BYLAWS

The Hillsboro Food Co-op Bylaws

Date Adopted: May 4, 2014

Last Updated by Vote of Member-Owners: May 9, 2020

Article I: Organization

Section 1.1 – Name. The name of the organization is Hillsboro Food Co-op. (referred to in these bylaws as “the Co-op”).

Section 1.2 – Mission. Our mission is to provide healthy, high-quality, affordable food to Hillsboro and its surrounding area while also serving as a community gathering place. We emphasize products from local, sustainable, and socially responsible sources, and we work to build connections between our customers and their farmers and other local suppliers.

Section 1.3 – Cooperative principles. The Co-op shall be operated in accordance with the cooperative principles adopted by the 1995 General Assembly of the International Co-operative Alliance, such principles being: (i) voluntary and open membership without arbitrary discrimination; (ii) democratic governance; (iii) economic participation by member-owners; (iv) autonomy and independence of the Co-op; (v) providing education and training; (vi) cooperation with other cooperatives; and (vii) concern for community.

Article II: Membership

Section 2.1 – Eligibility. Our owners are our members. We shall refer to them as member-owners here after. Membership in the Co-op is open to any natural person who meets all qualifications set forth in these bylaws and who purchases a member share. The member share price shall be set by the Board of Directors (hereinafter the Board).

Section 2.2 – Share purchase requirement. Each member-owner shall keep current in payment of the share purchase requirement. Persons in financial need may seek and receive an extended payment plan, as determined by the Board of Directors. A member-owner who becomes delinquent in meeting the share purchase obligation to an extent determined by the

Board, or upon entering into a new payment plan as determined and approved by the Board. References in these bylaws to the rights and entitlements of member-owners shall be understood to refer only to member-owners in good standing.

Section 2.3 – Rights. Each member-owner shall be entitled to make purchases from the Co-op on terms available to owners and to participate in the governance of the Co-op as set forth in these bylaws. Member-owners, including Board members, may be eligible for additional incentives as determined by the Board. Each member-owner shall be entitled to one vote. Member-owners shall vote on the alteration, amendment, or repeal of these by laws.

Section 2.4 – Member-owner Indemnity. Member-owners shall not be liable for the debts of the Co-op, beyond the amount invested in the Co-op through their member-owner share, or the amount owed by the member-owner for their share.

Section 2.5 – Access to information. Member-owners are entitled to reasonable and timely access to information as to the organizational and financial affairs of the Co-op. Member-owners shall have access to other information that is directly related to a legitimate interest of the member-owner and is not contrary to the best interests of the Co-op, or to the privacy or confidentiality of any other member-owner or employee. To protect the privacy of member-owners, employees, and others, and to prevent potential harm to the business interests of the Co-op, it shall be the policy of the Co-op to provide such additional information in a manner consistent with these considerations.

Section 2.6 – Settlement of disputes, mediation. In the events of a dispute between the Co-op and any of its member-owners or former member-owners regarding Co-op matters or anything contained in these By Laws which cannot be resolved through informal negotiation, parties to the dispute will use an impartial mediator to facilitate negotiations between the parties and assist them in developing a mutually acceptable settlement. Participation in the mediation process is considered a prerequisite to any party to a dispute taking any other formal action.

Section 2.7 – Nontransferability. Membership rights and interests may not be transferred except that the Co-op will upon request following termination of membership transfer the carrying value of such person's share credits, net of any authorized offsets, to the credit of another person designated by the requesting member-owner, provided that the transfer is gratuitous and that the person so designated is or becomes a member-owner of the Co-op. Any attempted transfer contrary to this section shall be wholly void and shall confer no rights to the intended transferee.

respond in person or in writing. Upon termination of membership, all rights and interests in the Co-op shall cease except for rights to redemption of capital described in Articles VII and VIII of these bylaws.

Section 2.9 – Return of Equity. Equity shall be returned upon termination of membership in the Cooperative, under terms determined by the Board, provided that the Board has determined that the equity is no longer necessary for the reasonable or prospective capital needs of the Cooperative.

Article III: Meetings of Member-owners

Section 3.1 – Annual meeting. An annual meeting of member-owners shall be held each year to review operations and finances of the Co-op and to announce the results of selection of director positions.

Section 3.2 – Special meetings. Special meetings of member-owners may be called by the President or the Board or, upon the filing of a petition stating the business to be brought before the meeting signed by the greater of fifty member-owners or 10 percent of the member-owners, by the Secretary.

