

**BYLAWS  
OF  
ARROYO FOOD COOPERATIVE, INC.**  
(tentative, awaiting board approval)

**ARTICLE I: PURPOSES**

The corporation shall be organized and shall conduct its business primarily for the mutual benefit of its members as patrons of the corporation. The earnings, savings, or benefits of the corporation shall be used for the general welfare of the members or shall be proportionately and equitably distributed to its members as patrons, based upon their patronage of the corporation. The corporation is democratically controlled and is not organized to make a profit for itself, as such, but primarily for its members as patrons.

**ARTICLE II: DEFINITIONS**

A. *Mailing* means first-class mail, postage prepaid.

B. The *time a notice is given or sent* means, unless otherwise expressly provided, (1) the time a written notice by mail is deposited in the United States mails, postage prepaid; (2) the time any other written notice is personally delivered to the recipient, delivered to a common carrier for transmission to the recipient, or actually transmitted by electronic means to the recipient; or (3) the time any oral notice is communicated, in person or by telephone or wireless, to the recipient or to a person at the office of the recipient who the person giving the notice has reason to believe will promptly communicate it to the recipient.

C. *Electronic transmission by the corporation* means a communication (a) delivered by (1) facsimile telecommunication or electronic mail when directed to the facsimile number or electronic mail address, respectively, for that recipient on record with the corporation, (2) posting on an electronic message board or network which the corporation has designated for those communications, together with a separate notice to the recipient of the posting, which transmission shall be validly delivered upon the later of the posting or delivery of the separate notice thereof, or (3) other means of electronic communication, (b) to a recipient who has provided an unrevoked consent to the use of those means of transmission for communications, and (c) that creates a record that is capable of retention, retrieval, and review, and that may thereafter be rendered into clearly legible tangible form. Prior to consenting to the use of electronic communication, the member shall be provided with a clear and conspicuous statement (a) informing the member of the right of the member to withdraw the consent to electronic communication; (b) informing the member of what categories of communications may be provided or made available by electronic communication; (c) describing the procedures the member must use to withdraw consent to electronic communication and to update information needed to contact the member electronically; (d) informing the member that the member may, upon request, obtain a paper copy of an electronic communication and whether any fee will be charged for such copy; and (e) describing the hardware and software requirements for access to and retention of the electronic communication. The member's consent to electronic communication must be received electronically, in a manner that reasonably demonstrates that

the member can access information in the electronic form that will be used to provide the information that is the subject of the consent. After the consent of a member, if a change in the hardware or software requirements needed to access or retain electronic records creates a material risk that the consumer will not be able to access or retain a subsequent electronic record that was the subject of the consent, the corporation shall provide the member with a statement of the revised hardware and software requirements for access to and retention of the electronic records, and the right to withdraw consent without the imposition of any fees for such withdrawal and without the imposition of any condition or consequence that was not previously disclosed.

D. *Electronic transmission to the corporation* means a communication (a) delivered by (1) facsimile telecommunication, or electronic mail when directed to the facsimile number or electronic mail address, respectively, which the corporation has provided from time to time to members and directors for sending communications to the corporation, (2) posting on an electronic message board or network which the corporation has designated for those communications, and which transmission shall be validly delivered upon the posting, or (3) other means of electronic communication, (b) as to which the corporation has placed in effect reasonable measures to verify that the sender is the member or director purporting to send the transmission, and (c) that creates a record that is capable of retention, retrieval, and review, and that may thereafter be rendered into clearly legible tangible form.

E. A *membership* refers to the rights a member has pursuant to the corporation's articles, bylaws, and the law. Memberships may be issued by the corporation for such consideration as is determined by the board in compliance with Article III, Section B.

F. *Patrons* are those who purchase goods from or use the service of the corporation.

G. *Patronage* of a patron is measured by the volume or value, or both, of a patron's purchases of goods and/or services furnished by the corporation.

### **ARTICLE III: MEMBERS**

#### **A. Classification of Members**

The corporation shall have two (2) classes of members, voting and non-voting. A member may hold either a voting membership, a non-voting membership, or both.

