

Below are example bylaws for a California worker cooperative using a fairly "flat organizational structure". They are provided as material for consideration but no cooperative should adopt bylaws without having them adapted to the circumstances of their business in their legal jurisdiction with the assistance of a qualified attorney.

**BYLAWS
OF
COOPERATIVE, INCORPORATED**

ARTICLE I: MEMBERSHIP

Section 1.1 Classification of Members

The Corporation shall have one (1) class of Members.

Section 1.2 Membership Qualifications

Any person may become a Member of this Corporation by:

- (a) Being a resident of California.
- (b) Making payment of the initial capital contribution as prescribed by the Board of Directors.
- (c) Working 650 hours or six months for the cooperative, whichever period is longer.
- (d) Being voted in, as set forth in Section 1.3, by the existing membership following the candidacy period defined in subsection (c) of this section.
- (e) Receiving a copy of the Corporation's Disclosure Statement, Bylaws, and notification regarding the significance of Section 7.4 of these Bylaws.

Section 1.3 Acceptance of Members

- (a) The Board of Directors or an empowered hiring committee shall review applications. A period of member candidacy may be initiated by an empowered hiring committee, if by consensus, or by the Board through the modified consensus process described in Section 3.12. Once a prospective member has satisfied the conditions in Section 1.2 (a) through (c) above, the Membership shall be given an opportunity to accept by the modified consensus process an application for membership. Assuming quorum, a failure to receive acceptance of one's application results in immediate termination -- with whatever severance pay the Board may deem appropriate -- unless the Board should specify a

further candidacy period to be followed by a further test for agreement under the modified consensus process.

- (b) The Corporation may waive the probationary period and accept back a former Member immediately by a vote of all the Members.

Section 1.4 Transfers Prohibited

No Member may transfer her or his Membership or any right arising therefrom. Any attempted assignment or transfer shall be wholly void and shall confer no rights on the intended assignee or transferee.

Section 1.5 Initial Capital Contribution

An initial capital contribution, in an amount set from time to time by the Board of Directors, may be charged to and collected from each Member within a time period set by the Board of Directors.

ARTICLE II: TERMINATION OF MEMBERSHIP

Section 2.1 Voluntary Withdrawal

A Member shall have the right to resign from the Corporation, terminating her or his Membership by filing with the Secretary of the Corporation a written notice of resignation. The resignation shall become effective immediately without any action on the part of the Corporation. An individual will not be allowed to work for the Corporation for one month following voluntary termination of Membership unless her or his Membership is renewed by the Corporation.

Section 2.2 Death

A Membership shall immediately terminate upon the death of a Member.

Section 2.3 Expulsion

- (a) A Member may for any lawful reason be expelled from the Corporation by a vote of seventy-five percent (75%) or greater of the Board of Directors.
- (b) After a vote to initiate termination, the Member under expulsion order will be given written notice of the reasons for the proposed termination and an opportunity, within ten days, to appeal orally or in writing. The Member shall be extended the opportunity for an oral hearing unless there is found compelling reason to accept a written appeal only. The notice shall be given by any means reasonably calculated

to provide actual notice, except that if by mail notice shall be given only by first-class or registered mail sent to the last address of the member shown on the Corporation's records.

- (c) Any appeal will be considered by the full Board or any committee empowered to decide that the proposed expulsion not take place. Unless the empowered body votes to stop the termination, the expulsion will be effective five days following the meeting to hear the appeal or fifteen days after the initial notice, whichever is later.
- (d) The Board may direct a Member under expulsion order to refrain from conducting business as a Member until the termination action is resolved provided the Corporation pays the Member her or his average weekly wage -- calculated based on the three months preceding the vote to initiate termination -- until resolution is reached. The Membership may also direct the Member under expulsion order to stay off Corporate property except as necessary to exercise her or his rights provided by California Consumer Cooperative Corporation Law.
- (e) Termination of membership automatically removes an individual as a Board Director and/or Officer.

