

BYLAWS OF COOPERATIVE PEOPLES EXCHANGE
ADOPTED BY THE BOARD ON 9/30/2024

Table of Contents

Section 1. About Cooperative Peoples Exchange.....	6
1.1 Purpose, Mission	6
Section 2. Membership in Cooperative Peoples Exchange	7
2.1 Becoming a Steward Member-Owner of the Cooperative (hereinafter “Steward Member” or “Member”)...	7
2.2 Non-discrimination.....	7
2.3 Membership Fee.....	7
2.4 Voting Rights.....	8
2.5 Process for Admitting a Provisional Member.	8
2.6 Process for a Provisional Member to Become Admitted as a Steward Member.	8
2.7 Steward Members have an Equity Interest in the Cooperative. No Employment Interests.	9
2.8 No Agency Power as a Steward Member.....	9
Section 3. Steward Member Class and Interests	9
3.1 Steward Member Class.....	9
3.2 Steward Member Rights and Interests.	10
3.3 Steward Member Interests Non-transferable.....	10
3.4 Non-members Conducting Business with the Co-op.	10
Section 4. Peoples Exchange Membership Resignation/Dissociation.....	10
4.1 Resignation/Dissociation of a Steward Member.....	10
4.2. Death of a Steward Member.	11
4.3 Termination of a Steward Member.	11
Section 5. Overview of Governance and Operations of Peoples Exchange	12
5.1 Daily Operations v. Governance.	12
5.2 Consent-based Model for Daily Operations.....	12
Section 6. Members Role in Governance.....	13
6.1 Minimum Number of Members Required.	13
6.2 Role of Members in Governance.	13
6.3 Annual Members Meeting.....	14
Section 7. Board of Directors – Powers and Role in Governance.	14
7.1 Board Powers.....	14
7.2 Board Authority for Bylaws.....	14
Section 8. Member and Board Governance Procedures: Communications, Notices, Meetings, and Voting Procedures	15
8.1 Communication Methods for Governance Flow of Information Concerning Meetings, Notice, and Voting..	15
8.2 Keeping Members Informed: Meeting Notices.....	15

8.3 Governance Decision Making and Voting.	15
8.4 No Quorum.	16
Section 9. Member Governance Meetings.	16
9.1 Annual Members Meeting.	16
9.2 Regular Calendar of Member Meetings may be established.	17
9.3 Special Member Meetings.	17
9.4 Member Meetings - Regular Quorum.	17
9.5 Members and Board Resolutions.	17
Section 10. Board of Directors Composition, Terms, Elections, Removal.	18
10.1 Board Composition and Terms.	18
10.2 Staggered Terms.	18
10.3 Subsequent and Consecutive Terms.	18
10.4 Minimum Number of Directors.	19
10.5 Board Vacancies.	19
10.6 Tracking Board Seats, Terms.	19
10.7 Election Procedures for Directors.	19
10.8 Resignation and Removal of Directors from the Board.	19
10.9 Dual Roles Limitation.	20
10.10 Board of Directors Meetings.	20
1) Purpose of Board Meetings.	20
2) Organizational Meeting.	20
3) Regular Board Meetings Schedule and Policies.	20
4) Board Quorum and Voting Threshold.	21
5) Special Board Meetings with Notice.	21
6) Board Action Without Notice.	21
7) Board Duties, Responsibilities and Conflicts of Interest.	22
10.11 Board Compensation.	23
10.12 Board Committees.	23
Section 11. Officers of Cooperative Peoples Exchange.	23
11.1 Election of Officers.	23
11.2 Subsequent Terms.	24
11.3 Titles of the Co-op's Officers.	24
11.4 Officers Requirement.	24
11.5 General Duties of the Facilitator.	24

