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## **Bylaws of the Isla Vista Food Cooperative, Inc.**

Revised draft for Owner approval October 2024

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## **Article I: Name and Organization**

**1.01 Name and Status:** The name of this corporation is the Isla Vista Food Cooperative, Inc. (referred to in these Bylaws as the IVFC or Cooperative or Corporation). The headquarters of the IVFC shall be in the County of Santa Barbara, California. The IVFC is a cooperative corporation under the Consumer Cooperative Corporation Law of the State of California.

## **Article II: Mission, Purpose, and Powers**

As more fully stated in its Articles of Incorporation, the IVFC shall be owned by its members and shall be operated primarily for the mutual benefit of its members as patrons of the Cooperative. The Articles of Incorporation are hereby made a part of these Bylaws. In case of any inconsistency between the Articles of Incorporation and these Bylaws, the provisions of the Articles of Incorporation are controlling.

**2.01 Mission & Vision Statements:** Our mission as a natural and organic foods consumer cooperative, is to provide the residents of Isla Vista and neighboring communities of Santa Barbara County with reasonably priced foods, products and services that promote a healthier lifestyle and environment. The Isla Vista Food Cooperative is an economic alternative founded on cooperative business principles and values that are practiced in our operating as well as through our governance policies.

Our vision is a community engaged in the cooperative principles and values of social, economic, and environmental responsibility. The Isla Vista Food Cooperative will be the hub of this cooperative community, empowering its members by providing them with products, services, and information to sustain it. Our co-op will network with organizations that are in alignment with our goals and ethics. It will succeed financially, allowing us to provide our employees with a fair wage and benefits, as well as providing the means for outreach projects to the community defining our social and economic ideals. We envision a thriving cooperative community that by practicing the values of honesty, openness, and caring for others, will assist other communities in establishing their cooperative identity.

**2.02 Purposes:** The purposes of the IVFC are to:

- a. promote the mutual benefit of its members and to promote cooperative principles.
- b. obtain, hold, administer, sell, lease or otherwise provide services, facilities and products for the purpose of establishing and conducting a consumer cooperative.
- c. associate with other cooperatives and community organizations for the purpose of mutual benefit.
- d. conduct such other activities that will promote the general welfare of the members and the public.

**2.03 Powers:** To achieve its purposes, the IVFC, through the Board of Directors, shall have the power and authority to:

- a. buy, store, distribute, sell, process, and produce for its members all commodities it may deem fit to handle.

- b. acquire, either by purchase or by lease, real estate and other properties or facilities desirable to conduct business.
- c. mortgage, sell, and convey such properties.
- d. purchase, hold, sell, assign or transfer the shares of other corporations.

**2.04 Nondiscrimination:** The IVFC shall not discriminate on the basis of nationality, race, religion, age, gender, sexual orientation, disability, political affiliation, or other arbitrary basis.

**2.05 Cooperative Principles:** The IVFC shall be operated in accordance with the Seven Cooperative Principles adopted by the 1995 General Assembly of the International Cooperative Alliance.

### **Article III: Membership**

**3.01 Eligibility:** Membership (also referred to as Ownership) in the IVFC shall be voluntary and open to any natural person over the age of 18 years old with a bona fide residence in the State of California or to an organization having a place of business in the State of California. The natural person or organization shall be eligible provided they:

- a. are in agreement with the purposes of the corporation.
- b. agree to abide by the Bylaws and accept the responsibilities of membership.
- c. agree to abide by the policies and conditions adopted by the Board of Directors.
- d. can make use of the services of the Cooperative.

**3.02 Admission:** Application for membership shall consist of submitting a completed application to the IVFC and investing equity in an amount and on such terms as determined by the Board. The application will be in whatever form and containing whatever information is prescribed by management and approved by the Board of Directors. On or before admission to membership, each member shall be provided a copy of the IVFC's disclosure statement containing the information required by applicable law and a copy of these Bylaws, to which members must agree as a condition of membership. All applications shall be acted upon promptly by appropriate staff.

**3.03 Shares:** To evidence capital funds provided by members, the IVFC shall issue Membership Shares and non-voting Investment Shares as defined in our Articles of Incorporation. All classes of Membership and Investment Shares are non-transferable. The classes of the Membership Shares are as follows:

- a. **Class A Membership Shares:** A membership share purchased by individuals, who shall be regular members of the Cooperative, having all the rights, privileges and obligations of membership as set forth in the Bylaws, including the right to one vote, and to any distributions of surplus savings or earnings of the corporation, as patronage.
- b. **Class C Membership Shares:** A membership share purchased by groups and organizations, who shall be Associate members of the Cooperative, having all the rights, privileges, and obligations of associate membership as set forth in the Bylaws, including the right to one vote and the distributions of surplus savings or earnings of the corporation, as patronage.
- c. **Class B Non-voting Investment Shares:** Investment shares may only be held by members of the cooperative. The Board of Directors, within the limits or restrictions stated in the Articles of

Incorporation and these Bylaws, is authorized to fix the rights, privileges, preferences, restrictions, and conditions attaching to any wholly unissued series.

