

Final Draft approved April 6, 2011 and to be submitted for review by the Membership.

BYLAWS OF LAKE COUNTY COMMUNITY COOPERATIVE, INC.

Article I Organization

Section 1.1 - **Name and status.** The name of the organization is Lake County Community Cooperative, Inc. (referred to in these bylaws as "the Co-op"). The Co-op is a cooperative corporation under the Consumer Cooperative Corporation Law of the State of California.

Section 1.2 - **Purpose and mission.** The Co-op is organized and shall be operated primarily for the mutual benefit of its owners as patrons of the Co-op. The mission of the Co-op is to provide its community with high quality, affordable foods and products while supporting organic sustainable agriculture (sourced locally and regionally whenever possible), promoting health awareness, and conducting such other activities that will serve the economic, educational, recreational, health and cultural welfare of its owners.

Section 1.3 - **Cooperative principles.** The Co-op shall be operated in accordance with cooperative principles adopted by the 1995 General Assembly of the International Co-operative Alliance, such principles being: (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 members 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 - **Principal office.** The principal office of the Co-op shall be located at 14773 Lakeshore Drive, Clearlake, CA 95422 until changed by the Board of Directors.

Section 1.5 - **Nondiscrimination.** The Co-op shall not discriminate on the basis of nationality, race, religion, age, gender, sexual orientation, political affiliation, or other arbitrarily basis.

Article II Ownership

Section 2.1 - **Eligibility.** Ownership in the Co-op shall be voluntary and open to any individual, household, or organization whose purpose is to use the services of the Co-op and who is willing to accept the responsibilities of ownership. In the event that any doubt arises concerning eligibility within six months after the date of application, an application for ownership shall be subject to approval by the Board.

Section 2.2 - **Admission.** Applicants will be admitted to ownership upon submitting required information and purchasing or subscribing to purchase one share at its issuing price as

determined by the board of directors. Installment payment arrangements shall be made available for persons of low income. On or before admission to ownership, each owner shall be provided a copy of these bylaws.

Section 2.3 - **Rights.** Except as otherwise provided herein, 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 - **Responsibilities.** To maintain ownership in good standing each owner shall purchase a share at the beginning of each calendar year, shall patronize the Co-op on at least an occasional basis, shall contribute labor or its equivalent in furtherance of the Co-op's operations as determined by the Board, and shall notify the Co-op of any change to the owner's name or address. The share purchase obligation shall cease upon reaching an amount determined by the board of directors, but in no event shall such amount exceed \$300 or such higher amount as is permitted by law to avoid state securities laws.

Section 2.5 - **Inactive status.** An owner who becomes delinquent by one month in meeting the share purchase obligation, or who fails to patronize the Co-op for a period of one year, shall be placed into inactive status. The owner's participation rights shall then be suspended. An owner in inactive status may attain good standing upon bringing the share purchase obligation into current status or reestablishing a patronage relationship with the Co-op or both. References in these bylaws to the rights and entitlements of owners shall be understood to refer only to owners in good standing.

Section 2.6 - **Access to information.** Owners shall be entitled to receive a copy of the annual report referred to in section 3.4 below. An owner shall, upon request made in good faith, be provided information concerning the operational and financial affairs of the Co-op for a purpose reasonably related to such person's interest as an owner. Any proper request necessitating information from the Co-op's records of owners shall be accommodated by means other than direct access to such records.

Section 2.7 - **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. Neither 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 2.8 - **Nontransferability.** Ownership rights and interests, including shares and deferred patronage dividends, may not be sold, assigned, or otherwise transferred. Following termination of ownership, the Co-op will upon request of the owner transfer the carrying value of such rights and interests, net of any authorized offsets, to the credit of another person designated by the requesting owner, provided that the transfer is for a price that does not exceed the carrying value of such rights and interests and that the person so designated is or becomes an owner of the Co-op. Any attempted transfer contrary to this section shall be wholly void and shall confer no rights on the intended transferee.

Section 2.9 - **Withdrawal and expulsion.** An owner may withdraw at any time upon notice to the Co-op. An owner may be expelled by the Board for cause after being provided fair notice of the charges and an opportunity to respond 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 Article VII of these bylaws.

Article III

Meetings of Owners

Section 3.1 - **Annual meeting.** An annual meeting of owners shall be held within three months after the end of the Co-op's fiscal year to receive reports on the operations and finances of the Co-op, to elect directors, 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 President as soon as possible after the receipt of petitions signed by five percent of all owners, such petitions stating any lawful and proper business to be brought before the meeting.

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 place convenient to owners.

Section 3.4 - **Notice.** Written notice of the time, place, and purpose or purposes of all meetings of owners shall be provided to each owner not less than twenty nor more than sixty days before the date of the meeting. The notice of the annual meeting shall advise owners that a copy of the Co-op's annual report containing such information as is required by section 12591 of the Consumer Cooperative Corporation Law will be provided upon request. Notice shall also be posted at drop points and on the Co-op's website, but the inadvertent failure to do so shall not affect the validity of the meeting. Any business conducted at a meeting other than that specified in the notice of the meeting shall be of an advisory nature only.

