

# **BYLAWS OF DURHAM CENTRAL MARKET, INC.**

## **Article I: Name**

The name of this corporation is Durham Central Market, Inc.

## **Article II: Purposes**

The cooperative corporation is formed for the following purposes:

- 1) To create an open, inclusive, and diverse store that welcomes our community.
- 2) To make high-quality, nourishing food affordable and accessible.
- 3) To support the local economy and local food systems.
- 4) To model environmental sustainability in our practices and products.
- 5) To foster a healthy workplace based on dignity, opportunity, and fair compensation.
- 6) To operate in accord with the International Cooperative Alliance's Statement on the Cooperative Identity for the mutual benefit of its members (henceforth "owners").
- 7) To engage in any lawful act or activity that corporations may perform under Chapter 54 of the General Statutes of North Carolina, Subchapter IV.

## **Article III: Ownership and Dividends**

Section 1. Classes of Stock. There are two classes of common stock: Employee Stock (also referred to herein as "Worker Ownership" or "Worker Stock") and Consumer Stock. The eligibility requirements for worker and consumer owners are described in this Article III. Any person eligible for worker-ownership shall be ineligible for consumer-ownership. There is one class of preferred stock (called "Series A Preferred Stock") with six series. The rights and preferences of the Series A Preferred Stock is described in Article IIIA.

Section 2. Worker Ownership Eligibility. Durham Co-op Market (hereinafter "the cooperative") will operate on a cooperative basis with its workers being eligible for ownership. To be eligible for worker ownership in this cooperative, a person must:

- 1) Be a part-time or full-time worker for six months;
- 2) Purchase one (and only one) worker share that will function for all intents and purposes as an ownership certificate; and
- 3) Be a resident of the State of North Carolina when the ownership share is purchased.

Section 3. Worker Ownership Stock and Rights. The price of a worker share shall be set by the Board of Directors. Workers who have begun paying for an ownership share as part of a payroll deduction plan are entitled to all the rights and privileges of ownership, including voting in accordance with Article V of these bylaws and dividend rights. Until the share has been fully paid for, all non-cash dividends shall be reflected in an internal account, as described in Section 11 of this Article III, for each worker and allocated toward purchase of the ownership share. Each worker owner shall be entitled to a certificate of ownership stock.

Worker owners have the right to elect Worker Board Members of the cooperative's board, to attend meetings of the Board, to receive notice of and attend owner meetings, to petition as described in these bylaws, and to approve amendments to these bylaws. Each owner shall have one vote and no more than all matters submitted to owners. The rights of owners shall apply only to active owners in good standing. All rights and responsibilities of owners are subject to applicable state law, the bylaws as they may be amended from time to time, and to policies and decisions of the cooperative or the board.

The worker ownership stock of this cooperative may be purchased, owned, and/or held only by workers of the cooperative. No worker owner may sell, assign any interest in, or otherwise transfer his or her ownership share except as described in Section 4 below. All certificates representing ownership shares shall, in accordance with the law, have a notation thereon referring to the restrictions governing their transfer.

Section 4. Ownership Termination. When a worker owner voluntarily or involuntarily ends his or her employment in the cooperative, his or her ownership automatically ends and the ownership share shall be deemed transferred back to the cooperative.

Within fourteen days of termination of employment, the cooperative will pay for the owner's share at its original price in cash, after offsetting against the share price any negative balance, if one exists, in the internal account for that owner, any debts that owner owes to the cooperative. If the owner's internal account still has a negative balance, this negative balance will be debited against a reserve fund, thereby insuring that any operating losses do not accumulate so as to leave an worker owner owing money to the cooperative when that owner retires or otherwise terminates his or her ownership.

Any positive balance in the owner's internal account for the retiring or terminating owner shall be paid by the cooperative in cash or, at the election of the cooperative, by means of the cooperative's promissory note payable on such terms as the Board of Directors (hereinafter, "Board") shall determine, provided that the note be payable in full within six months of the termination date, unless it would impair the cooperative's finances. Each worker owner also agrees that if his or her patronage dividend is not cashed within three years of the date on which it was issued by the cooperative, the cooperative shall have the right to make a contribution in the name of that member to support other organizations aligned with the cooperative's purpose in a manner as may be directed by the Board from time to time.

Section 5. Consumer Ownership Eligibility. Ownership in the cooperative shall be open to any consumer who supports the purposes of the cooperative as expressed in the Articles of Incorporation, these bylaws, and the policies of the cooperative and who lives in North Carolina. Such consumers may purchase one, and only one, share of capital stock in the cooperative. An application shall be accepted unless the Board determines in its discretion that the interests of the cooperative would be better served by returning the subscription.

