

**BYLAWS OF  
HAYFORK VALLEY COOPERATIVE, INC.**

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**BYLAWS OF  
HAYFORK VALLEY COOPERATIVE INC.**

**ARTICLE I. ORGANIZATION**

**Section 1.01. Name and status.**

The name of the organization is Hayfork Valley Cooperative Inc. (the co-op). The co-op is a cooperative corporation under the Cooperative Corporation Law of the State of California.

**Section 1.02. Mission and purpose.**

The mission of the co-op is to create:

A thriving cooperatively owned business providing organically grown and locally sourced products to our community at a fair price;

A community center that promotes education about sustainability and regenerative agriculture while also cultivating and celebrating healthy relationships with the food we eat, the people who produce it, and the friends and family we share it with;

A co-op that is dedicated to promoting our region's agrarian heritage by bringing local producers and consumers together creating a stronger local food system, increasing environmental sustainability and is equitable to all.

**Section 1.03. Cooperative principles.**

The co-op will be operated in accordance with cooperative principles adopted by the 1995 General Assembly of the International Cooperative Alliance. These principles include the following:

- (1) voluntary and open ownership
- (2) democratic owner control
- (3) owner economic participation
- (4) autonomy and independence
- (5) education, training and information
- (6) cooperation among cooperatives
- (7) concern for community and planet

**Section 1.04. Nondiscrimination.**

Membership in the co-op is open without regard to any characteristic that does not directly pertain to a person's eligibility.

**ARTICLE II. MEMBERSHIP**

**Section 2.01. Classification of members.**

The Corporation shall have one (1) class of members. **All members are owners.**

The Corporation shall also have one (1) class of Supporting Shareholders who are members who have elected to make an investment in the Corporation beyond that which is normally required for membership. In these bylaws “member” or “membership” refers to regular membership. “Supporting Shares,” “Shareholders” and the like refers to these shares.

#### **Section 2.02. Member qualifications.**

Any person, including any organizations (except a subsidiary of the Corporation) may become a member of this Corporation by:

- (a) Complying with such uniform conditions as may be prescribed by the Board of Directors;
- (b) Making full payment for one (1) nonrefundable membership at \$60 unless or until the board of directors adopts a different purchase price.

#### **Section 2.03. Member application.**

An applicant eligible for and desiring admission to membership in the Corporation shall file a written application for admission in whatever form and containing whatever information the Board of Directors shall prescribe.

#### **Section 2.04. Acceptance of members.**

Applications for membership shall be reviewed by the Board of Directors or by a membership Committee duly authorized by resolution to admit members. The application shall be accepted unless rejected in writing within thirty (30) days for reasons satisfactory to the Board. If accepted, the applicant shall be admitted to membership and shall be allowed to vote and hold office. If rejected, the applicant shall be entitled to a refund of any amounts paid for membership fees and shares, if any.

#### **Section 2.05. Transfers prohibited.**

No member may transfer his or her membership except on death of the primary owner of a household membership to a member of that primary owner's immediate family by will or the laws of descent and distribution. Any attempted assignment or transfer in contravention of this section 2.05 will be void and will confer no rights on the intended assignee or transferee.

#### **Section 2.06. Bylaws and Articles to prospective members.**

Each prospective member, upon application for membership, shall receive a copy of the Articles of Incorporation, Bylaws, and disclosure document of the Corporation via electronic transmission. A printed copy of the bylaws may be requested or viewed at the co-op during regular business hours.

#### **Section 2.07. Single-membership.**

Any membership shall be owned by one natural person or by one organization. Any non-organization member, may add or remove one or more individuals as “household shoppers” for his or her membership. A “household shopper” or “organization shopper” is defined as someone who has been identified as such to the Corporation (through procedures established by the Corporation) by an owner and may shop on their behalf. An organization membership is owned by the organization which can add or remove one or more individuals as “organization shoppers” for its membership, however all purchases must be used for the organization and not for individual use. “Household shoppers” or “organization shoppers” are not members and have no claim of ownership or associated rights to the membership. The Board of Directors may establish from time to time a maximum number of shoppers per membership.