Section 3.3 – Time and place. The date, time and place of all meetings of member-owners shall be determined by the Board or, in the event that the Board fails to so act, by the Secretary. Meetings shall be held at a time and place convenient to member-owners.

Section 3.4 – Notice. Written notice of the time and place, and in the case of a special meeting the purposes of the meeting, shall be provided to each member-owner not less than seven days nor more than thirty days before the date of any meeting of member-owners for the purpose of exercising voting rights. Notice of other meetings may be by publication in the Co-op's newspaper or otherwise.

Section 3.5 – Record dates. Unless otherwise determined by the Board, only persons who are member-owners at the close of business on the day immediately preceding the date of distribution of notices shall be entitled to notice of any meeting of member-owners and to vote at such meeting.

Section 3.6 – Voting. All binding voting by member-owners shall be made in a manner as determined by the Board, which will include reasonable notice to all member-owners and opportunity to cast a vote, and may allow for voting at member-owner meetings and by mail ballot.

these bylaws, issues shall be decided by a simple majority of votes cast except where one or more choices are to be made from several alternatives, in which case the choice receiving the most votes shall be adopted. A committee of the Board shall oversee voting procedures.

Section 3.8 – Issues submitted by member-owners. Member-owners shall vote on any proper issues submitted by petition by the greater of fifty member-owners or one percent of all member-owners.

Article IV: Board of Directors

Section 4.1 – Powers and duties. Except as to matters reserved to member-owners by law or by these bylaws, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Co-op shall be managed under the direction and control of the Board of Directors (sometimes referred to in these bylaws as “the Board”). The duties of the Board shall include, but not be limited to, overseeing the operations and finances of the Co-op, establishing policies to govern operational decisions, engaging a manager and monitoring and evaluating her or his performance, and assuring that the purpose and mission of the Co-op are properly carried out. The Board shall keep member-owners apprised of budget-making activities and significant unbudgeted expenditures

Section 4.2 – Number and qualifications. The Board shall consist of not less than three nor more than eleven individuals. The exact number of directors shall be fixed by resolution of the Board. No reduction in the membership of the Board shall serve to shorten the term of any director then elected and serving. To be qualified as a director, a person shall be a member of the Co-op and shall not have any overriding conflict of interest with the Co-op. No more than one employee shall serve as a director at any time.

Section 4.3 – Nominations, election and terms. Directors may be nominated by the Board or by petitions signed by at least twenty member-owners and submitted to the Co-op at least forty-five days before commencement of election of directors. Directors shall be elected by member-owners. Each member-owner is allowed one vote for each director position. Terms of directors shall be so staggered that one-third of the terms, or as nearly so as may be practicable, shall expire in each year. Directors shall normally be elected for terms of three years. To facilitate staggering of terms, some directors may periodically be elected for one or two year terms. Candidates receiving the greatest number of votes shall be assigned the positions with the longer terms. In the event of a tie vote among candidates that would otherwise result in nonconformity with any provision of these bylaws, the candidates receiving such a tie vote shall

Section 4.4 – Standards of conduct. Directors and officers with any discretionary authority shall be responsible at all times for discharging their duties in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner they reasonably believe to be in the best interests of the Co-op.

Section 4.5 – Conflicts of interest. Directors have an affirmative duty to disclose their actual or potential conflicts of interest in any matter under consideration by the Board. Directors having such an interest may participate in the decision or discussion of the matter in accordance with Board policy, but may not vote on the matter.

Section 4.6 – Committees. The Board may appoint standing or ad hoc committees to advise the Board or to exercise such authority as the Board shall designate. Advisory committees shall include at least one director. Committees exercising any authority of the Board shall consist only of directors and shall conform to all requirements applicable to the Board.

Section 4.7 – Indemnification. Subject to limitations in its Articles of Incorporation, the Co-op shall indemnify its current and former directors and officers against all reasonable expenses to which they may become subject by reasonable exercise of their obligations and duties as members of the board to the extent permitted by law. Indemnification payments and advances of expenses shall be made on a priority basis but only in such increments and at such times as will not jeopardize the ability of the Co-op to pay its ordinary and necessary obligations as they become due. All such payments made shall be reported in writing to member-owners with or before the notice of the next scheduled meeting of member-owners.

