

OFFICIAL NOTICE OF A MEETING OF THE MEMBERS BY MAIL



Voting period for this special Co-op election January 15-31, 2006
Ballots due by 9 pm Tuesday, January 31

You may vote as soon as you receive this ballot.

This document contains:

- FAQs
- Bylaws (marked to indicate changes)
- Articles of Incorporation (marked to indicate changes)
- Final Articles of Incorporation (the marked version is difficult to decipher, so the final version is included here for ease of reading)

*Please note: strike-through indicates text that is being deleted.
Underlined text is new.*

QUESTIONS? Call 360-734-8158.

This mailing should contain:

- this document
- a ballot
- a “privacy” envelope
- a return mail envelope

If for any reason you do not have one of the above, you may:

- drop by the Co-op and pick up what you need
- call the Co-op to have something mailed to you

VOTING:

- You may mail your ballot, sealed in the privacy envelope, in the return postage envelope to the Co-op OR
- You may bring your ballot, sealed in the privacy envelope, to the Co-op’s Service Desk.



1220 N. Forest St., Bellingham, WA 98225
360-734-8158 • www.communityfood.coop

Special Election FAQs

Bylaws

Q: What are the general bylaw changes and why are they changing?

We’ve been working with the Co-op’s lawyers to add language authorizing the Co-op to issue patronage dividends (article 4 of the Bylaws) and to revise the language dealing with officers of the corporation (article 9 of the Bylaws). The entire body of the bylaws then came under scrutiny of the lawyers with the result being a general clean-up of the language. These language changes will not result in any changes in the way the Co-op does business, but in fact reflect the current business practices.

Patronage Dividend (Article 4 of the Bylaws)

Q: How would the new patronage dividend system work?

At the end of each year, the Co-op’s Board of Directors will decide if the Co-op has a net distributable surplus (this term is explained more fully in Article 4.2 of the proposed bylaws) to distribute to its members as a patronage dividend. If yes, individual members will be assigned a portion of the total dividend based on their Co-op purchases during the year. The Co-op may pay dividends in a number of different ways, the most common being cash, written dividend notices, and merchandise credits. If the Co-op uses written dividend notices, it generally has to pay a minimum of 20% of the dividend amount reflected in the notice in cash. The Co-op is allowed to keep the remaining 80%. Then, based on the Co-op’s capital needs, the Board will decide when to pay the remaining 80%. The Co-op may pay the remaining 80% in cash or merchandise credits, or a combination of these.

The retained patronage dividend held in the member’s ownership account belongs to the member but is reinvested in the Co-op for improvements, facility upgrades, or equipment purchases. Over the years as new retained patronage accumulates, the board will, if Co-op finances allow, pay out retained patronage from previous years to the members. The Co-op is entitled to reduce the amount of retained patronage dividends if the Co-op suffers any subsequent losses.

Q: What is the current membership system and what’s changing?

Members pay an annual fee of \$4, which is not refundable. Members also invest a total of \$90 as a capital contribution to the Co-op. Members may close their memberships at any time and request the Co-op to repay their capital contribution. None of this will change with a patronage dividend

system. Members pay the prices marked on the shelves; nonmembers pay a 6.5% surcharge (this may change in 2007; see questions below). The patronage dividend system is an addition to our membership system.

Q: Why now?

We think this is a good time to implement a patronage dividend system because we expect to have many members join when we open the 2nd store. We believe it will make membership more tangible.

Q: What are the benefits to a patronage dividend system?

The Co-op is allowed to exclude from its taxable income amounts paid to its members as qualifying patronage dividends. Then, since the Co-op does not always have to pay the full amount of the dividend in cash, the Co-op potentially has additional operating capital available to it for cooperative purposes. It also gives the Co-op a tangible way to share the overall success of the Co-op with members. Although members will be required to take patronage dividends into account for federal income tax purposes, the amount of any patronage dividend is not included in a member’s gross income when used to purchase personal, living, or family items; most purchases from the Co-op would be covered by these categories.

Q: Will nonmembers still pay a surcharge?

We will continue charging nonmembers 6.5% in 2006. The Board will look at eliminating this surcharge beginning in 2007. Nonmembers, by the nature of their not being members, would never receive a patronage dividend.

Q: If the Co-op eliminates the surcharge in 2007, will you raise prices to cover that income?

No.

Q: So how does the Co-op offset that income?

Because the Co-op will not get taxed on the patronage dividend dollars, the tax savings will offset most of the income from surcharges.

Q: I have a scan card without my name on it. Will I need to have my name on it now?

If you want to receive a dividend, then yes, you’ll need to have your name on your card—it’s the only way to track your purchases. If you choose to continue with a non-scan card you’ll continue to receive all the other benefits of membership just like you do now, but not a patronage dividend.

Q: Will my purchases be tracked?

Yes, in order for you to receive a patronage dividend, the Co-op must track your purchases, but the only pertinent information for the patronage dividend is the total at the end of the year.

Q: How can I be guaranteed the Co-op will not use the tracked information?

The Co-op has a privacy policy, which states: “The Community Food Co-op protects the confidentiality of all member information. No information about individual members will be made available to any outside party.” Internally, the Co-op will not examine your purchases or use the data in any way other than for the calculation of patronage dividends (i.e., not for advertising, direct marketing, or purchasing decisions). The only pertinent information is your total at the end of the year.

Q: How do we implement a patronage dividend system?

Members will vote to adopt restated Articles of Incorporation, and ratify the Board’s approval of changes to the bylaws. The proposed revised Articles of Incorporation and bylaws authorize the patronage dividend system, and describe how it works in more detail. You’ll receive the text of the proposed changes and a ballot in the mail in January.