(1) Chairing of Board Meetings	24
(2) Other General Duties.....	24
11.6 Duties of the Clerk	25
11.7 Duties of the Treasurer.....	25
11.8 Officer Removal.	26
11.9 Officers May Resign with Notice.....	26
11.10 Directors May Serve in More Than One Office.	26
Section 12. Financial Provisions.....	26
12.1 Fiscal Year.	26
12.2 Internal Capital Accounts & Cooperative Taxation Election.	26
12.3 Method of Accounting.	27
12.4 Financial Section Definitions.....	27
12.5 Process for End of Fiscal Year Allocations by the Board.	30
(1) Determine Member Surplus Net Income.	30
(2) Determine the Amount of Surplus Income to Credit to the Collective Account for the Indivisible Operating & Capital Reserves and Indivisible Specific Purpose Reserve Sub-Accounts, as Feasible.....	30
(3) Determine the Amounts to Allocate to Steward Members as Equity Shares Based on Patronage Contributions to the Cooperative, as Feasible.....	31
(4) Remaining Net Income.	31
(5) Allocation of Losses, as Applicable.	31
12.6 Periodic Redemption of Steward Member's Individual Capital Accounts.....	32
12.7 Priority of Payments.	33
12.8 Payment Rights Upon Resignation or Termination of Members.	33
12.9 Potential Equity Share of Provisional Members not Continuing as a Member.	34
12.10 Notices of Available Payments and/or Losses to Former Members and Provisional Members.....	35
12.11 Unclaimed Funds Payable, Redemption Payments, and Distributions May Revert to the Cooperative.	35
Section 13. Indemnification and Insurance	35
13.1 Limited Liability of Directors, Officers, and Members.....	35
13.2 Liability Insurance.....	36
Section 14. Dissolution; Sale or Disposal of All or Any Part of the Assets of the Cooperative Outside the Regular Course of Business.....	36
14.1 Dissolution.....	36
14.2 Sale, Lease, Exchange, License, or Disposal of Cooperative Assets.....	37
14.3 Asset Distribution.	37
14.4 Proportional Distribution Provision.	37

14.5 Limitations on Distribution.....	38
Section 15. Maintenance of Official Records of the Cooperative	38
15.1 Official Records to be Maintained.	38
15.2 Records and Length of Co-op Existence.....	39
Section 16. Authorities and Severability.....	39
16.1 Authorities.....	39
16.2 Severability.....	40

Initial Bylaws of Cooperative Peoples Exchange LCA

Section 1. About Cooperative Peoples Exchange

Cooperative Peoples Exchange LCA (hereinafter also referred to as “the Cooperative”, “PEX”, “the Co-op”, and/or “Peoples Exchange”), is a member-owned and operated cooperative company organized as a Limited Cooperative Association under the laws of the State of Washington¹.

1.1 Purpose, Mission

People’s Exchange creates inclusive and accessible spaces for individuals to connect through learning, organizing, playing, working, and resource sharing without barriers. At PEX, we’re dedicated to nurturing a liberated and supportive community in West Bremerton that champions self-advocacy, collective action, reciprocity, and sustainability.

As a Cooperative, we also uphold the values set forth by the International Cooperative Alliance:

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

Values

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Principles

The cooperative principles are guidelines by which cooperatives put their values into practice.

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training, and Information
6. Cooperation among Cooperatives

¹ Peoples Exchange is incorporated as a Limited Cooperative Association under RCW 23.100 and related applicable WA statutes that make up Washington’s legal framework governing business entities.

7. Concern for Community

Section 2. Membership in Cooperative Peoples Exchange

2.1 Becoming a Steward Member-Owner of the Cooperative² (hereinafter “Steward Member” or “Member”).

To become a Steward Member in Peoples Exchange a person must:

- Be a natural person who is 18 years old or older
- Be a resident of Washington State
- Be a person who has participated in Peoples Exchange as a Provisional Member for at least 6 months
- Be a person who supports the Cooperative’s commitment to its purpose, mission, and values, and contributes at least 10 volunteer hours per month to the Cooperative;
- Be a person who has paid a Membership investment fee in accordance with Section 2.3 of these Bylaws
- Be a person approved for Membership by the Steward Members pursuant to Section 2.6 of these Bylaws
- Be a person who has signed a Peoples Exchange Member Agreement

2.2 Non-discrimination.

The Cooperative shall not discriminate in accepting Provisional Members or Steward Members on social or political grounds, or on the basis of any protected class or classes in Washington State, including, but not limited to ethnicity, race, sex, gender identity and/or expression, national origin, age, veteran’s status, color, religion, sexual orientation, family status, or disability³.

2.3 Membership Fee.

Each person admitted as a Steward Member shall make an initial equity investment in the Cooperative in the form of a \$50.00 Membership fee, which may be paid in installments of no less than \$5.00 per month until fully paid. The Membership investment fee amount may be adjusted from time to time by the Board, pursuant to Board-adopted financial policies, such as for inflation, as long as the fee remains generally equitable and accessible to new Members as compared to existing Members.