**3.03.1 Share Certificate and Disclosure Statement:** Every member of the IVFC shall be entitled to have a member card in such form as the Board of Directors may designate, certifying the member's status in the Corporation. As provided in Section 3.02, a disclosure statement of any rights, responsibilities and restrictions granted to members of the corporation and any other legend or statement as required in Section 12401 of the California Corporations Code will be provided to members on joining.

No disclosure statement need be provided to an existing member prior to the purchase of additional shares if that member has previously been provided with a disclosure document which is accurate and correct as of the date of the purchase of additional shares.

**3.03.2. Lost or Destroyed Member Card:** A new member card may be issued without the surrender of an old card which has been lost, apparently destroyed or wrongfully taken. All cards reported lost, destroyed or wrongfully taken shall be canceled on the books of the IVFC. The member shall give adequate security sufficient in the judgment of the Corporation to indemnify it against any claim, expense, or liability resulting from the issuance of a new card. Should a new card be issued, the rights and liabilities of the Corporation and the holders of the old and new cards shall be governed by the provisions of Section 8404 and 8405 of the California Commercial Code. Class A and Class C Membership shares are non-certificated.

**3.03.3 Non-Transferability of Shares:** Member rights, equity, or shares, as described in the Articles of Incorporation and these Bylaws, may not be transferred in any manner. Upon the death of a member, the value of any outstanding Class B Shares (nonvoting Investment Shares) held by the member, shall be redeemed and distributed to the designated beneficiary per the terms of the investment shares purchase agreement, less any costs incurred by the Cooperative in closing the account.

**3.04 Member Rights:** Except as otherwise provided herein, each member shall be entitled to make purchases from the IVFC on terms generally available to members and to participate in the governance of the IVFC as set for in these Bylaws. Any member who is current on their equity payments shall be considered an active member. Active regular members of Class A Shares shall have the right to:

- a. cast one vote on any matter submitted to a vote of members.
- b. attend any open Board, committee or membership meeting.
- c. serve on any existing committee having an opening or to establish a new committee with approval of the Board or membership.
- d. run for or be appointed to the Board of Directors.
- e. receive member benefits as determined by the Board of Directors.
- f. designate a "Secondary Shopper" with access to the account as defined by the "IVFC Secondary Shopper Policy."
- g. exercise all rights accorded in these Bylaws and the Articles of Incorporation.

Active associate members of Class C Shares shall designate an individual to represent their group or organization. Only this representative shall have the right to:

- a. cast one vote on any matter submitted to a vote of members.
- b. attend any open Board, committee, or membership meeting.
- c. serve on any existing committee having an opening or to establish a new committee with approval of the Board or membership.
- d. receive member benefits as determined by the Board of Directors.
- e. exercise all rights accorded in these Bylaws and the Articles of Incorporation.

**3.05 Member Responsibilities:** To maintain active membership, each member shall be required to:

- a. pay equity share deposits either in one lump sum or in installments, according to a payment plan, up to the current full share amount, as set by the Board of Directors.
- b. keep the IVFC informed of any change of name, mailing address, or email address.
- c. abide by these Bylaws and abide by the policies and decisions of the Board.
- d. abide by local, state and federal laws.

**3.05.1 Member Inactive Status:** Following 15 day notice from the Cooperative, as provided in CA Corps Code 12431, and an opportunity to be heard orally or in writing at least 5 days before the effective date of a change in Membership status, any member who becomes delinquent by one month in meeting the equity payment obligation shall be placed into inactive status. The member's rights shall be then suspended. A member in inactive status may have rights reinstated only upon full payment of all presently due equity payment(s). References in these Bylaws to the rights of members shall be understood to refer to only active members in good standing.

### **3.06 Termination of Membership**

**3.06.1 Voluntary Resignation:** Any member may resign from membership at any time by giving written notice of the intent to resign to the IVFC.

**3.06.2 Death or Dissolution:** A membership shall immediately terminate upon the death of a member (Class A share) or the dissolution of an organization that is a member (Class C share).

**3.06.3 Termination or Suspension:** Any member may be expelled or suspended in accordance with Board policy, for failing to comply with the Bylaws, rules and regulations of the cooperative, or for any other justifiable reason, upon a 2/3 vote of the Board of Directors. As provided in CA Corps Code 12431, such member will be provided at least 15 days prior notice of the reason for expulsion or suspension. The member will also be given the opportunity to respond, orally or in writing, not less than five (5) days before the effective date of the expulsion or suspension. The IVFC shall not require a member to make equity share deposits during the period of suspension.

**3.06.4 Return of Equity After Voluntary or Involuntary Termination:** All Class A or Class C Membership Share equity owed to individuals and/or entities whose Membership rights were

terminated shall be entitled to redeem their shares for the paid-in value of their shares, payable within six (6) weeks after receipt of written notice to withdraw from the IVFC. Such written notice shall use the form provided by the IVFC.