Q: Do other co-ops do this?

Many, many co-ops of all kinds give a patronage dividend. The most familiar to people is REI. But there are a lot of retail food co-ops around the country—and in other countries as well—that have a similar system set up to give back to their members through a patronage dividend.

Q: How much will I receive?

- That is a complete unknown, but depends on three factors:
- Whether the Co-op has a net distributable surplus at the end of the year.
 - Whether the Co-op board decides it would not be in the Co-op’s best interests to declare a dividend.
 - How much you purchase during that fiscal year.

Q: Will I receive a dividend every year?

Not necessarily. It depends on the then financial health and prospects of the Co-op.

Q. What if I close my membership?

You are entitled to request that the Co-op repay your \$90 capital contribution. The Co-op board must approve the repayment of all capital contributions.

If any patronage dividends have been declared in the years that you have shopped at the Co-op, you have the same rights to be paid any retained dividends in your name as other current or former members, as long as you have a valid forwarding address with us.

Officers and Directors (Article 9 of the Bylaws)

Q: What are the proposed changes?

The titles presently held by the Co-op’s board members and officers would change. The Co-op’s board would have a Chair (currently the president) and Vice-Chair. The board would then appoint a President, Vice-President, Secretary and Treasurer, all of whom would become the officers of the Co-op. The current General Manager would become the President; other operations managers will take the Vice-President, Secretary, and Treasurer positions.

Q: Why make these changes?

Our bylaws came under the scrutiny of our lawyers when we were looking at the idea of a patronage dividend for members. They indicated that these changes would make the Co-op’s corporate structure more flexible and reduce legal compliance and related costs without compromising benefits and protections to members.

Q: What responsibilities will change when the names change?

Absolutely none. This is a change in name only.

Articles of Incorporation

Q: What are Articles of Incorporation?

Articles of Incorporation constitute the Co-op’s founding charter. The Articles of Incorporation are originally filed with the Secretary of State of Washington, as the first legal step in forming any corporation. The Articles must include a number of provisions relating to the establishment, structure, and operation of the Co-op, including the purpose of the Co-op, acquisition and termination of membership, provisions relating to the distribution of surplus funds to members, and the amounts and types of any stock it is authorized to issue (the Co-op does not issue stock, which is stated in our Articles of Incorporation).

Q: Why are these changing?

When our lawyers began scrutinizing our bylaws, they also looked at our Articles of Incorporation and determined that we need to include some additional provisions, including the authorization of patronage dividends, to bring the Co-op fully into compliance with Washington law.

BY-LAWS OF COMMUNITY FOOD COOPERATIVE

ARTICLE 1 ORGANIZATION

1.1 Name. The name of the organization is Community Food Cooperative (referred to herein as “the Co-op”).

1.2 Purposes. As described more fully in its amended Articles of Incorporation, the purposes of the Co-op are to establish and operate a one or more retail food stores in the Bellingham-Whatcom County area, to provide educational materials and services regarding issues of concern to its members and community; to work in harmony with other cooperative organizations, and to engage in other activities approved by members. The Co-op is organized and shall be operated exclusively on a not-for-profit basis and in a democratic manner consistent with cooperative principles.

1.3 Business Office. The business office of the Co-op is located at 1220 North Forest Street, Bellingham, Washington 98225.

~~1.4~~ 1.4 Fiscal Year. The fiscal year of the Co-op shall begin on the first day of January in each year and end on the last day of December be established by the Board of Directors from time to time.

ARTICLE 2 MEMBERSHIP

2.1 Eligibility. Membership shall be available to anyone who is in accord with the purposes of the Co-op, wishes to patronize it and is willing to abide by these by-laws. An applicant for membership must initially submit an application to the business office of the Co-op and pay the required membership fee and capital contribution in the manner required by the Corporation. In the event of questionable eligibility, admission may be subject to approval by the Board of Directors.

2.2 Membership Fee. Each member shall pay an annual membership fee in an amount and at a time determined by the Board of Directors. The annual membership fee may be waived in whole or in part by the Board on any reasonable basis. The membership fee and any available waivers shall be applied uniformly among members. The membership fee shall be paid in cash and is nonrefundable.

2.3 Non Discrimination. The Co-op shall not discriminate against individuals or groups on the basis of race, creed, age, gender, class, disability, sexual preference, marital status or other arbitrary basis.

2.4 Membership Rights. Members of the Co-op shall have the right:

(a) to purchase goods from the Co-op store at prices generally available to members and otherwise to benefit from participation in the activities of the Co-op;

(b) to receive a copy of the bylaws and to obtain reasonably adequate and timely information as to the organizational and financial affairs of the Co-op, including review of the minutes of Board of Directors’ meetings and the Co-op’s financial statements and records. The information shall be provided members upon request, with reasonable prior notice, at the Co-op’s business office during office hours. Information of a sensitive nature will be provided only for a proper purpose and may be made subject to conditions or restrictions as determined by the Board of Directors;

(c) to participate in the democratic management of the Co-op by voting on any issues submitted to members, proposing member initiatives, serving standing for election to serve on the Board of Directors and committees and as otherwise described in these By-laws.

