

## BY-LAWS OF WEAVER STREET MARKET, INC.

Approved by the Board of Directors on May 3, 1988.

Updated 12/12/00; 10/12/06; 6/17/09; 8/17/11; 3/21/12; 11/28/2012; 6/11/14

### **Article I: Name**

The name of this corporation is Weaver Street Market, Inc.

### **Article II: Purposes**

The purposes for which this corporation is formed are:

- 1) To engage in the business of selling high quality food and other products in a cooperative manner that promotes good will among the community;
- 2) To develop an attractive and successful model for community- and worker-ownership in food retailing and local economic development;
- 3) To create jobs that are secure and educational and that support the dignity of all workers of the corporation; and
- 4) To engage in any other lawful act or activity which corporations may perform under Chapter 54 of the General Statutes of North Carolina, Subchapter IV.

### **Article III: Ownership**

amended 06/17/09, 08/17/11

**Section 1. Classes of Ownership.** There are two classes of ownership. The worker class consists of all worker patrons of the cooperative as defined herein who have purchased a Worker Share. The consumer class consists of all consumer patrons of the cooperative as defined herein who have purchased a Consumer Share.

**Section 2. Ownership Eligibility and Acceptance.** Ownership in the cooperative shall be open to any person that supports the purposes of the cooperative as expressed in the Articles of Incorporation, these By-laws, and the policies of the cooperative, and who is a resident of the State of North Carolina when the Ownership Share is purchased. An application shall be accepted unless the Board determines in its discretion that the interests of the cooperative would be better served by returning the subscription. All employees of this cooperative are eligible for Worker Ownership after a suitable vesting period. Any person eligible for Worker Ownership shall be ineligible for Consumer Ownership.

**Section 3. Worker Ownership Stock and Rights.** The price of a worker ownership share shall be set by the Board. An ownership share will function for all intents and purposes as an ownership certificate. Workers who have begun paying for an ownership share as part of a payroll deduction plan are entitled to all the rights and privileges of ownership, including voting and dividend rights. Each Worker Owner shall be entitled to a certificate of Ownership Stock.

The Worker Ownership Stock of this corporation may be purchased, owned, and/or held only by Worker Owners of the company. Each Worker Owner may own no more than one share of Ownership Stock, which will entitle its holder to vote in any meeting of the Owners according to Article VI of these By-laws.

No Worker Owner may sell, assign any interest in, or otherwise transfer his or her Ownership Share during the period of his or her working for and membership in the corporation. All certificates representing Ownership Shares shall, in accordance with the law, have a notation thereon referring to the restrictions governing the transfer of these shares.

**Section 4. Ownership Termination.** When a Worker-owner voluntarily or involuntarily ends his or her work in the company, his or her ownership automatically ends and the ownership share shall be deemed transferred back to the corporation.

Within fourteen days of termination, the company will pay for the owner's share at its original price in cash, after offsetting against the share price any negative balance, if one exists, in the Internal Account for that member, any debts that member owes to the cooperative. If the owner's Internal Account still has a negative balance, this negative balance will be debited against the Reserve Fund, thereby insuring that any operating losses do not accumulate so as to leave a Worker Owner owing money to the corporation when that owner retires or otherwise terminates his or her ownership.

Any positive balance in the owner's Internal Account for the retiring or terminating owner not represented by written notices of allocation and associated interest shall be paid in full by the corporation in cash or, at the election of the corporation, by means of the corporation's promissory note payable on such terms as the Board of Directors shall determine, provided that the note be payable in full within six months of the termination date.

**Section 5. Consumer Ownership Stock and Rights.** The price of a consumer ownership share will be set by the board. An ownership share will function for all intents and purposes as an ownership certificate. Consumers who have begun paying for a ownership share on an installment plan are entitled to all the rights and privileges of ownership, including voting and dividend rights. Each Consumer Owner may own no more than one share of Ownership Stock, which will entitle its holder to vote in any meeting of the Owners according to Article VI of these By-laws.

No Consumer Owner may sell, assign any interest in, or otherwise transfer his or her Ownership Share during the period of his or her membership in the corporation. All certificates representing Ownership Shares shall, in accordance with the law, have a notation thereon referring to the restrictions governing the transfer of these shares.

**Section 6. Ownership Termination.** When a Consumer owner voluntarily or involuntarily ends his or her ownership in this cooperative, his or her membership automatically ends and the Ownership Share shall be deemed transferred back to the corporation.

The Company will pay for the owner's share at its original price, after offsetting against the share price any debts that owner owes to the cooperative. If the owner has debts to the cooperative greater than the price of the share, this negative balance will be debited against the Reserve

Fund, thereby insuring that any operating losses do not accumulate so as to leave a Consumer Owner owning money to the corporation when that member retires or otherwise terminates his or her ownership.