### **Section 2.08. Termination of membership.**

(a) Any member may resign from the co-op and terminate their membership at any time by providing written notice to the co-op. The termination of the membership will become effective immediately without any action by the co-op.

(b) A membership will immediately terminate upon the death of a member, except as provided in Section 2.05, or the dissolution of a member that is an organization.

(c) Any member may be expelled for any justifiable reason upon a 2/3 vote of the Board after the member has been provided at least 15 days prior notice of the reason for expulsion. This notice may be given by any method reasonably calculated to provide actual notice. The member must be given the opportunity to respond, in person or in writing, not less than five days before the effective date of the expulsion. Expulsion will become effective, and the membership will terminate, upon the Board vote unless the Board fixes another effective time. Notwithstanding the foregoing, a member may be temporarily barred from entering the co-op's premises while their expulsion is pending, if the board, in its sole discretion, determines that this is warranted for protecting the co-op's property and/or its members.

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

### **Section 2.09. Settlement of share interest.**

If a membership is terminated, any shares held by the owner shall be purchased by the Corporation, subject to the Articles of Incorporation and Section 3.02 of these Bylaws, within one (1) year of the date of termination of the value of the member's Supporting Shares on such date.

## **ARTICLE III. RIGHTS OF MEMBERS AND SUPPORTING SHAREHOLDERS**

### **Section 3.01. Issuance at the discretion of the Board.**

Memberships and Supporting Shares may be issued for money paid in an amount as determined by the Board of Directors and as patronage refunds, or other changes affecting outstanding shares.

### **Section 3.02. Terms and conditions of membership and supporting shares.**

**(a) Membership.** Each membership shall be purchased for \$60; only one membership share may be held by a person or organization. The membership is non-refundable and members are entitled to patronage dividends within the meaning of Internal Revenue Code Subchapter T on cooperative taxation and Article IX of these Bylaws.

**(b) Supporting Shares.** A member who is a permanent resident of California (or an entity domiciled in California) may purchase Supporting Shares at the price of \$20 per share, up to \$940 per member in aggregate. Supporting Shares must be purchased in increments of at least one (1) share; no fractions of shares may be purchased. Supporting Shares are non-transferable except in the sole discretion of the Board. Dividends are payable in accordance with the Articles of Incorporation, any contractual obligations between the co-op and Supporting Shareholders, or otherwise, in the sole discretion of the board and in all circumstances dividends are subject to limitations in California Corporations Code Section 12451 and any other applicable laws or contracts. Supporting Shareholders do not receive additional patronage distribution by reason of holding Supporting Shares as patronage distributions are allocated solely based on general membership. Supporting Shareholders must be members in good standing as a prerequisite to purchasing Supporting Shares. Supporting Shares provide no additional

voting rights to their holder beyond those named in the Articles of Incorporation or pursuant to any applicable laws.

**Section 3.03. Member voting rights.**

Membership entitles a member to only one (1) vote in the affairs of the Corporation, irrespective of the total number of Supporting Shares (if any) a member owns, and to all the rights of ownership as described by statute, the Articles of Incorporation, and these Bylaws.

**Section 3.04. Share receipt and disclosure document.**

(a) Nothing in this section shall restrict the Corporation from issuing identity cards or similar devices to members which serve to identify members qualifying to use facilities or services of the Corporation.

(b) Except as provided in Subsection (c) of this Bylaw section, prior to issuing a share, the Corporation shall provide the purchaser of a share with a “disclosure document.” The disclosure document may be a prospectus, offering, circular, brochure, or similar document, a specimen copy of the share certificate, or a receipt that the Corporation proposes to issue. The disclosure document shall contain the information required by Section 12401 of the California Corporations Code.

