issues placed on the ballot by the initiative process (Section VII); and (b) the exceptions described in Section X, Paragraph 2 of these Bylaws. The quorum at any meeting will be determined for all issues by counting the number of members voting electronically, the number of mail ballots and the Active Members present at the meeting who did not vote electronically or by mail ballot, regardless of whether each person votes on all issues.

**Paragraph 5.** At the annual meeting or any special meeting, the members may, if the required quorum is present, amend the Articles of Incorporation or the Bylaws by a two-thirds vote, and/or act upon any other matter properly presented before the members.

**Paragraph 6.** There will be opportunity at any meeting of the members for members to present brief statements supporting or opposing any issue or candidate.

#### **SECTION VI Voting**

The Board may provide for voting of Active Members in person, by mail ballot or electronically at any properly called meeting of the members with respect to referenda on specific cooperative policies, proposed bylaw amendments, election of directors or such other matters as may properly be presented to the members, subject to these limitations:

**Paragraph 1.** Notice of any meeting must be given as required in Section V, Paragraph 3 of the Bylaws.

**Paragraph 2.** The ballot itself will be mailed or posted electronically at least 15 days but no more than 30 days before the date of the meeting at which the vote is to be recorded and, if needed, will again be accompanied by the full text of statements included in the notice of the meeting.

**Paragraph 3.** Mail ballots will be deemed delivered to the member if deposited in the United States mail with third class postage affixed and addressed to the member at his or her address as it appears in the records of THE CO-OP.

**Paragraph 4.** Mail ballots will be counted at or following the meeting at which the vote is taken. No mail ballot received by THE CO-OP after the meeting date will be counted. All members voting by mail will be considered present and part of the quorum for the meeting.

**Paragraph 5.** Rules and procedures enabling Active Members to register and cast votes electronically may be promulgated by the Board. All members voting electronically will be considered present and part of the quorum for the meeting.

**Paragraph 6.** A valid vote will be a vote cast in person at a meeting of the members, by mail on ballot forms prepared and provided by THE CO-OP, or electronically. The casting of each vote must be correlated to a membership number but the voting system must maintain confidentiality of each members vote.

**Paragraph 7.** The results of votes at all meetings of the members will be reported in a publication generally distributed to all members and subscribers and posted in the primary place of business of THE CO-OP.

#### **SECTION VII Initiative Process**

Any Active Member may propose an initiative for CO-OP action to be voted on by the members. The initiative must concern an amendment to the Bylaws or any action the Board could otherwise take without a membership vote. A petition to place an initiative on the agenda for a vote by the members at any meeting of the members must be signed by at least 3% or five of the active members, whichever is greater. The Board will provide for implementation of this process by promulgating reasonable rules of governance of the process consistent with these Bylaws.

#### **SECTION VIII Termination of Membership**

**Paragraph 1.** Any member whose activity endangers effective operation of THE CO-OP for the mutual benefit of its members may be recommended for expulsion from membership in THE CO-OP by the Board. After written notice to the member recommended for expulsion of the reasons for the recommendation and reasonable opportunity for a hearing before the Board, the Board may, in its discretion, terminate the member's membership. The member may appeal the Board's decision at a membership meeting, the Board's decision and announcement of the appeal having been included in the notice of such meeting. The decision of a majority of the members voting at such meeting will be binding upon the expelled member and upon THE CO-OP. The membership of an expelled member will be redeemed for the amount paid by such member for the membership certificate.

**Paragraph 2.** THE CO-OP has the right to offset against the membership contribution held by any member for obligations owed to

THE CO-OP by that member. If such obligations remain unpaid for more than one month, the Board may cancel the membership of that member. The same hearing and appeal process in Section VIII, Paragraph 1 apply. Debts which a member has incurred to THE CO-OP may be charged against the member's membership fee if the debt is older than 30 days. All debts to THE CO-OP must be paid before a certificate redemption may be made.

**Paragraph 3.** Membership fees paid by a member will be reimbursed in the order of request, no sooner than 90 days after a member joins THE CO-OP and no sooner than 30 days nor longer than 180 days after the member has resigned from membership in writing, except in case of the clear and present need of the member. The Board will decide the number of days between 30 and 180. Reimbursement of the membership fee will be at face value, except in case of dissolution (see Articles of Incorporation, Article VII).