ARTICLE III: DIRECTOR/MEMBERSHIP MEETINGS

Section 3.1 Distinction between Membership and Board

All applicants are elected Directors of the Board when elected Members. Except as required by law or these bylaws, votes are cast as Directors rather than as Members. The following acts require voting as Members:

- (a) Acceptance as Members,
- (b) Election of Directors,
- (c) Bylaw changes that would
 - (1) Materially and adversely affect the rights or obligations of Members as to voting, dissolution, redemption, transfer, distributions, patronage distributions, patronage, property rights, or rights to repayment of contributed capital;
 - (2) Increase or decrease the number of Members authorized in total or for any class;
 - (3) Effect an exchange, reclassification or cancellation of all or part of the Memberships;

- (4) Authorize a new class of Memberships; and
- (5) Increase quorum for meetings.

Section 3.2 Regular Meetings

- (a) Regular Meetings will be held the first Monday of every month at 7:00 p.m. at the principal office of the Corporation. If the day fixed for the regular meeting falls on a legal holiday, the meeting shall be held at the same time on the next day.
- (b) If subject matter requiring voting as Members will be on the agenda, Members will be notified of that subject matter not less than 10 days before the meeting. Notice shall be posted prominently in the principal location of the Corporation; the Secretary will give notice to persons unlikely to see the posted notice by the specified deadline either personally or by first-class mail to a Member at the address of such Member appearing on the books of the Corporation or given by the Member to the Corporation for purpose of notice.

Section 3.3 Special Meetings

- (a) Special meetings may be called by the President or Secretary of the Board or five percent (5%) or more of Directors for any lawful purpose.
- (b) A special meetings shall be held upon four days' notice by first class mail or 48 hours notice delivered personally or by telephone or telegraph, unless the subject of the special meeting requires voting as Members. If the request for a special meeting involves subject matter that will require voting as Members, the special meeting will be scheduled not less than 35 days nor more than 90 days after the receipt of the request. Notice of the meeting shall be given within 20 days of the request for a meeting. Notice of a special meeting shall state the place, date and time of the meeting and the general nature of the business to be transacted; voting as Members shall only be held on such business as was identified in the notice. Notice shall be posted prominently in the principal location of the Corporation. Each person who becomes a Member of this Corporation, by that act and receiving these bylaws, shall consent to receiving notice at the principal address of the cooperative; a Members shall, however, receive meeting notice at any address provided in writing to the Secretary for purpose of notice.
- (c) Special meetings shall be held at the principal office of the Corporation.

Section 3.4 Record Date for Notice

The record date for determining the Members entitled to notice of any meeting is thirty (30) days before the date of the meeting.

Section 3.5 Waivers, Consents, and Approvals

The transactions of a meeting, whether or not validly called and noticed, are valid if a quorum is present and each of the absent Members who is entitled to vote, either before or after the meeting, signs a written waiver of notice, a consent to the holding of the meeting, or an approval of the minutes of the meeting. All waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

A Member's attendance at a meeting shall constitute a waiver of notice of and presence at the meeting, unless the Member objects at the beginning of the meeting. However, attendance at a meeting is not a waiver of any right to object to the consideration of matter required to be included in the notice but not included, if an objection is made at the meeting.

Section 3.6 Annual Meeting

An annual meeting of Members shall be held on the {first Monday in November at 7:00 p.m.} for the purpose of electing Directors and Officers, and transacting any other proper business that may come before the meeting. If the day fixed for the annual meeting falls on a legal holiday, the meeting shall be held at the same time and place on the following Monday. The annual meeting shall be held at the principal office of the Corporation.

Section 3.7 Terms of Directors

- (a) Directors shall serve until the next annual meeting, with the possibility of extension as provided by subsection (b) of this bylaw.
- (b) At each annual meeting, the Secretary will propose that all Members be elected as Directors. If the proposal fails to carry, the terms of the current Directors of the Board are extended four months or until the bylaws can be properly amended to provide for a smaller Board and a new election; in no case will the terms of the Board of Directors be extended beyond the next annual meeting.

Section 3.8 Quorum at Meeting

Fifty percent (50%) of the Membership shall constitute a quorum at a meeting.

Section 3.9 Loss of Quorum at Meeting

The Members/Directors present at a duly called or held meeting at

which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members/Directors to leave less than a quorum, provided that any action taken reflects consensus of, or when voting is called for, approval of at least three-fourths of the Members/Directors required to constitute a quorum.

Section 3.10 Adjournment for Lack of Quorum

In the absence of a quorum, any meeting may be adjourned by the vote of a majority of the votes represented in person, but no other business may be transacted except as provided in Section 3.9 of these Bylaws.

