

[Existing document, in effect as of May 31, 2012]
BYLAWS OF FRENCH BROAD TRADING COOPERATIVE

Article I: Organization

Section 1.1 **Name**. The name of the corporation is French Broad Trading Cooperative (referred to in these bylaws as “the Co-op”).

Section 1.2 **Purpose**. As more fully stated in its Amended and Restated Articles of Incorporation, the purpose of the Co-op is to operate a retail food store and to engage in other lawful activities on a cooperative and nonprofit basis. The purpose of the Co-op is: (i) to provide high quality healthful food as inexpensively as possible in a pleasant environment; (ii) to provide a livable wage for all our staff and a sense of right livelihood for each employee; (iii) to serve as an educational force in the areas of food consumption and distribution; (iv) to actively and strongly support local farmers and businesses; (v) to encourage awareness of health and environmental issues; and (vi) to recycle reusable materials.

Section 1.3 **Vision**. Our Vision at French Broad Food Co-op is to be a transformative force in our community and work and to serve as a model of a sustainable business alternative that nurtures social and economic well-being in an environmentally sensitive manner.

Section 1.4 **Mission**. We are dedicated to serving our owners and the Western North Carolina community by providing high quality natural foods and personal care products through a mutually beneficial exchange.

- 1 We support consumption of healthful and organic foods, grown or produced locally with ecological and social responsibility.
- 2 We encourage informed choice and consumer empowerment, with an emphasis on education and customer assistance.
- 3 We are committed to use profits to strengthen and improve the Co-op community, and to provide a livable wage to our employees.
- 4 We pledge to maintain a pleasant environment that fosters goodwill, cooperation and participation.

Section 1.5 **Nondiscrimination**. The Co-op shall not discriminate on the basis of race, nationality, religion, age, gender, sexual preference or other arbitrary basis.

Section 1.6 **Principle office**. The principle office of the Co-op shall be located in the City of Asheville, North Carolina.

Article II: Ownership

Section 2.1 **Admission**. Ownership in the Co-op shall be voluntary and open to any individual who is in accord with its purpose and mission, receives an orientation packet and is willing to accept the responsibilities of ownership. Applicants will be admitted to ownership upon submitting required information, paying an initiation fee, if any, and purchasing or subscribing to purchase one or more common shares, as determined by the Board of Directors. In case of doubtful eligibility, admission to ownership shall be subject to approval by the Board.

Section 2.2 **Rights**. Each owner shall be entitled to make purchases from the Co-op on terms generally available to owners and to participate in the governance of the Co-op as set forth in these bylaws. This includes the right of ownership as a group to direct the board to create or revisit any policy regarding the business or affairs of the Co-op. Questions may be brought before the ownership via a Petition of Owners as set forth in Section 3.9 or by referral by the Board as set forth

in Section 5.7. Owners may also contribute labor or services as needed by the Co-op and thereby be entitled to receive additional discounts.

Section 2.3 **Responsibilities.** Each owner shall keep reasonably current in payment of the share purchase requirement and make purchases from the Co-op on at least on occasional basis. An owner who becomes delinquent in meeting his or her share purchase requirement to an extent determined by the Board shall, no sooner than thirty days after delivery of written notification, be placed into inactive status. An owner in inactive status may attain good standing only upon full payment of all arrearages. Reference in these bylaws to the rights and entitlements of owners or owners of record shall be understood to refer only to owners in good standing.

Section 2.4 **Access to Information.** Owners shall be provided reasonably adequate and timely information as to the organizational and financial affairs of the Co-op and a copy of these bylaws. Owners shall be provided access to the books and records of the Co-op at all reasonable times for any proper purpose.

Section 2.5 **Settlement of Disputes.** In any dispute between the Co-op and an owner or former owner that involves normal ownership transactions and that cannot be resolved through informal negotiation, it shall be the policy of the Co-op to use mediation whereby an impartial mediator may facilitate negotiations between the parties and assist them in developing a mutually acceptable settlement. No party with a grievance against the other shall have recourse to litigation until the matter is submitted to mediation and attempted to be resolved in good faith.

Section 2.6 **Termination.** Ownership may be terminated voluntarily by an owner at any time upon notice to the Co-op. Ownership may be terminated involuntarily only for cause by the Board after a fair hearing at which the owner is given the opportunity to speak and present evidence, such action requiring the affirmative vote of two-thirds of all directors. Upon termination of ownership, all rights and interests in the Co-op shall cease except for rights to redemption of capital funds pursuant to Articles VIII and IX of these bylaws.

