

BYLAWS OF THE:
SNO-ISLE FOOD CO-OP

SECTION 1 - NAME AND LOCATION

The name of this cooperative is Sno-Isle Natural Foods Cooperative (referred to herein as Sno-Isle). The office is in the City of Everett in the State of Washington.

SECTION 2 - PURPOSE

Sno-Isle is organized to operate facilities for the production, purchase and distribution of goods and services for the mutual benefit of its owners and patrons in accordance with the following criteria: maintaining its not-for-profit status; offering high quality products which contribute to good nutrition; supporting local producers and suppliers when feasible; and providing educational programs relevant to owners and non-owners in the community. The purpose of the Coop shall include creating a material positive impact on society and the environment, taken as a whole, from the business and operations of the Cooperative.

SECTION 3 - OWNERSHIP

3.1 **All persons are eligible.** Sno-Isle does not discriminate on social or political grounds or on the basis of race, creed, age, sex, handicap, sexual preference or marital status.

3.2 **Application for active ownership** shall be accompanied by a nonrefundable application fee of \$5 or such other sum as (determined from time to time by) the Board of Trustees (the "Board"). The amount of capital to be paid in by owners shall be fixed at the time of application. The amount shall be \$100 or such sum or sums, and on such terms, as the Board shall from time to time determine, subject to ratification by a majority vote of the ownership at the next (ownership) meeting.

3.3 An Owner shall be defined as an Active owner who has either paid her/his owner equity in full or has made a payment of the prescribed amount toward her/his owner equity within 60 days prior to the month for which the determination of active ownership is being made.

3.4 Each application shall be subject to acceptance by the Board. Conditions for continued active ownership are defined in the Articles of Incorporation, Article V.

3.5 Voting. Each owner is entitled to one and only one vote (per Sno-Isle election or decisions requiring ownership vote). Proxies are prohibited.

3.6 **Household Privileges.**

- a) In the event two owners of a household desire to share an ownership, their names can be listed together on the ownership roster and either one will be eligible to vote in an election. Only one vote will be allowed per owner number in any election and the voting owner must be listed on the owner roster. Should more than one vote be cast with the same owner number only the first ballot submission will be counted.
- b) The purchasing rights of an owner may be shared with other owners of her or his household.

3.7 Paid employees of Sno-Isle are automatically active owners for the duration of their employment, and their ownership certificate purchases shall be waived for this period.

3.8 **Owner Rights:** The rights of the Active Ownership shall include but not be limited to:

- a) The right to select the Board of Trustees and to recall any or all

of the trustees;

- b) The right to amend the Bylaws;
- c) The right to submit an initiative to the Board of Trustees for a vote of the Ownership;
- d) The right to participate in the leadership processes of Sno-Isle through election to the Board of Trustees and/or by serving on committees chartered by the Board of Trustees;
- e) The right to bring disputes to arbitration; and
- f) The right to obtain information concerning the actions of the Board of Trustees, the operations, and the finances of Sno-Isle; provided such information is used in the best interests of Sno-Isle.

3.9 **Termination.** Ownership may be terminated in any of the following ways:

- a) voluntarily by an owner at any time upon notice to Sno-Isle;
- b) automatically whenever payment of annual ownership fees or current capital contributions becomes delinquent to an extent determined by the Board of Trustees; or
- c) for reasonable and sufficient cause, including willful violation of the By-laws, by a two-thirds vote of the Board of Trustees, after a fair hearing at which the owner has the opportunity to speak and present evidence.
- d) Ownership certificates held by an owner shall be redeemed in the order of request, no sooner than 90 days after joining Sno-Isle and no sooner than 30 days nor longer than 180 days after s/he has resigned from ownership in writing, except in case of the clear and present need of the owner. The Board shall specify the number of days between 30 and 180. The redemption value of the certificates shall be at face value (less the non-refundable application fee), except in case of dissolution (see Articles of Incorporation, Article VII d.).
- e) Transfer of Ownership Interest. Ownership interest and rights shall not be transferable.
- f) In the event of termination of an owner, for any reason, or in the event of inactivity by an owner in purchasing, trading, or voting with Sno-Isle for a period of 4 years,
- g) and in the further event that Sno-Isle is unable to make payment to such owner of his or her ownership fee because of cause beyond control of Sno-Isle, then, after the lapse of such 4-year period, the ownership fee may be forfeited in favor of
- h) Sno-Isle and transferred to the Sno-Isle miscellaneous fund. Any such forfeiture shall be in accordance with policies and

procedures that may be adopted by the Board from time to time.