Section 6. Consumer Ownership Stock and Rights. The price of a consumer ownership will be set by the board. The Board of Directors may establish an installment plan for the purchase of consumer shares. Consumers who have begun paying for an ownership share on an installment plan are entitled to all the rights and privileges of ownership, including voting rights, and any discounts and/or patronage dividends.

Consumer owners have the right to elect Consumer Board Members of the cooperative's board, to attend meetings of the Board, to receive notice of and attend owner meetings, to petition as described in these bylaws, and to approve amendments to these bylaws. Each owner shall have one vote and no more than all matters submitted to owners. The rights of owners shall apply only to active owners in good standing. All rights and responsibilities of owners are subject to applicable state law, the bylaws as they may be amended from time to time, and to policies and decisions of the cooperative or the board.

Section 7. When a consumer owner voluntarily or involuntarily ends his or her ownership in this cooperative, the Ownership Share shall be deemed transferred back to the corporation.

The cooperative will pay for a share of consumer owner capital stock at the price at which it was originally purchased by the consumer owner, after offsetting any debts or obligations that the consumer owner owes the cooperative. If the consumer owner has debts or obligations to the cooperative greater than the price of his or her share of capital stock, the cooperative shall receive the share of capital stock from the consumer owner, or shall be deemed to receive such share, without further repayment of the purchase price of the share and without the payment of any other consideration by the consumer owner for the return of the share.

Any positive balance due the terminating consumer owner shall be paid by the cooperative, or, at the election of Board, by means of a promissory note payable on such terms as the Board shall determine, provided that the note be payable in full within six months of the termination date, unless it would impair the cooperative's finances. Each consumer owner also agrees that if his or her patronage dividend is not cashed within three years of the date on which it was issued by the cooperative, the cooperative shall have the right to make a contribution in the name of that member to support other organizations aligned with the cooperative's purpose in a manner as may be directed by the Board from time to time.

Section 8. Shares of capital stock in the cooperative shall have no par value.

Section 9. Dividends. In accordance with section 1381 of the Internal Revenue Code of 1986, as amended, the cooperative may declare dividends. Any such dividends shall be distributed among the worker owners in accordance with the total number of hours each has worked during the preceding fiscal year. Any such dividends shall be distributed among the consumer owners on the basis of the amount of their purchases from the cooperative during the preceding fiscal year. The portion of dividends to be paid in cash and the portion to be paid as a non-cash allocation to internal accounts shall be as periodically set by the Board.

Any non-cash portion of patronage dividends, as determined by the Board, shall be in the form of "qualified written notices of allocation" as defined in section 1388 of the Internal Revenue Code of 1986, as amended.

In accordance with Section 1382 of the Internal Revenue Code, any dividends declared by the cooperative are deductible from the taxable income of the cooperative and must be included in the taxable personal income of the owner.

Each owner, by becoming an owner, shall be deemed to have consented to include in his or her taxable personal income any qualified written notice of allocation received by him or her at its stated dollar amount, in the manner provided by Section 1385 of the Internal Revenue Code of 1986, as amended, and to pay the personal income tax thereon in the taxable year in which such written notices of allocation are received by him or her.

A copy of this bylaw Article III, Section 9, shall be given to each worker and consumer owner.

All written notices of allocation plus associated interest credited to an owner shall be redeemed in cash within three (3) years of their date of issuance unless the Board determines that a postponement of the redemption is appropriate.

Section 10. Discounts on Purchases. The Board may provide for discounts on purchases made at the cooperative by its workers and/or by consumer owners. The discounts made available to different classes of owners need not be set at the same level, and the discount levels may change from time to time at the recommendation of the General Manager and approval of the Board of Directors.

Section 11. Internal Accounts. Each worker and consumer owner shall have an internal capital account in his or her name. The surplus earnings of the company after paying taxes and allocations to the reserve fund shall be allocated to worker and consumer owners as cash and non-cash dividends. Unless otherwise decided by the Board, the non-cash portion of the dividends shall be credited to the owners' internal accounts. The internal accounts shall accrue interest at a rate set by the Board.

Section 12. Reserve Fund. A portion of the cooperative's net worth may be maintained as a reserve fund. The Board will from time to time determine the portion of

the cooperative's surplus or deficit that will be allocated to the reserve fund with the remainder of the surplus or deficit to be allocated to owners' internal accounts.