Article III: Meetings of Owners

Section 3.1 **Regular Meetings.** An annual meeting of owners shall be held after the close of each fiscal year. The purposes of the meeting shall be to hear reports on operations and finances, to elect directors and to conduct such other business as may properly come before the meeting.

Section 3.2 **Special Meetings.** Special meetings of owners may be called by the Board. Special meetings shall be called by the secretary as soon as practicable upon receipt and validation of a Petition of Owners, unless a regular meeting can address, in a timely manner, the business stated in the petition. Any action taken at a special meeting that is not within the purpose or purposes described in the meeting notice shall be of an advisory nature only.

Section 3.3 **Time and place.** The time and place of all meetings of 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 owners.

Section 3.4 **Notice.** Written notice of the time and place of owner meetings shall be mailed to each owner of record not less than ten days, (or, if the notice is given by other than first class mail, not less than thirty days) nor more than sixty days before the date of the meeting. Notice shall also be posted prominently at all places of business of the Co-op. The notice shall also state the purpose or purposes of the meeting and include a description of all business which has been referred for ownership action prior to the printing of the meeting notice.

Section 3.5 **Record dates.** Unless otherwise determined by the Board, only persons who are owners at the close of business day immediately preceding the date of distribution of notices shall be entitled to notice of any meeting of owners and to vote at such meeting. Only persons who are owners at the close of business on the day that a petition of owners is received shall be valid signatories to the petition.

Section 3.6 **Quorum.** The presence in person or, when authorized, by written ballot at the opening of the meeting of fifty owners three percent of all owners, whichever is lesser, shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of owners.

Section 3.7 **Voting.** At all meetings of owners, each owner shall have one and only one vote on each issue submitted to a vote of owners irrespective of the number of shares owned. An ownership interest standing in the names of two or more persons shall be entitled to only one vote, which may be apportioned among such persons. Voting by proxy shall not be permitted. Meetings of owners shall be conducted in accordance with Robert's Rules of Order, Newly Revised. In the case of balloting by mail, when repeated balloting on a multiple choice question is not practical, preferential voting may be utilized, following the example procedure detailed within Robert's Rules of Order, Newly Revised section 44, Voting Procedure, Preferential Voting.

Section 3.8 **Balloting by mail.** The Board shall use balloting by mail for all meeting of owners under procedures that are fair and reasonable. Balloting by mail shall be forgone only when the matter must be decided in less than 30 days time. Such ballots may be used in conjunction with, in addition to, or in lieu of a meeting.

When balloting by mail, the procedure specified for a vote by mail within Robert's Rules of Order, Newly Revised may be utilized. Alternatively, the following procedure may be adopted. 1) Notice of the balloting shall be mailed to each owner qualified to vote. 2) The notice will specify locations where ballots and voting instructions may be obtained and the time span during which ballots must be submitted in order to be counted. 3) At the end of the balloting, the ballots shall be counted according to the procedure for a vote by mail.

When balloting by mail in conjunction with a meeting the following rule may be adopted for either 1) all main motions considered during a meeting, or 2) any main motion under consideration during a meeting:

- All main motions for which this rule is adopted, at the conclusion of debate on the motion, shall be put to the entire ownership via balloting by mail subsequent to the meeting. Details and time limits relating to the process of balloting by mail shall be specified upon adoption of this rule. Such motions shall be considered pending, with regard to the application of meeting rules regarding such motions.

If balloting by mail is used in addition to, or in lieu of a meeting, all references in these bylaws to a meeting of owners shall be understood as including balloting by mail.

Section 3.9 **Petition of Owners:** Any issue which may be decided by the owners may be brought before them via a Petition of Owners. A Petition of Owners is one of more petitions stating the business to be brought before the ownership which have been signed by 10 percent of all owners.

Article IV: Board of Directors

Section 4.1 **Powers and duties.** Except as to matters reserved to owners by law or by these bylaws, the business and affairs of the Co-op shall be directed and controlled by the Board of

Directors (sometimes referred to in these bylaws as “the Board”). The powers and duties of the Board shall include, but not be limited to, overseeing the operations and finances of the Co-op, engaging one or more operations managers and monitoring and evaluating their performance, maintaining communications with owners, securing good conditions of employment and assuring that the purposes and mission of the Co-op are properly carried out.