3.10 Patronage Dividends.

- a) Authorization. In accordance with Article 7, Subsection c. of the Articles of Incorporation of Sno-Isle, the Board is authorized to declare a patronage dividend payable to Active Owners on an annual basis.
- b) Amount and Allocation of Dividend. The patronage dividend shall be distributable only to Active Owners ("Eligible Owners"). The dividend, if any, will be determined by the Board, and will not exceed the amount of Sno-Isle's net earnings for the fiscal year allocable to purchases made by Eligible Owners. It will then be allocated to all Eligible Owners based on the amount of their respective purchases at Sno-Isle during the applicable fiscal year. However, no dividend less than the Minimum Amount shall be allocated; the initial Minimum Amount is \$5.00, but is subject to adjustment by the Board in its discretion from time to time.
- c) Payment of Patronage Dividend. Each Eligible Owner will be given a written Notice of Allocation ("Notice") specifying the amount of the patronage dividend allocated to the Eligible Owner each year in which a patronage dividend is declared. The distributed portion of the patronage dividend ("Cash Portion") shall be redeemable for store credit at Sno-Isle within a period as specified in the Notice, which will end not earlier than 90 days after the Notice is given. Upon request, the Cash Portion patronage dividend may also be redeemed for cash at the Sno-Isle store within ninety days after the Notice is given.

- The portion of the patronage dividend which is not the Cash Portion is the "Retained Patronage Dividend," as provided for below. The patronage dividend shall be distributed in accordance with Internal Revenue Code Section 1385, et seq. and applicable regulations thereunder, in order to qualify for income tax deduction by Sno-Isle. The Cash Portion shall be at least twenty percent (20%) of each patronage dividend.
- d) Retained Patronage Dividend. The Board may elect to retain any portion (not exceeding 80%) of a patronage dividend, which shall then be credited to the retained patronage dividend accounts of the Eligible Owners. Owners will not accrue interest or other monetary return on their retained patronage dividend accounts, and no such account shall be transferable or refundable, whether upon an Owner terminating their ownership or otherwise. The Board may, from time to time, in their discretion, declare a return of excess capital which would then be payable from each Owner's retained patronage dividend account on a manner pro rata to the balance of each such account.
 - e) Tax Consent. Each Owner who hereafter applies for and is accepted to ownership in Sno-Isle, and each Owner as of the effective date of this bylaw amendment, who continues to be an Owner after such date shall, by such act alone, consent and agree that the amount of his or her patronage dividend distributions which are made in written notices of allocation (as defined in 26 USC 1388(b)) will be taken into account by him or her at their stated dollar amounts in the manner provided in 26 USC 1385(a)-(b) in the taxable year in which such written notices of allocation are received.

SECTION 4 - OWNERSHIP MEETINGS

4.1 An annual ownership meeting shall be held at a place, date, and time determined by the Board of Trustees. The purpose of the meeting shall be to report to owners on the operations and finances of the Co-op, and to conduct voting for trustees and other issues properly submitted to a vote of owners.

4.2 Special meetings of the owners may be called by the Board of Trustees or by a written request signed by no less than 5% of the Active ownership. Business conducted at special meetings shall be limited to the purpose set forth in the notice for such meeting. The time and place of a meeting requested by the ownership shall be set by the President and notice shall be sent to the requesters' representative within 10 days of receipt of a request. Any request for a meeting by the ownership shall specifically state the purpose of the meeting and any proposed resolution to be acted upon.

4.3 Meeting Notice. The President or Board, when calling an annual or special meeting of owners, shall cause to be delivered to

each active owner, either personally or by mail, not less than ten (10) nor more than fifty (50) days before the meeting, written notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

Determination of Active Owner status for notice purposes shall be as of the date the notice is sent to owners.

4.4 Voting may be in person, online or by mail. In the event of voting online or by mail, the notice shall include necessary ballots and materials which impartially describe the candidates for election or issues for decision. Any owner voting online or by mail shall be deemed present for all purposes of quorum.

4.5 A quorum for the conduct of business at a meeting shall be the lesser of 5% or 50 owners of the active ownership. All decisions of the ownership shall be made by a simple majority of votes cast unless required otherwise by these bylaws, articles of incorporation or state law.