On termination of membership, including but not limited to on the death or dissolution of a member, or where membership is terminated for cause, all Membership Shares and Classes of Shares shall be redeemable at the option of the member; provided, however, that the IVFC shall only redeem Shares if the Board determines it has the financial ability to make the redemption., The IVFC may offset any outstanding liabilities of the terminating Membership against the amount it redeems.

**3.06.5 Escheatment and Transfer of Unclaimed Proprietary Interests:** A “proprietary interest” means any membership, membership certificate, membership equity, membership share, share certificate or any share certificate of any class representing a proprietary interest in and issued by the IVFC together with all accrued and unpaid dividends and related patronage distributions.

Where a membership has terminated under these Bylaws, resulting in an unclaimed proprietary interest, any proprietary interest that would otherwise escheat to the state pursuant to California Cooperative Law Section 12446, shall instead transfer to the benefit of the whole as **unallocated equity** of the Cooperative. Once equity becomes unallocated, all individual titles and claims over personal equity rights become forfeited"

No proprietary interest shall become the property of the Cooperative under this section if written notice objecting thereto is received by the Cooperative from the affected member prior to the date of the proposed transfer.

#### **Article IV: Meetings of the Membership**

(See Article VII for Meetings of the Board.)

**4.01 Annual Meeting:** An annual meeting of the membership shall be held within three (3) months after the end of the fiscal year to receive reports on operations and finances of the IVFC and to conduct such business as may properly come before the membership.

**4.02 Special Meeting:** A special meeting of the membership may be called by the Board, either by decision of 1/3 of the Board or in response to a written petition of five (5) percent of the members. In the case of a petition, notice of the special meeting will be issued within ten (10) days after presentation of the petition to the Board. The special meeting will take place no sooner than 30 days, or later than 90 days after receipt of the petition. No business shall be conducted at any special meeting except that specified in the notice of meeting.

**4.03 Agenda Items from Members:** Special meeting agenda items shall include any lawful and proper issue submitted by a petition signed by at least five (5) percent of all members; and may include additional items, at the discretion of the Board of Directors. Agenda items must be included in the special meeting petition submitted to the Board of Directors.



**4.04 Time and Place:** The exact date, time, and place of all meetings of members shall be determined by the Board. Meetings shall be held at a location convenient to members or at the principal executive office of the corporation. If necessary, meetings may also be held via telecommunication.

**4.05 Notice of Meeting:** Notice of the date, time, place and purpose of each meeting of the membership shall be posted in a conspicuous place at the IVFC and also circulated to Members by mail (or by email if an email address has been provided to the Cooperative) not less than three (3) weeks prior to the date of the meeting.

**4.06 Record Dates:** The record date for determining the members entitled to notice of any meeting of members is thirty (30) days before the date of the meeting. Only persons who are active members on that day shall be entitled to notice and to vote at that meeting. In the case of a written ballot, only persons who are active members on the date set as the record date will be mailed a ballot, solicited to vote, and entitled to cast a written ballot.

**4.07 Meetings by Telecommunication:** Should circumstances dictate, meetings of the membership may be held by conference telephone, electronic video screen communication, or other electronic transmission whereby all persons participating can hear one another, and the requirements of California Corporations Code sections 20 and 21 are met.

**4.08 Quorum at Meeting:** The presence in person of at least five (5) percent of the active members (or 50 members of the Corporation, whichever is lesser), having voting rights shall constitute a quorum for the transaction of business at any meeting of the members.

**4.09 Loss of Quorum at Meeting:** The members present at any meeting at which a quorum is present may continue to transact business until adjournment. If the withdrawal of enough members results in less than a quorum, the only action that can be taken is adjournment.

**4.10 Voting at Member Meeting:** Unless otherwise required by these Bylaws, each active member holding a Class A Share or Class C Share shall have one and only one vote on each matter submitted to a vote of the members. Any member who is current on their equity payments shall be considered an active member and is eligible to vote. Voting by proxy shall not be permitted. Unless otherwise required by law or by these Bylaws, issues shall be decided by a simple majority of votes cast. Where one or more choices are to be made from several alternatives, the alternative(s) receiving the most votes shall be considered approved.

**4.11 Voting by Written/Electronic Ballot Without a Meeting:** Prior to the meeting, the Board of Directors may authorize distribution of a written and/or electronic ballot to every member entitled to vote. When ballots are distributed, the number of members voting at the meeting by such ballot shall be deemed present at the meeting for purposes of determining a quorum but only with respect to the proposed actions referred to in the ballots.

Ballots, together with the exact text of an issue for decision, shall be included in the notice of the meeting to which they relate. Ballots shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide a reasonable time within which to return the ballot to the IVFC prior to a specified date to return the ballot.