Section 4.2 **Number and qualifications.** The Board shall consist of not less than five nor more than eleven persons, as determined at a meeting of owners. All directors shall be owners and shall not have any overriding conflict of interest. Staff members shall not at any time constitute more than one-third of all directors.

Section 4.3 **Nominations, election and terms.** Directors may be nominated by the Board, by a nominating committee selected by the Board, by a petition signed by 10 or more owners, or from the floor at a Meeting of Owners. Directors shall be elected at the annual meeting. Directors may also be elected at a special meeting if that is one of the purposes of the meeting. The terms of directors shall be staggered so that, as nearly as may be practicable, one-third shall expire in each year. At the first annual meeting following adoption of these bylaws, and periodically thereafter as may be necessary, directors shall be elected for specific one or two or three year terms in order to accomplish this result. At other times directors shall be elected for terms of three years. Directors shall hold office until their successors are elected or until their offices are sooner terminated in accordance with these bylaws. Elected or appointed members of the Board of Directors of the French Broad Trading Company (the co-op) may not serve more than seven (7) years in total. These seven years may be served over any period of time, consecutively or non-consecutively.

Section 4.4 **Compensation.** Directors shall receive a discount on purchases not to exceed fifteen percent, and shall be reimbursed for reasonable expenses incurred in connection with business of the Cooperative. Directors may receive additional compensation for services as directors only as authorized at a meeting of owners.

Section 4.5 **Standards of Conduct.** Directors shall be responsible at all times for discharging their duties in good faith, in a manner that they reasonably believe to be in the best interests of the Co-op and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances.

Section 4.6 **Conflict of interest.** Directors shall be under an affirmative duty to disclose their actual or potential conflicts of interest in any matter under consideration by the Board or a committee exercising any powers of the Board. Directors having such an interest may not participate in the decision of the matter nor, unless the Board or committee otherwise directs, in the discussion of the matter.

Section 4.7 **Committees.** Except as otherwise required by law, the Board may appoint standing or special committees to advise the Board or to exercise such authority as the Board shall designate. All committees shall include at least one director. Committees exercising authority of the Board shall consist exclusively of directors.

Section 4.8 **Indemnification.** Except as may be limited by 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 reason of their positions with the Co-op or their service in its behalf to the maximum extent required or permitted by law. Indemnification payments and advances of expenses shall be made only in such increments and at such times as will not jeopardize the ability of the Co-op to pay its regular obligations as they become due. All such payments made shall be reported in writing to owners with or before the notice of the next scheduled meeting of owners.

Section 4.9 **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 Co-op; (ii) automatically upon termination of ownership in the Co-op; (iii) automatically upon placement of ownership into inactive status, subject to reinstatement by the Board upon timely attainment of good standing; (iv) by action at a meeting of owners whenever the best interests of the Co-op would thereby be served, provided that the notice of the meeting states that removal of the director is one of the purposes of the meeting; and (v) for cause by the Board after a fair hearing at which the director is given the opportunity to speak and present evidence, such action requiring the affirmative vote of two-thirds of all directors. A director who fails to attend three consecutive Board meetings or four meetings in any one-year period, unless excused by the Board, shall be presumed to have resigned.

Section 4.10 **Vacancies**. Any vacancy among directors occurring between annual meetings may be filled by the Board. The term of the appointment may, at the option of the Board, be either for the balance of the unexpired term or until the next ownership meeting whose purpose includes election of directors. Vacancies may also be filled by the ownership at a special meeting if that is one of the purposes of the meeting. Vacancies, which are pending to be filled at an ownership meeting, may not be filled by the Board.

Article V: Meetings of the Board

Section 5.1 **Meetings**. The Board may determine the times and places of regular meetings. With proper notice (reference Sec 5.2 of the bylaws), special meetings may be called by the President or shall be called by the Secretary upon request of at least thirty-five percent of all directors. Meetings of the Board shall be held no less frequently than once in each calendar quarter.

Section 5.2 **Notice**. Regular meetings shall require no notice other than the resolution of the Board, 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 seven days before the date of the meeting and oral notices shall be given in person or by telephone at least three days before the date of the meeting. In an emergency situation, as determined by the President, actual notice to all directors of twenty-four hours shall be sufficient. Notices of meetings of the Board shall also be posted in a timely manner and in a conspicuous place at all places of business of the Co-op.