#### **SECTION IX Board of Directors — Election, Selection and Qualifications**

**Paragraph 1.** The management of THE CO-OP is directed by its Board of seven directors, with three elected each year in May. Each director must be an Active Member of THE CO-OP and, if elected, will serve a three-year term beginning within 30 days from the date of election and until his or her successor is elected and qualified, unless earlier removed from office as provided in the Articles of Incorporation. Employees of THE CO-OP may become directors through the regular election process; provided that no more than two employees may serve as directors at any one time. THE CO-OP employees who are elected or appointed to the Board may not vote on matters relating to employee compensation. If any election would otherwise result in more than two CO-OP employees being directors at any time, then only that employee or those employees receiving the greatest number of votes in the election will be elected directors such that there will never be more than two CO-OP employee directors on the Board at any time. No director may serve more than three consecutive two-year terms.

**Paragraph 2.** Nominations will be submitted at a scheduled meeting no sooner than 60 days prior to the election. The board will establish reasonable procedures for submission of nominations. The existing board will establish such reasonable procedures as it may deem appropriate to be followed by nominated candidates and will cause the names of all nominated candidates complying with such procedures to appear on the ballot submitted to the members for voting in the election.

**Paragraph 3.** No person who is an officer, director or control person of a business that competes with THE CO-OP is eligible to be nominated or to serve as a director. For purposes of this, a "control person" is defined as an individual, and the parent, sibling, spouse or child of such individual, who: (a) owns or controls, directly or indirectly, ten percent (10%) or more of the stock or ownership units of such an entity; (b) is a partner in such an entity; or (c) is in a management position of such an entity.

**Paragraph 4.** Any vacancies on the Board may be filled by appointment by the Board, upon the recommendation of any Active Member, including a CO-OP employee so long as such appointment would not result in more than two CO-OP employees being directors, to serve the remainder of the unexpired term of the vacant position unless earlier removed from office.

**Paragraph 5.** Recall of directors may be effected as provided in Article X of the Articles of Incorporation.

#### **SECTION X Board of Directors, Responsibilities and Operations**

**Paragraph 1.** The affairs of THE CO-OP will be managed by the Board. Each director will discharge the duties of a director in good faith, with the care an ordinarily prudent person in a like position would exercise in similar circumstances and in a manner the director reasonably believes to be in the best interests of THE CO-OP. In addition to those duties customarily imposed upon boards of directors by Washington law, the Board is empowered to establish various operating policies of THE CO-OP.

**Paragraph 2.** The Board may recommend to the members but may not implement or effect any of the following without a quorum of 25% of Active Members, , giving two-thirds approval, as required by RCW 23.86

- Amendment of the Articles
- Approval of merger or consolidation
- Voluntary dissolution

#### **Paragraph 3**

The Board may recommend to the members but may not implement or effect the following without a quorum of one-third of active members, giving two-thirds approval, as required by RCW 23B.07.270

- Sale, lease, exchange, etc. of all or substantially all the property and assets

**Paragraph 4.** In discharging its duties, the Board may, by resolution, designate and appoint one or more committees or task forces. These committees or task forces, to the extent provided in the establishing resolution, will have and exercise the authority of the Board in the management of THE CO-OP to the extent permitted by law. The designation and appointment of any such committee and the delegation thereto of authority will not operate to relieve the Board, or any individual director, of any responsibility imposed upon it, him or her by law. The Board may dissolve any committee or task force at any time.

**Paragraph 5.** The Board will meet at least six times per year. The Board may, at any meeting, adopt a resolution scheduling the dates of regular meetings of the Board, and once each director has been given written notice of the schedule of regular meetings, no further

notice to the directors is required. Special meetings of the Board may be called at any time by the President or Chair of THE CO-OP or by any three directors. Notice of all special meetings will be given to each director electronically or by telephone, or mail not less than three days in advance of the special meeting, such notice to specify the date, time and place of the meeting. Attendance of a director at any meeting will constitute a waiver of notice of such meeting except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not properly called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board need be specified in the notice or waiver of notice of such meeting.

**Paragraph 6.** A majority of the Board constitutes a quorum except to the extent a greater quorum is otherwise required by the Articles of Incorporation or the Bylaws. Decisions by the Board will be by majority vote of the directors at any meeting where a quorum is present except to the extent a greater voting majority is otherwise required by the Articles of Incorporation or the Bylaws.