² The requirements and processes to become a Member of the Cooperative as contained in these Bylaws do not apply to the Founding Members of the Cooperative. The process in these Bylaws applies to all subsequent Members. The Founding Members will each sign and submit a Peoples Exchange Membership Agreement to be approved as to format at the first meeting of the Founding Members and the initial Board of Directors.

³ Seattle Municipal Code, Title 14 et seq. as amended; Chapter 14.04 et seq. (Fair employment practices). Washington States RCW 49.60 et seq. as amended; 49.60.180 et seq. (Unfair practices of employers).

2.4 Voting Rights.

A person admitted to Membership per the requirements of Section 2 of the Bylaws shall be entitled to vote as a Member in Peoples Exchange Co-op when at least 20% of the Membership investment fee has been paid and they have signed a Member Agreement.

2.5 Process for Admitting a Provisional Member.

Provisional Membership is a candidacy period of at least 6 months participating in the Cooperative prior to admittance as a Member by the Cooperative's Membership body. Provisional Members must contribute at least 10 hours per month to continue as a Provisional Member and must apply for Membership per Section 2.6 below.

A person interested in becoming a Provisional Member of the Co-op will be interviewed by the Members or a subset of the Members. The Members will vote at a regularly scheduled Member meeting for which the matter has been added to the agenda, or at a Special Members meeting called for the purpose of approving a Provisional Member. The Members at the meeting may consent to acceptance of a Provisional Member following a discussion on the matter if there is a regular quorum present per Section 9.4 and the consent or votes in favor of at least a simple majority⁴ of the Members present.

Following the consent of Members to proceed, a Provisional Member will be provided with the most recently adopted and certified version of the Cooperative's Bylaws and Articles of Organization ("the Articles") to read and review, and an orientation to the Cooperative that explains the process of moving from Provisional Membership to becoming a Steward Member with full Member rights. Provisional Membership can be terminated at any time for a lawful reason⁵ by the Members at a regular Member meeting or a Special Member meeting called for this purpose at which there is a regular quorum per Section 9.4 and the consent or votes in favor of at least a simple majority of the Members present.

2.6 Process for a Provisional Member to Become Admitted as a Steward Member.

The application and review process for a Provisional Member to be admitted as Steward Member is as follows:

- 1) The Clerk of the Co-op will receive a membership application from a Provisional Member that elects to proceed to full Membership (via a Steward Member application in digital or paper form or email application format⁶), and will submit the application to the Co-op's Officers to place on the agenda of an upcoming

⁴ A simple majority is defined in these Bylaws as 50% +1.

⁵ Lawful reason means any reason that is not discriminatory under Washington law.

⁶ The Board may determine the format and additional details concerning the process as long as such are not inconsistent with these Bylaws.

Member's Meeting or by scheduling a Special Members meeting to consider the application.

- 2) Steward Members may decide to approve the application after a discussion of the Provisional Member's contribution(s) to the Co-op and adherence to its mission, principles, and values, if there is a regular Members' quorum present per Section 9.4 and the consent or votes in favor of at least a simple majority of the Members present.

If an application is not approved at the meeting, the Steward Members have the option to determine the amount of time for an extension of the Provisional Member period beyond the initial 6-month period, and a second chance for the Membership to be approved at a future meeting.

- 3) If an application for Steward Membership is not approved, the Provisional Membership will be terminated immediately. A provisional member not admitted to Membership has no Steward Member rights⁷ in the Cooperative. However, a Provisional Member may be entitled to receive an equity payment based on hours they contributed to the Cooperative during the Provisional Membership period, at the sole discretion of the Board. After the close of the fiscal year in which the Provisional Membership was not approved or terminated, the Board shall determine whether any such equity payment(s) can be allocated pursuant to the provisions of Sections 12.5(3), 12.9 and 12.10 of these Bylaws⁸.
- 4) In the case of a request for renewal of a former Steward Member to reinstate their membership in the Co-op, the Steward Members may waive the Provisional Member period and renew a former Member's membership immediately by consent of the Steward Members at a Member's meeting for which there is a regular quorum per Section 9.4, unless the Members determine that an application should be submitted through the entire process of Section 2.6.

2.7 Steward Members have an Equity Interest in the Cooperative. No Employment Interests.

Members have an equity interest in the Cooperative as a Member partner of a Member-owned and managed entity, and no Members have an employment interest.

2.8 No Agency Power as a Steward Member.

A person admitted to the Cooperative as a Steward Member is not an agent of the Cooperative solely by reason of being a Member.