### **Article IVA: Series A Preferred Stock**

*Section 1. Issue.* The cooperative hereby reserves 6000 shares of Capital Stock for the issuance of Series A Preferred Stock. Of such 6000 shares of Series A Preferred Stock, the cooperative reserves 1000 shares for the issuance of Series A-X Preferred Stock, 1000 shares of Series A-1 1% Preferred Stock, 1000 shares of Series A-2 2% Preferred Stock, 1000 shares of Series A-3 3% Preferred Stock, 1000 shares of Series A-4 4% Preferred Stock, and 1000 shares of Series A-5 5% Preferred Stock. The designations, preferences, and rights of the shares of the Series A Preferred Stock are set forth in this Article IVA.

*Section 2. Right to Purchase.* All North Carolina residents shall be eligible to purchase shares of Series A Preferred Stock at the discretion of the cooperative's board of directors.

*Section 3. Voting Rights.* Holders of Series A Preferred Stock shall have no voting rights by virtue of holding such shares.

*Section 4. Preferred Dividends.* The holders of shares of each series of Series A Preferred Stock, *pari passu*, shall be entitled to receive, when, as and if declared by the Board of Directors as set forth below, out of funds legally available therefor, dividends. Any such dividend shall be declared and distributed among the holders of each series of Series A Preferred Stock *pro rata* based on the number of shares of such Series A Preferred Stock held thereby. Dividends are cumulative but shall not attract interest.

*Section 5. Payment of Dividends.* The Board shall declare and pay dividends annually, unless the Board determines that the cooperative lacks sufficient capital reserve and working assets to pay them in a given year, in which case the unpaid dividends shall carry over (without additional interest) and be paid at such future time that the Board determines that the cooperative can pay them. The specific dividend accrual rates are as follows:

- (i) Series A-X Preferred Stock—none;
- (ii) Series A-1 1% Preferred Stock—one percent per year;
- (iii) Series A-2 2% Preferred Stock—two percent per year;
- (iv) Series A-3 3% Preferred Stock— three percent per year;
- (v) Series A-4 4% Preferred Stock— four percent per year; and
- (vi) Series A-5 5% Preferred Stock— five percent per year

*Section 6. Redemption.* Shares of Series A Preferred Stock may be redeemed by the cooperative in the event a holder moves his, her or its primary residence or domicile outside the State of North Carolina. In such instance, the transfer of the Series A Preferred Stock to the cooperative shall be immediately effective, but the cooperative may make payment to the former holder over and up to a six month period. A holder of Series A Preferred Stock can require the cooperative to redeem such stock for the initial face

amount of such shares, plus the amount of any accrued, unpaid dividends after 10 years from the date of issuance of such stock. The Board of Directors shall not authorize redemption of any shares of Preferred Stock unless the cooperative has sufficient capital reserve and working assets, determined by the Board of Directors in its sole discretion pursuant to applicable law.

Section 7. Liquidation. The holders of Series A Preferred Stock shall have the following rights upon liquidation:

(i) In the event of a liquidation, dissolution, or winding up of the cooperative, the holders of the Series A Preferred Stock shall be entitled to receive, on a pari passu basis, out of the assets of the cooperative available for distribution to its owners (whether from capital or surplus), prior to any payment to the holders of the Common Stock, an amount equal to, with respect to the Series A Preferred Stock, the sum of \$500.00 per share plus all accrued but unpaid dividends thereon. After payment in full of such liquidation preferences, any assets available for distribution shall be distributed to the holders of the Common Stock, and the holders of Series A Preferred Stock shall not be entitled to any further participation in the remaining assets of the cooperative. If, upon any such liquidation, dissolution or winding up of the cooperative, the net assets of the cooperative are not sufficient to pay in full the amounts so payable to the holders of Series A Preferred Stock, the holders of all shares of Series A Preferred Stock shall participate ratably in the distribution of such assets in proportion to their respective full liquidation preferences (subject to the prior payment of liquidation preferences to superior classes of Preferred Stock created by the Board hereafter as well as any other liabilities to which the Series A Preferred Stock is subordinate under applicable law).

(ii) For the purposes of this Section 7, any merger or consolidation of the cooperative into or with any other corporation or entity, or a sale, conveyance, mortgage, transfer, license, pledge, lease or other disposition of all or substantially all of the assets of the cooperative, shall be deemed to be a liquidation, dissolution, or winding up of the cooperative, unless the owners of the cooperative immediately prior thereto shall, immediately thereafter, hold as a group the right to cast at least a majority of the votes of all holders of voting securities of the resulting or surviving corporation or entity on any matter on which any such holders of voting securities shall be entitled to vote.