2.5 Settlement of Disputes. In any dispute between the Co-op and any of its members or former members which relates to normal membership transactions and which cannot be resolved through informal negotiations, it shall be the policy of the Co-op to prefer the use of mediation whereby an impartial mediator or mediators may facilitate negotiations between the parties and assist them in developing a mutually agreeable settlement. Members are encouraged to cooperate in this process. In the event that mediation is not mutually agreeable or is unsuccessful in resolving such a dispute, both the Co-op and its members are required to submit the dispute to binding arbitration in a mutually agreeable manner.

2.6 Termination. Membership may be terminated in any of the following ways:

(a) voluntarily by a member at any time upon notice to the Co-op;

(b) automatically whenever payment of annual membership fees or current capital contributions becomes delinquent to an extent determined by the Board of Directors; or

(c) for reasonable and sufficient cause, including willful violation of these By-laws, by a two-thirds vote of the Board of Directors, after a fair hearing at which the member has the opportunity to speak and present evidence.

2.7 Household Privileges. Membership rights are individual to the person who applies and in whose name the requisite fees and capital contributions are paid. The purchasing rights of a member may be shared with other members of her or his household.

ARTICLE 3 CAPITAL CONTRIBUTIONS

3.1 Required Payment. For the reasonable capital needs of the Co-op, members shall make capital contributions in amounts and at times determined by the Board of Directors. Capital contributions shall be made in cash and may be waived in whole or in part by the Board on any reasonable basis. Required capital contributions and any available waivers shall be applied uniformly among members. Amounts invested shall be entitled to no dividend or other monetary return. Capital contributions may not be transferred or pledged as collateral.

3.2 Use of Proceeds. Amounts received from members as capital contributions shall be credited on the books of the Co-op to capital accounts in the names of paying members, and segregated in one or more special bank accounts. Capital contributions may be used as designated by the Board of Directors, as far as is practicable, for acquiring capital assets or paying liabilities incurred for the acquisition of capital assets.

3.3 Redemption. Following termination of membership for any reason, capital contributions shall be returnable within six months after request by the holder and approval by the Board of Directors. In the event of dissolution of the Co-op, capital contributions shall be returned to members after payment of all liabilities of the Co-op. If sufficient funds are not available for repayment in full, repayment shall be made on a pro rata basis among all members in proportion to their accumulated capital contributions. If any repayment fails to reach any member via a single mailing through US mail at such member’s last known address on file with the Co-op, the provisions of Section 4.7 of Article IV shall apply.

3.4 Lien and Offset. The Co-op shall have first lien on the capital contributions of members to the extent of amounts due and payable to the Co-op by the member. Capital contributions shall at all times be subject to being offset by amounts due and payable by the member to the Co-op.

ARTICLE 4 PATRONAGE DIVIDENDS

4.1 No dividends on Capital. No dividends shall be declared or paid with respect to member capital contributions.

4.2 Patronage Dividends. The Co-op shall return the Co-op’s net distributable surplus to its members annually as a patronage dividend, subject to the provisions of this Article 4. As used in the Co-op’s Articles of Incorporation and these bylaws, the term “net distributable surplus” means (a) the annual earnings from the Co-op’s sales attributable to the patronage of its members minus (b) any reserves the Board of Directors decides to retain for necessary or appropriate business purposes or contingencies. The Co-op shall calculate members’ patronage dividends in proportion to their purchases from the Co-op during the year, subject to the provisions of this Article 4. The Co-op shall be entitled to take into account losses for prior years when calculating its net distributable surplus.

4.3 Annual Determination. The Board of Directors shall decide after the close of the Co-op’s fiscal year whether a net distributable surplus exists for that year, how and when to distribute patronage dividends, and any other related matters, based on the Board’s policies. The Board of Directors may elect not to declare or distribute a patronage dividend if it is in the best interest of the Co-op. Under Article VI of the Co-op’s Articles of Incorporation, however, the Board of Directors may not forgo a patronage dividend more than once every other fiscal year.

4.4 Payment and Compliance. The Co-op shall pay patronage dividends within the time frames provided in, and according to the Internal Revenue Service Code and Treasury Department regulations to qualify for income tax deductions for the Co-op. The Co-op may distribute patronage dividends in cash, merchandise credits, a qualified written notice of allocation or a non-qualified written notice of allocation as defined in 26 U.S.C. Section 1388, other property, or any combination of these methods as the Board of Directors may determine from time to time. Any patronage dividend distributed as a qualified written notice of allocation or a non-qualified written notice of allocation shall be designated as such by the Board of Directors in accordance with the provisions of 26 U.S.C. Section 1388. Any part of a patronage dividend that the Board of Directors elects not to pay in cash, merchandise credits or other property is called the retained patronage dividend.

4.5 Application of Retained Patronage Dividend. The Board of Directors may apply any part of a member’s retained patronage dividend to cover that member’s unpaid membership dues or capital contributions for that year and future years.

The Co-op shall hold the retained patronage dividends in revolving patronage dividend accounts in the names of the receiving members, and may apply the retained patronage dividends toward the Co-op’s operating capital needs. Members will not accrue interest or other monetary return on investment, and the accounts are non-transferable and in whole dollars only. The Coop shall be entitled to offset against retained patronage dividend accounts the amount of any losses subsequently sustained by the Coop, in such manner as the Board of Directors may reasonably determine.

4.6 Repayment of Retained Patronage Dividends. At any time, the Co-op may pay some or all of the retained patronage dividends to qualifying members if the Board of Directors decides the funds are no longer required for operating capital. Members will receive retained patronage dividends in the order of the oldest outstanding amounts on a pro rata basis from these amounts. If the Co-op dissolves as a corporation, it shall pay retained patronage dividends to members after payment of all other liabilities. If the remaining funds are insufficient to repay all retained patronage dividends, members will receive retained patronage dividends in proportion to their revolving account balances at the time of dissolution. The Board of Directors may also repay an individual member’s retained patronage dividends under compelling circumstances in the Board’s discretion. Retained patronage dividends are available at all times to pay amounts otherwise due and payable to the Co-op.