Section 3. Steward Member Class and Interests

3.1 Steward Member Class.

⁷ Aka member shareholder rights.

⁸ Signed provisional membership agreement required.

The Cooperative has one Member class of Stewards. The Member class of Stewards are Patron Members, whose patronage is in the form of voluntary hours contributed to the Cooperative.

3.2 Steward Member Rights and Interests.

All admitted Steward Members have Member voting rights in governance functions of the Cooperative and Member participation rights in the day-to-day operations of the Cooperative⁹. Steward Members have the right to share in the equity of the Cooperative through patronage distributions of surplus income, based on patron volunteer hours, when there is adequate surplus income to be distributed, as determined by the Board.

3.3 Steward Member Interests Non-transferable.

Steward Member interests are nonassessable, and may not be transferred to any other person, voluntarily or involuntarily, by operation of law or otherwise, except for a transfer to the Cooperative, and as set forth in Section 12 of the Cooperative's Bylaws.

3.4 Non-members Conducting Business with the Co-op.

Persons that are not Members or Provisional Members of the Cooperative but conduct business with the Cooperative, are not permitted to share in allocations of net income surplus and may not receive distributions of equity for the period in which they were not an admitted Member of the Cooperative.

Section 4. Peoples Exchange Membership Resignation/Dissociation

4.1 Resignation/Dissociation of a Steward Member.

- 1) Every Steward Member of Peoples Exchange has the right to resign and dissociate themselves from the Cooperative at any time, however, the Cooperative encourages and appreciates at least one month's notice of such resignation and dissociation.
- 2) When a Steward Member resigns, their patronage relationship with the Cooperative is terminated.
- 3) To resign, a Steward Member provides the Clerk of the Co-op with a written notice of resignation and dissociation that is dated and signed, which will be effective as of the date provided in the notice.
- 4) Upon resignation of a Steward Member, they are still responsible for any debts or obligations the Member may owe to the Co-op. The Co-op has the right to enforce any such obligation(s) or obtain damages for its breach.

⁹ Provisional members may participate in day-to-day operations of the Cooperative but have no Member voting rights in governance.

- 5) The redemption rights of resigned Steward Members concerning equity credits in their Individual Capital Accounts and return of their Membership Fee are addressed in Section 12 of these Bylaws.

4.2. Death of a Steward Member.

A Membership shall immediately terminate upon the death of a Steward Member. Heirs of a deceased Member do not have a Membership interest in the cooperative but have an interest in credits remaining, if any, in the Members Individual Capital Account per Section 12 of these Bylaws.

4.3 Termination of a Steward Member.

- (1) A Steward Member may be terminated for a reason(s) including, but not limited to¹⁰:
- (a) failure to uphold and support the Peoples Exchange's purpose, values, and mission; (b) violation of a term(s) of the Peoples Exchange Member Agreement, Peoples Exchange Bylaws, or Articles of Organization; (c) violation of any Policies adopted by the Board and/or Members of the Cooperative that are not inconsistent with these Bylaws and the Articles.

One or more Steward Members may raise a concern regarding the actions or inactions of a Steward Member that may lead to a termination discussion and voting action by the Members. The concerned Member(s) shall deliver an email or a letter to one or more of the Officers of the Cooperative who is not a subject of the termination issue. The Officer receiving the concern(s) from the Member(s) will take the issue to the Board, and the Board will determine whether a termination meeting of the Members is warranted, or whether the Board will take an interim action, such as meeting with the Member, scheduling a mediation, or immediately suspending Membership rights and privileges where the issue involves an urgent health and safety concern¹¹, before the termination meeting can be scheduled.

A suspension while a termination is under consideration means that the suspended Member may not use the physical space of the Cooperative, may not attend any Member and/or Board meetings, may not engage in any Member and/or Board governance business, including suspension of their voting rights, until a termination decision is final.

The vote concerning a Member termination shall be taken at a duly called Special Member meeting to address the termination at which a regular quorum is present per Section 9.4. The termination may pass with a simple majority vote of a quorum of Members.

A Member who is the subject of a termination must be **given at least 15 days' prior notice and no more than 50 days' notice** of the date of the Special Member

¹⁰ Provided the reason is not discriminatory under law. See Note 4.

¹¹ A health and safety concern may include verbal and physical harassment, violation of house rules and inappropriate use of the space.

meeting at which a vote on the termination will be held. The Member shall have an opportunity to be heard, orally and/or in writing by the Members before and at the beginning of the discussion of the termination and before voting action is commenced at the scheduled meeting.