SECTION 5 - BOARD OF TRUSTEES - ELECTION & SELECTION

5.1 The business and affairs of Sno-isle shall be directed and controlled in the interests of owners by a Board of Trustees (sometimes referred to herein as "The Board.") The Board shall consist of up to nine persons, elected by the ownership of Sno-Isle. Trustees shall serve three-year terms and shall be limited to no more than three consecutive full terms in office. The Trustees' terms will be staggered so that four are elected in even numbered years and three are elected in odd numbered years. No more than

one paid staff member of Sno-Isle shall serve on the Board at a time.

5.2 The Board shall meet at least six times per year. A majority of the Board constitutes a quorum. Minutes of Board meetings shall be kept by the Board and made available to the ownership of Sno-Isle.

5.3 Members of the Board shall be nominated either (a) by the

nominating committee or (b) by a written petition signed by at least 25 current active owners and delivered to the nominating committee no later than 30 days prior to the first day of the annual election. No member of the nominating committee may be nominated for election to the Board. The committee shall have a minimum of 4 and a maximum of 6 non-Board active owners. Only one of these members may be an employee of Sno-Isle. One member of this committee shall be elected by the Board from among its members who is not seeking re-election, and the remaining members shall be elected by the ownership at the annual election, all to serve for the term of one year or until their successors are elected and have qualified. Candidates of the nominating committee may be active non-Board owners who offer to serve. The nominating committee will survey the Board of Trustees to assess the strengths, weaknesses, and needs for the upcoming year and will solicit applicants for the open Board terms based upon that assessment.

5.4 Committees. The Board of Trustees, by resolution adopted by a majority of the full Board of Trustees, may designate from among its members one or more committees, each of which must have one Trustee and, to the extent provided in such resolution, shall have and may exercise all the authority of the Board of Trustees, except that no such committee shall have the authority to: amend, alter, or repeal the bylaws; elect, appoint, or remove any member of any such committee or any Trustee or Officer of the Corporation; amend the Articles of Incorporation; adopt a plan of merger or adopt a plan of consolidation with another corporation; authorize the sale, lease, or exchange of the property and assets of the Corporation not in the ordinary course of business; authorize the voluntary dissolution of the Corporation or

revoke proceedings therefore; adopt a plan for the distribution of the assets of the Corporation; or amend, alter or repeal any resolution of the Board of Trustees. The designation and appointment of any such committee and the delegation thereto of authority, shall not operate to relieve the Board of Trustees, or any individual Trustee, of any responsibility imposed upon it or the Trustee by law. Permanent committees of the Board of Trustees shall be: Nominations Committee, Executive Committee, Finance Committee, and Policy Governance Committee.

5.5 Any vacancies on the Board may be filled by appointment by the Board, offering the position to an active owner who is, in order of preference: (a) the most recent unsuccessful Board candidate receiving the highest number of votes and is willing and able to serve or (b) a former Board member, or (c) a candidate recommended by the nominating committee. In any case, the board appointee will serve the remainder of the unexpired term of the vacant position; provided, if permitted by Washington statute, the person filling the vacancy shall serve only until his or her successor shall have been elected and qualified at the next scheduled election.

5.6 Removal of Trustees. If a Trustee fails to attend three consecutive regular Board meetings, that Trustee's seat may be declared vacant at the next regular Board meeting and the vacancy filled as provided in Para 3. Any Trustee may be removed from office by a secret ballot with a two-thirds majority at any regular or special ownership meeting after said Trustee has had an opportunity to reply to the charges. A quorum for a vote to recall a trustee(s) shall be 5% of the active ownership.

SECTION 6 - BOARD OF TRUSTEES - RESPONSIBILITIES

The powers of the Board of Trustees shall include, but not be limited to:

- a) Establishing standard policies governing the conduct of the affairs of Sno-Isle;
- b) Establishing policies to guide management, employ management, determine the compensation of management, and evaluate the performance of management;
- c) Purchasing, selling or leasing real estate or other major assets;
- d) Entering into contracts on behalf of Sno-Isle and commitment of the resources of Sno-Isle to meet any contract obligations;
- e) Borrowing of funds and pledging the credit and assets of Sno-Isle to secure any loan made to Sno-Isle;
- f) Approving management's annual budget;
- g) Establishing the amounts and terms of ownership fees, and establishing qualifications for exempt ownerships; Accepting

- or rejecting application for ownership;
- h) Reviewing and terminating ownerships for cause;
- i) Electing the president, vice-president, secretary, treasurer and other officers as needed;
- j) Chartering committees and establishing task forces as deemed necessary,
- k) Requiring an annual audit of Sno-Isle's financial statements,
- l) Adopting significant and realistic plans for future development and growth, and reviewing and modifying them at regular intervals; and
- m) Reviewing and making recommendations on any proposed changes in Articles or Bylaws.
- n) To have such other powers and to perform such other duties and/or responsibilities as may be allowed by state law.