The Board of Directors may in its discretion pay retained patronage dividends to qualifying members in cash, as merchandise credits, or any combination of cash and merchandise credits. The Board of Directors may in its discretion establish the terms and conditions governing the issue and use of merchandise credits, including any period within which merchandise credits must be used or forfeited.

4.7 Unclaimed Dividends. If the Co-op wishes to pay retained patronage dividends to any member who holds a revolving patronage dividend account, but such payment fails to reach such member via a single mailing through US mail at such member’s last known address on file with the Co-op, such member shall be deemed to have contributed such payment entitlement to the Co-op and the Board of Directors may, by appropriate action, pay such amount to all other active members who hold revolving patronage dividend accounts as a supplemental patronage dividend in the same ratio that such members would then be entitled to patronage dividends.

4.8 Treatment of Nominal Amounts. The Board of Directors may exclude from distribution any patronage dividend that is so small that it does not justify the cost of distribution. These nominal amounts may not be distributed at any time to other members.

4.9 Tax Provision. If the Co-op distributes part of its annual earnings or income as a patronage dividend, and then discovers it cannot deduct some part of its annual earnings or income as a patronage dividend under the Internal Revenue Code and applicable regulations, then the Co-op and its Board of Directors deem that all of the patronage dividend declared shall come from earnings or income that does qualify for a deduction under the revenue laws. This designation shall occur regardless of whether the Board adopted a resolution or act that makes specific reference to the source of revenues for the dividend.

4.10 Consent of Member to Tax Treatment. By joining the Co-op, all members consent to having their patronage dividends, whether paid or retained, taken into account for the taxable year. Any patronage distribution the Co-op makes with a qualified written notice of allocation under 26 U.S.C. § 1388 will be taken into account by the receiving member at the stated dollar amount of the distribution as provided in 26 U.S.C. § 1385(a) in the taxable year the member receives the written notice of allocation.

ARTICLE 5 MEETINGS OF MEMBERS

4-15.1 Annual Meeting. An annual meeting of members shall be held within four months after the close of the fiscal year at a time and place determined by the Board of Directors. The purpose of the annual meeting shall be to report to members on the operations and finances of the Co-op, and to conduct voting for directors and on other issues properly submitted to a vote of members.

4-25.2 Special Meetings. Special meetings of members may be called by the Board of Directors or by the President, and shall be called by the Board of Directors upon receipt of a member initiative.

4-35.3 Balloting. A meeting of the members may be conducted in whole or in part by written ballots as determined by the Board of Directors.

4-45.4 Notice. Written notice of the time, place and purpose of any meeting of members shall be delivered to each member not less than ten nor more than thirty days before the date of the meeting. In the event of voting by mail, the notice shall include necessary ballots and materials which impartially describe the candidates for election or issues for decision.

4-55.5 Quorum. The presence in person of five percent of all members shall constitute a quorum at a meeting held to consider the adoption of a proposal that RCW 24.06 requires be adopted by a two-thirds vote of members. The presence in person of two hundred members or eight percent of all members, whichever is lesser, shall be necessary and sufficient for the transaction of business at any other meeting of members.

~~4-65.6~~ Voting. Each member shall have one vote on any matter submitted to a vote of members. Proxy voting is not permitted. All issues shall be decided by a majority of members voting except where a higher percentage is required by law or by these By-laws. A decision on any issue which was not included in the notice of the meeting shall be of an advisory nature only.

~~4-75.7~~ Member Initiative. An annual or special meeting of members shall include a vote on any issue submitted by a member initiative. A member initiative shall be in writing and signed by at least sixty members or four percent of all members, whichever is lesser. A member initiative must specify the issues for decision which may concern any matter appropriate for a vote of members. A member initiative must be submitted to the Co-op at least two months prior to the date of the meeting at which the issue is to be decided.

**ARTICLE 5-6
BOARD OF DIRECTORS**

6.1 Powers. The business and affairs of the Co-op shall be directed and controlled in the interests of members by a Board of Directors (sometimes referred to herein as “the Board.”) The Board shall consist of nine persons, including eight directors elected by members and one director selected by the staff. Staff membership on the Board of Directors shall be limited to 1/3 of the total membership of the Board. No other person shall serve as director.

~~5-26.2~~ Duties to Members. The duties of the Board of Directors to members shall include, but not be limited to: Communicating important decisions of the Board to members, ensuring that accurate lists of members and directors are kept at the Co-op’s business office, and initiating a referendum on any matter that is likely to affect the basic survival of the Co-op or change its purposes.

~~5-36.3~~ Nominations. Nominations for the eight directors elected by members shall be made by the Board of Directors or a committee empowered by it or by petition of members. A member petition must be signed by at least twenty-five members or one percent of the membership eligible to vote in the previous year’s election, whichever is greater, and must be submitted to the business office of the Co-op at least ten days prior to the issuance of the notice of the annual meeting. Nominees shall be stated in the notice of the meeting of members. All directors must be members in good standing of the Co-op.

~~5-46.4~~ Election. Voting for directors shall be conducted in a manner which encourages maximum member participation. Each member shall have one vote for each vacancy to be filled on the Board of Directors.