(c) The Corporation shall issue a receipt or written advice of purchase to anyone purchasing a share upon the member’s first purchase of a share. No disclosure document need be provided to an existing member prior to the purchase of additional shares if that member has previously been provided with a disclosure document which is accurate and correct as of the date of the purchase of additional shares.

**Section 3.05. Prohibition on transfer of shares.**

No shares of this Corporation may be assigned or transferred except when a Supporting Shareholder ceases to become a member their shares revert back to the Corporation and otherwise, the board of directors may, in its sole discretion, redeem Supporting Shares from time to time. Any attempted assignment or transfer shall be wholly void and shall confer no rights on the intended assignee or transferee.

**Section 3.06. Partial withdrawal.**

A member having a monetary amount in his or her share account in excess of a monetary amount to be determined from time to time by the Board of Directors may cause the Corporation to purchase his or her excess share amount upon written request to the Board. Subject to Section 2.06 of these Bylaws, the Board must, within one (1) year of such request, pay the amount the member requests in cash or other property or both. The exact form of payment is within the discretion of the Board.

**Section 3.07. Insolvency delay.**

The Corporation shall delay the purchase of shares as described in Sections 2.09 and 3.06 of these Bylaws if the Corporation, in making such purchase is, or as a result thereof would be, likely to be unable to meet its liabilities (except those whose payment is otherwise adequately provided for) as they mature.

**Section 3.08. Unclaimed equity interests.**

Any share of a member, and patronage distributions related to that 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 sixty (60) days’ prior notice of the proposed transfer to the

affected owner 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 the county in which the Corporation has its principal office. No shares or amounts shall become the property of the Corporation under this section of the Bylaws if written notice objecting to the transfer is received by the Corporation from the affected member prior to the date of the proposed transfer.

#### **ARTICLE IV. MEETINGS OF MEMBERS AND VOTING**

##### **Section 4.01. Annual meetings.**

(a) An annual meeting of members is to be held each year for the election of directors (unless the directors are chosen in some other manner authorized by applicable law), to receive reports on the operations and finances of the co-op and to conduct such other business as may properly come before the meeting. At any annual meeting, an item of business may be conducted, and a proposal may be considered and acted upon, only if it is a matter properly brought before members by or at the discretion of the Board, or by an active member who complies with the procedures specified in subsection 4.01(b).

(b) For a matter to be brought before an annual meeting by a member, the matter must be a proper matter for member action and the member must deliver written notice to the Secretary of the co-op no later than one month before the first anniversary of the most recently held annual meeting. That notice must describe the matter in reasonable detail and bear the physical signatures of at least 5% of all members as of that date. The notice must also comply with any other procedural guidelines and limitations the Board adopts.

##### **Section 4.02. Special meetings.**

Special meetings of members may be called by the Board or the president. A special meeting of members may also be called by owners for any lawful purpose and concerning a proper matter for member action if the members deliver to the co-op a written document describing with reasonable clarity the proper purpose or purposes for which the meeting is called and specifying the nature of the business proposed to be transacted at the meeting. That notice must bear the physical signature of at least 5% of all members, must be delivered personally or sent by registered mail to the Secretary of the co-op. No business other than that within the purpose or purposes specified in the meeting notice may be transacted at a special meeting. Within 20 days after the receipt of members' request for a special meeting, the President or Secretary 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.

##### **Section 4.03. Time and place.**

The date, time, and place of all meetings of members are to be determined by the Board or, in the event that the Board fails to so act, by the Secretary of the co-op. Special meetings will be held at a time fixed by the Board not less than 35 days nor more than 90 days after receipt of a proper written request. The Board may, in its sole discretion, determine that any meeting of members will not involve a physical assembly of members at a particular geographic location, but instead will be held solely by means of remote communication, in accordance with section 4.10. If a member meeting is to involve a physical assembly of members, that meeting will be held at a place determined by the Board to be reasonably convenient to members.