## **Article V: Election of Board of Directors**

**5.01 Elections:** Elections for the IVFC Board of Directors shall occur annually, in a manner and timeline prescribed by the Board as set forth in the IVFC Board of Directors Election Policy and under applicable law. The procedures in the Election Policy shall include a reasonable means for a member to become a candidate for the Board Election, a reasonable opportunity for the candidate to communicate to the membership their qualifications and reasons for their candidacy, a reasonable opportunity for all candidates to solicit votes, and a reasonable opportunity for all members to choose among the candidates.

**5.02 Candidates for Election:** All nominees must be active members in good standing of the Cooperative. Directors may be nominated by the Board, by a nominating committee, self-nominated by application, by a petition signed by five (5) percent of the membership, or by an alternative method established by the Board. Nominations shall be submitted to the IVFC pursuant to the timeline listed in the Board of Directors Election Policy.

**5.03 Number of Directors:** The Board shall consist of seven (7) individuals. In accordance with the Articles of Incorporation, the authorized number of Directors “shall be not less than three (3) and no more than nine (9),” and should always be an odd number. Any change to the number of Directors requires a vote of the membership and can take place only at the start of an election cycle, as provided in the Board election policy.

**5.04 Terms:** Each Director shall serve for two years with Group I Directors to be elected on odd-numbered years and Group II Directors to be elected on even-numbered years. A Director may be re-elected any number of times following the expiration of their term. A Director shall hold office until the end of their term, their successors are elected, or their offices are sooner terminated in accordance with these Bylaws.

**5.05 Votes Required To Elect Directors:** In each election, if the number of candidates exceeds the number of Directors to be elected, the candidates receiving the most votes will be elected to the Board of Directors until all Board seats are filled. If the number of candidates does not exceed the number of Directors to be elected, all of the candidates will be deemed to be elected by members upon approval of a majority of disinterested members of the Board.

If quorum of the Membership, as defined in these Bylaws at section 4.08, is not achieved in the Board election, the candidates with the highest number of votes will be deemed to be elected Directors, and shall be appointed to the vacant positions, upon the approval of a majority of the disinterested members of the Board of Directors.

Up to one third (1/3) of the Board of Directors may be employees of the Cooperative. Employee Directors must abstain from any vote regarding staff compensation or other issues where a conflict of interest could arise. If employees are among the candidates receiving the most votes, only the top vote-getting employees (up to 1/3 of the Board) will be elected to the open seats.

**5.06 Use of Corporate Funds In Elections:** The Board of Directors may only authorize corporate funds to be used to support information regarding an entire slate of candidates.

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

### **6.01 Power of Board of Directors**

**6.01.1 General Corporate Powers:** Subject to the provisions of California Cooperative Corporation Law and to limitations in the Articles of Incorporation and these Bylaws relating to actions required to be approved by the members, the business and affairs of the IVFC shall be managed by the Board of Directors, and all corporate powers shall be exercised by or under the direction of the Board of Directors. Such powers shall reside exclusively in the Board of Directors as a deliberative body; they may reside in individual Directors only to the extent explicitly so delegated by the Board or these Bylaws.

**6.01.2 Specific Powers:** Without prejudice to the general powers and subject to the foregoing limitations, the Directors shall have the power and responsibility to: serve as fiduciaries to the Cooperative and shall be required to:

- a. oversee the operations, finances, and affairs of the Corporation; including:
  1. requiring an adequate accounting system, proper records of all business transactions, financial statements for the membership, and regular auditing of the Corporation.
  2. requiring anyone responsible for the custody of funds or property to be bonded.
  3. requiring adequate insurance.
  4. authorizing any person to act as an officer or agent to enter into any contract or execute any instrument in the name of the Corporation. Such authority may be general or specific, and unless so authorized by the Board, no officer, agent, or employee shall have any power to bind the Corporation to any contract or agreement to pledge its credit.
- b. establish policies to govern operational decisions.
- c. establish policies for governance of the Cooperative.
- d. engage a General Manager; monitor and evaluate their performance.
- e. ensure the purpose and mission of the IVFC are properly carried out.

### **6.02 Board Vacancies**

**6.02.1 Events Causing Vacancy:** A vacancy on the Board of Directors shall be deemed to exist on the occurrence of:

- a. the death, resignation, or removal of any Director.
- b. an increase in the authorized number of Directors.

- c. the failure of members, at any meeting of members at which any Director or Directors are to be elected, to elect the number of Directors to be elected at such meeting.

**6.02.2 Filling Vacancies on the Board:** Any vacancy among Directors occurring between annual Board elections may be filled by appointment by a majority of the Directors then in office, whether or not less than a quorum, (or by a sole remaining Director) until the next scheduled Board election, at which time members shall elect a Director to fill the unexpired term of the vacant Director's position.

The membership may, in accordance with these Bylaws and the Election Policy, elect a Director at any time to fill any vacancy, not filled by the Board, until the next scheduled Board election, at which time members shall elect a Director to fill the unexpired term of the vacant Director's position.

