

Quincy Natural Foods, Inc.

Bylaws

As Amended by Member-Owner Vote March 31, 2009

ARTICLE I. MISSION STATEMENT

Quincy Natural Foods, Inc. is a consumer owned cooperative that provides our community with high quality, affordable foods and products while supporting organic, sustainable agriculture and promoting health awareness.

ARTICLE II. OFFICE

The principal office shall be a store in Quincy, County of Plumas, State of California.

ARTICLE III. MEMBERSHIP

3.1 Eligibility

Any person who is interested in buying products from the store, or otherwise supports the cooperative principles as adopted by the International Co-operative Alliance, may become a member-owner by filing an application in the form prescribed by the Board of Directors. Unless rejected in writing within 30 days, the application shall be deemed accepted. The applicant shall be added to the list of member-owners and shall be entitled to member-owner rights and privileges. Member-ownership is not transferable. Quincy Natural Foods shall not discriminate on the basis of nationality, race, disability, religion, age, gender, sexual orientation, political affiliation, or other arbitrary basis.

3.2 Investment Share Payments

An annual, refundable or non-refundable member-owner investment share payment may be required by each member-owner. The investment share payment schedule shall be set by the Board of Directors and apply uniformly to all member-owners, unless applicant petitions the Board for an “economic hardship” payment plan. Member-owners who are delinquent in adhering to the payment schedule are not entitled to any member-owner benefits.

3.3 Access to Records and Meetings

Member-owners shall have reasonable access to inspect all records of the corporation and to attend all meetings, except closed Board sessions for matters necessary to protect privacy at the discretion of the Board.

3.4 *Termination of Ownership*

A member-owner may withdraw from ownership by giving written notice to the store. Ownership may be revoked by the Board of Directors for good cause after notice and opportunity for a hearing are given to the member-owner. Good cause includes activity contrary to principles of consumer cooperation, or activity injurious to the interests and operations of the corporation.

3.5 *Rights and Privileges*

A member-owner shall be entitled to the following rights and privileges:

1. Purchasing of goods at ownership prices
2. Voting at member-owner meetings or by written ballot
3. Applying to the Board for service on any member-owner committee
4. Applying to serve as an elected member-owner of the Board of Directors
5. Other periodic benefits at the discretion of the Board of Directors or Management

ARTICLE IV. MEMBER-OWNER INVESTMENT SHARES

4.1 *Issuance*

The corporation through its Board of Directors may issue shares to member-owners to represent an investment in the equity of the corporation. No member-owner shall be permitted to invest more than \$300 total. A *fair share* is defined as a \$300 investment. Shares are risk capital, not debt, and there is no promise, express or implied, that the investment will be returned.

4.2 *Share Investment Certificates*

The monetary value of each *share investment* shall be determined by the Board of Directors and shall be shown on the face of a share investment certificate. Each certificate shall be numbered and state the following:

"Disclosure Statement of Quincy Natural Foods, Inc., a California nonprofit mutual benefit corporation: Bylaws are free and obtainable at the principal office. This share investment certificate is nontransferable. It may be redeemed only by the corporation upon a vote of the Board of Directors, and the redemption amount shall not exceed the face value. There is no service requirement attached to this investment certificate. Voting power in the corporation is not connected to this investment certificate. Each share

investment represents a proprietary interest in the corporation. Upon dissolution, after payment of all debts and liabilities, remaining assets shall be distributed to shareholders in direct proportion to the ratio of the value of each share investment to the value of all share investments outstanding."

The above disclosure statement is incorporated by reference into these bylaws.

4.3 *Redemption*

If a terminating member-owner requests redemption of his or her share investment, the Board shall grant redemption upon determination of the financial stability of the corporation.

4.4 *Share Register*

A current and complete shareholder registry shall be maintained at all times at the principal office. The register shall include names and addresses of member-owners with numbers and dates of share certificates issued.

4.5 *Non-liability of Member-owners*

Member-owners of the corporation shall not be liable personally for debts, liabilities and obligations incurred by the corporation. Share investment value shall remain at the purchase price.