#### **Section 4.04. Notice of meetings.**

(a) The co-op will give notice of any meeting of members, either in writing or by electronic transmission or in any other manner authorized under applicable law. The co-op will also cause meeting notices to be posted in the co-op's store.

(b) Notices of annual meetings will be given not less than thirty nor more than 90 days before the meeting to each member who is entitled to vote on the record date for the meeting determined in accordance with section 4.05. Notices of special meetings will be given within 20 days after receipt of a proper written request for a special meeting to each member who is entitled to vote at that meeting.

(c) Each meeting notice will state the date, time and place of the meeting. Notices of annual meetings will state any matters that the Board, at the time of giving the notice, intends to present for action by the members. Notices of special meetings will state the general nature of the business to be conducted. Notices of any meetings at which directors are to be elected will include the names of all nominees at the time of giving notice.

#### **Section 4.05. Record dates.**

Only persons who are members as of 5:00 p.m., Pacific Time, on the tenth day immediately preceding the date of distribution of notices will be entitled to notice of a meeting and to vote at such meeting.

#### **Section 4.06. Quorum.**

No quorum of members is required to transact business at any meeting of members, unless otherwise required by applicable law; except that a quorum of at least 5% of all members must be present at a meeting to act on any matter brought before that meeting by a member in accordance with subsection 4.01(b) or section 4.02. If fewer than 1/3 of all members are present in person or by ballot at any meeting, the only matters that may be voted on at that meeting include those matters described in the meeting notice.

#### **Section 4.07. Voting.**

(a) Each member has one and only one vote on each matter submitted to a vote of members. Only the primary member of a household membership and the designated representative of an organization membership may vote with respect to the membership on any matter submitted to a vote of members.

(b) A member may cast a vote solely by means of a written or electronic ballot or a ballot distributed at a meeting of members. A ballot will be counted only if it is received by the co-op on or before the time of the meeting.

(c) Unless otherwise required by law or by these bylaws, action on any matter, other than the election of directors, is approved if the votes cast favoring the matter exceed the votes cast opposing the matter. If a matter includes one or more choices to be made from several alternatives, the alternative receiving the most votes will be considered approved.

(d) Directors will be elected by a plurality of the votes cast where the nominees who receive the most votes cast in favor are elected to the Board until all Board seats are filled. If there is a tie as to two or more nominees for the last open seat, the tie is to be broken by a vote of the directors then in office (not including any nominees for election at that election), whether or not less than a quorum.

(e) If the number of nominees for directors does not exceed the number of directors to be elected at any meeting, a nominee will be elected to the Board if the votes cast for that nominee's election exceed the votes cast against that nominee's election. A Board vacancy caused by the failure of a nominee to receive a sufficient number of votes shall be filled as set forth in Section 5.13 of these Bylaws.

(f) Neither voting by proxy nor cumulative voting is permitted for any purpose.



#### **Section 4.08. Conduct of meetings.**

Meetings of members are to be conducted generally in accordance with what the Board determines are reasonable rules of parliamentary procedure.

#### **Section 4.09. Action by ballot without meeting.**

(a) Any action that may be taken at any meeting of members, including the election of directors, may be taken without a meeting through distribution of a written or electronic ballot to every member entitled to vote on the matter.

(b) Any ballot used without a meeting must describe 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. The ballot must indicate the number of responses needed to meet the quorum requirement and state the percentage of approvals necessary to approve the proposal. The ballot must also specify the time by which the ballot must be received by the co-op to be counted.

(c) An action taken by written or electronic ballot is approved if the number of votes cast in favor of a matter equals or exceeds the number of votes that would have been required to approve the matter at a meeting, but only if the total number of votes cast by ballot within the time period specified equals or exceeds the quorum that would have been required to be present at a meeting authorizing the action.

(d) A written or electronic ballot cannot be revoked. Any action approved in accordance with this section 4.9 is for all purposes a valid approval and will have the same force and effect as if approved at a meeting of members.

(e) 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.