#### **B. Membership Qualifications and Capital Contributions**

A natural person, two persons, or an entity may become a member of this corporation by:

- Being a resident of, or if an entity, located in, California;
- Paying the required capital contribution;
- Receiving a copy of the corporation's Disclosure Statement, Bylaws, and a receipt.

Any member that is unable to pay the entire capital contribution may pay in installments. Each installment payment shall not be less than ten percent (10%) of the total required capital contribution. An installment payment must be made at least once per year. Any distributions paid to a member that has chosen to pay a capital contribution in installments will be credited to such member's required capital contribution.

Failure to pay installments annually will result in suspension of membership. A suspended member may re-activate his/her/its membership by paying all past due installments. A suspended member is not entitled to any of the rights of membership.

Any increase in the required capital contribution must be approved by a majority of those members that would be affected by such increase.

Members must notify the corporation of any change of mailing address.

#### C. Member Resignation

A member may resign from membership at any time.

This section shall not relieve the resigning member from any obligation for charges incurred, dues, assessments, or fees, and this section shall not diminish any right of the corporation to enforce any such obligation or obtain damages for its breach.

#### D. Removal of Members

No member may be expelled or suspended, and no membership or memberships may be terminated or suspended, except according to procedures satisfying the requirements of this section.

Any expulsion, suspension, or termination must be done in good faith and in a fair and reasonable manner.

The member shall be given 15 days' prior notice of the expulsion, suspension, or termination and the reasons therefor; and shall be given an opportunity to be heard, orally or in writing, not less than five days before the effective date of the expulsion, suspension or termination by a person or body authorized to decide that the proposed expulsion, termination or suspension not take place.

The notice required under this section may be given by any method reasonably calculated to provide actual notice. Any notice given by mail must be given by first-class or registered mail sent to the last address of the members shown on the corporation's records.

A member who is expelled or suspended or whose membership is terminated shall be liable for any charges incurred, dues, assessments or fees incurred before expulsion, suspension or termination or arising from contract or otherwise.

The corporation may direct a member whose expulsion is being considered to refrain from conducting business as a member until the expulsion decision is made. The corporation may also direct a member whose expulsion is being considered to stay away from the corporation's places of business except as necessary to exercise her or his rights under law.

#### **ARTICLE IV: MEMBER MEETINGS**

##### **A. Member Voting**

The vote of a majority of the voting members present at a duly called meeting at which a quorum is present is the act of the membership.

Each member entitled to vote shall be entitled to one vote on each matter submitted to a vote of the members. If a membership stands of record in the names of two persons, unless the secretary of the corporation is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect:

- (a) If only one vote, such act binds all; or
- (b) If more than one vote, the act of the majority so voting binds all.

Where a member of the corporation is not a natural person, such member may authorize in writing one or more natural persons to vote on its behalf on any or all matters which may require a vote of the members.

Cumulative voting shall not be permitted.

There shall be no voting by proxy.

Prior to any regular or special meeting of members, the board may authorize distribution of a written ballot to every member entitled to vote at the meeting. Such ballot shall set forth the action proposed to be taken at the meeting, shall provide an opportunity to specify approval or disapproval of the proposed action, and shall state that unless revoked by the member voting in person at the meeting, the ballot will be counted if received by the corporation on or before the time of the meeting with respect to which it was sent. If ballots are so distributed with respect to a meeting, the number of members voting at the meeting by unrevoked written ballots shall be deemed present at the meeting for purposes of determining the existence of a quorum but only with respect to the proposed action referred to in the ballots. Written ballots may be used in the election of directors.

If the corporation has 100 or more members, any written ballot distributed to 10 or more members shall afford an opportunity to specify a choice between approval and disapproval of each matter intended, at the time the written ballot is distributed, to be acted upon by such written ballot, and shall provide that the vote shall be cast in accordance with the choice specified on the ballot.

##### **B. Meetings**

Meetings of members may be held at a place within Los Angeles County that is fixed by the board. If no place is fixed, meetings of members shall be held at the principal executive office of the corporation.

An annual meeting of members shall be held each year at a place and time determined by the board and communicated as described in section IV(C). In any year in which directors are elected, the election shall be held at the annual meeting. Any other proper business may be transacted at the meeting.