(iii) For purposes of this Section 7, if any assets distributed to owners upon liquidation of the cooperative consist of property other than cash, the amount of such distribution shall be deemed to be the fair market value thereof at the time of such distribution, as determined in good faith by the Board of Directors of the cooperative.

Section 8. Conversion. The Series A Preferred Stock shall not be convertible.

#### **Article IVB: Loans from Individuals**

Section 1. Issue. The Board is granted authority to obtain loans from individuals and to determine the amount of such loans, the terms and conditions on which the

principal will be repaid; and the rate of interest and the terms and conditions on which it will be paid.

Section 2. Early Repayment. The cooperative by action of its Board may repay the whole or any part of the loans from individuals, at any time on 30 days notice by repaying the principal and any accrued and unpaid interest.

Section 3. Transfer. Any loan/note from an individual lender may not be assigned but may be transferred only back to the cooperative. However in the event of the death of the lender, the loan/note may be assigned to the designated beneficiary of the lender if the designated beneficiary is a resident of North Carolina. Additionally, in the event the original lender moves out of North Carolina prior to the loan/note maturing, the lender may either sell it to another North Carolina resident or transfer the loan/note back to the cooperative.

Section 4. Eligibility. Loan offers will be made only to persons who the cooperative has reasonable grounds to believe, and does believe, either have such knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of the loan, or are able to bear the economic risks of the loan.

Section 5. Lack of Registration. Loans from individuals are not registered under the Securities Act of 1933, as amended, or the North Carolina Securities Act. Any Loan Agreement with an individual shall bear a legend to that effect.

Section 6. Disclosure. All loan offers shall be accompanied by a statement that describes the cooperative and the risks associated with the loan.

Section 7. Dissolution. Upon dissolution or distribution of the assets of the cooperative, all loans shall be repaid before any distribution is made on the shares of capital stock.

## **Article V: Owner Meetings**

Section 1. Powers. All powers of the cooperative originate from the owners of the cooperative. The owners exercise their powers through representatives elected by them known as directors. The directors may be recalled and replaced at any time by the will of the owners in accordance with Article VI.

Section 2. Annual meeting. The annual meeting of the owners of the cooperative shall be held at such time as the Board shall determine, within six (6) months after the close of the fiscal year.

The date of the annual meeting shall be publicly posted at least sixty (60) days prior to the meeting through the cooperative's newsletter, posting in a public place within the store and other reasonable means.

Section 3. Special meetings. Special meetings of the owners of the cooperative may be called at any time by order of the Board, and shall be called at any time upon written request of at least fifteen (15) percent of the then active owners. Any such request shall state the time, place, and purposes of the meeting. No business shall be transacted at special meetings other than that announced in advance.

Section 4. Agenda of meetings. The agenda shall be established in writing prior to all owner meetings and shall be included in notification (below). All items, including candidates for the board of directors and advisory questions, must be submitted to the Secretary in writing no less than thirty (30) days prior to the date of the meeting.

Section 5. Notice of meetings. Written or printed notice of all meetings of owners shall be given to all owners personally, by telephone message or by regular mail or e-mail at their last known address at least ten (10) days, and not more than thirty (30) days, prior to the date of the meeting.

Section 6. Voting. Worker owners and consumer owners are entitled to one vote and only one vote at owner meetings. Owners shall vote only in the election and recall of directors and on other such matters not constituting formal action of the owners of the cooperative, including advisory questions, as may be put before the owners by the board or by the initiative of the owners.

Only active owners shall be allowed to cast votes at owner meetings. Active owners are owners for whom the cooperative has contact information that is currently accurate and who have made at least one purchase in the previous 12 months. In advance of each owner meeting, the Secretary of the cooperative or its designated appointee shall prepare a complete list of the active owners as of seven (7) days in advance of the meeting, and shall bring that list to that meeting. References elsewhere in these bylaws to owners and their voting rights shall be deemed to refer to active owners.

Voting on all matters that owners are entitled to vote upon will be accomplished through paper or electronic ballots, or both, as authorized by the board.

At any regular or special meeting legally called, a written and signed absentee ballot and/or vote on nonbinding advisory questions by any absent active owner may be submitted if such owner has been previously notified in writing of the exact motion or resolution upon which the vote is to be taken. Active owners represented by ballot or signed vote shall be counted in computing a quorum but only on those questions on which the ballot or signed vote is taken.