Section 3.11 Adjourned Meetings

The Corporation may transact any business at an adjourned meeting that could have been transacted at the original meeting. When a meeting is adjourned to another time or place, no notice is required if the time and place are announced at the original meeting. If the adjournment is for more than 45 days or if a new record date is fixed, a notice of the adjourned meeting shall be given to each Member of record entitled to vote at the meeting.

Section 3.12 Process of Decision-Making

Matters will be discussed with a goal of seeking consensus. If it becomes apparent that consensus cannot be reached at the instant meeting, the facilitator will take a vote as to whether the issue must be decided at the instant meeting or can be tabled for future discussion and decision. If three-fourths or more of quorum indicate a need for decision at the instant meeting, voting will be held on proposals regarding the issue. The proposals can then be carried by three-fourths or greater of quorum.

Section 3.13 Voting of Memberships

- (a) Each Member of the Corporation is entitled to one vote on each matter submitted to a vote.
- (b) The record date for determining the Members entitled to cast written ballots is 25 days before the date of the meeting or the day on which the first ballot is mailed or solicited.
- (c) Cumulative voting shall not be permitted for any purpose.
- (d) Voting by proxy shall not be permitted for any purpose.

Section 3.14 Use of Written Ballots at Meetings

Written ballots will be used in the election of Officers and may be used for Directors. The ballots shall be distributed not less than 10 days before the annual meeting and include all nominees

at the time of ballot distribution; the ballot will provide for write-in candidates. When ballots are distributed, the number of Members voting at the meeting by written 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. The ballot shall indicate the number of responses needed to meet the quorum requirement and specify the time by which the ballot must be received to be counted.

Section 3.15 Action Without Meeting

Any action required or permitted to be taken by the Board may be taken without a meeting, if all Directors individually or collectively consent in writing to the action. The consents shall be filed with the minutes of the proceedings of the Board.

Action by written consent has the same force and effect as a unanimous vote of the Directors.

Section 3.16 Empowered Committees

- (a) The Board may create one or more committees to serve at its pleasure by resolution reached through the decision-making process provided in Section 3.12. Each committee shall consist of two or more Members.
- (b) An empowered committee, to the extent provided in the resolution of the Board, shall have all the authority of the Board, except with respect to the following actions:
 - (1) The approval of any action for which the approval of a majority of the Members is required by law;
 - (2) The amendment or repeal of Bylaws or the adoption of new Bylaws;
 - (3) The amendment or repeal of any resolution of the Board which by its express terms is not amendable or repealable;
 - (4) The appointment of committees of the Board or their Members.

Section 3.17 Qualification for Board of Directors

Directors of the Board are required to be Members of the Corporation.

Section 3.18 Number of Directors

There shall be no more than forty and no less than three Directors of the Board.

ARTICLE IV: OFFICERS

Section 4.1 Titles

The officers of the Corporation shall be a President, a Secretary, a Chief Financial Officer, and any other officer with the title and duties as determined by the Board and as may be necessary to enable it to sign instruments. The President is the Chief Executive Officer of the Corporation. The same person may hold any number of offices.

Section 4.2 Duties of Officers

The officers shall have only those duties and powers prescribed by law and/or granted by these bylaws or Board resolution. It is the duty of the Board Secretary to see to it that the Corporation's records and reports are properly kept and filed. The President shall serve as Secretary when the Secretary is unable or unwilling to serve.

Section 4.3 Nomination

Any Member can nominate any Member for any office. Nominations shall be taken at the annual meeting and preceding regular meeting.

Section 4.4 Election

The officers shall be elected at the annual meeting by written ballot. The candidate receiving the highest number of votes for an office shall be elected.

Section 4.5 Resignation or Removal

Officers can be removed by a vote of the Board. Any officer may resign at any time on written notice to the Corporation without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party. Vacancies will be filled at the next meeting of the Board.

ARTICLE V: CORPORATE RECORDS AND REPORTS

Section 5.1 Required Records

The Corporation shall keep adequate and correct books and records of accounts and minutes of the proceedings of its Members, Board, and committees of the Board. It shall also keep a record of the Members, including their names and addresses. The minutes shall be kept in written form. Other books and records shall be kept either in written form or in any other form capable of being converted into written form.