Special meetings of members for any lawful purpose may be called by the board, the president, or five (5) percent or more of the members.

Upon request in writing to the corporation addressed to the attention of the president, vice president, or secretary by any person (other than the board), the officer shall cause notice to be given to the members entitled to vote that a meeting will be held at a time fixed by the board not less than 35 nor more than 90 days after the receipt of the request.

No business other than that contained in the meeting notice may be transacted at a special meeting.

### C. Notice

Whenever members are required or permitted to take any action at a meeting, a written notice of the meeting shall be given not less than 10 nor more than 90 days before the date of the meeting to each member who, on the record date for notice of the meeting (determined as provided in Section IV(G)), is entitled to vote thereat; provided, however, that if notice is given by mail, and the notice is not mailed by first-class, registered, or certified mail, that notice shall be given not less than 20 days before the meeting.

The notice shall state the place, date, and time of the meeting and, in the case of a special meeting, the general nature of the business to be transacted. The notice of any meeting at which directors are to be elected shall include the names of all those who are nominees at the time the notice is given to members.

Notice of a members' meeting or any report shall be given personally, by electronic transmission by the corporation, or by mail or other means of written communication, addressed to a member at the address of such member appearing on the books of the corporation or given by the member to the corporation for purpose of notice; or if no such address appears or is given, at the place where the principal office of the corporation is located or by publication at least once in a newspaper of general circulation in Los Angeles County.

If any notice or report addressed to the member at the address of such member appearing on the books of the corporation is returned to the corporation by the United States Postal Service marked to indicate the United States Postal Service is unable to deliver the notice or report to the member at such address, all future notices or reports shall be deemed to have been duly given

without further mailing if the same shall be available for the member upon written demand of the member at the principal office of the corporation for a period of one year from the date of the giving of the notice or report to all other members.

Notice shall not be given by electronic transmission by the corporation after either of the following:

- (a) The corporation is unable to deliver two consecutive notices to the member by that means.
- (b) The inability to so deliver the notices to the member becomes known to the secretary, any assistant secretary, or other person responsible for the giving of the notice.

A notice or report mailed or delivered as part of a newsletter, magazine, or other publication regularly sent to members shall constitute written notice when addressed and mailed postage prepaid by first or second class mail or delivered to the member, or in the case of members who are residents of the same household and who have the same address on the books of the corporation, when addressed and mailed postage prepaid by first or second class mail or delivered to one of such members, at the address appearing on the books of the corporation.

When a members' meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 45 days or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each member of record entitled to vote at the meeting.

Notwithstanding any other provision of the bylaws, any approval of the members related to removal of directors, filling of vacancies on the board, entering into a contract in which a director has a material financial interest, amendment of the articles of incorporation, or approval of a plan of distribution upon winding up of the corporation shall be valid only if the general nature of the proposal so approved was stated in the notice of meeting or in any written waiver of notice.

#### D. Waiver of Notice

The transactions of any meeting of members however called and noticed, and wherever held, are as valid as though had at a meeting duly held after regular call and notice, if a quorum is present, and if, either before or after the meeting, each of the persons entitled to vote, not present in person, provides a waiver of notice or consent to the holding of the meeting or an approval of the minutes thereof in writing. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Attendance of a person at a meeting shall constitute a waiver of notice of and presence at such meeting, except when the person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters required to be included in the notice but not so included, if such objection is expressly made at the meeting. Neither the business to be transacted at nor the purpose of any regular or special meeting of members need be specified

in any written waiver of notice, consent to the holding of the meeting, or approval of the minutes thereof.

#### E. Written Ballot

Any action which may be taken at any regular or special meeting of members may be taken without a meeting if the corporation distributes a written ballot to every member entitled to vote on the matter. The ballot and any related material may be sent by electronic transmission by the corporation and responses may be returned to the corporation by electronic transmission to the corporation. The ballot 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 corporation.

Approval by written ballot pursuant to this section shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

Ballots shall indicate (a) the number of responses needed to meet the quorum requirement, (b) with respect to ballots other than for the election of directors, the percentage of approvals necessary to pass the measure submitted, and (c) the time by which the ballot must be received in order to be counted.