#### **Section 4.10. Virtual member meetings.**

If authorized by the Board in its sole discretion, any meeting of members may be held by means of electronic transmission by and to the co-op or by electronic or remote communications to the fullest extent permitted by and subject to the requirements of applicable law and any other procedural guidelines and limitations the Board adopts.

### **ARTICLE V. DIRECTORS**

#### **Section 5.01. Number.**

The corporation shall have a minimum of five (5) and maximum of nine (9) Directors, collectively known as the Board of Directors. The precise number of Directors shall be fixed within the aforementioned limits by resolution of the board.

#### **Section 5.02. Qualifications.**

The Directors of the Corporation shall be members of the Corporation and residents of California and meet the following qualifications:

(1) have been a member in good standing for at least six months prior to the commencement of the election of directors with the exception of the initial directors of the Corporation and those elected at the first Annual Meeting of members;

(2) be at least 18 years old;

(3) be unwaveringly committed to the best interests of the co-op;

(4) promptly disclose any known potential conflict of interest with the co-op prior to participation in their first meeting of the board of directors and prior to casting any votes in which they may have a conflict of interest; and

(5) satisfy any other reasonable eligibility requirements set by the Board.

(6) Only individual members, household members and designated representatives of an organizational membership are eligible to serve as directors, on condition that they otherwise meet the director qualification requirements. No more than one household member connected with a household membership nor more than one person connected with an organizational membership may simultaneously serve as directors.

(7) No more than 25% of directors concurrently serving may be employees of the co-op. If any election would otherwise result in a number of employees in excess of this limitation being directors at any one time, then only that person or those persons receiving the greatest number of votes in the election will be elected as a director or as directors up to the limit, and any remaining seats will be filled by the non-employee candidate(s) receiving the greatest number of votes after excess employee candidates are eliminated.

(8) In addition to the eligibility requirements stated above, a person is only eligible to serve as a director if his or her service as a director would not result in two or more related persons being directors at any one time. If any election would otherwise result in two or more related persons being directors at any one time, then only that person receiving the greatest number of votes in the election will be elected as a director. The term “related person” means the spouse, child, grandchild, sibling or parent of the person, and any individual sharing the household of the person.

### **Section 5.03. Nominations.**

(a) Nominations of candidates for election as directors may only be made by the Board or by a member in accordance with subsection 5.03(b).

(b) A member who is entitled to vote at an annual meeting may nominate a candidate for election as director. If the member delivers to the co-op written notice of the nomination no later than 45 days before the first anniversary of the prior year’s annual meeting, except that if the date of the annual meeting is more than 30 days before or 30 days after the anniversary of the prior year’s annual meeting, to be timely, the notice must be delivered no later than (1) 45 days before the meeting date or (2) 10 days after the date on which public announcement of the date of the meeting is first made by the co-op, whichever is later. That notice must include all information reasonably requested by the co-op and bear the physical signatures of at least 5% of all active members as of that date. The member must also comply with any other procedural guidelines and limitations the Board adopts.

### **Section 5.04. Election.**

Directors will be elected by written or electronic ballot or by a ballot distributed at a meeting of members in accordance with sections 4.07 - 4.10 of these Bylaws.

### **Section 5.05. Terms of office.**

At the first Annual Meeting of members for this Corporation a simple majority of board seats will be elected for a one (1) year term and the remaining board seats will be elected for a (2) year term. At all subsequent Annual Meetings of members all board seat elections will have a (2) year term. The initial directors named in the Articles of Incorporation shall serve terms only of the duration lasting from the time of incorporation of this Corporation through the first Annual Meeting of the members. Except in situations where shorter terms are expressly permitted under these bylaws, at each Annual Meeting of members the directors will be elected by members for terms expiring upon the certification of the election results by the Secretary for the election held in the second year following the year of their

election. Directors will hold office until their successors are elected or until their board seat is vacated in accordance with these bylaws.