Section 7. Quorum. A quorum at an owner meeting shall consist of 3% of the then active owners or 100 active owners present or voting by absentee ballot, whichever is less. The Secretary will determine in advance of the meeting the number of active owners required for a quorum. A quorum shall be deemed to be reached by consensus of those active owners present. In the event no such consensus is reached, the Secretary shall

certify when the quorum is reached. Once the quorum is reached it shall be deemed to be maintained until the meeting is adjourned.

Section 8. Meeting procedure. Owner meetings shall be presided over by the President of the board of directors of the cooperative. He or she may utilize Robert's Rules of Order for conducting such meetings or such other procedures as are deemed by the President or the Board to be fair and reasonable.

Owner meetings shall be conducted on a consensus basis. For any issue which owners are entitled to vote upon, however, any active owner may require a formal vote. A formal vote shall require a motion, a second and discussion, and shall be determined by a simple majority of those present and authorized to vote, unless otherwise provided herein.

## **Article VI: Board of Directors**

Section 1. General Powers: The board of directors (referred to herein as the "board") shall determine the vision and mission for the cooperative and set the strategic direction; create policies to ensure ethical operations, legal and financial accountability, and effective management of resources; assess organizational performance; hire, support, and evaluate the General Manager; recruit, select, and educate board members and leadership; create the policies, structure, and process for its own work; and consider the annual budget presented by the General Manager, the Audit Committee or another person or committee as the board shall designate and, after any revisions it deems advisable, adopt the same.

Section 2. Responsibilities of board members. Individual members of the board shall:

- (a) make every reasonable effort to attend all regularly scheduled board meetings; give prior notice of absence from board meetings;
- (b) support and affirm the cooperative's mission statement and strategic and annual plans;
- (c) participate in committee assignments;
- (d) assist staff, as requested, in creating and implementing the cooperative's plans and policies and in securing resources
- (e) serve as ambassadors for Durham Co-op Market to the community

Section 3. Conflicts of Interest. Members of the Board and staff shall abide by a Conflict of Interest policy established by the Board.

Section 4. Number and Composition. The general powers to manage the affairs of the cooperative are delegated by the ownership to the Board of Directors.

(a) Worker Board Members ("Worker Board Members"). There shall be up to two members of the Board of Directors elected by the worker owners. If the cooperative has more than ten workers other than the General Manager, there shall be two members of the board elected by worker owners. If the cooperative has more than five

but not more than ten worker other than the General Manager, there shall be one member of the board elected by worker owners.

(b) Consumer Board Members (“Consumer Board Members”). There shall be a minimum of six and maximum of nine members of the Board of Directors elected by the consumer owners at the annual meeting.

(c) Appointed Members. Up to eight members of the board may be appointed at the discretion of the Board of Directors.

Section 5. Eligibility. All board members must be active owners of the cooperative.

Section 6. Selection of Board Members. All board members shall be selected either through election or by appointment by the previous board. Elections shall occur through an open and fair manner to be determined by policy of the Board of Directors and said policy shall be provided to all owners no less than thirty days prior to the first deadline established in that policy.

(a) Worker Board Members. Worker Board Members shall be elected at the annual owners meeting by a simple plurality vote of Worker Owners present or represented by signed absentee ballot. Any active owner of the cooperative may serve as a Worker Board Member.

(b) Consumer Board Members. Consumer Board Members shall be elected at the annual owners’ meeting by a simple plurality of Consumer Owners present or represented by signed absentee ballot. Any active owner of the cooperative may serve as a Consumer Board Member.

(c) Appointed Members. Appointed Members will be appointed by a simple majority vote of the board.

Section 7. Term of Office. Elected Consumer Board Members and Worker Board Members shall serve three year terms, beginning immediately following the close of the annual meeting at which they are elected and ending when their successors assume office. Appointed Board Members shall serve until the end of their assigned term, at which point the appointee is required to be affirmed by the cooperative’s ownership if the appointee intends to continue serving on the board. Any appointed Board Member whose appointment is not affirmed by the cooperative’s ownership will step down immediately and be ineligible for a subsequent appointment for a period of one year.

Each category of elected board member will be assigned into roughly even parts or cohorts which will serve staggered terms. Consumer Board Members will be assigned into roughly three even parts or cohorts, and Worker Board Members will be assigned into two even parts or cohorts.

No Elected or Appointed Member of the board may serve more than three consecutive terms, including partial terms longer than one year. After a one year lapse of membership on the board, an owner may serve again.