SECTION 7 - BOARD OF TRUSTEES - DUTIES

7.1 In discharging the duties of their respective positions and in considering the best interests of Sno-Isle, the Board of Trustees and committees of the Board shall consider the effects of any action or inaction upon:

- a) The owners of the Co-op;
- b) The employees of the Co-op, its subsidiaries, and its suppliers;
- c) The interests of its customers as beneficiaries of the purpose of the Co-op to have a Material positive impact on society and the environment;

- d) Community and societal factors, including those of each community in which offices or facilities of the Co-op, its subsidiaries, or its suppliers are located;
- e) The local and global environment;
- f) The short-term and long-term interests of the Co-op, including benefits that may accrue to the Co-op from its long-term plans and the possibility that these interests may be the best served by the continued independence of the Co-op; and
- g) The ability of the Co-op to create a material positive impact on

society and the environment, taken as a whole.

7.2 The officers of Sno-Isle shall consist of President, Vice President, Secretary and Treasurer. Officers shall be selected by the Board of Trustees no later than at its first regular meeting after the annual meeting. Terms of offices shall be for one year or until their successors are selected. Officers may be removed and replaced, with or without cause, at any time by the Board of Trustees.

7.3 Duties of the President shall be to preside at all meetings of the ownership and the Board. In the absence of the President, the Vice-President shall perform the duties of the President.

7.4 Duties of the Vice-President shall be to act as President in the absence or disability of the President and to perform such other duties as the Trustees may, from time to time, designate.

7.5 Duties of the Secretary shall be to ensure: the proper notification for ownership and Board meetings; recording of meeting minutes; keeping of the Articles of Incorporation, Bylaws, and correspondence.

7.6 Duties of the Treasurer shall be to give a monthly report to the Board and render an annual financial report to the ownership. The Treasurer shall be the custodian of the funds and property of Sno-Isle, and keep a record of all receipts and disbursements. The Treasurer shall sign all year-end tax reports.

SECTION 8 - BYLAWS

8.1 **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 modified to conform with such statute or rule of law without affecting the validity or enforceability of any other provision of these bylaws.

8.2 Amendment of Bylaws.

a. By the Ownership. These Bylaws may be amended, altered, or repealed at any regular or special meeting of the owners if notice of

the proposed alteration or amendment is contained in the notice of the meeting.

b. By the Board. These Bylaws may be adopted, altered, amended, or repealed by the affirmative vote of the majority of the Board of Trustees at any regular or special meeting of the Board if a notice of the proposed alteration or amendment is contained in the notice of the meeting: provided, however, that the Board of Trustees shall not alter, amend, or repeal any Bylaw adopted by the ownership within the last three years.

SECTION 9 - INDEMNIFICATION

Trustees and officers of Sno-Isle shall have the following rights:

a) Any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or procedure, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that s/he also was a director, officer, employee or agent of Sno-Isle, or is or was serving at the request of Sno-Isle as a director officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified by Sno-Isle against expenses (including attorney's fees), judgments, fines and amounts paid in settlement, actually and reasonably incurred by him or her in connection with such action, suit or proceeding if s/he acted in good faith and in a manner s/he reasonably believed to be, or not opposed to be, in the best interest of Sno-Isle, and, with respect to any criminal action or proceeding if s/he had no reasonable cause to believe his or her conduct was unlawful.

b) Any person who was or is a party, or is threatened to be made a party to any threatened, pending or completed action or suit

by or in the right of Sno-Isle to procure a judgment in its favor by reason of the fact that s/he is or was a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified by the corporation against expenses (including attorney's fees) actually and reasonably incurred by her or him in connection with the defense or settlement of such action or suit if s/he acted in good faith and in a manner s/he reasonably believed to be in or not opposed to the best interests of Sno-Isle, except that no indemnification shall be made in respect to any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his or her duties to Sno-Isle; UNLESS AND ONLY to the extent that the court in which such action or suit was brought, or any other court with competent jurisdiction, shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expenses which court shall deem proper.

SECTION 10 - RULES OF ORDER

The rules contained in the most recent edition of Robert's Rules of Order, revised shall govern all meetings of the ownership and trustees where those rules are not inconsistent with the Articles of Incorporation, Bylaws or special rules of order of the corporation.

This is to certify that the above and foregoing Bylaws were duly adopted by the Board of Trustees at a duly called meeting held on the 10th day of June 2011.