#### **Section 5.06. Compensation.**

The Directors shall serve without compensation except that they shall be paid in advance or reimbursed by the Corporation for their actual and reasonable expenses incurred in the performance of their duties as Directors of the Corporation.

**Section 5.07. Standards of conduct.** Directors are 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 5.08. Conflicts of interest.**

Directors have 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 that interest is to be made a matter of record in the minutes of the meeting. After disclosing the existence and nature of the conflicting interest and the material facts known to the director respecting the matter, the remaining directors will determine if an actual conflict of interest exists. If an actual conflict of interest exists, then the director in conflict must recuse himself or herself from the discussion and any vote on the matter. The Board's or committee's action respecting such matter is effective if a majority of the disinterested directors on the Board or committee, as applicable, consent to such action. Directors may not do business with the co-op except in the same manner as other members generally do business with the co-op or under other conditions that are procedurally defined to avoid preferential treatment.

#### **Section 5.09. Indemnification.**

The co-op will indemnify and advance expenses to its directors and officers, and may indemnify and advance expenses to its other employees and agents, to the fullest extent permitted by applicable law. Indemnification payments will 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 are to be reported to owners not later than the next-scheduled meeting of owners. The co-op may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the co-op against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the co-op would have the authority to indemnify him or her against such liability.

#### **Section 5.10. Committees.**

The Board may appoint special or standing committees to advise the Board or to exercise such authority as the Board may designate. All committees must include at least one director, and a committee exercising any authority of the Board must consist exclusively of directors and is to follow procedures applicable to Board meetings. The appointment of any committee will not relieve the Board of its responsibilities in the oversight of the co-op.

### **Section 5.11. Resignation of directors.**

Any director may resign by providing written notice to the Board or the president. The resignation will be effective immediately unless the notice specifies a later effective time. If a resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

### **Section 5.12. Removal of directors.**

(a) Any director may be removed, with or without cause, by the affirmative vote of at least 2/3 of all of the members entitled to vote in the election of directors. The vote must be by means of a written or electronic ballot or a ballot distributed at a meeting of members in accordance with sections 4.07 - 4.10 and provided that the notice of meeting stated the proposed removal of the director.

(b) Any director may be removed by the affirmative vote of at least 2/3 of the disinterested directors on the Board if the person no longer meets the eligibility requirements for service on the Board, when that person has missed three Board meetings within a period of six months without being excused by the Board for good cause, or for other cause permitted under state law such as specified in Corporations Code Section 12361.

### **Section 5.13. Vacancies on Board.**

Any vacancy occurring on the Board (whether caused by resignation, removal, death or otherwise) may be filled only by a majority vote of the directors then in office, whether or not less than a quorum. A person chosen by the Board to fill a vacancy will hold office only until the next meeting of members at which directors are elected, at which time the members will elect a person to serve for the remaining term of the class for which the vacancy occurred.

## **ARTICLE VI. MEETINGS OF THE BOARD**

### **Section 6.01. Meetings.**

Meetings of the Board are to be held regularly and special meetings may be called by the president or any three directors.

### **Section 6.02. Notice of meetings.**

(a) Notice of the place, day, and time of any meeting of the Board for which notice is required must be given to directors at least 48 hours prior to the meeting, provided the notice is given personally, by phone, or by electronic transmission, otherwise the notice must be provided at least four (4) days in advance of the meeting. The notice must be given by the Secretary of the co-op or by the person calling the meeting and may be given in any manner permitted by law, including orally, in writing or via electronic transmission.

(b) The Directors will receive a copy of the agenda with necessary documents two days prior to the regularly scheduled meeting.

(c) Notice of the place, day and time of any meeting of the Board must also be posted in a timely manner and in a conspicuous place in the co-op, but the inadvertent failure to do so will not affect the validity of the meeting.

### **Section 6.03. Waiver of notice for special meeting.**

Any notice of a special 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 will be deemed to have waived any objection to the notice.