A vacancy created by the removal of a Director by members may only be filled by the vote of members.

**6.03 Resignation of Director:** Any Director may resign by providing written notice to the Secretary of the Board. The resignation will be effective immediately unless the notice specifies a later date for the resignation to become effective. No Director may resign when the Corporation would then be left without a Director in charge of its affairs.

**6.04 Removal of Director:** Any Director may be removed, with or without cause, by the affirmative vote of a majority of active members voting at a meeting of members, or by written or electronic ballot, pursuant to a petition for such a ballot, signed by at least five (5) percent of all members. The voting must be by means of a written ballot, electronic ballot, or a ballot distributed at a meeting of members in accordance with these Bylaws.

Any Director may be removed by affirmative vote of the majority of Directors under the following circumstances:

- a. The Director no longer meets the eligibility requirements for service on the Board of Directors.
- b. The Director has missed three Board meetings within a period of six months without being excused for good cause by the Board President; or
- c. For other causes as set forth under state or federal law.

**6.05 Compensation of Directors:** Directors may receive reasonable compensation for their service to the Cooperative as approved by the Board. Directors will be reimbursed for reasonable and necessary expenses incurred in connection with the performance of authorized business of the Board and Cooperative.

**6.06 Committees:** The Board of Directors may appoint special or standing committees to advise the Board of Directors or to exercise such authority as the Board of Directors may designate. All committees must include at least one Director. A committee exercising any authority of the Board of Directors must consist exclusively of Directors, otherwise a committee may include any active members. The

appointment of any committee shall not relieve the Board of its responsibilities in the oversight of the Cooperative.

**6.07 Conflict of Interest:** Directors have an affirmative duty to disclose their actual or potential conflicts of interest, either direct or indirect, in any matter under consideration by the Board or by a committee exercising any authority of the Board, and that interest is to be made a matter of record in the minutes of the meeting. After disclosing the existence and the material facts known to the Director respecting the matter, the Director may make a statement, but must recuse themselves from the discussion and any vote on the matter. The Board's or committee's action respecting such matter is effective if a majority of the disinterested Directors on the Board, as applicable, consent to such action.

Directors may not do business with the IVFC except in the same manner as other members generally do business with the IVFC or under other conditions that are procedurally defined to avoid preferential treatment.

## **Article VII: Officers of the Board**

**7.01 Titles:** The principal officers of the Cooperative shall consist of a President (Chief Executive Officer), a Treasurer (Chief Financial Officer), a Secretary, and any other officers with such titles and duties as the Board or Directors may determine. Only Directors may serve as officers and the same person may not hold more than two offices at any one time unless required by vacancies. The offices of President and Secretary must be filled by different individuals, unless the Corporation is operating under the emergency provisions set forth at CA Corps Code 12320

**7.02 Appointment, Terms, and Removal:** Officers are elected by a vote of the Board of Directors at the first meeting following the annual Board election. Officers serve at the pleasure of the Board according to Board policy. Any officer may resign at any time upon written notice to the Board. Any officer may be removed and replaced by the Board of Directors, with or without cause, whenever the best interest of the IVFC would thereby be served.

### **7.03 Duties of Officers:**

**7.03.1 President:** The President shall be the Chief Executive Officer of the Corporation and, subject to the direction of the Board of Directors, have the general powers and duties of management usually vested in the office of president of a corporation. Except as otherwise expressly provided by law or by these Bylaws, the President, in the name of the Corporation, shall:

- a. execute such deeds, mortgages, bonds, contracts, checks, or other instruments as are required.
- b. preside at all meetings of the members and Directors and be an ex-officio member of all the standing committees.
- c. have such other powers and duties as may from time to time be prescribed by the Board of Directors or these Bylaws.

- d. be responsible for coordinating the activities of the Board, assuring orderly conduct of all meetings, and maintaining effective communication with the General Manager, members, and employees.
- e. present a report of Board activities to the Annual Meeting of members.

**7.03.2 Vice President:** In the absence or disability of the President, or in the event of the President's inability to act, the Board may elect a Vice President who shall perform all the duties of the President. When so acting, the Vice President shall have all the powers of, and be subject to all the restrictions upon, the President. The Vice President shall have such other powers and perform such other duties as may from time to time be prescribed by the Board of Directors or these Bylaws.

**7.03.3 Secretary:** The Secretary shall be responsible for ensuring the recording and archiving of sufficient minutes of all meetings of the Board and of the membership, overseeing the issuance of notices required under these Bylaws, authenticating records of the Corporation, and other such duties as may be required by law.

**7.03.4 Treasurer:** The Treasurer shall be the Chief Financial Officer of the Corporation and will have, subject to the direction of the Board of Directors, the general powers and duties usually vested in the office of the treasurer of a corporation. Except as otherwise expressly provided by law or by these Bylaws, the Treasurer, in the name of the Corporation, shall oversee the maintenance of financial records, issuance of financial reports, and filing of required reports and returns. The Treasurer shall have such other powers and duties as may from time to time be prescribed by the Board of Directors or these Bylaws.