Section 8. Removal of Board Members. Any member of the Board may be removed from office for conduct contrary to the cooperative or failure to follow board policies by a vote of a majority of the active owners. The Board may also remove a member for above such conduct, in addition to two consecutive absences or for a third missed meeting within one year, by a two-thirds (2/3) vote of the remaining Board members. Notice for any meeting at which a member of the Board is removed must be provided to all members of the Board at least ten days in advance and include notice of the proposed action, as well as to properly indicate the date, time and place of the meeting.

Section 9. Vacancies. In the event of any vacancy of elected board members through death, resignation, or other cause, the remaining members of the Board may, by a majority vote, select a successor to fill the seat until the next Annual Meeting, at which time a Board member shall be elected to complete the term of the director whose place was vacated. Such elected board member will assume office immediately following the close of the annual meeting. In the event of any vacancy of appointed board members through death, resignation, or other cause, the term of that appointed board member terminates and the remaining members of the Board may, by a majority vote, appoint a new board member in accordance with Article VI, Section 6(c).

Section 10. Duties of the Board. The duties and powers of the Board shall include all those given a corporation under the laws of North Carolina, consistent with the laws of the United States and with the cooperative's articles of incorporation and bylaws.

Section 11. Compensation of the Board. Board members will, during their term of service, receive the same discount benefit as workers in the store.

## **Article VII: Meetings of the Board of Directors**

Section 1. Place of Meetings. The meetings of the Board may be held at the offices of the cooperative or at any place that a majority of the Board may from time to time select.

Section 2. Regular Meetings. The Board shall meet at least eleven times a year at a date, time and place determined by the Board. Board meetings may be rescheduled at least 10 days prior to the meeting, providing that a majority of the board members agree. The notice and agenda for regular meetings of the Board shall be delivered to each member of the board (by regular mail or e-mail, telephone, fax, hand delivery or any other appropriate and effective means) not less than five days before the meeting. If a rescheduled meeting causes a Board member to be unable to attend, that absence will not count for purposes of Art. VI, Section 8 hereof.

Meetings shall be open to all owners unless the Board decides to go into executive session regarding confidential or proprietary matters such as: labor relations or personnel issues; negotiation of a contract; discussion of strategic goals or business plans, the disclosure of which would adversely impact the cooperative's position in the marketplace; and/or discussion of a matter that may, by law or contract, be considered confidential.

Section 3. Special Meetings: Special meetings of the Board of Directors may be called at any time by the President or by any three members of the Board of Directors. A notice including date, time, place and items to be transacted shall be delivered by the person(s) convening the meeting. Only business contained in the notice shall be transacted except by unanimous consent of the directors present at the meeting. Such notice shall be delivered to each member of the board (by regular mail or e-mail, telephone, fax, hand delivery or any other appropriate and effective means) and posted in a public place within the store not less than 10 days before special meetings.

Section 4. Quorum. A majority of Board members then in good standing shall constitute a quorum for the transaction of business at any meeting of the Board.

Section 5. Official acts of the Board. Board meetings shall be conducted on a consensus basis; however, for any issue any board member may require a formal vote. A formal vote shall require a motion, a second and discussion, and shall be determined by a simple majority of those present and authorized to vote.

When a vote is taken, a majority of the Board members shall decide the question and the vote shall be recorded with the yeas and nays of each Board member or the unanimous approval thereof in the minutes of the cooperative.

Section 6. Executive Session. The Board may choose to meet in executive session as needed.

Section 7. Delegation of Duties. Whenever an officer is absent or whenever for any reason the Board may deem it desirable, the Board may delegate the powers and duties of an officer to any other officer or officers or to any Board member or members.

Section 8. Waiver of Notice. A Board member may waive in writing or by electronic mail notice of a regular or special meeting of the Board either before or after the meeting, and his or her waiver shall be deemed the equivalent of giving notice. Attendance of a Board member at a meeting shall constitute waiver of notice of that meeting unless he or she attends for the express purpose of objecting to the transaction of business because the meeting has not been lawfully called or convened.

Section 9. Informal Action. When time is of the essence and if a quorum of the Board responds in writing to a request for action to be taken by the cooperative, and all of those responding vote in the affirmative, and the writing or writings evidencing their consent are filed with the Secretary of the Board of the cooperative, the action shall be as valid as though it had been authorized at a meeting of the Board.

## **Article VIII: General Manager**

Section 1. Selection. The cooperative shall have a General Manager who shall be selected by the Board. The General Manager may be removed with or without cause by a majority of the current Board members at any meeting, the notice for which shall include such purpose.