#### **Section 6.04. Quorum and voting.**

The presence of a majority of the authorized number of directors is necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the Board. Decisions at meetings of the Board are to be made by majority voting. Meetings are to be conducted generally in accordance with reasonable and accepted rules of parliamentary procedure.

#### **Section 6.05. 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 hear one another.

#### **Section 6.06. Action without a meeting.**

Any action required or permitted to be taken at a meeting of the Board may be taken without a meeting if all directors individually or collectively consent in writing or by electronic transmission to the action. Such written or electronic consent or consents are to be filed with the minutes of the proceedings of the Board. The Board should not use action by consent for the purpose of avoiding the open meeting requirement.

**Section 6.07. Open meetings.** Meetings of the Board and all committees exercising any authority of the Board are to be open to members, except that sessions of a meeting may be closed as to matters of a confidential or sensitive nature. Examples of these matters include labor relations or personnel issues, negotiations of contracts, discussions of strategic goals or business plans, and discussions of matters that may, by law or contract, be considered confidential.

### **ARTICLE VII. OFFICERS**

#### **Section 7.01. Titles and responsibilities.**

- (a) The officers of the Corporation shall be a President, Vice President, Secretary, Treasurer and any other officers with such titles and duties as determined by the Board of Directors.
- (b) The president is responsible for coordinating the activities of the Corporation, ensuring the orderly conduct of all meetings, maintaining effective communication among members, employees, and other stakeholders. The President shall deliver the Corporation's annual report at the annual meeting of owners. The president may not also be the chief executive officer.
- (c) The vice president is responsible for performing the duties of the president in his or her absence or disability and, as requested, assisting other Board members in the performance of their duties.
- (d) The secretary is responsible for the recording and keeping of adequate minutes of all meetings of the Board and of members, overseeing the issuance of notices required under these bylaws, and authenticating records of the co-op.
- (e) The treasurer is responsible for overseeing the maintenance of financial records, issuing financial reports and filing of required reports and tax returns.

#### **Section 7.02. Appointment and resignation.**

The officers shall be chosen by the Board of Directors by majority vote and serve at the pleasure of the Board, subject to the rights, if any, of an officer under any contract of employment. Any officer may resign at any time on written notice to the Corporation. Any officer may be removed by the Board at any time, with or without cause, with a majority vote.

## ARTICLE VIII. CORPORATE RECORDS AND REPORTS

### Section 8.01. Required records.

The Corporation shall keep adequate and correct books and records of account and minutes of the proceedings of its members, Board of Directors, and committees of the Board. It shall also keep a record of the members, including the names, addresses, and number of shares held by each. The minutes shall be kept in written form. Other books and records shall be kept either in written form or in any other form capable of being converted into written form.

### Section 8.02. Annual Report

(a) So long as there are or were more than 25 members of the Corporation at any time during the relevant fiscal year, the co-op will prepare an annual report not later than 120 days after the close of the co-op's fiscal year and will send a notice to all members that they may receive a copy of that report upon written request. The annual report will contain: (1) 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; (2) a statement of the place where the ownership list of the names and addresses of the current owners is located; (3) and a statement of the transactions with or indemnifications to interested persons as required by applicable law; and (4) any disclosures as may be required pursuant to Corporations Code Section 12592.

(b) The annual report shall be accompanied by any report thereon of independent accountants, or, if there is no such audit report, then the annual report shall be accompanied by a certificate of an authorized officer of the corporation that the statements were prepared without audit from the books and records of the corporation.

### Section 8.03 Member inspection rights

(a) A member may inspect the accounting books and records and minutes of proceedings of the members and the Board at any reasonable time upon written request if the purpose of the inspection is reasonably related to that person's interests as a member.

(b) Notwithstanding the foregoing, the Corporation shall limit inspection rights and requests for membership lists and member contact information within reason to protect members' privacy to the fullest extent permissible by the Corporation under Corporations Code Sections 12600 through 12608.