A written ballot may not be revoked.

Directors may be elected by written ballot under this section.

The secretary shall cause a vote to be taken by written ballot upon any action or recommendation proposed in writing by 20 percent of the members of the corporation.

#### F. Quorum

The lesser of 250 members or members representing 5 percent of the voting power shall constitute a quorum at a meeting of members. The only matters that may be voted upon at any regular meeting actually attended by less than one-third of the voting power are matters notice of the general nature of which was given in accordance with the notice requirements in Section IV(C).

The members present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment notwithstanding the withdrawal of enough members to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the members required to constitute a quorum.

In the absence of a quorum, any meeting of members may be adjourned from time to time by the vote of a majority of the votes represented in person, but no other business may be transacted, except as provided above.

In the absence of a quorum, the members present may discuss any matter but may not take any vote or action except a vote to adjourn the meeting.

Whenever members are disqualified from voting on any matter, they shall not be counted for the determination of a quorum at any meeting to act upon, or the required vote to approve action upon, that matter.

#### G. Record Date

The board may fix, in advance, a date as the record date for the purpose of determining the members entitled to notice of any meeting of members. Such record date shall not be more than 60 nor less than 10 days before the date of the meeting. If no record date is fixed, members at the close of business on the business day preceding the day on which notice is given or, if notice is waived, at the close of business on the business day preceding the day on which the meeting is held are entitled to notice of a meeting of members. A determination of members entitled to notice of a meeting of members shall apply to any adjournment of the meeting unless the board fixes a new record date for the adjourned meeting.

The board may fix, in advance, a date as the record date for the purpose of determining the members entitled to vote at a meeting of members. Such record date shall not be more than 60 days before the date of the meeting. Such record date shall also apply in the case of an adjournment of the meeting unless the board fixes a new record date for the adjourned meeting. If no record date is fixed, members on the day of the meeting who are otherwise eligible to vote are entitled to vote at the meeting of members or, in the case of an adjourned meeting, members on the day of the adjourned meeting who are otherwise eligible to vote are entitled to vote at the adjourned meeting of members.

The board may fix, in advance, a date as the record date for the purpose of determining the members entitled to cast written ballots. Such record date shall not be more than 60 days before the day on which the first written ballot is mailed or solicited. If no record date is fixed, members on the day the first written ballot is mailed or solicited who are otherwise eligible to vote are entitled to cast written ballots.

The board may fix, in advance, a date as the record date for the purpose of determining the members entitled to exercise any rights in respect of any other lawful action. Such record date shall not be more than 60 days prior to such other action. If no record date is fixed, members at the close of business on the day on which the board adopts the resolution relating thereto, or the 60<sup>th</sup> day prior to the date of such other action, whichever is later, are entitled to exercise such rights.

### **ARTICLE V: BOARD OF DIRECTORS**

### A. Authority

Subject to any limitations in the articles or bylaws relating to action required to be approved by the members, the activities and affairs of the corporation shall be conducted and all corporate powers shall be exercised by or under the direction of the board. The board may delegate the management of the activities of the corporation to any person or persons, management company, or committee however composed, provided that the activities and affairs of the corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the board.

### B. Number of Directors and Qualifications

The number of directors shall be not less than three nor more than nine, with the exact number of directors to be fixed, within the limits specified, by approval of the board.

The directors must be members in good standing of the corporation.

### C. Terms of Office and Board Elections

Directors shall be elected for two (2) year terms. No amendment of the articles or bylaws may extend the term of a director beyond that for which the director was elected, nor may any bylaw provision increasing the terms of directors be adopted without approval of the members.

Terms of office shall be staggered by dividing the board into two groups of roughly equal size, with one group's terms expiring in odd-numbered years and the other group's terms expiring in even-numbered years.

Directors may serve up to four consecutive terms. A person who has served four consecutive terms shall not be eligible to serve on the board until at least one year after the last day of such person's board service.

Each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified.

Notwithstanding the foregoing, a person whose membership is terminated shall immediately cease to be a director of the corporation.

There shall be available to the members reasonable nomination and election procedures for directors given the nature, size, and operations of the corporation.