4.6 *Unclaimed Share Investments (Escheatment)*

A. This bylaw is intended to comply with California Corporation Code *S 12446*.

Proprietary Interests that would otherwise escheat under the provisions of California Code of Civil Procedure Section 1516(a) (patronage dividends) and 1516(b) (membership shares) shall transfer, pursuant to compliance with this bylaw, to Quincy Natural Foods, Inc.

B. If a member cannot be located as evidenced by the return of his/her mail, by no record of business transacted at Quincy Natural Foods, and if a member does not claim, or correspond in writing about, a proprietary interest of the type described in CCP Section 1516(a) and (b), for a period of at least 3 years from the time of claim or response prescribed by Quincy Natural Foods, then thereafter Quincy Natural Foods may do the following:

1. Quincy Natural Foods shall place that member on inactive status, pending

notice as provided below; provided however that Quincy Natural Foods will diligently seek out such member if the member is known to be present at times in or near the store or surrounding community.

2. Quincy Natural Foods shall give to the affected member at least ninety (90) days prior notice of the Quincy Natural Foods proposed transfer date of the proprietary interests to the cooperative. Notice shall be provided by first or second class mail to the last address for the member shown on Quincy Natural Foods records and by publication in a newspaper of general circulation in the county in which the cooperative has its principal office, namely, Quincy, Plumas County. Notice given in the foregoing manner shall be deemed actual notice.
 3. No proprietary interest shall become the property of Quincy Natural Foods if written notice objecting thereto is received by Quincy Natural Foods from the affected member prior to the date of the proposed transfer. If there is no objection to the transfer of the proprietary interest from the member to Quincy Natural Foods Cooperative, then said proprietary interest shall become the property of Quincy Natural Foods on the transfer date, which shall be at least 90 days from date of notice.
- C. A proprietary interest shall mean and include any membership, membership certificate, membership share, share certificate or any share certificate of any class representing a proprietary interest in and issued by Quincy Natural Foods together with all accrued and unpaid dividends and patronage distributions relating thereto.
- D. After approval by the Board of Directors this resolution shall be submitted for a membership vote in accordance with provisions regarding amendment of bylaws and thereafter is immediately in effect. This bylaw is intended to be retroactive to March 25, 2005, so as to affect all of the members' proprietary interests in Quincy Natural Foods Cooperative.

ARTICLE V. MEETINGS OF MEMBER-OWNERS

5.1 *Annual Meeting*

A member-owner meeting shall be held annually. The time and location shall be posted in the store at least 30 days prior to the meeting. The meeting shall be

chaired by the President whose governance shall reflect the basic principles of *Robert's Rules of Order (Revised)*.

5.2 *Standing Committees*

Standing committees of the member-owners may be established by the member-owners for nomination or audit purposes.

5.3 *Special Meetings*

Special meetings of the member-owners may be called by the Board of Directors or by written request of 15% of all member-owners. Notice of the time, location, and agenda for such meetings shall be posted in the store at least 20 days prior to the special meeting.

5.4 *Voting and Quorum*

Each member-owner shall be entitled to one vote on each matter submitted to a vote of the member-owners. A quorum shall consist of 10% of all member-owners, as determined by the Secretary. Member-owners' decision shall be by majority vote. Proxy voting is prohibited, but the written, signed vote of an absent member-owner shall be counted if a copy of the exact motion or the complete list of nominees upon which vote is taken is attached to the written vote. Member-owners are eligible to participate in voting decisions if they are in good standing for at least 30 days prior to voting.

ARTICLE VI. BOARD OF DIRECTORS

6.1 *Authority of the Board*

The activities and affairs of the corporation, based on the seven cooperative principles adopted by the International Co-operative Alliance, shall be conducted, and all corporate and fiduciary powers shall be exercised, by or under the direction of the Board of Directors.

6.2 *Board Composition and Terms of Office*

The Board shall consist of seven members who shall hold offices for three years or until successors are elected or appointed. Three directors shall be elected one year, two the next and two the following year by written ballot collected at a member-owner meeting or at the store. The candidates receiving the highest number of votes shall be elected until all directorships are filled. Board members must be member-owners in good standing. No employee of the corporation is eligible to serve as a director.