## ARTICLE IX. SURPLUS ALLOCATIONS AND DISTRIBUTIONS

### Section 9.01. Fiscal Year.

The fiscal year of the Corporation shall end December 31st of each year.

### Section 9.02. Surplus and Patronage Defined.

"Surplus" shall be defined as the excess of revenues and gains over expenses and losses for a fiscal year. Such surplus shall be determined in accordance with generally accepted accounting principles and shall be computed without regard to any patronage refunds, capital allocations, or income taxes.

"Patronage" shall be defined as the total amount of purchases for each membership share from the cooperative for a fiscal year.

### Section 9.03. Annual allocations and distributions of surplus.

Before any patronage refunds are distributed for each fiscal year, any surplus should first be allocated to any deficit in the accounting of "retained earnings" of the Corporation.



(a) The Directors may uniformly distribute all the remaining surplus attributed to patronage of the members of the Corporation to such owners as described in the following paragraphs of this subsection of these Bylaws. For the purposes of this subsection of the Bylaws, the remaining patronage surplus shall be computed consistent with Subchapter T of the Internal Revenue Code, related Treasury Regulations, and related court and other relevant interpretations.

(1) Any remaining patronage surplus attributed to the members and to be distributed to them shall be the total remaining patronage surplus attributed to both member and nonmember business reduced by allocations to eliminate a deficit in retained earnings multiplied by the ratio of member patronage to total patronage.

(2) A member is entitled to a patronage refund, if such is distributed, in the amount of the remaining surplus, reduced by allocations to eliminate a deficit in retained earnings, as determined by Paragraph (1) of this subsection, multiplied by the ratio of such member's patronage with the Corporation to the patronage of all members with the Corporation.

(a) Any patronage refunds paid or allocated pursuant to this section of the Bylaws may be in the form of store credit or money at the discretion of the board.

(b) Each person who becomes a member of this Corporation consents to include in his or her gross patronage income for federal income tax purposes the amount of any patronage refund paid to him or her by this Corporation in money or by written notice of allocation (as defined in the Internal Revenue Code), except to the extent that such a patronage refund is not income to the member because (i) it is attributable to the purchase of personal, living, or family items, or (ii) it should properly be treated as an adjustment to the tax basis of property previously purchased. The term "patronage refund," as used herein, shall have the same meaning as the term "patronage dividend," as used in the Internal Revenue Code.

## ARTICLE X. BYLAW CHANGES

### Section 10.01. Bylaw Changes by the Board.

The Bylaws shall be adopted, amended, or repealed by the Board of Directors unless the action would:

- (a) materially and adversely affect the rights or obligations of owners as to voting, dissolution, redemption transfer, patronage refunds, patronage, distributions, property rights, or rights to repayment of contributed capital;
- (b) increase or decrease the number of members or shares authorized in total
- (c) effect an exchange, reclassification, or cancellation of all or part of the memberships or shares;
- (d) authorize a new class of memberships or shares;
- (e) change the number of Directors or establish a variable number of Directors;
- (f) extend the term of a Director beyond that for which the Director was elected or increase the terms of the Directors;
- (g) allow all or any portion of the Directors to hold office by virtue of designation or selection rather than by election by the members: and allow the Board to fill vacancies occurring in the Board by reason of the removal of Directors.
- (h) effect any other action in violation of state law.

### Section 10.02. Bylaw changes by the owners.

Where the Board of Directors is denied the right to adopt, amend, or repeal these Bylaws pursuant to Section 10.01 of these Bylaws, these Bylaws shall be adopted, amended, or repealed by approval of the owners.



CERTIFICATE OF SECRETARY OF HAYFORK VALLEY COOPERATIVE INC.

I hereby certify that I am the duly elected and acting Secretary of this Corporation and that the foregoing Bylaws constitute the Bylaws of this Corporation, as duly adopted by the Board of Directors on 3-22-23, 2023.

Dated: 6/30/23, 2023.

[signature]



[Julia Lacitignola], Secretary