### **Article VIII: Meetings of the Board**

**8.01 Meetings of the Board:** Regular open meetings of the Board of Directors are to be held monthly. A meeting may be canceled by the Board President if there is no business requiring a meeting. Additional meetings may be called by the Board President or one third (1/3) of the Directors. These meetings can be held in person or as virtual meetings by available electronic media as detailed in Section 8.04.

**8.02 Open Meetings:** Meetings of the Board of Directors are open to active members. Sessions of a meeting or a special meeting may be closed as to matters of a confidential and sensitive nature as defined by the Board. Examples of these matters include:

- a. labor relations or personnel issues.
- b. negotiations of contracts.
- c. discussion of real estate matters, strategic goals or business plans, the disclosure of which would adversely impact the cooperative's position in the marketplace.
- d. discussion of matters that may, by law or contract, be considered confidential.

**8.03 Place and Notice of Meetings:** Regular in-person meetings of the Board of Directors may be held at any place within the County of Santa Barbara designated in the notice of the meeting, or, if not stated in a notice, by resolution of the Board. In the absence of such a designation, regular meetings shall be held at the principal executive office of the Corporation. Notice will be posted at least one (1) week prior to the meeting.

Special in-person meetings of the Board shall be held at any place that has been designated in the notice of the meeting or by Board resolution. If not stated in the notice, or if there is no notice, such meetings will be held at the principal executive office of the Corporation.

**8.04 Meetings by Electronic Media:** Directors may participate in a meeting of the Board by conference telephone, video screen communication, or other electronic transmission whereby all persons participating can communicate with one another, and meeting the requirements of California Corporations Code sections 20 and 21. Any meeting by electronic media must provide members a reasonable opportunity to participate in the meeting and to vote on matters submitted to members, in accordance with applicable law and any other procedural guidelines and limitations the Board adopts.

**8.05 Special Meetings of the Board:** Notice of a closed special meeting of the Board shall be communicated to the Directors by personal delivery, electronic media, first class mail, telephone communication, or any other method deemed reasonable by the majority of the Board. Notice must be received within 48 hours before the time set for the meeting. The notice shall state the time and place for the meeting. It need not specify the purpose of the meeting.

Notice of an open special meeting shall be provided in a timely and reasonable manner in accordance with section 8.03.

**8.06 Quorum and Voting:** Except as otherwise required by law, a majority of the number of Directors in office is necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the Board of Directors. If there are vacancies on the Board of Directors, a majority of the current Directors shall constitute a quorum. Decisions at meetings of the Board of Directors are to be made by majority voting unless a greater number is required by law or these Bylaws.

Any Director not present at a meeting of the Board may request specific notice of their non-participation in, or objection to, the transaction(s) taken at the meeting be included in the official meeting minutes.

**8.07 Action Without Meeting:** Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all Directors individually or collectively unanimously consent in writing to the action. The consents shall be filed with the minutes of the proceedings of the Board. Any such action shall have the same force and effect as a vote of the Board. Action by consent shall not be used to avoid the open meeting requirement.

## **Article IX: Corporate Records and Reports**

**9.01 Minutes and Reports:** The IVFC shall keep adequate and correct written books of account, records, and minutes of the proceedings of the members, the Board of Directors, and the committees of the Board. The IVFC shall keep a record of the membership, including the names, addresses, and number of shares held by each. These shall be kept at such a place or places designated by the Board, or in the absence of such designation, the principal executive office of the Corporation.

**9.02 Annual Report:** The IVFC will prepare an annual financial report not later than 120 days after the close of the Cooperative's fiscal year and will provide a copy of that report to active members, as required by law. The annual financial report will contain a balance sheet as of the end of that fiscal year, an income statement and a statement of cash flows for that fiscal year, and any other information required under Section 12591 and 12592 of California Cooperative Corporation Law and other applicable law. The report will be accompanied by any pertinent report by independent public accountants, or, if there is no such report, by the certificate of an authorized officer of the Corporation that the statements were prepared without audit from the books and records of the Corporation.

### **9.03 Inspection Rights:**

- a. Every Director shall have the right at any reasonable time to inspect all books, records, documents of every kind, and the physical properties of the Corporation.
- b. An active member may inspect the accounting books, records, or minutes of proceedings of the Board of Directors and the Membership at any reasonable time upon a written request stating the purpose for the inspection, and how it is reasonably related to that person's interest as a Member. The Board must approve the request or provide other means of meeting the request as provided by law..
- c. Inspections of the member roster are not permitted where the IVFC can provide an alternative that reasonably meets the purposes for the inspection. Any rejection of the alternative offered shall be in writing and indicate the reasons the proposed alternative does not meet the proper purpose of the demand.