Any positive balance for the retiring or terminating owner shall be paid in full by the corporation in cash, or, at the election of the corporation, by means of the corporation's promissory note payable on such terms as the Board of Directors shall determine, provided that the note be payable in full within six months of the termination date, unless it would otherwise impair the Corporation's finances.

## **Article IV: Finance**

inserted 06/17/09

**Section 1. Financial Operation.** This corporation operates on a cooperative basis and allocates earnings and losses to patron-owners on the basis of the business done with or for such patrons. Thus, in accordance with Subchapter T of the Internal Revenue Code, this corporation may declare a patronage dividend to be distributed among the owners in accordance with the total amount of patronage made by each such patron during the preceding fiscal year. For consumer owners, patronage is defined as the total amount of purchases; for worker owners, patronage is defined as the total number of hours worked.

**Section 2. Patronage Dividend.** The patronage dividend, as determined by the Board of Directors, shall be paid in cash, property or written notices of allocations as defined in Subchapter of the Internal Revenue Code.

Each owner shall have an internal capital account in his or her name. The surplus earnings of the owner-generated revenue after paying taxes, interest on loans, and allocations to the Reserve Fund (See Section 10 below) shall be allocated to owners as a patronage dividend.

Unless otherwise decided by the Board of Directors, the patronage dividend shall be credited to the owners' Internal Accounts. At least 20% of each year's patronage allocation must be paid out in cash/check to owners.

**Section 3. Equity Capital.** The Board of Directors shall manage the Cooperative's equity capital in a way to preserve and build upon the Cooperative's financial position while also allowing for redemptions of equity as and when the Cooperative has the financial strength to redeem equity. The Board of Directors may, from time to time, establish policies for redeeming equities, stock, or other forms of equity used for qualified or non-qualified notices of allocation, or the Board may eliminate equity redemption policies in favor of a capital management policy. Any of these policies may contain offers of discounts or required retentions of capital as part of any redemption of allocated equity. The Board retains the power to amend, modify or repeal these policies and may do so retroactively, all in the Board's sole discretion. For example, if the application of a policy to a specific circumstance suggests that the equity of a deceased owner should be paid to the owner's estate, the Board of Directors retains the right and power to determine whether to approve the expenditure. In each case, the Board of Directors may refuse any expenditure(s) if the Board determines that such expenditure(s) is (are) not in the interest of the cooperative. Therefore, no equity redemption policy shall be interpreted to require any expenditure of capital and the Board of Directors retains all right and power to the final review and approval of each expenditure of capital for any redemption of equity. No person shall have any right whatsoever to require the retirement or redemption of any patrons' equities except in accordance with their term, or of any allocated capital reserve. Any redemption or retirement is solely within the discretion and on such terms as determined from time to time by the Board of Directors of this Cooperative, which may, in making any such redemption or retirement, distinguish natural owners from unnatural owners (corporations, partnerships, LLCs and other business organizations, etc.) and, in doing so, favor natural owners with respect to estate retirements and redemptions at specified ages.

**Section 4. Reserve Fund.** A portion of the corporation's net worth shall be maintained as a Reserve Fund that will serve to protect members and creditors from any operating losses that the company might incur.

The Board of Directors will from time to time determine the proportion of the company's surplus or deficit that will be allocated to the Reserve Fund, with the remainder of the surplus or loss to be allocated to individual owners. The proportion of patronage allocations to be paid in cash and the proportion to be paid as a non-cash allocation to internal accounts shall be as periodically set by the Board of Directors.

**Section 5. Consent to Take Patronage Distributions Into Income.** Each person who hereafter applies for and is accepted to ownership in this cooperative and each owner of this

cooperative as of the effective date of this bylaw who continues as an owner after such date shall, by such act alone, consent that the amount of any distributions with respect to its patronage which are made in written notices of allocation (as defined in 26 U.S.C. § 1388), and which are received by the owner from this cooperative, will be taken into account by the owner at their stated dollar amounts in the manner provided in 26 U.S.C. § 1385(a) in the taxable year in which the written notices of allocation are received by the owner.

Inserted 11/28/12

By obtaining and retaining membership in the Cooperative, each owner agrees that if his or her patronage dividend is not redeemed within 90 days of the date of which it was issued, the Cooperative shall have the right to make a contribution in the name of that owner in a manner directed by the Board.

## **Article V: Loans from Individuals**

**Section 1. Issue.** The Board of Directors is granted authority to authorize one or more series of loans from individuals to fix and determine with respect to each series:

- (a) The designation of such series and the limitation, if any, on the number and amount of loans which may be solicited;
- (b) The terms and conditions on which the principal will be repaid; and
- (c) The rate of interest and the terms and conditions on which it will be paid.