~~5-56.5~~ Term of Office. Directors shall be elected for terms of three years. Each term shall begin at the first meeting of the Board following the annual meeting. The terms of office of the directors ~~elected by members~~; shall be staggered so that terms shall expire on a three year cycle of 3-3-3.

~~5-66.6~~ 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. Unless otherwise determined by the Board, a director having a conflict of interest in any matter may not participate in the discussion or decision of an issue involving that matter.

~~5-76.7~~ Referenda. The Board of Directors may call a referendum on any issue, and shall call a referendum on an issue when petitioned by at least sixty members or four percent of all members, whichever is lesser. Referenda shall be conducted pursuant to Article 45 of these Bylaws. A decision of the Board which is referred to members will stand until annulled or modified by members. Modification by members shall not impair rights previously acquired by third parties.

~~5-86.8~~ Removal. A director may be removed and replaced by the Board only for reasonable and sufficient cause after a fair hearing at which the director is given the opportunity to speak and present evidence. Members may remove, or remove and replace, a director with or without cause at any meeting of members. Unexcused absence from two meetings of the Board per fiscal year is expressly deemed cause for removal.

~~5-96.9~~ Vacancies. Any vacancy occurring between annual meetings by reason of the death or resignation of a Director or removal by the Board or members may be filled by the Board for the duration of the vacated term.

**ARTICLE 67
MEETINGS OF THE BOARD**

~~6-47.1~~ Regular Meetings. The Board of Directors shall determine the times and places of regular meetings, which require no further notice to directors than the resolution of the Board.

~~6-27.2~~ Special Meetings. Special meetings of the Board of Directors may be called by ~~the President the Board Chair~~, and shall be called on request of any three directors. Written or personal notice of all special meetings shall be provided to each director. Written notice shall be mailed not less than ten days and personal notice shall be given not less than three days before the date of the meeting.

~~6-37.3~~ Quorum and Decision Making. A majority of directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. The Board shall strive to make all decisions by consensus, attempting to reconcile differing points of view based upon the purposes and mission of the Co-op. If, in the opinion of a two-thirds majority of directors present, consensus cannot be reached within a reasonable period of time, particularly on an issue requiring immediate action, then a majority of directors present may decide such issue.

~~6-47.4~~ Open Meetings. Meetings of the Board of Directors shall be open to observation and limited participation by members of the Co-op. The Board may, however, conduct a closed session when necessary to protect the vital interests of the Co-op.

~~6-57.5~~ Action by Consent. Decisions of the Board of Directors may be made without a meeting if a consent in writing, stating the action to be taken, is signed by all directors and filed with the minutes of meetings.

~~6-67.6~~ Notice to Members. Notice of meetings of the Board of Directors shall be posted in the Co-op store and published in any newsletter or regular mailing to members.

**ARTICLE 78
COMMITTEES**

~~7-48.1~~ Executive Committee. The Board of Directors may designate an Executive Committee to exercise interim or other stated authority of the Board except as to matters involving long-range policies or unusually large expenditures. The committee shall consist of at least three Directors, and shall include the Board Chair, no less than three nor more than four Directors, including the President and Treasurer Board Vice Chair, and Finance Committee Chair. Only directors may sit on committees. Any action by the Executive Committee shall require the affirmative vote of at least three of its members and must be reported to and ratified by the Board of Directors at the next following meeting of the Board of Directors. The Executive Committee shall not operate to relieve the Board of general supervisory responsibilities in the management of the Co-op.

~~7-28.2~~ Committees Generally. Other committees may be designated and their members appointed, removed or replaced at any time by the Board of Directors. All such committees shall function to advise

the Board and develop proposals for its consideration. Committees may take action only as empowered by the Board of Directors in which case they shall require actual notice of meetings to all of their members and a quorum of at least three committee members including the chairperson.

**ARTICLE 89
OFFICERS**

~~8-49.1~~ Designation. The officers of the Co-op shall consist of President, Vice President, Secretary and Treasurer. Any two offices may be held by the same person except those of President and Secretary. The offices of President and Treasurer shall not be held by the staff director.

~~8-29.2~~ Selection and Removal. ~~Officers shall be selected by the~~The Board of Directors ~~from among its numbers~~shall select the officers of the Co-op no later than at its first regular meeting after the annual meeting. Terms of officers shall be for one year or until their successors are selected. Officers may be removed and replaced, with or without cause, at any time by the Board of Directors.

~~8-39.3~~ Powers and Duties. ~~Officers~~The officers shall have the following powers and duties together ~~such~~ with other powers and duties ~~as may be described in the Board policies~~ or determined by the ~~Board of Directors~~Board.

(a) the President shall ~~preside over all meetings of members and the Board of Directors; shall be in frequent contact with the management of the Co-op and shall bring any problems to the attention of the Board, and shall be an ex-officio member of all committees; be responsible to the Board of Directors for all Co-op operations and compliance with Board policies.~~

(b) the Vice-President shall perform the duties of ~~the~~ President whenever the President is unable to do so ~~so and, as requested, so, and as requested by the President~~, shall assist the President in the performance of ~~her or his duties; his or her duties.~~

(c) the Secretary shall supervise the maintenance of membership records, and oversee ~~the issuance of~~ issuing notices for, and ~~the~~ keeping of minutes of, all meetings of members and the Board of Directors; and

(d) the Treasurer shall oversee the financial affairs of the Co-op, the maintenance of financial records, the control of receipts and disbursements, and the filing of required tax returns and corporate reports.

**ARTICLE 910
OTHER PERSONNEL PROVISIONS**

~~9-4~~ 10.1 General Manager. The Board of Directors shall employ a General Manager to manage the business of the Co-op under the direction and control of the Board. The general manager is expected to attend all meetings of the Board of Directors.