Section 5.2 Disclosure Document

Prior to becoming a Member, an applicant will be provided with a Disclosure Document containing the information required by Section 12401 of the California Corporations Code.

Section 5.3 Annual Report

An annual report shall be prepared no later than 120 days after the close of the Corporation's fiscal year and distributed to Members at their next meeting. The annual report shall contain in appropriate detail all the following: (1) a balance sheet as of the end of the fiscal year, an income statement, and statement of changes in financial position of the fiscal year; (2) a statement of the place where the names and addresses of the current Members are located; and (3) an annual statement of transactions and indemnifications to "interested persons," as defined by law.

ARTICLE VI: INSPECTION RIGHTS

Section 6.1 Articles and Bylaws

The Corporation shall keep at its principal office in California the original or a copy of its articles and Bylaws as amended to date, which shall be open to inspection by the Members at all reasonable times during business hours.

Section 6.2 Books and Records

The accounting books and records and minutes of proceedings of the Board and its committees shall be open to inspection on the written demand of any Member at any reasonable time, for a purpose reasonably related to that person's interests as a Member.

Section 6.3 Inspection of Membership List

- (a) Subject to the Corporation's right to set aside a Member's demand for inspection pursuant to Section 12601 of the Corporations Code and the power of the court to limit inspection rights pursuant to Section 12602 of the Corporations Code, and unless the Corporation provides a reasonable alternative pursuant to Section 6.3(c) of these bylaws, a Member may do either or both of the following:
- (1) Inspect and copy the record of all the Members' names, addresses, and voting rights, at reasonable times, on making a written demand five business days in advance which states the purpose for which the inspection rights are requested;
 - (2) Obtain from the Secretary, upon written demand and tender of a reasonable charge, a list of names,

addresses, and voting rights of those Members entitled to vote for the election of Directors, as of the most recent record date for which it has been compiled, or as of a date specified by the Member subsequent to the date of demand. The demand shall state the purpose for which the list is requested. The Membership list shall be made available on or before the later of ten (10) business days after the demand is received or after the date specified as the date as of which the list is to be compiled.

- (b) Any Member or Members possessing five percent (5%) or more of the voting power may demand the list for a purpose reasonably related to the Members' interests as Members. The Corporation may deny access if it reasonably believes that the information shall be used for another purpose or if it provides a reasonable alternative to Section 6.3(c) of these Bylaws.
- (c) The Corporation may, within ten days after receiving a demand, deliver a written offer of an alternative method of achieving the purpose identified in the demand without providing access to or a copy of the Membership list. An alternative method which reasonably and in a timely manner accomplishes the proper purpose set forth in a demand made pursuant to this Section of these Bylaws shall be a reasonable alternative, unless the Corporation fails to do the things which it offered to do within a reasonable time after acceptance of the offer. Any rejection of the offer shall be in writing and indicate the reasons the proposed alternative does not meet the proper purpose of the demand.

ARTICLE VII: SURPLUS AND ALLOCATIONS

Section 7.1 Fiscal Year

The fiscal year of the Corporation shall end at the close of the business day on the last day of _____ of each year.

Section 7.2 Surplus Defined

"Surplus" shall be defined as the excess of revenues and gains over expenses and losses for a fiscal year attributable to Member labor. "Profit" shall be defined as the excess of revenues and gains over expenses and losses for a fiscal year attributable to non-Member labor. Such a surplus and profit shall be determined on a tax basis and shall be computed without regard to any patronage refunds, capital allocations, or income taxes.

Section 7.3 Allocations and Distributions of Surplus

- (a) Any profit shall be credited to the Collective Account.

- (b) Any surplus shall be distributed to the Collective Account as necessary to bring a year's Collective Account distribution up to twenty-five percent (25%) of the year's combined profit/surplus. All other surplus shall be distributed as Patronage to Member Accounts in direct proportion to paid hours worked by the individual Members during the fiscal year.
- (c) Any loss shall be distributed seventy-five percent (75%) to Member Accounts and twenty-five (25%) to the Collective Account, with the exception of losses occurring and/or carried over from the corporation's first two fiscal years.
- (d) If a loss is debited to an individual Member Account that represents surplus previously credited to the Member in the form of a non-qualified written notice of allocation, the Member will either be directed, by the Board, to pay an assessment to cover the loss (resulting in a reduction in current tax liability) or the loss will be carried back or forward.
- (e) The distribution percentages referred to in this section can be changed for a coming fiscal year by the Board.