Section 2. Compensation. The Board shall annually review and set the compensation and other benefits for the General Manager.

## **Article IX: Officers**

Section 1. Officers. The officers of the cooperative shall consist of a President, Vice-President, a Secretary and a Treasurer.

Section 2. Election. Officers shall be elected by the Board as the first item of business at the first meeting of the Board following the annual meeting. The current President shall prepare the meeting agenda and preside during the election of the incoming President, unless the board, by a majority vote, appoints another owner of the cooperative to preside during the election of the incoming President. The incoming President shall assume office immediately following her or his election and preside over the remainder of the meeting, including the election of other officers. Each officer shall assume office immediately following her or his election and serve a one-year term ending when their successors assume office.

In the event that the current President is no longer a member of the Board following elections at the annual meeting, the current Vice President shall act in his or her place as described in this section above. Further, if neither the current President nor the current Vice President are members of the Board following the annual meeting, the current Treasurer shall act in place of the current President as described in this section above. Further, if none of those three officers is a member of the Board following elections at the annual meeting, the current Secretary shall act in place of the current President as described in this section above.

Section 3. Qualifications. Each officer shall be a consumer owner member of the Board.

Section 4. Compensation. Officers of the cooperative shall serve without compensation other than that provided for in Article VI, Section 11 for their duties as officers. It is recognized that an officer may also be a worker of the cooperative and may be compensated in that capacity.

Section 5. Removal. Any officer may be removed from office with or without cause by a majority of the current Board members at any meeting, the notice for which shall include such purpose.

Section 6. President. The president shall maintain the integrity of the Board's process and compliance with its own rules and as such will preside at meetings of owners and at Board meetings. The President shall appoint the heads of all standing and ad hoc board committees in accordance with Article X; shall, with input from other directors, develop an agenda for monthly meetings; shall create an annual Board calendar; and shall be an ex-officio member of all standing committees.

Section 7. Vice-President. The Vice-President shall remain attentive to and knowledgeable about the business and other affairs of the cooperative so that he or she would be able competently at any time to assume the duties of the office of President. If the president should be absent either from a Board meeting or a meeting of the owners, the Vice-President shall preside at such meeting. If a vacancy in the office of the President should occur or if the President should become unable to perform his or her duties, the Vice-President shall assume the duties of the office of President until such time as a president is elected by the Board.

Section 8. Treasurer. The Treasurer shall ensure the Board develops, approves and abides by a budget specifically for Board authorized expenses incurred in the course of completing the Board's work.

In case of the absence or disability of the Treasurer, the Board may appoint a Treasurer Pro Tem.

Section 9. Secretary. The secretary shall attend all meetings of the Board and the annual meeting, ensure that minutes of same are recorded and that copies are filed in the cooperative's office, and distribute them in a timely fashion to members of the Board and interested members of the community.

The secretary will be responsible for the integrity of the documents of the cooperative keeping on file all the most current versions of policies and bylaws. The secretary shall perform such other duties as may be required of him or her by the Board, including the duties of treasurer if that position is not filled.

Section 10. Limitation. Neither the General Manager nor any officer of the cooperative shall obligate the cooperative beyond the limit of items in the Board-adopted budget without specific authority in writing from the Board.

## **ARTICLE X: Committees**

Section 1. Appointments of Committee Heads. From the current members of the Board, the President shall appoint the heads of all standing committees with the approval of the Board. The President shall appoint the heads of ad hoc board committees from the membership of the Board or other active owners of the the cooperative with the approval of the Board.

Section 2. Membership. In consultation with the President, heads of committees shall select the other members of their respective committees. There shall be at least two

(2) Board members on each Board committee. Members of committees shall be active owners of the cooperative. Unless otherwise designated in these bylaws or determined by the Board, the term of committee membership for the chairperson and committee members shall be one year.

Section 3. Ad Hoc Committees. Ad hoc committees may be established when deemed advisable by the President with the consent of the Board. Ad hoc committees may be disbanded by the Board for any reason at any time.

Section 4. Approval. All recommendations made by committees must be approved by the Board prior to implementation.

Section 5. Removal of Committee Members: Committee members may be removed from any committee by the Board for any reason at any time.

Section 6. Standing committees: The standing committees shall include:

(a) Audit Committee, which shall determine the need for an independent audit, and should such audit be necessary, oversee the selection of the auditing firm and the completion of the audit.