Section 4.8 – Termination. The term of office of a director may be terminated prior to its expiration in any of the following ways: (i) voluntarily by a director upon notice to the President; (ii) automatically upon termination of membership in the Co-op; and (iii) for cause by vote of at least two-thirds of all directors, provided that written reasons for removal are included in the notice of the meeting and the director whose removal is sought has had an opportunity to answer the reasons at the meeting. A director who is absent from two consecutive Board meetings, unless excused by the Board for good cause, shall be presumed to have resigned.

Section 4.9 – Vacancies. Whenever the number of directors shall fall below three for any reason, the Board shall appoint one or more directors necessary to bring the number of directors to three. Such directors shall serve until the next regularly scheduled election of directors. Any other vacancy may be filled by the affirmative vote of the remaining directors though less than a quorum of the board. The director elected to fill a vacancy shall be elected for the unexpired term of the director’s predecessor in office.

the Secretary upon request of any three directors. Meetings of the Board shall be held no less frequently than once in each calendar quarter.

Section 5.2 – Notice. Meetings called by resolution of the Board shall require no notice, it being the responsibility of absent directors to inquire as to the time of further scheduled meetings. Special meetings shall require written or oral notice to all directors. Written notice shall be delivered at least 14 days before the date of the meeting and oral notices shall be given in person or by a telecommunications device at least forty-eight hours before the time of the meeting. Notices of meetings of the Board shall also be posted in a timely manner and in a conspicuous place in the Co-op's store.

Section 5.3 – Quorum. The presence in person of a majority of directors shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the Board.

Section 5.4 – Decision making. The Board shall strive to make decisions by consensus, attempting to reconcile differing points of view based upon the best interests of the Coop. Any decision made by consensus shall be deemed to be inclusive of a vote in any required percentage. If, in the opinion of a majority of directors present, efforts that they consider to be reasonable under the circumstances have failed to produce a consensus, then such issue shall be decided by a majority vote.

Section 5.5 – 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 a written consent to the action is signed by all directors and filed with the minutes of meetings.

Section 5.6 – Open meetings. Meetings of the Board and all committees shall be open to member-owners. Sessions of a meeting may be closed only for issues of a particularly sensitive nature in accordance with Board policy. Such closed session shall be for purposes of discussion only and no decisions shall be made in closed session.

Article VI: Officers

Section 6.1 – Designation and qualifications. The principal officers of the Co-op shall consist of the President, Secretary, and Treasurer. The Board may designate other officers or assistant officers. All principal officers shall be directors. Employees of the Co-op are not eligible to serve as principal officers.

Section 6.2 – Election, terms and removal. Officers shall be elected by the Board at its first meeting following the annual election of new directors. Officers shall serve for terms of one year

Co-op as authorized by the Board, officers shall have the following duties and such additional duties as are determined by the Board:

(a) The President shall be responsible for ensuring the orderly conduct of all meetings and coordinating the activities of the Board;

(b) The Secretary shall be responsible for the recording and keeping of adequate minutes of all meetings of the Board and of member-owners, issuing notices required under these bylaws, and authenticating records of the Co-op; and

(c) The Treasurer shall oversee the maintenance of financial records, reporting of financial information and filing of required reports and returns. The treasurer shall act as the president in her or his absence.

Article VII: Capital Shares

Section 7.1 – Issuance. To evidence capital funds provided by member-owners, the Co-op shall issue common shares consistent with the Articles of Incorporation. Common shares may be issued only to persons eligible for and admitted to membership in the Co-op, and no more than one share shall be issued to each member-owner. Such shares shall be issued only upon full payment of the stated value of the shares, as determined by the Board of Directors.

Section 7.2 – Terms. Common shares shall be entitled to no dividend or other monetary return on investment. Shares shall be subject to assessment insofar as it may become necessary to increase the required capital investment of member-owners by reason of the current or prospective capital needs of the Co-op.

Section 7.3 – Redemption. Upon written request following termination of membership, the share of the requesting owner shall be redeemed as soon as replacement capital has been secured by the Co-op from other member-owners. Shares may also be redeemed under other compelling circumstances as determined by the Board. Shares shall be redeemable at the lesser of their carrying value on the books of the Co-op or their net book value. Reapplication for membership after redemption shall be subject to full repayment of redemption proceeds and a reasonable reprocessing fee, if any, as determined by the Board.