## **Article X: Fiscal Matters**

**10.01 Fiscal Year:** The fiscal year of the IVFC begins on October 1st and runs through September 30th.

### **10.02 Patronage Distributions**

**10.02.1 Allocation to Members:** The IVFC will allocate and distribute to active members all net surplus from business done with them, in such a manner as to qualify such allocations and/or distributions as patronage dividends, as defined in Subchapter T of the Internal Revenue Code, and in a manner consistent with the cooperative principles, applicable state and federal law, and generally accepted accounting principles (GAAP). Allocations will be made to members pro rata based on each



member's patronage.. Patronage will be calculated based on the total dollar amount of items bought or sold to the Cooperative by the member. .

**10.02.2 Consent of Members:** By obtaining or retaining membership in the IVFC, each member consents to report any patronage allocated to that member as part of their gross income during the tax year it is allocated to the extent required by federal and state law. See Section 13.02 for information about the applicability of this tax reporting requirement. Each member also agrees that if the member does not use or redeem any patronage dividend by the expiration deadline established by the Board of Directors, pursuant to California Cooperative Law Section 12446, in lieu of escheatment to the state of California, and after following the requirements of California Cooperative Law Section 12446, the Board of Directors may declare that the unused or unredeemed patronage dividend will revert to the IVFC, as unallocated equity.

**10.02.3 Retained Amounts:** A portion of any allocated patronage dividends, not to exceed eight (80) percent of the allocation, may be retained for reasonable capital needs of the Cooperative as determined by the Board of Directors. Retained patronage dividends will accrue no dividend or interest or other monetary return on capital.

Retained patronage dividends will be redeemed when determined by the Board of Directors to be no longer needed for capital purposes, or within 10 years, whichever occurs first. If the Board of Directors determines to redeem any retained amounts, they will be redeemed in the order of the oldest outstanding amounts and on a pro rata basis among such amounts

Any retained amounts may be subject to being offset by amounts otherwise due and payable to the IVFC by a member.

**10.03 Indemnification:** The IVFC will indemnify and advance expenses to its Directors and may indemnify and advance expenses to its other employees and agents, to the fullest extent permitted by applicable law. Indemnification payments will be made on a priority basis but only in such increments and at such times as will not jeopardize the ability of the IVFC to pay its other obligations as they become due. The IVFC shall purchase and maintain insurance on behalf of any person who is or was a Director, Officer, employee or agent of the IVFC against any liability asserted against and incurred by that person in such capacity, or arising out of that person's status as such, whether or not the IVFC would have the authority to indemnify that person against such liability. Any indemnification payments or advances shall be reported to Owners not later than the next-scheduled member meeting.

## **Article XI: Dissolution of the Cooperative**

**11.01 Dissolution of the Cooperative:** The Cooperative may be dissolved pursuant to Sections 12620-12663 of the California Cooperative Corporations Law. Upon dissolution and liquidation of the Cooperative, its assets are to be distributed in the following manner and order.

1. The Board shall first determine that all known debts and liabilities of the Cooperative have been paid or adequately provided for.

2. The Board shall then redeem any outstanding Class B Investment Shares in order of paying the oldest outstanding class or series first and if such shares cannot be redeemed in full, then pro-rata among each outstanding series.
3. The Board shall then provide for the distribution of any retained, allocated patronage. If the patronage cannot be paid in full, it shall be paid in the order of paying the oldest outstanding amounts first and on a pro rata basis among all amounts for each fiscal year.
4. The Board shall then refund any active Class A and Class C Membership Shares. If such shares cannot be refunded in full, then distribution will be made equally to Class A and Class C Shares on a pro-rata basis.
5. Any remaining assets will be distributed among current and former members in proportion to their patronage during the five years immediately preceding the date of dissolution, or, if so determined by a vote of members, to one or more cooperative or non-profit organizations that may best further the purposes and mission of the IVFC.

## **Article XII: Amendment of the Bylaws**

**12.01 Interpretation:** The Board has 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.

**12.02 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 is to be deemed inoperative to such extent and is to 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.

**12.03 Bylaw Changes by the Board:** These Bylaws may be amended or repealed, or new Bylaws may be adopted, by the Board unless the action would:

- a. materially and adversely affect the rights or obligations of members as to voting, dissolution, redemption, transfer, distributions, patronage dividends, patronage, property rights, or rights to repayment of contributed equity,
- b. authorize a new class of members or effect an exchange, reclassification or cancellation of all or part of membership interests.
- c. change the number or terms of Directors; or
- d. effect any other action in violation of state law.

**12.04 Bylaw Changes by Members:** Where the Board of Directors is denied the right to adopt, amend, or repeal these Bylaws in Section 12.03, these Bylaws may be adopted, amended or repealed in whole or in part by approval of the majority (versus 2/3) of the active members who participate in the vote. An amendment may be proposed by decision of the Board or by petition to the Board of at least five (5) percent of active members. The proposed amendment shall be publicized to the membership not less than four (4) weeks prior to the voting process, which shall be held at a time and in a manner determined by the Board.