## **ARTICLE XI: Discrimination Prohibited**

The cooperative will not discriminate, nor will it permit discrimination on its behalf, on the basis of race, color, gender, religious beliefs, national origin, political beliefs, disabilities, sexual orientation, or marital status in the process of hiring, appointing, creating supplier contracts, or in administering any other personnel or administrative policies.

## **Article XII: Miscellaneous Provisions**

Section 1. Seal. The seal of the cooperative shall be in such form as may be approved from time to time by the Board. Such seal may be an impression or stamp and may be used by the officers of the cooperative by causing it, or a facsimile thereof, to be impressed or affixed or in any other manner reproduced. In addition to any form of seal adopted by the Board, the officers of the cooperative may use as the corporate seal a seal in the form of a circle containing the name of the cooperative and the state of its incorporation (or an abbreviation thereof) on the circumference and the word "Seal" in the center.

Section 2. The fiscal year of the cooperative shall be the twelve calendar months commencing on July 1.

Section 3. Indemnification of Board Members. To the fullest extent permitted by law, the cooperative shall indemnify each person who has, does or will serve as a board member or officer of the cooperative and their heirs and personal representatives against any and all costs and expenses, including but not limited to, counsel fees, judgments paid,

and amounts paid in settlement, that are actually and reasonably incurred in connection with the defense of any claim, action, suit, or proceeding, whether civil, criminal, administrative or otherwise in nature, in which he or she may be involved by reason of being or having been a board member or officer of the cooperative.

No indemnification shall be made as to matters which such board member or officer shall be adjudged in any action, suit or proceeding to be liable for his or her own fraud or conscious misconduct in the performance of a duty to the cooperative or a duty under federal or state laws. A conviction or judgment, whether based on a plea of guilty or nolo contendere or its equivalent, or after trial, in a criminal action, suit or proceeding shall not be deemed an adjudication of liability for fraud or conscious misconduct in the performance of duty to the cooperative, if such officer or board member acted in good faith in what he or she considered to be the best interests of the cooperative.

Section 4. Effective Date of Notice/Notice by Electronic Means. Written notice shall be effective at the earliest of the following: (a) when received; (b) five (5) days after its deposit in the United States mail, as evidenced by the postmark, if mailed with postage thereon prepaid and correctly addressed to the owner's address shown in the cooperative's current records; or (c) on the date shown on the return receipt, if sent by certified mail, return receipt requested and the receipt is signed by or on behalf of the addressee.

To the extent an owner and the cooperative have agreed, notice by the cooperative to such owner in the form of an electronic record sent by electronic means shall be effective when addressed properly or otherwise directed to an information processing system that such owner has designated or uses for the purpose of receiving electronic information of the type sent, is in a form capable of being processed by that system, and enters an information processing system outside the control of the sender or enters a region of such a system which is under the control of such owner.

Section 5. Electronic Transactions. The cooperative may conduct any transaction or transactions by electronic means, and this provision shall constitute the agreement by the cooperative, its owners and the board of directors to the conduct of transactions by electronic means.

Section 6. Definitions. Unless the context otherwise requires, terms used in these bylaws shall have the meanings assigned to them in the North Carolina Business Corporation Act, as incorporated by Chapter 54 of the General Statutes of North Carolina, Subchapter IV, to the extent defined therein.

Section 7. Amendments to Bylaws. These bylaws may be amended, altered or repealed by the board at any regular or special meeting, provided a copy of the proposed amendment, alteration or proposal for repeal shall have been sent to all board members along with the notice of the meeting. These bylaws may also be amended, altered or repealed at a special meeting called by the owners for the sole purpose of altering the bylaws. The affirmative vote of a majority of then active owners is required to effect changes to the bylaws.

Section 8. Any records maintained by the cooperative in the regular course of its business, including its stock ledger, books of account and minute books, may be in written form or in another form capable of conversion into written form within a reasonable time. The cooperative shall so convert any records so kept upon the request of any person entitled to inspect the same. The cooperative shall maintain at its principal office the following records: (a) Articles of Incorporation or Restated Articles of Incorporation and all amendments thereto; (b) Bylaws or Restated Bylaws and all amendments thereto; (c) resolutions by the Board creating classes or series of shares and affixing rights, preferences or limitations to shares; (d) minutes of all owner meetings or action taken without a meeting for the past three (3) years; (e) all written communications to owners for the past three (3) years, including financial statements; (f) a list of the names and business addresses of its current directors and officers; and (g) the cooperative's most recent annual report.

Adopted July 7, 2009.

Revised September 1, 2009

Revised February 15, 2011

Revised October 18, 2011

Revised August 2012

Revised February 2013

Revised September 2017