~~9-2~~ 10.2 Bonding. The Treasurer, General Manager and other employees disbursing funds of the Co-op may be required to be bonded in amounts and on terms determined by the Board of Directors.

~~9-3~~ 10.3 Indemnification rights. Subject to limitations in this Article, the Co-op shall indemnify its current and former directors and officers against all losses and expenses, including reasonable attorneys’ fees, to which they may become subject by reason of their positions with the Co-op or their service in its behalf. Such indemnification shall apply whenever such person is a party or is threatened to be made a party to any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative. ~~The Co-op may directly pay or settle any such claims or liabilities as are determined by a quorum of disinterested directors or at a membership meeting, shall advance the cost incurred in defending a suit or proceeding.~~ Payment of expenses incurred in defending a suit or proceeding in advance of its final disposition may be made only upon receipt by the Co-op of a contractual undertaking by such person to repay such amounts unless the person shall be determined to be entitled to indemnification under this Article.

~~9-4~~10.4 Limitations to indemnification. No indemnification shall be provided in connection with any action by or in the right of the Co-op. No indemnification shall be provided unless the person is determined to have acted in good faith or in the reasonable belief that his or her action was in the best interests of the Co-op, or, in regard to criminal actions, that such person had no reasonable cause to believe that his or her action was unlawful. If such determination is not made in a legal proceeding related to the claim, it may be made by a quorum of disinterested directors or by independent legal counsel selected by such quorum. If not made or able to be made by either, the determination shall be made by independent legal counsel at a membership meeting. Indemnifications payments shall be made only in such amounts and at such times as will not jeopardize the solvency of the Co-op.

**ARTICLE 4011
NOTICE**

~~40-4~~ 11.1 Notice. Any notice required under these By-laws shall be deemed delivered when deposited in the U.S. mail with names and addresses as they appear in the records of the Co-op.

~~40-2~~ 11.2 Waiver of Notice. Any notice of a meeting may be waived in writing at any time before or after the meeting. The attendance of any person at a meeting shall constitute a waiver of notice of the meeting except where the person attends for the express purpose of objecting to the transaction of business because the meeting is not lawfully convened.

**ARTICLE 412
BYLAWS**

~~41-4~~ 12.1 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 modified to conform with such statute or rule of law without affecting the validity or enforceability of any other provision of these bylaws.

~~41-2~~ 12.2 Amendment of By-laws. These By-laws may be amended by members at a meeting called in part for that purpose. They may also be amended by a three-fourths vote of the Board of Directors provided that the proposed amendment is placed on the agenda of the meeting prior to the meeting at which the vote is taken. Amendments by the Board shall be presented for ratification at the next scheduled meeting of members, and shall take effect, if at all, on the date so ratified.

ADOPTED:_____ President

ADOPTED:_____ Secretary

ARTICLES OF INCORPORATION— WITH REVISIONS

ARTICLES OF AMENDMENT
OF
THE COMMUNITY FOOD COOPERATIVE
~~TO: RALPH MUNRO, The Secretary of State of the STATE OF WASHINGTON:~~
SCHEDULE 1

AMENDED ARTICLES OF INCORPORATION

OF

Articles of Amendment of the Articles of Incorporation of ~~THE COMMUNITY FOOD COOPERATIVE~~ are adopted for the corporation as follows:

- ~~The name of the corporation is THE COMMUNITY FOOD COOPERATIVE.~~
- ~~The amendment to the Articles of Incorporation adopted by the corporation is as follows:~~

~~Delete Articles I, II, III, IV, V, VI, VII, and VIII, and substitute for those deleted Articles the following new Articles:~~

ARTICLE I

Name

The name of ~~the corporation~~this Corporation is COMMUNITY FOOD COOPERATIVE.

ARTICLE II

~~The purposes for which the corporation is organized are: to purchase, acquire, process, store, sell and distribute agricultural and other consumer products; to provide educational materials and services regarding food, health, cooperative principles and other issues of concern to its members and~~Duration

~~community; to work in harmony with other cooperative organizations; and to engage in any other activity for which a corporation may be organized under the Washington Nonprofit~~The duration of this Corporation Act and which is approved at a meeting of members. The corporation is organized and shall be shall be perpetual, operated exclusively on a nonprofit basis and in any manner consistent with cooperative principles.

ARTICLE III

The principal place of business of the corporation is 1059 North State Street, Bellingham, Washington 98225. The registered agent is Randi Schuyler.Purposes and Powers

1. The purposes for which the Corporation is organized are: to operate as a cooperative organization; to purchase, acquire, process, store, sell and distribute agricultural and other consumer products of a type that are generally for personal, living or family use; to establish retail outlets from which the Corporation may carry out its activities; to provide educational materials and services regarding food, health, cooperative principles and other issues of concern to its members and community; to work in harmony with other cooperative organizations; and to engage in any other activity on a cooperative basis that may be approved at a meeting of members.

2. This Corporation shall have and may exercise all powers necessary to effect any or all of the purposes for which the Corporation is organized, including those powers described in RCW 24.06.030.

ARTICLE IV

~~The duration of the corporation shall be perpetual.~~Memberships

1. **One Class of Membership.** This Corporation shall have a single class of members. Membership of this Corporation is available to any person who is a resident of the State of Washington or a foreign country at the time such person applies for membership, who is in accord with the purposes of the Corporation, wishes to patronize it and is willing to abide by this Corporation’s Articles of Incorporation and Bylaws.