If the corporation distributes any material soliciting a vote for any nominee for director in any publication owned or controlled by the corporation, it shall make available to each other nominee, in the same material, an equal amount of space, with equal prominence, to be used by the nominee for a purpose reasonably related to the election.

Upon written request by any nominee for election to the board and the payment of the reasonable costs of mailing (including postage), the corporation shall within 10 business days after such

request (provided payment has been made) mail to all members, or such portion of them as the nominee may reasonably specify, any material, which the nominee may furnish and which is reasonably related to the election.

Without authorization of the board, no corporation funds may be expended to support a nominee for director after there are more people nominated for director than can be elected.

#### D. Voting

Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present is the act of the board.

#### E. Meetings and Notice of Meetings

Meetings of the board may be called by the president or any vice president or the secretary or any two directors.

Regular meetings of the board may be held without notice if the time and place of the meetings are fixed by the board.

Meetings of the board may be held at any place within Los Angeles County which has been designated in the notice of the meeting or, if not stated in the notice or if there is no notice, designated by resolution of the board.

Members of the board may participate in a meeting through use of conference telephone, electronic video screen communication, or electronic transmission by and to the corporation as long as all members participating in the meeting are able to hear one another, each member participating in the meeting can communicate with all of the other members concurrently, and each member is provided the means of participating in all matters before the board, including, without limitation, the capacity to propose, or to interpose an objection to, a specific action to be taken by the corporation.

Special meetings of the board shall be held upon four (4) days' notice to directors by first-class mail or 48 hours' notice delivered personally or by telephone, including a voice messaging system or by electronic transmission by the corporation.

A notice, or waiver of notice, need not specify the purpose of any regular or special meeting of the board.

A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. If the meeting is adjourned for more than 24 hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

#### E. Waiver of Notice

Notice of a meeting need not be given to any director who provides a waiver of notice or consent to holding the meeting or an approval of the minutes thereof in writing, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to that director.

All waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meetings.

#### F. Quorum

A majority of the number of directors currently authorized constitutes a quorum of the board for the transaction of business.

A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for the meeting.

#### G. Action Without a Meeting

Any action required or permitted to be taken by the board may be taken without a meeting, if all members of the board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the board. The action by written consent shall have the same force and effect as a unanimous vote of the directors.

#### H. Board Vacancies

“Vacancy” when used with respect to the board means any authorized position of director which is not then filled, whether the vacancy is caused by death, resignation, removal, change in the number of directors authorized in the articles or bylaws (by the board or the members), or otherwise.

The board may declare vacant the office of a director whose eligibility for election as a director has ceased, or who has been declared of unsound mind by a final order of court, or convicted of a felony, or, if at the time a director is elected, the bylaws provide that a director may be removed for missing a specified number of board meetings, fails to attend the specified number of meetings.

Except for a vacancy created by the removal of a director, vacancies on the board may be filled by approval of the board or, if the number of directors then in office is less than a quorum, by (1) the unanimous written consent of the directors then in office, (2) the affirmative vote of a majority of the directors then in office at a meeting held pursuant to notice or waivers of notice, or (3) a sole remaining director.

Vacancies occurring in the board by reason of the removal of directors may be filled only by approval of the members.

The members may elect a director at any time to fill any vacancy not filled by the directors.

### I. Resignation

Any director may resign effective upon giving written notice to the president, the secretary, or the board of directors of the corporation, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

### J. Removal

Any or all directors may be removed without cause if one of the following applies:

(1) If the corporation has fewer than 50 members, the removal is approved by a majority of all members (approval by an affirmative vote of a majority of the votes entitled to be cast).

(2) If the corporation has 50 or more members, the removal is approved by the members (approved or ratified by the affirmative vote of a majority of the votes represented and voting at a duly held meeting at which a quorum is present (which affirmative votes also constitute a majority of the required quorum) or written ballot in conformity with the bylaws).

Any reduction of the authorized number of directors does not remove any director prior to the expiration of the director's term of office.