Except as may be otherwise provided in the resolutions providing for the issue of a particular series, the Board of Directors may from time to time increase the number and amount of loans of any series already created.

All loans to individuals of all series shall be of equal rank and be identical in all respects except in respect to the particulars which may be fixed by the Board of Directors as herein above noted.

**Section 2. Early Repayment.** The corporation by action of its Board of Directors may repay the whole or any part of the loans from individuals, at any time on 30 days' notice by repaying the principal and any accumulated and unpaid interest.

**Section 3. Transfer.** The loan may be transferred only back to the corporation.

**Section 4. Eligibility.** Loan offers will be made only to persons who the Company has reasonable grounds to believe, and does believe, either have such knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of the loan, or are able to bear the economic risks of the loan.

**Section 5. Lack of Registration.** Loans from individuals are not registered under the Securities Act of 1933, as amended, or the North Carolina Securities Act. Each Loan Agreement shall bear a legend to that effect.

**Section 6. Disclosure.** All loan offers shall be accompanied by a Securities Disclosure Statement that describes the Corporation and the risks associated with the loan.

**Section 7. Dissolution.** Upon dissolution or distribution of the assets of the corporation. All loans shall be repaid before any distribution is made on the common Membership Stock.

## **Article VI: Member Meetings**

**Section 1. Powers.** All powers of the corporation originate from the owners of the corporation. The owners exercise their powers through representatives elected by them who are called directors. The directors shall be recalled and replaced at any time by the will of the owners.

**Section 2. Annual Meeting.** The annual Meeting of the Owners of the corporation shall be held in the town of Carrboro, North Carolina, at the offices of the corporation, or at any other appropriate place within Orange County at such time as the Board of Directors shall determine, within six (6) months after the close of the fiscal year. The first meeting will be held after the end of fiscal 1988.

**Section 3. Special meetings.** Special meetings of the members of the corporation may be called at any time by order of the Board of Directors, and shall be called at any time upon written request of at least one-third of the Worker-owners and/or one-third of the Consumer-owners.

The request shall state the time, place, and object of the meeting. No business shall be transacted at special meetings other than what is described in the posted notices.

amended 6/11/14

**Section 4. Notice of Meetings.** Written or printed notice of every regular and special meeting of owners shall be given to all owners, as appropriate, personally or by mail, or by email, at their last known address at least ten (10) days, and not more than thirty (30) days, prior to the date of the meeting.

**Section 5. Voting.** Owners shall vote only in the election and recall of directors and on other such matters not constituting formal action of the owners of the corporation, including advisory questions, as may be put before the owners by the directors or by the initiative of the owners.

At any regular or special meeting legally called, a written and signed vote by any absent owner may be submitted if such owner has been previously notified in writing of the exact motion or resolution upon which the vote is taken. Owners represented by ballot or signed vote shall be counted in computing a quorum but only on those questions on which the ballot or signed vote is taken.

**Section 6. Quorum.** A quorum at an owner meeting shall be calculated separately for each ownership class, and each class for which a quorum is present may conduct its proper business. A quorum shall be 40% for each ownership class.

## **Article VII: Board of Directors**

amended 03/21/12

**Section 1. Number.** The general powers to manage the affairs of the corporation are delegated by the ownership to a seven member Board of Directors.

**Section 2. Composition of Board of Directors.** The Board of Directors shall consist of the following:

- a. Two (2) directors elected by the Worker-owners
- b. Two (2) directors elected by the Consumer-owners
- c. The President, who shall be selected by the board
- d. Two (2) appointed directors, who shall be selected by the five directors above

**Section 3. Eligibility.** The directors shall accept any Consumer or Worker-owner in good standing, who has been an owner for at least one year, as a candidate for election to the appropriate class of the Board of Directors.

**Section 4. Election of Directors.** Directors will be elected during a voting period that includes the Annual Meeting. Voting occurs at each of the locations where consumer owners shop or employees work or at the annual meeting. A simple majority determines the winners. Owners may vote only for that class of directors of which they are a part. Owners unable to submit their ballots in person may vote with a valid absentee ballot.

**Section 5. Term of Office.** The initial Board of Directors of the corporation shall hold office until their successors assume office. The first Board of Directors shall decide by lot or otherwise as they deem best, who shall constitute the one-half of the directors whose terms of office are to be at the next two annual meetings of the members. Thereafter, one-half of the elected directors are to be elected for a term of two years at each annual meeting and assume office the following January. One-half of the appointed directors are to be appointed each year before the end of the fiscal year and assume office in July.

**Section 6. Removal of Directors.** Any elected director may be removed from office with or without cause by a vote of not less than two-thirds of the membership class from which the director had been elected. Any appointed director may be removed from office with or without cause by a vote of five of the other six directors.