Section 3.5 - **Record dates.** Only persons who are owners at the close of business on the day immediately preceding the date of distribution of notices shall be entitled to notice of a meeting or to vote at the meeting.

Section 3.6 - **Quorum.** The presence in person or by ballot at the opening of the meeting of ten percent of all owners or two hundred fifty owners, whichever is lesser, shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of owners.

Section 3.7 - **Voting.** Unless otherwise required by these bylaws, each owner shall have one and only one vote on each matter submitted to a vote of owners. Voting by proxy shall not be permitted. Unless otherwise required by law or by these bylaws, 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. Meetings of owners shall be conducted generally in accordance with generally accepted rules of parliamentary procedure.

Section 3.8 - **Voting by written ballot.** Owners may, as authorized by the Board, vote by written ballot delivered to the Co-op. Ballots, together with the exact text of an issue for decision, shall be included in the notice of the meeting to which they relate. Ballots shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide a reasonable time within which to return the ballot to the Co-op. Written ballots may be in addition to or in lieu of voting at a meeting of owners.

Section 3.9 - **Issues submitted by owners.** Notices of a meeting of owners shall include any lawful and proper issue submitted by petition of at least three percent of all owners. Petitions must be received by the Co-op not less than seventy-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 activities and affairs of the Co-op shall be conducted and all powers shall be exercised by or under the direction of the Board of Directors (sometimes referred to in these bylaws as "the Board"). Such powers shall reside exclusively in the Board as a deliberative body; they may reside in individual directors only to the extent explicitly so delegated by the Board. The duties of the Board shall include, but not be limited to, overseeing the operations and finances of the Co-op, establishing policies to govern operational decisions, engaging a general manager and monitoring and evaluating his or her performance, and assuring that the purpose and mission of the Co-op are properly carried out.

Section 4.2 - **Number and qualifications.** The Board shall consist of seven individuals. To be qualified as a director, a person shall be an owner for at least six months prior to the commencement of the election of directors and shall not have any overriding conflict of interest with the Co-op. No employee shall be eligible to serve as a director.

Section 4.3 - **Nominations, election, and terms.** Directors may be nominated by the Board, by a nominating committee, or by petitions signed by at least twenty-five owners and submitted to the Co-op at least seventy-five days before the date of the regular meeting. Directors shall be elected by owners at the regular meeting. Periodically as may be necessary, directors shall be elected for specific one- or two-year terms in order to assure that no more than four terms expire in each year. At other times directors shall be elected for terms of two years. Directors shall hold office until their successors are elected or until their offices are sooner terminated in accordance with these bylaws.

Section 4.4 - **Compensation.** Directors may be compensated only as approved at a meeting of owners. Directors may be reimbursed for reasonable expenses incurred in connection with the performance of authorized business of the Co-op.

Section 4.5 - **Standards of conduct.** Directors shall be responsible at all times for performing their duties in good faith, in a manner that they believe to be in the best interests of the Co-op, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

Section 4.6 - **Conflicts of interest.** Directors shall be under an affirmative duty to disclose their actual or potential conflicts of interest, either direct or indirect, in any matter under consideration by the Board or by a committee exercising any authority of the Board, and such interest shall be made a matter of record in the minutes of the meeting. A director or committee member having such an interest shall be permitted to make a statement with regard to the matter but shall not be permitted to participate in the discussion or decision of the matter.

Section 4.7 - **Indemnification.** The Co-op shall as required and may as permitted under state law indemnify its directors and officers. Indemnification payments 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 other obligations as they become due. Any indemnification payments or advances shall be reported to owners not later than the next-scheduled meeting of owners.

Section 4.8 - **Committees.** The Board may appoint special or standing committees to advise the Board or to exercise such authority as the Board shall designate. All committees shall include at least one director, and a committee exercising any authority of the Board shall consist

exclusively of directors and shall follow procedures applicable to Board meetings. The appointment of any committee shall not relieve the Board of its responsibilities in the oversight of the Co-op.

Section 4.9 - **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 Secretary; (ii) automatically upon termination of ownership in the Co-op; and (iii) by action at a meeting of owners. A director who is absent from three Board meetings within a period of one year shall, unless excused by the Board for good cause, be presumed to have resigned.

Section 4.10 - **Vacancies.** Any vacancy among directors occurring between regular meetings of owners may be filled by the Board until the next-scheduled meeting of owners, at which time owners shall elect a director to fill the unexpired term of the vacant director's position.

Article V Meetings of the Board

Section 5.1 - **Meetings.** Meetings of the Board shall be held no less frequently than once in each of ten months in a one-year period. Meetings not called by the Board (special meetings) may be called by the President and shall be called by the Secretary upon request of any three directors.

Section 5.2 - **Notice.** Meetings called by the Board shall require no notice, 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 days before the time of the meeting. Notices of meetings of the Board shall also be posted in a timely manner and in a conspicuous place in the Co-op's store, but the inadvertent failure to do so shall not affect the validity of the meeting.