## **ARTICLE VI: COMMITTEES**

The board may, by resolution adopted by a majority of the number of directors then in office, provided that a quorum is present, create one or more committees, each consisting of two or more directors, to serve at the pleasure of the board. Appointments to such committees shall be by a majority vote of the directors then in office. The board may appoint one or more directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. Any such committee, to the extent provided in the resolution of the board or in the bylaws, shall have all the authority of the board, except with respect to:

- (1) The approval of any action for which approval of the members is required
- (2) The filling of vacancies on the board or in any committee which has the authority of the board
- (3) The fixing of compensation of the directors for serving on the board or on any committee
- (4) The amendment or repeal of bylaws or the adoption of new bylaws
- (5) The amendment or repeal of any resolution of the board which by its express terms is not so amendable or repealable
- (6) The appointment of committees of the board or the members thereof.

(7) The expenditure of corporate funds to support a nominee for director after there are more people nominated for director than can be elected.

## **ARTICLE VII: OFFICERS**

### A. Offices

The corporation shall have a president, a secretary, and a chief financial officer (also known as treasurer) and such other officers with such titles and duties as shall be determined by the board from time to time. Any number of offices may be held by the same person.

### B. Qualifications

The officers of the corporation shall be elected from among the board members and shall be members of the corporation.

### C. Appointment of Officers

Officers shall be chosen by the board and serve at the pleasure of the board, subject to the rights, if any, of an officer under any contract of employment.

Officers shall serve for one year terms. Officers may serve up to two consecutive terms. A person who has served two consecutive terms in any officer position shall not be eligible to serve in the same officer position until at least one year after the last day of such person's service in that position.

Officers may be removed by a vote of the board.

### D. Resignation

Any officer may resign at any time upon written notice to the corporation without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

### E. Duties of President

The president shall preside at board and membership meetings and will exercise and perform such other powers and duties as may be assigned from time to time by the board of directors.

### F. Duties of Secretary

The secretary will keep, or cause to be kept, at the principal executive office or such other place as designated by the board of directors, a book of minutes of all meetings and actions of the members, of the board of directors, and of committees of the board.

The secretary will keep, or cause to be kept, at the principal executive office, the records of the corporation required to be kept as described in Article XI.

The secretary will give notice, or cause notice to be given, of all members' meetings, board meetings, and meetings of committees of the board for which notice is required by statute or by the bylaws. If the secretary or other person authorized by the secretary to give notice fails to act, notice of any meeting may be given by any other officer of the corporation.

The secretary will have such other powers and perform other duties as prescribed by the board of directors or by the bylaws.

#### G. Duties of Chief Financial Officer (Treasurer)

The chief financial officer will keep, or cause to be kept, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and shares.

The chief financial officer will provide, or cause to be provided, a statement of the corporation's financial condition and an account of all transactions of the corporation whenever requested by the president or the board of directors and have such other powers and perform other duties as prescribed by the board of directors or the bylaws.

The chief financial officer will be deemed to be the treasurer for purposes of giving any reports or executing any certificates or other documents.

### **ARTICLE VIII: FISCAL PROVISIONS**

#### A. Fiscal Year

The fiscal year of the corporation shall end on the last day of December of each year.

#### B. Patronage Dividends

The board may, in its discretion, pay out or allocate all or part or none of the net proceeds of the corporation to the members as patronage dividends based on their respective purchases of goods or services. "Net proceeds" shall not include funds that the board deems necessary for inventories, depreciation, capital expenses, working capital, or any other reasonable future business expense.

Patronage dividends may be by cash or written notices of allocation or a combination of the two.

If the cash payment portion of a member's patronage dividend would equal less than one (1) dollar, such cash payment shall be allocated to the member's capital account.

Net losses may be assessed against member capital accounts as determined by the board in accordance with applicable tax and accounting laws, regulations, and standards.

#### C. Member Capital

The books and records of the corporation shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, furnished by each member is clearly reflected and credited in an appropriate record to the capital account of each member. The corporation shall within 8½ months after the close of the fiscal year notify each member, in the form of a written notice of allocation (as defined in 26 U.S.C. 1388), of the amount of capital so credited to his/her/its account.

Upon termination of membership, a member shall receive a redemption of the member's initial capital contribution, offset by any debts owed to the corporation. The corporation may repay the initial capital contribution in a lump sum or in such installments as the board in its discretion sees fit.