6.3 *Vacancies and Terminations*

Directorships that become vacant between annual elections will be filled by appointment by the Board. Voluntary resignation of a directorship shall not take effect until written notice is received by the Board. Absence from three regular Board meetings within a period of one year may necessitate termination, unless the Board deems otherwise.

6.4 *Board Meetings, Quorum and Voting*

The Board shall meet at least 10 months out of 12. A majority of the seated directors shall constitute a quorum, but no decision shall be made without a majority of the quorum. In an emergency, the Board may meet and vote by telephone, mail, or electronic mail. All meetings shall be announced at least 7 days prior to the meeting by posting a notice in the store. All meetings except closed Board sessions shall be open to the member-owners.

6.5 *Conflict of Interest*

Directors shall be under an affirmative duty to disclose their actual or potential conflicts of interest in any matter actually or potentially under consideration by the Board. Such interests shall be made a matter of record in the minutes of any meeting where a potential conflict of interest exists. A transaction in which a director has an interest may be approved only by a majority of directors who have no interest in the transaction and upon a determination that the transaction is fair to the corporation.

ARTICLE VII. OFFICERS AND COMMITTEES OF THE BOARD

7.1 *Officers of the Board*

Officers of the corporation shall be elected annually by the Board of Directors for one year terms and until successors are elected. All officers must be members of the Board except the Chief Financial Officer.

7.2 *Officers and Duties*

The officers and their duties are:

The President shall serve as chief executive officer exercising the authority of the corporation over all affairs in accordance with these Bylaws, member-owner decisions, and Board decisions in that order of priority.

The Vice President shall perform all duties of the President when the President is

absent or incapacitated.

The Secretary shall be responsible for maintaining and preserving corporate records in accordance with the law and sound business practice.

The Treasurer shall ensure that timely and accurate financial reporting to the Board of Directors occurs, and convene and chair the Board's Finance Committee.

The Chief Financial Officer shall maintain, or cause to be maintained, correct books of account and records of corporate financial matters capable of being produced in written form and shared, upon request, with other corporate officers. He/she shall prepare, or cause to be prepared the annual report of the corporation.

7.3 *Committees of the Board*

The Board may appoint special or standing committees to advise the Board or to exercise such authority as the board shall designate. Advisory committees of the Board may include non-Board member-owners. However, committees exercising any authority of the Board shall consist only of Directors and proceed according to requirements applicable to the Board.

7.4 *Board Committee Meetings*

Meetings of the Officers, or the Committees of the Board may be held anywhere in Quincy without prior notice, except that, when circumstances permit, prior notice of the time, location, and business to be conducted shall be posted at the store.

ARTICLE VIII. INDEMNIFICATION

8.1 *Rights*

In order to encourage qualified persons to serve as directors and officers, the corporation shall, subject to the terms and conditions in this Article, indemnify its directors and officers, including those formerly holding such positions, against all liabilities and expenses, including reasonable attorney fees, to which they may actually and reasonably become subject by reason of their positions with the corporation or their service in its behalf. Such indemnification shall include direct payment of liabilities and expenses, and shall apply whenever such person was or is a party or is threatened to be made a party, to any threatened, pending or completed proceeding, whether civil, criminal, administrative or investigative.

8.2 *Limitations*

No indemnification shall be provided unless the person to be indemnified is determined to have met the standard of conduct required by law. In any proceeding by or in the right of the corporation, indemnification shall be provided only to the extent permitted by law. Indemnification payments and advances of expenses shall be made only in such increments and at such times as will not impair the ability of the corporation to meet its other obligations as they become due.

ARTICLE IX. DISSOLUTION OF THE CORPORATION

Upon dissolution of the corporation, after payment of all debts and liabilities, remaining assets shall be distributed to member-owners in direct proportion to the ratio of the value of each share to the value of all shares outstanding.

ARTICLE X. AMENDMENTS TO THE BYLAWS

The Bylaws of the corporation shall not be amended without approval of the member-owners. Proposed amendments shall be posted in the store at least 30 days prior to a member-owner vote. Member-owners may vote on an amendment by signing a petition in the store or by casting a ballot. At least a quorum of the member-owners must vote.

The majority of this vote determines approval or disapproval of the amendment. (See 5.4)