Section 7.4 Patronage Distribution

- (a) Patronage shall be distributed fifty percent (50%) in cash and fifty percent (50%) to each individual Member Account, unless different proportions are approved by the Directors within eight-and-a-half months of the fiscal year's close -- however, in no case will a qualified written notice of allocation exceed by more than a factor of four the required related cash distribution. Each Member shall receive a written notice of allocation reflecting distributions to the Member's account.
- (b) Patronage can be distributed by qualified or non-qualified written notices of allocation or a combination of the two.

Section 7.5 Member's Consent to Declare Income for Tax Purposes

Each Member shall, by becoming a Member and receiving these bylaws, consent that the amount of any distributions, with respect to the Member's patronage which are made in qualified written notices of allocation (as defined in 26 U.S.C. Section 1388), and which notices are received by the Member from the Cooperative, will be taken into account by the Member at their stated dollar amounts in the manner provided in 26 U.S.C. Section 1385(a) in the taxable year in which such written notices of allocation are received by the Member.

Section 7.6 Payment Rights Regarding Member Accounts

- (a) When a Member's membership in the Cooperative is terminated, the amount in her/his Member Account (including the original capital contribution) will automatically be redeemed in exchange for debt. The cooperative shall repay the debt within three years of the Membership termination, with interest accruing at the discount rate -- as set by the Federal Reserve Bank of San Francisco -- plus two percent (2%), on the amount outstanding at the end of each fiscal year.
- (b) The Cooperative, in settling a Member Account, shall have the right to set off any and all indebtedness of the former Member to the Corporation.

Section 7.7 Periodic Payment of Member Accounts

The Cooperative shall aim to pay out to the Members all funds credited to their Member Accounts within three (3) years of the date they were first credited. As a general rule, written notices of allocation credited to Member Accounts (including notices now converted to debt) will be paid-out in the order in which they are credited, the oldest paid-out first; however, the Board can decide to accelerate the repayment of debt owed to former Members. If the Cooperative does not allot sufficient funds to pay-out all funds credited to Member Accounts for a given fiscal year, then a proportionate dollar amount of funds credited to Members will be paid-out.

Section 7.8 Unclaimed Equity Interests

Any proprietary interest in the Corporation held by a Member that would otherwise escheat to the State of California as unclaimed personal property shall instead become the property of the Corporation if the Corporation gives at least 60 days prior notice of the proposed transfer to the affected Member by (1) first-class or second-class mail to the last address of the Member shown on the Corporation's records, and (2) by publication in a newspaper of general circulation in the county in which the Corporation has its principal office. No property or funds shall become the property of the Corporation under this section if written notice objecting to the transfer is received by the Corporation from the affected Member prior to the date of the proposed transfer.

Section 7.9 Dissolution Distributions

Upon liquidation, dissolution, or sale of the assets of the Corporation, any assets left after payment of all debts and Member Account balances shall be distributed to all persons who were Members, or to their heirs, in proportion to the Members' relative paid labor with the Cooperative. No distribution need be made to any person who fails to acknowledge the receipt of notice of liquidation in a timely manner. Said notice shall be deemed sufficient if sent by certified mail, at least 30 days before distribution of any residual assets, to the person's last

know business or residence address.

Section 7.10 Maintaining Equitable Membership Fees

In order to insure that Membership in the Corporation may remain accessible for persons of modest means, the Corporation will not raise its initial Member capital contribution at a rate greater than the growth of the Consumer Price Index for the San Francisco Bay Area as defined by the Department of Labor.

Section 7.11 Interest on Member Accounts

Five months following the end of each fiscal year, interest shall be paid to a Member on the amount in her/his Member Account in excess of a fully-paid Original Capital Contribution. The interest may be paid in cash or as an additional credit to the Member's Member Account; it will be paid as a credit unless the Board decides otherwise previous to the end of the fifth month. The rate of interest shall be that of the discount rate as set by the Federal Reserve Bank of San Francisco.

ARTICLE VIII: BYLAW CHANGES

Section 8.1 Bylaw Changes

The Bylaws can be changed only by a vote as Members in the circumstances defined in Section 3.1(c). All other bylaw changes can be effected by a vote as Directors.