Unless the corporation is dissolved, members shall not be entitled to a return of any other capital.

Whenever the corporation is required to repay any of the member's capital account to the member, and no persons included in that membership can be found for a period of two (2) years after the payment first becomes due, the member's capital shall be forfeited and transferred to the corporation's reserves.

#### D. Member's Covenant to Declare Income for Tax Purposes

Each member shall take into account on his or her income tax return the amount of any distributions, with respect to the member's Patronage which are made in qualified written notices of allocation (as defined in 26 U.S.C. Section 1388) at their stated dollar amounts to the extent required by 26 U.S.C. Section 1385(a) in the taxable year in which such written notices of allocation are received by the member.

To the extent that a distribution is attributable to the purchase of personal, living, or family items, such distribution is not subject to federal income tax. Notwithstanding the foregoing, it is the member's responsibility to consult with his/her/its tax advisor to determine the tax treatment of distributions. Members shall not rely on any statement from the corporation regarding tax requirements.

#### E. Unclaimed Equity Interests

Any proprietary interest in the corporation held by a member that would otherwise escheat to the State of California as unclaimed personal property shall instead become the property of the corporation if the corporation gives at least 60 days prior notice of the proposed transfer to the affected member by (1) first-class or second-class mail to the last address of the member shown on the corporation's records, and (2) by publication in a newspaper of general circulation in Los Angeles County. No property or funds shall become the property of the corporation under this section if written notice objecting to the transfer is received by the corporation from the affected member prior to the date of the proposed transfer.

#### F. Dissolution Distributions

Upon liquidation, dissolution, or sale of the assets of the corporation, any assets left after payment of all debts and member account balances shall be distributed to all persons who were members, or to their heirs, in proportion to such members' relative Patronage with the corporation. No distribution need be made to any person who fails to acknowledge the receipt of notice of liquidation in a timely manner. Said notice shall be deemed sufficient if sent by first class mail, at least 30 days before distribution of any residual assets, to the person's last known business or residence address.

## **ARTICLE IX: CHECKS AND CONTRACTS**

### **A. Authorized Signatories for Checks**

All checks, drafts, other orders for payment of money, notes, or other evidences of indebtedness issued in the name of or payable to the corporation will be signed or endorsed by the chief financial officer or other person or persons in the manner authorized from time to time by resolution of the board of directors.

### **B. Executing Corporate Contracts and Instruments**

The board of directors by resolution may authorize any officer, officers, agent, or agents to enter into any contract or to execute any instrument in the name of and on behalf of the corporation. This authority may be general or it may be confined to one or more specific matters. No officer, agent, employee, or other person purporting to act on behalf of the corporation will have any power or authority to bind the corporation in any way, to pledge the corporation's credit, or to render the corporation liable for any purpose or in any amount, unless that person was acting with authority granted by the board of directors as provided in these bylaws, or unless an unauthorized act was later ratified by the corporation.

## **ARTICLE X: TRANSFER AND REDEMPTION OF MEMBERSHIPS**

No member may transfer her or his membership or any right arising therefrom. Any attempted assignment or transfer shall be wholly void and shall confer no rights on the intended assignee or transferee. All rights as a member of the corporation cease upon the member's death.

Memberships are not redeemable except as provided in these bylaws.

## **ARTICLE XI: RECORDS**

### **A. Records Required to Be Kept**

The corporation shall keep:

- (a) Adequate and correct books and records of account;
- (b) Minutes of the proceedings of its members, board, and committees of the board; and
- (c) A record of its members giving their names and addresses and the class of membership and number of membership units held by each.

The corporation shall keep at its principal office in Los Angeles County the original or a copy of its articles and bylaws as amended to date, which shall be open to inspection by the members at all reasonable times during office hours. If the corporation has no office in this state, it shall upon the written request of any member furnish to such member a copy of the articles or bylaws as amended to date.

Minutes and other books and records shall be kept either in written form or in any other form capable of being converted into clearly legible tangible form or in any combination of the foregoing.

### B. Inspection Rights

Any inspection may be made in person or by agent or attorney and the right of inspection includes the right to copy and make extracts.