Section 7.4 – Lien and offset. The Co-op shall have a first lien on common shares for amounts owed by member-owners to the Co-op. The Co-op may, at any time after such amounts remain due and payable for thirty days, offset such amounts against the carrying value of the share. Such offset may not be affected by an owner or by anyone acting in the right of an owner.

be allocated and distributed among member-owners in proportion to their patronage and at such time and in such a manner as to constitute patronage dividends within the meaning of federal income tax law. In determining and allocating net savings, the Co-op shall use a single allocation unit except to the extent that, subsequent to the adoption of these bylaws, it shall engage in any new and distinct line of business.

Section 8.2 – Exceptions. Net savings may be reduced by such reasonable reserves for necessary business purposes as is determined by the Board. Any allocations of such a nominal amount as not to justify the expenses of distribution may, as determined by the Board, be excluded from distribution provided that they are not then or later distributed to other member-owners. Member-owners shall retain the right to waive in whole or in part, any patronage dividends to which they may be entitled.

Section 8.3 – Consent of member-owners. By obtaining or retaining membership in the Co-op, each member-owner shall thereby consent to take into account, in the manner and to the extent required by Section 1385 of the Internal Revenue Code, the stated dollar amount of any qualified written notice of allocation in the taxable year in which such notice is received.

Section 8.4 – Retained amounts. A portion of patronage allocations, not to exceed eighty percent, may be retained for the reasonable capital needs of the Co-op. Such retained amounts shall be credited to revolving capital accounts in the names of recipient member-owners. They shall accrue no monetary return on investment, and shall be redeemed generally when determined by the Board to be no longer needed for capital purposes. At that time they shall be redeemed in the order of the oldest outstanding amounts and on a pro rata basis among such amounts. Retained amounts may also be redeemed under compelling circumstances as determined by the Board. Retained amounts shall be subject at all times to being offset by amounts otherwise due and payable to the Co-op.

Section 8.5 – Explanation of Patronage Dividend Consent Provision. The Internal Revenue Code generally requires each person receiving a patronage dividend to include the amount of such distribution in his or her gross income in the taxable year in which it is received. Under bylaw Section 8.3, mere acceptance or retention of membership in the Co-op constitutes consent to such inclusion in taxable income, including the portion of the patronage dividend that is retained by the Co-op for its capital needs.

The Co-op has been advised by legal counsel, however, that the general rule for inclusion in income of patronage dividends is subject to an exception that is applicable to consumer cooperatives. Under that exception, a patronage dividend is not required to be included in

Article IX: Unclaimed Distributions

Section 9.1 – Forfeiture. Any redemption of stock, distribution of patronage dividends or redemption of retained patronage dividends which remains unclaimed four years after the date authorized for payment may be forfeited by action of the Board. Any amount so forfeited shall revert to the Co-op if, at least six months prior to the declared date of forfeiture, notice that the payment is available has been mailed to the last known address of the person shown by the Co-op's records to be entitled thereto, or, if the address is unknown, is published at least once a month for four months in a newspaper of general circulation in the county in which the registered office of the Co-op is located.

Article X: Fiscal and Miscellaneous Matters

Section 10.1 – Fiscal year. The fiscal year of the Co-op shall coincide with the calendar year.

Section 10.2 – Indemnification. The Co-op shall indemnify each person who is or was a director, officer, manager, employee or agent of the Co-op against expenses reasonably incurred to the extent to which they may be indemnified under the law of Oregon. Indemnification payments shall be made on a priority basis but only in such increments and at such times as will not jeopardize the ability of the Co-op to pay its other obligations as they become due. Any indemnification payments or advances shall be reported to member-owners not later than the next-scheduled meeting of member-owners.

Section 10.3 – Communication by electronic means. Unless otherwise required by law or by these bylaws, any notice, consent, petition, or other oral or written communication required or permitted by these bylaws may be delivered by electronic means, provided that, in the case where such communication expressly or impliedly requires the signature of the person submitting the communication, means are in place to reasonably assure the authenticity of the signature.

Article XI: Interpretation and Amendment of Bylaws

Section 11.1 – Interpretation. The Board of Directors shall have the power to interpret these bylaws, apply them to particular circumstances, and adopt policies in furtherance of them, provided that all such actions are reasonable and consistent with these bylaws.

Section 11.2 – Severability. In the event that any provision of these bylaws is determined to be invalid or unenforceable under any statute or rule of law, then such provision shall be deemed

member-owners, provided that the proposed amendments are stated or fully described in the notice of the ballot by which the amendments are to be adopted.

JOIN NOW - BECOME A MEMBER-OWNER

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