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 other than for the sole purpose of objecting to the adequacy of the notice shall be deemed to have waived any objection to the notice.

Section 5.4 - **Quorum and decision making.** The presence in person of a majority of directors shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the Board. The Board shall strive to make decisions by consensus, attempting to reconcile differing points of view based upon the mission and best interests of the Co-op. 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 may be decided by a two-thirds majority vote.

Section 5.5 - **Meetings by telecommunication.** Directors may participate in a meeting of the Board by conference telephone, electronic video screen communication, or other electronic transmission whereby all persons participating can simultaneously hear one another.

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 only if a written consent to the action is signed by all directors and filed with the minutes of meetings. Action by consent shall not be used to avoid the open meeting requirement.

Section 5.7 - **Open meetings.** Meetings of the Board and all committees exercising any authority of the Board shall be open to owners, except that sessions of a meeting may be closed as to matters of a confidential or sensitive nature.

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. Principal officers shall be directors. The Board may designate other officers or assistant officers.

Section 6.2 - **Election, terms, and removal.** Officers shall be elected by the Board at its first meeting following the regular meeting of owners. 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 and shall present a report of operations at the annual meeting of owners.

(b) The Vice President shall be responsible for performing the duties of the President in his or her absence or disability and assisting the President in the performance of his or her duties.

(c) The Secretary shall be responsible for the recording and keeping of adequate minutes of all meetings of the Board and of owners, overseeing the issuance of notices required under these bylaws and executing affidavits of notice given, and authenticating records of the Co-op.

(d) The Treasurer shall oversee the maintenance of financial records, issuance of financial reports, and filing of required reports and returns, and shall present a financial report at the annual meeting of owners.

Article VII Shares

Section 7.1 - **Issuance.** The Co-op shall issue shares to evidence capital funds provided by owners. Shares may be issued only to persons eligible for and admitted to ownership in the Co-op. Such shares shall be considered issued upon full payment of no less than their issuing price and need not be evidenced by certificates.

Section 7.2 - **Terms.** Shares shall be entitled to no dividend or other monetary return on contributed capital. The minimum share purchase requirement shall be subject to increase for the reasonable capital needs of the Co-op, provided that such increase applies equally to both existing and newly-admitted owners. Shares shall be redeemable only upon liquidation of the Co-op.

Article VIII Fiscal and Miscellaneous matters

Section 8.1 - **Fiscal year.** The fiscal year of the Co-op shall begin on April 1 and end on March 31.

Section 8.2 - **Disposition of surplus.** In lieu of distributing patronage dividends in its initial years of operations the Co-op shall use its surplus funds for its development needs and for the provision and extension of services to its owners and other patrons.

Section 8.3 - **Communication by electronic means.** Unless otherwise required by these bylaws, any notice, consent, ballot, petition, or other document required or permitted by these bylaws may be delivered by electronic means, provided that, in the case where such communication expressly or impliedly requires the signature of the person submitting the communication, means are in place to reasonably assure the authenticity of the signature.

Section 8.4 - **Gift of proprietary interests.** An owner who holds any equity or other interest in the Co-op which becomes subject to unclaimed property laws may make a gift of such interest either by affirmatively so designating in a communication to the Co-op or by failing to claim the interest after the following procedures have been complied with: (i) at any time after the interest would otherwise escheat to the state, the Co-op shall provide at least sixty days prior notice of the proposed transfer to the Co-op by first-class or second-class mail to the last known address of such person shown on the Co-op's records and by publication in a newspaper of general circulation in the county in which the Co-op has its principal office; and (ii) no written notice objecting to the proposed transfer is received by the Co-op from such person or from someone acting on behalf of such person prior to the date of the proposed transfer. A person who fails to make such claim or provide such notice of objection shall be deemed to have made a gift of such interest to the Co-op as of the effective date of such transfer.

Section 8.5 - **Loans prohibited.** The Co-op shall not make a loan to, or guarantee the obligation of, a director officer.

Section 8.6 - **Liquidation.** Upon liquidation and dissolution of the Co-op, its assets shall be distributed in the following manner and order: (i) by paying or making provision for payment of all liabilities and expenses of liquidation; (ii) by redeeming shares at their carrying value on the books of the Co-op which, if they cannot be paid in full, shall be paid on a pro rata basis among all outstanding amounts; and (iii) by distributing any remaining assets among current and former owners in proportion to their patronage during the five years immediately preceding the date of dissolution, or, if so determined by a vote of owners, to one or more cooperative or nonprofit organizations that may best further the purposes and mission of the Co-op.

Article IX

Interpretation and Amendment of Bylaws

Section 9.1 - **Interpretation.** The Board of Directors shall have the power to interpret these bylaws, apply them to particular circumstances, and adopt policies in furtherance of them, provided that all such actions are reasonable and consistent with these bylaws.

Section 9.2 - **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 9.3 - **Amendment.** These bylaws may be amended or repealed only at a meeting of owners, provided that the proposed amendments are stated or fully described in the notice of the meeting at which the amendments are to be adopted.