The accounting books and records and minutes of proceedings of the members and the board and committees of the board shall be open to inspection upon the written demand on the corporation of any member at any reasonable time, for a purpose reasonably related to such person's interests as a member.

Every director shall have the absolute right at any reasonable time to inspect and copy all books, records and documents of every kind and to inspect the physical properties of the corporation.

### C. Reports

An annual report shall be prepared not later than 120 days after the close of the corporation's fiscal year. If approved by the board of directors, that report and any accompanying material sent pursuant to this section may be sent by electronic transmission by the corporation. The report shall contain in appropriate detail the following:

(a) A balance sheet as of the end of that fiscal year and an income statement and a statement of cash flows for that fiscal year.

(b) A statement of the place where the names and addresses of the current members are located.

(c) Any report on the corporation's finances by independent accountants, or, if there is no report, the certificate of an authorized officer of the corporation that the statements were prepared without audit from the books and records of the corporation.

(d) a statement describing briefly any of the following:

1. Any covered transaction (a transaction in which the corporation was a party, and in which any director or officer of the corporation or any holder of more than 10 percent of the voting power of the corporation had a direct or indirect material financial interest, excluding compensation of officers and directors and transactions approved by the members under Section 12373(a) of the California Consumer Cooperative statute) during the previous fiscal year involving more than one thousand dollars (\$1,000), or which was one of a number of covered transactions in which the same interested person had a direct or indirect material financial interest, and which transactions in the aggregate involved more than one thousand dollars (\$1,000) and the names of the

interested persons involved in such transactions, stating such persons' relationship to the corporation, the nature of such person's interest in the transaction and, where practicable, the amount of such interest; provided, that in the case of a transaction with a partnership of which such person is a partner, only the interest of the partnership need be stated.

2. Any loans, guaranties, indemnifications, or advances aggregating more than one thousand dollars (\$1,000) paid or made during the fiscal year to any officer or director of the corporation pursuant to indemnification of such person by the corporation (unless such loan, guaranty, or indemnification was approved by the members pursuant to Section 12377(e)(2) of the California Consumer Cooperative statute or if such loan or guaranty is not subject to the provisions of Section 12375(a) of the statute).

The corporation shall notify each member yearly of the member's right to receive an annual report. Upon written request of a member, the board shall promptly cause the most recent annual report to be sent to the requesting member.

So long as the corporation has 25 or fewer members, it shall not be required to produce an annual report. However, in such case the corporation still must furnish the information described in item (d), above, in which case the corporation shall mail or deliver to its members the required statement within 120 days after the close of the corporation's fiscal year. If approved by the board of directors, that statement may be sent by electronic transmission by the corporation.

For a period of 60 days following the conclusion of an annual, regular, or special meeting of members, the corporation shall, upon written request from a member, forthwith inform the member of the result of any particular vote of members taken at the meeting, including the number of memberships voting for, the number of memberships voting against, and the number of memberships abstaining or withheld from voting. If the matter voted on was the election of directors, the corporation shall report the number of memberships cast for each nominee for director.

## **ARTICLE XII: INDEMNIFICATION**

The corporation shall have power to indemnify its officers, directors, employees, and agents to the fullest extent permitted by law.

## **ARTICLE XIII: BYLAW AMENDMENT**

Bylaws may be adopted, amended, or repealed by approval of the members.

The board of directors may amend the bylaws without a member vote, only if all directors unanimously agree that the word(s) proposed to be changed constitute one or more of the following:

- (a) a typographical error;
- (b) an error in grammar or spelling;
- (c) a provision directly and clearly contrary to law;
- (d) a nonsensical statement of which the real intended import is clear;

(e) a re-numbering, re-arrangement, or re-titling of portions of the bylaws, with no change in their meaning.

The directors must further unanimously agree that the proposed correction is non-substantive and would in no way diminish the rights or privileges of members.

Any such correction, and the reason for it, must be:

(1) posted with the agenda at least seven (7) days before the board meeting where it is to be considered, and

(2) if passed, reported to the membership in the notice for the next succeeding membership meeting with a statement to the effect that members will have a right to vote to repeal the amendment. A vote at a membership meeting duly called, or a duly conducted written ballot of the members, shall have the power to revoke any board amendment.