**Paragraph 7.** The Board may take action without a meeting if all of the directors give their consent to that action by e-mail. The e-mail correspondence will be recorded as part of the Board's official record.

**Paragraph 8.** Subject to the provisions of Article VI of the Articles of Incorporation, the Board may adopt, by resolution, a program of patronage refunds and/or patronage discounts containing such terms and conditions as the Board deems appropriate.

#### **SECTION XI Officers**

The officers of THE CO-OP will consist of a president, a vice president, a secretary, a treasurer and such other officers and assistant officers as may be deemed necessary, each of whom will be elected annually by the Board. Any two or more offices may be held by the same person, except the offices of president and secretary.

#### **SECTION XII Interest Bearing Instruments**

If approved by the Board and ratified by a two-thirds majority vote of the Active Members at an annual or special meeting of the members, THE CO-OP may permit members to purchase interest bearing instruments, for sale only within the State of Washington, and subject to all applicable state and federal securities laws. Such certificates: (a) will bear interest at a rate to be determined by the Board; and (b) will be redeemable under terms stated at the time of issue.

#### **SECTION XIII Fiscal Year and Audit**

**Paragraph 1.** The fiscal year of THE CO-OP will be February 1 to January 31 though it may be changed at the discretion of the Board.

**Paragraph 2.** The Board will assure an outside independent financial audit is conducted annually.

**Paragraph 3.** The findings of every audit will be reported to the Board and the members within six months after the close of the fiscal year.

#### **SECTION XIV Books and Records**

THE CO-OP will keep correct and complete books and records of account and will keep minutes of the proceedings of its members, the Board and committees or task forces having any of the authority of the Board; and will keep at its principal office a record of the names and addresses of the members entitled to vote. Except to the extent necessary to protect business and proprietary information and as restricted by law, all such books and records of THE CO-OP may be inspected by any member for any proper purpose at any reasonable time.

#### **SECTION XV**

##### **Confidentiality of Member Information**

THE CO-OP, like other enterprises, must generate, process and maintain many of its business records via electronic data processing. This includes point of sale information generated from transactions between THE CO-OP and its members. THE CO-OP will treat personal information and point of sale information obtained from its members ("Member Information") as confidential. THE CO-OP may organize and track Member Information which identifies individual members solely (1) to determine voting eligibility as set forth in the Articles of Incorporation and the Bylaws; (2) to track the status of each member's capital account, and, if and when in effect, patronage refund; (3) to contact members for exigent or serious health or safety issues; and (4) for purposes of contacting Inactive Members to evaluate member retention and satisfaction. No other use of point of sale information identified to an individual member will be permitted without the advance express consent of that member. However, Member Information from which names and addresses (other than zip codes, carrier routes, and/or census tracts) have been deleted may be used for other legitimate purposes.

#### **SECTION XVII Bylaws**

**Paragraph 1.** The provisions of the Bylaws are subject to the provisions of state and federal law, as amended, and the Articles of Incorporation, as amended. Any conflict between provisions of the Bylaws and such law or the Articles of Incorporation must be resolved in favor of the latter.

**Paragraph 2.** If any provision or part of any provision of the Bylaws is judicially determined to be unenforceable for any reason or in any application, all remaining provisions of the Bylaws, and the remaining part of such provision, will remain, and be, in full force and effect for all other reasons and for all other applications.

**Paragraph 3.** The Bylaws may be amended by a two-thirds majority vote of the members voting at any regular or special meeting of the members.

#### SECTION XVI

##### **Indemnification of Directors and Others**

Each director and officer of THE CO-OP shall be entitled to indemnification against losses and expenses, including advancement of expenses prior to final resolution, arising out of any threatened, pending or completed action, proceeding or suit against him or her, or in which he or she may be involved, by reason of the fact that he or she is or was a director or officer of THE CO-OP to the fullest extent permitted by RCW 23.86, it being understood that such act incorporates by reference all of the provisions, conditions, limitations and requirements related to indemnification set forth in the Washington business corporation act. Further, employees of THE CO-OP may, in each instance as determined and approved by the Board, also be indemnified to the fullest extent permitted by RCW 23.86.