2. **Application for Membership.** An applicant for membership must submit a written application for membership to the Corporation and pay the required membership fee and capital contribution in the manner required by the Corporation. In the event of questionable eligibility, admission may be subject to approval by the Corporation’s Board of Directors. The amount of the membership fee and capital contribution shall be determined by the Board of Directors as provided for in the Bylaws.

3. **Membership Rights.** Members of the Corporation shall have the right:

(a) To purchase goods from the Corporation at prices generally available to members and otherwise to benefit from participation in the activities of the Corporation;

(b) To receive a copy of the Corporation’s Bylaws and to obtain reasonably adequate and timely information as to the organizational and financial affairs of the Corporation, including review of the minutes of Board of Directors’ meetings and the Corporation’s financial statements and records. The information shall be provided to members upon request, with reasonable prior notice, at the Corporation’s business office during office hours. Confidential information as defined by Board policies will be provided only for a proper purpose and may be made subject to conditions or restrictions as determined by the Board of Directors;

(c) To participate in the democratic management of the Corporation by voting on issues submitted to members, proposing member initiatives, standing for election to serve on the Board of Directors and committees and as otherwise described in the Bylaws.

4. **Termination of Membership.** Membership in the Corporation may be terminated in any of the following ways:

(a) Voluntarily by a member at any time upon notice to the Corporation;

(b) Automatically whenever payment of annual membership fees or current capital contributions becomes delinquent to an extent determined by the Board of Directors;

(c) For reasonable and sufficient cause, including willful violation of the Corporation’s Articles or Bylaws, by a two thirds’ vote of the Board of Directors, after a fair hearing at which the member has had the opportunity to speak and present evidence.

5. **Return of Capital Contributions.** Following termination of membership for any reason, capital contributions shall be returnable within six months after request by the member and approval by the Board of Directors. In the event of dissolution of the Corporation, capital contributions shall be returned to members after payment of all liabilities of the Corporation. If sufficient funds are not available for a payment in full, repayment shall be made on a pro rata basis among all members in proportion to their accumulated capital contributions.

6. **Liability.** No member shall be liable for debts, obligations or liabilities of the Corporation.

7. **Additional Qualifications.** The Board of Directors may impose regulations and qualifications with respect to membership by Bylaws not inconsistent with these Articles.

ARTICLE V

~~The Board of Directors shall consist of at least three (3) members; the current Board of Directors is composed of the following individuals:~~

~~Dalia Biciunas
Suzanne Goodell
Brent Harrison
Arnie Klaus
Donna Mixon
Mark Peterson
Randi Schuyler
Laura Shelton
Louise Smith~~
ARTICLE VI

~~The names of the original incorporators are:~~

~~Ronald K. Sorensen
Alison L. Magraw
Melissa Queen~~

Non-Stock Corporation

This is not a stock corporation and no stock shall be issued to any member.

ARTICLE VI

Distribution of Surplus

The net distributable surplus of the Corporation from cooperative activities after establishing reserves shall be distributed to members in cash or in kind, or both, in proportion to such member’s purchases during the period for which the distribution is made. Distributions shall be made annually, unless otherwise provided by the Bylaws, but in no event less frequently than every other year. The determination of what constitutes net distributable surplus, the determination of the time and manner of its distribution, the definition and establishment of reserves, the disposition of unclaimed distributions and all other matters relating to the distribution of distributable surplus, not contrary to the Articles, shall be determined by the Board of Directors pursuant to Bylaws which may be adopted, and from time to time amended, by the Board of Directors.

ARTICLE VII

Disposition of Assets on Dissolution

~~Upon~~On dissolution of the ~~corporation~~, Corporation, its assets shall be first applied first to payment of all expenses of liquidation and ~~liabilities~~ payment of corporate obligations (including payment of retained patronage dividends), and then to return of capital contributions of to members which, if they cannot be paid in full, shall be paid on a ~~prorata basis among all such outstanding amounts:~~ pro rata basis. Any remaining assets shall be distributed to one or more ~~nonprofit organizations; cooperative organizations~~ selected by the Board of Directors, whose purposes are similar to those of the ~~corporation~~: Corporation.

~~The following Article VIII is added:~~

ARTICLE VIII

RELEASE OF LIABILITY

~~Directors shall not be personally liable to the corporation or its members for monetary damages for conduct as a Director, except for acts or omissions that involve intentional misconduct by a Director or a knowing violation of law by a Director, or for any transaction from which the Director will personally receive a benefit in money, property, or services to which the Director is not legally entitled.~~

~~3-These Articles of Amendment were adopted at a meeting of members of the corporation on May 27, 1989; a quorum was present at such meeting, and the Amendments received at least two-thirds of the votes which members present at such meeting or represented by mail ballots at such meeting were entitled to cast.~~

~~DATED: _____~~

~~COMMUNITY FOOD COOPERATIVE~~

By: _____
Its: President/Vice President

By: _____
Its: Secretary

STATE OF WASHINGTON-)
)ss:
COUNTY OF WHATCOM -)

I certify that I know or have satisfactory evidence that _____
signed this instrument and acknowledged it as the President/Vice President of _____
_____, to be the free and voluntary act of such party for the uses and
purposes mentioned in the instrument.

DATE: _____

NOTARY PUBLIC
My Commission Expires: _____

STATE OF WASHINGTON-)
)ss:
COUNTY OF WHATCOM -)

I certify that I know or have satisfactory evidence that _____
signed this instrument and acknowledged it as the Secretary of _____
_____, to be the free and voluntary act of such party for the uses and purposes
mentioned in the instrument.