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 **Voting**. Unless otherwise required by law or by these bylaws, decisions at meetings of the Board shall be made either by majority vote or by Formal Consensus. Meetings of the Board shall be conducted in accordance with Robert's Rules of Order, Newly Revised or in accordance with On Conflict and Consensus: a handbook on Formal Consensus decisionmaking by C.T. Lawrence Butler and Amy Rothstein.

Section 5.5 **Telephone Conferences**. Meetings of the Board may be conducted by means of a telephone conference or other communications equipment whereby all persons participating can simultaneously communicate with each other. Participation by such means shall constitute presence in person at such a meeting. Telephone conferences shall not be used for the purpose of excluding owners from meetings of the Board.

Section 5.6 **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 5.7 **Referendum**. At the request of thirty five percent of all directors, a decision made by the Board shall be referred to a meeting of owners. A decision referred to owners shall stand until annulled or modified by owners. Modification by owners shall not impair rights previously acquired by third parties.

Section 5.8 **Open meetings**. Meetings of the Board and all committees shall be open to owners. Sessions of a meeting may be closed only as to issues of a particularly sensitive nature. Closing a meeting shall require the consensus of, or approval by at least two thirds of, the board members in attendance. Owners may otherwise be excluded only for cause.

Article VI: Officers

Section 6.1 **Designation**. The principle officers of the Co-op shall consist of President and Secretary. The Board may designate other officers or assistant officers such as Vice President and Treasurer. All officers shall be directors.

Section 6.2 **Selection, Terms And Removal**. Officers shall be selected by the Board. Officers shall serve for terms of one year or until election of their successors. Officers may be removed and replaced by the Board at any time whenever the best interests of the Co-op would thereby be served.

Section 6.3 **Duties**. In addition to signing or attesting to formal documents on behalf of the Co-op as authorized by the Board, officers shall have the following duties and such additional duties as determined by the Board:

- (a) The President shall be responsible for assuring the orderly conduct of all meetings and coordinating the activities of the Board;
- (b) The Vice President shall be responsible for performing the duties of the President in his or her absence and, as requested, assisting the other officers in the performance of their duties;
- (c) The Secretary shall be responsible for the issuance of required notices and the recording and keeping of adequate minutes of all meetings; and
- (d) The Treasurer shall oversee the maintenance of financial records, reporting of financial information and filing of required reports and returns.

Article VII: Fiscal Matters

Section 7.1 **Fiscal Year**. The fiscal year of the Co-op shall coincide with the calendar year.

Section 7.2 **Financial Accountability**. Financial statements of the Co-op for each fiscal year shall be audited or reviewed by an independent public accountant selected by the Board. Such engagement shall include a management review and report concerning management performance, adherence to governing policies, adequacy of operating controls and such other matters as determined by the Board.

Article VIII: Capital Stock

Section 8.1 **Issuance**. To evidence capital funds provided by owners, the Co-op shall issue its common stock. Common shares may be issued only to persons eligible for and admitted to ownership in the Co-op. Shares shall be issued only upon full payment of their purchase or subscription price, as determined by the Board of Directors, which shall not be less than the par value of fifteen dollars per share. The purchase price of shares may vary by reason of the number of adult members in an owner's household, by reason of the owner's status as a senior citizen or a business organization or for other reasonable distinctions.

Section 8.2 **Terms**. Shares shall be entitled to no dividend or other monetary return on investment. Shares may not be transferred except to another person eligible for ownership with the express prior approval of the Board. Any attempted transfer contrary to this section shall be wholly void and shall confer no rights on the intended transferee. The Co-op need not provide certificates to evidence issuance of stock.

Section 8.3 **Redemption**. Shares shall be redeemed not later than upon liquidation of the Co-op. They may be sooner redeemed under 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, less a reasonable processing fee, if any, as determined by the Board. Reapplications for ownership after full or partial redemption shall be subject to full repayment of redemption proceeds.

Section 8.4 **Lien And Offset**. The Co-op shall have a first lien on shares to the extent of amounts due and payable to the Co-op by owners. The Co-op may, at any time after such amounts remain due and payable for thirty or more days, offset such amounts against accumulated payments for shares. Such offset may not be effected by owners or by anyone acting in the right of owners.