### **Article XIII: Miscellaneous Matters**

**13.01 Loans:** The IVFC may not make a loan to, or guarantee the obligation of, any Director, Officer, or Member.

**13.02 Explanation of Patronage Refund Consent Provision:** The Internal Revenue Code generally requires each person receiving a patronage refund to include the amount of such distribution in their gross income in the taxable year in which it is received. Under Bylaw section 10.02.2, mere acceptance or retention of membership in the IVFC constitutes consent to such inclusion in taxable income, including the portion of the patronage refund that is credited to the share purchase requirement. This general rule for inclusion in income of patronage refunds is subject to an exception that is applicable to consumer cooperatives. Under that exception, a patronage refund is not required to be included in gross income if the member's purchases from the IVFC are related to "personal, living or family items." This exception would apply to all consumer members whose purchases from the IVFC were for personal or household use. The other exception applies only to the depreciable property purchased from the IVFC for use in a trade or business or in other income-producing activities. The patronage refund would therefore be taxable to a member only if the member's purchases from the IVFC related to the operation of a trade or business or other income-producing activities and only to the extent that such purchases were not of depreciable property.

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## **RESTATED ARTICLES OF INCORPORATION**

### **ARTICLE I: Name**

The name of this corporation is Isla Vista Food Cooperative, Incorporated.

### **ARTICLE II: Purpose**

This corporation is a cooperative corporation organized under the California Cooperative Corporation Law. The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under such law. This corporation elects to be governed by all of the provisions of the Cooperative Corporations Law of 1984, not otherwise applicable to it under Part 2.

### **ARTICLE III: Directors**

The authorized number of Directors of this corporation shall be not less than three (3) or more than nine (9), as fixed from time to time by the Members of the cooperative.

#### ARTICLE IV: Shares

A. The corporation is authorized to issue three million (3,000,000) non-transferable Membership shares, in three (3) classes, each class having one or more series, as follows:

1. There shall be one million (1,000,000) authorized Class A Membership Shares. Holders of Class A shares shall be limited to individuals, and shall be regular Members of the cooperative, having all of the rights, privileges, and obligations of Membership as set forth in the Bylaws, including the right to one vote, and to any distributions of surplus savings or earnings of the corporation, as patronage.
2. There shall be one million (1,000,000) authorized Class B non-voting Investment Shares. Class B Investment Shares may only be held by Members of the cooperative. The Board of Directors, within the limits or restrictions stated in these Articles of Incorporation or the Bylaws, is authorized to fix the rights, privileges, preferences, restrictions, and conditions attaching to any wholly unissued series.
3. There shall be one million (1,000,000) authorized Class C shares. Holders of Class C shares shall be limited to groups and organizations, and shall be Associate Members of the cooperative, having all the rights, privileges, and obligations of Associate Membership as set forth in its Bylaws, including the right to one vote, and distributions of surplus savings or earning of the corporation as patronage.

B. All other preferences, privileges and restrictions granted to or imposed upon any unissued series of shares, including dividend rates, conversion rights, voting rights, the redemption price of the liquidation preferences of any class, if any, shall be as decided by the Board of Directors, within the limits and restrictions to fix such rights stated in the Bylaws, and the applicable provisions of the California Cooperative Corporations Law.

C. Upon filing of these Restated Articles of Incorporation by the California Secretary of State, each issued and outstanding Membership certificate held by individuals who are Members of this cooperative shall be converted to one (1) Class A share of this corporation, and each issued and outstanding Membership certificate held by a group or organization, which is a Member of this cooperative, shall be converted to one (1) Class C share of this corporation.

D. A person may hold only one (1) Class A Membership Share in the corporation, regardless of the number of Class B Investment Shares held by such Member.

Except as expressly provided herein, there shall be no limitation on the number of Class B shares that may be held by a Member, except that the aggregate investment of any Member in shares of the corporation shall not exceed \$500,000.00.

#### ARTICLE V

These Articles of Incorporation may be amended upon the approval of the Members as provided in California Corporations Code Section 12505.

### **The Seven Cooperative Principles**

**1. Voluntary, Open Membership:** Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of the membership without gender, social, racial, political, or religious discrimination.

**2. Democratic Member Control:** Cooperatives are democratic organizations controlled by their members who actively participate in setting policy and making decisions. Members serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are organized in a democratic manner.

**3. Member Economic Participation:** Members contribute equitably to, and democratically control, the capital of the Co-op. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition

of membership. The economic benefits of a cooperative operation are generally returned to the members, reinvested in the Co-op, or used to provide member services.

**4. Autonomy And Independence:** Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, they do so on terms that ensure democratic control by members and maintain autonomy.

**5. Education, Training And Information:** Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public about the nature and benefits of cooperation.

**6. Cooperation Among Cooperatives:** Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, regional, national and international structures.

**7. Concern For The Community:** While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.