DATE: _____

NOTARY PUBLIC
My Commission Expires: _____
Registered Office and Agent

The name of the registered agent of this Corporation and the street address of its
registered office are as follows:

1220 N. Forest Street
Bellingham, WA 98225

ARTICLE IX

Board of Directors

The number of directors constituting the Board of Directors of the Corporation at the
time of the adoption of these Amended Articles of Incorporation is nine (9), and their
names and addresses are as follows:

Name & Address	Term Expires
Philip Buri – _____	2006
Derek Long – _____	2008
Karen Thomas - _____	2006
Judy Willis - _____	2007
Brent Harrison – _____	2007
Negash Alem - _____	2007
Jo Ann McNerthney – _____	2008
Steve Harper – _____	2006
Brooks Dimmick – _____	2008

IN WITNESS WHEREOF, these Amended Articles of Incorporation are executed on
behalf of the Corporation this _ day of _____, 2006.

Name , President and Board Chairman

CONSENT TO APPOINTMENT AS REGISTERED AGENT

The undersigned hereby consents to serve as registered agent for The
Community Food Cooperative in the State of Washington.

DATED this _____ day of _____, 2006.

Name

Address
Address

FINAL AMENDED ARTICLES OF INCORPORATION
(This version incorporates all the above changes)

SCHEDULE 1

AMENDED ARTICLES OF INCORPORATION

OF

COMMUNITY FOOD COOPERATIVE

ARTICLE I

Name

The name of this Corporation is COMMUNITY FOOD COOPERATIVE.

ARTICLE II

Duration

The duration of this Corporation shall be perpetual.

ARTICLE III

Purposes and Powers

1. The purposes for which the Corporation is organized are:
to operate as a cooperative organization; to purchase, acquire, process,
store, sell and distribute agricultural and other consumer products of a
type that are generally for personal, living or family use; to establish retail
outlets from which the Corporation may carry out its activities; to provide
educational materials and services regarding food, health, cooperative
principles and other issues of concern to its members and community; to
work in harmony with other cooperative organizations; and to engage in
any other activity on a cooperative basis that may be approved at a meeting
of members.

2. This Corporation shall have and may exercise all powers
necessary to effect any or all of the purposes for which the Corporation is
organized, including those powers described in RCW 24.06.030.

ARTICLE IV

Memberships

1. **One Class of Membership.** This Corporation shall have
a single class of members. Membership of this Corporation is available
to any person who is a resident of the State of Washington or a foreign
country at the time such person applies for membership, who is in accord
with the purposes of the Corporation, wishes to patronize it and is willing
to abide by this Corporation’s Articles of Incorporation and Bylaws.

2. **Application for Membership.** An applicant for
membership must submit a written application for membership to the
Corporation and pay the required membership fee and capital contribution
in the manner required by the Corporation. In the event of questionable
eligibility, admission may be subject to approval by the Corporation’s
Board of Directors. The amount of the membership fee and capital
contribution shall be determined by the Board of Directors as provided for
in the Bylaws.

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have the right:

(a) To purchase goods from the Corporation at prices
generally available to members and otherwise to benefit from participation
in the activities of the Corporation;

(b) To receive a copy of the Corporation’s Bylaws and to
obtain reasonably adequate and timely information as to the organizational
and financial affairs of the Corporation, including review of the minutes

of Board of Directors’ meetings and the Corporation’s financial statements and records. The information shall be provided to members upon request, with reasonable prior notice, at the Corporation’s business office during office hours. Confidential information as defined by Board policies will be provided only for a proper purpose and may be made subject to conditions or restrictions as determined by the Board of Directors;

(c) To participate in the democratic management of the Corporation by voting on issues submitted to members, proposing member initiatives, standing for election to serve on the Board of Directors and committees and as otherwise described in the Bylaws.

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ARTICLE VII

Disposition of Assets on Dissolution

On dissolution of the Corporation, its assets shall be applied first to payment of all expenses of liquidation and payment of corporate obligations (including payment of retained patronage dividends), and then to return of capital contributions to members which, if they cannot be paid in full, shall be paid on a pro rata basis. Any remaining assets shall be distributed to one or more cooperative organizations selected by the Board of Directors, whose purposes are similar to those of the Corporation.

ARTICLE VIII

Registered Office and Agent

The name of the registered agent of this Corporation and the street address of its registered office are as follows:

1220 N. Forest Street
Bellingham, WA 98225

ARTICLE IX

Board of Directors

The number of directors constituting the Board of Directors of the Corporation at the time of the adoption of these Amended Articles of Incorporation is nine (9), and their names and addresses are as follows:

<u>Name & Address</u>	<u>Term Expires</u>
Philip Buri – _____	2006
Derek Long – _____	2008
Karen Thomas - _____	2006
Judy Willis - _____	2007
Brent Harrison – _____	2007
Negash Alem - _____	2007
Jo Ann McNerthney – _____	2008
Steve Harper – _____	2006
Brooks Dimmick – _____	2008

IN WITNESS WHEREOF, these Amended Articles of Incorporation are executed on behalf of the Corporation this __ day of _____, 2006.

Name, President and Board Chairman

CONSENT TO APPOINTMENT AS REGISTERED AGENT

The undersigned hereby consents to serve as registered agent for The Community Food Cooperative in the State of Washington.

DATED this _____ day of _____, 2006.

Name

Address
Address



1220 N. Forest St., Bellingham, WA 98225
360-734-8158 • www.communityfood.coop