**Section 7. Vacancies.** In the event of any vacancy in the Board of Directors through death, resignation, or other cause, the remaining directors may, by a majority vote, elect a successor to hold office until the next annual meeting, at which time a director shall be elected to complete the terms of the director whose place was vacant. The board shall appoint an individual who is qualified to represent the ownership Class represented by the previous director. In the event of a vacancy in an appointed position on the Board of Directors, the remaining directors may appoint, by a process of their determining, a replacement director to fulfill the remaining term of the director whose place was vacant. Candidates for the appointed position must in all other respects be qualified to serve as a director of the corporation.

**Section 8. Duties of the Board.** The duties and powers of the Board of Directors shall include all powers given a corporation under the laws on North Carolina, consistent with the laws of the United States and with the company's Articles of Incorporation and By-laws.

### **Article VIII: Meeting of the Board of Directors**

**Section 1. Place of Meetings.** All meetings of the Board of Directors shall be held at the company's offices or at such other place as the Board of Directors, from time to time, may determine.

**Section 2. Regular Meetings.** Regular meetings of the Board of Directors shall be held immediately after the annual meeting of owners and thereafter, at such time and date as may be fixed by the directors. Notice and agenda. Notice and agenda for regular meetings of the Board of Directors shall be delivered to board members not less than 5 days before the meeting. A board meeting may be rescheduled up to one week in advance of the originally scheduled meeting, provided every Board Member agrees to the change and that all ownership classes are presented. If a rescheduled meeting causes a Board Member to be unable to attend, that absence will not count.

**Section 3. Special Meetings.** Special meetings of the Board of Directors may be called by any four directors. Notice for special meeting shall state the purposes of the meeting, and no other business shall be transacted except with unanimous consent of the directors. Notice shall be mailed or delivered not less than 15 days before special meetings.

**Section 4. Quorum.** A majority of all the directors shall constitute a quorum for the transaction of business at any meeting.



**Section 5. Official Acts of the Board.** Each of the official acts of the Board of Directors shall be by a majority vote of a quorum of the directors present and shall be recorded with the yeas and nays of each director or the unanimous approval thereon in the minutes of the company.

**Section 6. Executive Session.** The Board may choose to meet in executive session as needed.

## **Article IX: Officers**

**Section 1. Officers.** The officers of the corporation shall consist of a Chair of the Board of Directors, a President, a Secretary, and any other officers as the Board of Directors may determine.

**Section 2. Election.** The officers shall be elected by the Board of Directors for a one year term at the new board's first meeting.

**Section 3. Qualifications.** Each officer shall be a Member of the Board of Directors.

**Section 4. Removal.** Any officer may be removed from office with or without cause by a vote of a majority of a quorum of the Board present at any meeting, the notice for which shall include such purpose.

**Section 5. Duties of the Board Chair.** The Chair will be responsible to ensure the integrity of the board's governance.

**Section 6. President.** Delegation to the President shall be determined by the board of directors.

**Section 7. Secretary.** The Secretary will be responsible for the integrity of the board's documents and will preside at meetings of the board in the event of the chair's absence.

## **Article X: Miscellaneous Provisions**

**Section 1. Adoption and Form of Seal.** The seal of the corporation shall contain the name of the corporation in the form as impressed in the margin hereof, and the seal in that form shall be, and is hereby adopted as the official seal of the corporation.

**Section 2.** The fiscal year of this corporation shall be a 52-53 week fiscal year commencing on the Sunday nearest to the beginning of July.

**Section 3. Indemnification of Directors.** The corporation shall indemnify each person who has, does or will serve as a director or officer of the corporation and their heirs and personal

representatives against any and all costs and expenses, including but not limited to, counsel fees, judgments paid, and amounts paid in settlement, that are actually and reasonably incurred in connection with the defense of any claim, action, suit, or proceeding, whether civil, criminal, administrative or otherwise in nature, in which he or she may be involved by reason of being or having been a director or officer of the corporation.

No indemnification shall be made as to matters which such director or officer shall be adjudged in any action, suit or proceeding to be liable for his or her own fraud or conscious misconduct in the performance of a duty to the corporation or a duty under federal or state laws. A conviction or judgment, whether based on a plea of guilty or nolo contendere or its equivalent, or after trial, in a criminal action, suit or proceeding shall not be deemed an adjudication of liability for fraud or conscious misconduct in the performance of duty to the corporation, if such officer or director acted in good faith in what he considered to be the best interests of the corporation.

**Section 4. Amendments to By-laws.** The By-laws of the corporation may be altered, rescinded, or amended by a vote of four of the seven Directors or by a vote of two-thirds of the Worker- owners and two-thirds of the Consumer-owners.

**Section 5. Majority Vote.** All decisions referred to in these by-laws are made by majority vote unless otherwise indicated.