Article IX: Patronage Rebates

Section 9.1 **Allocations To Owners**. In order to assure that it will operate on a nonprofit basis relative to its transactions with owners, the Co-op shall allocate and distribute to its owners its adjusted net savings from business done with them in the manner set forth in this Article. Owners shall retain the right to waive in whole or in part, by action at a meeting of owners, any patronage rebates that would otherwise be distributable.

Section 9.2 **Adjusted net savings**. In determining amounts distributable to owners, the net savings of the Co-op derived from the excess of revenues over costs and expenses shall first be determined in accordance with generally accepted accounting principles. Such net savings shall then be reduced by: (i) not less than ten percent of such savings as a reserve fund until there is accumulated net savings of not less than fifty percent of paid-up capital stock; (ii) the portion of such savings as is not attributable to business done with owners; (iii) amounts that are not allowable under federal tax laws; and (iv) such reasonable reserves for necessary business purposes as determined by the Board. Any portion or portions of net savings may, to the extent allowable under federal tax law, be used to meet the requirements of one or more of such reductions. In determining and allocating such adjusted 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 9.3 **Patronage Records**. The Co-op may direct owners to retain, tabulate and remit receipts for all or selected purchases from the Co-op as a precondition to receipt of patronage rebates. In the alternative, the Co-op may provide its own electronic or other facilities to account for patronage transactions.

Section 9.4 **Basis Of Allocation**. Adjusted net savings shall be allocated to each owner in the proportion which her or his patronage bears to the total of all owner patronage during the fiscal year. Patronage shall be understood to mean goods and services purchased from the Co-op and shall be measured in terms of its dollar amount.

Section 9.5 **Distribution And Notice**. Patronage rebates shall be evidenced by written notices of allocation delivered to recipient owners within eight months and fifteen days following the close of the fiscal year. Written notices shall state the dollar amount of the allocation which

constitutes a patronage dividend within the meaning of federal tax laws. All notices, except those pursuant to Section 9.9 hereof, shall be accompanied by checks in an amount determined by the Board which must be at least twenty percent of the total allocation. 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 owners.

Section 9.6 **Consent Of Owners**. By obtaining or retaining ownership in the Co-op, each 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 written notice of allocation in the taxable year in which such notice is received.

Section 9.7 **Retained Amounts**. Patronage rebates not currently distributed by check shall be credited or charged to revolving capital accounts in the names of recipient owners. Retained patronage rebates shall accrue no dividend or interest, and shall not be transferable or assignable except with the express consent of the Co-op. The Co-op shall have a first lien on retained patronage rebates for amounts otherwise due and payable to the Co-op by the owner. The Co-op may, at any time after such amounts remain due and payable for thirty days, offset such amounts against retained patronage rebates to the extent such amounts may exceed accumulated payments for shares. Such offset may not be effected by the owner or by anyone acting in the right of the owner.

Section 9.8 **Redemption**. Retained patronage rebates may be redeemed generally when determined by the Board to be no longer needed for capital purposes of the Co-op. At that time they shall be redeemed only in the order of the oldest outstanding amounts and only on a ratable basis among amounts for each fiscal year. Retained patronage rebates of particular owners may also be redeemed at the discretion of the board upon the death of the owner or under other compelling circumstances. Retained patronage rebates shall be redeemed at their carrying value on the books of the Co-op or their net book value, whichever is lesser.

Section 9.9 **Allocation Of Net Loss**. In the event the Co-op shall incur a net loss in any fiscal year, such loss may be charged against retained savings or other unallocated owners' equity. If the net loss exceeds such amounts, or in any event if the Board so determines, the amount of such loss may either be carried forward to offset adjusted net savings of subsequent fiscal years or allocated to owners in the same manner as for adjusted net savings except that such allocation shall not exceed the total of invested capital. Any such allocated net loss shall be charged first against retained patronage rebates of prior fiscal years and then against patronage rebate allocations of subsequent fiscal years. Allocated net losses which are not so offset may be charged against the carrying value of shares only upon termination of ownership. Allocated net losses shall not otherwise be assessed to or collected from owners.

Article X: Interpretation and Amendment of Bylaws

Section 10.1 **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 inoperative to such extent and 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.

Section 10.2 **Amendment**. These bylaws may be amended or replaced at a meeting of owners, provided that the proposed amendments are stated or fully described in the notice of the meeting at which the amendments are to be adopted. These bylaws may be amended or replaced by the Board of Directors, provided that such amendments are submitted for approval at the next regularly-scheduled meeting of owners.