A final decision on a termination must be recorded in writing, delivered to the terminated Member in writing, and retained in the Co-ops records per Section 15 of these Bylaws by the Clerk of the Co-op.

(2) Upon termination of a Member, they are still responsible for any debt obligations the Member owes to the Co-op per Section 12 of these Bylaws. The Co-op has the right to enforce any such debt obligation or obtain damages for its breach. The redemption rights of Terminated Members concerning equity credits in their Individual Capital Accounts are addressed in Section 12 of these Bylaws.

Section 5. Overview of Governance and Operations of Peoples Exchange

5.1 Daily Operations v. Governance.

The Board of the Cooperative is responsible for overall management of the Cooperative, including financial¹² and strategic planning. All the work of the Board is in the domain of Governance.

The Membership body has some responsibilities in the domain of Governance, which are specifically delineated as Member governance responsibilities in these Bylaws.

All responsibilities in the domain of Operations, which are day-to-day activities that further the purpose and mission of the Cooperative, per Section 1, and that are under the direction of the Board, are not in the domain of Governance and are not subject to the notice requirements and voting procedures required in these Bylaws for the Cooperative's Governance functions.

As the Cooperative grows, the Board and the Members may periodically review the operational structure of the Cooperative, including the Bylaws, Articles, and Board-adopted Policies at their discretion.

5.2 Consent-based Model for Daily Operations.

The underlying principles of the Cooperative's consent-based model include:

- 1) Consent. The principle of consent will generally be used for day-to-day decisions regarding the operations of the Cooperative. Consent may be used in Governance decision making processes, except where a Section of the Bylaws and/or a statute and/or the context of a decision calls for a voting process.

¹² The annual budget is approved by the Board and monitored by the Board on an ongoing basis.

- 2) The principle of consent is a method of decision making whereby a proposal is presented following the open discussion of a matter for which a decision must be made. Potential amendments to the proposal may be discussed before a proposal is considered to be good enough to proceed. If no one present has or continues to have a reasoned objection to the proposal, based on an articulated potential harm to the cooperative, or a person agrees to set aside an objection in the best interests of the co-op, then the proposal is passed by consent of the group or governance body.
- 2) Voting. When votes are required by the Members, or the Board, each Member has only one vote. Every Member of the Cooperative and every Member serving as a Director on the Board has one vote on all matters that come before the applicable body for a vote.
- 4) Persons will generally be elected to fulfill functions and tasks via consent after open discussion, unless otherwise indicated in specific Governance sections these Bylaws.

Section 6. Members Role in Governance.

6.1 Minimum Number of Members Required.

The Cooperative must always have at least three Steward Members.

6.2 Role of Members in Governance.

- 1) The Annual Members Meeting allows all Members a chance for input into governance of the cooperative per Section 6.3.
- 2) Additions or amendments to the Articles of Organization (hereinafter referred to as “the Articles”) by the Board require the review and feedback of all Members of the Cooperative. Amendments to the Articles require at least 30 days advance notice of the proposed amendments in writing and an opportunity for a Special Meeting of Members to be held to discuss the proposed amendments.
- 3) Authority to make, add to, and/or amend provisions of the Cooperative’s Membership Agreement requires approval of the Steward Members of the Cooperative. Amendments to the Membership Agreement must not be inconsistent with these Bylaws and the Articles.
- 4) Authorization of a new class of membership requires the approval of the Members of the Cooperative.
- 5) Members decide the admittance of and termination of Members per Bylaws Sections 2.5, 2.6, and 4.3.
- 6) The approval of the Members is required to make, add to, and/or amend the following sections of the Cooperative’s Bylaws: Sections 2, 3, 4, 5, 6, 9, 10.11, and 12.

“Approval” of the Members occurs when there is a quorum of 85% of the Members eligible to vote present at the meeting and the vote carries by a simple majority of 50% + 1.

6.3 Annual Members Meeting.

The Members shall have a mandatory Annual Members Meeting in the month of March. At the Annual Members Meeting, the Board will report to and update the Members on financial matters and other business plan matters of the Cooperative, the Members will take up any voting matters required of the membership body, and the Members will discuss other relevant Member governance matters with the Board, including strategic planning.

The Board shall set the time of the Annual Members Meeting and the meeting may have, but is not required to have, a specific stated purpose for meeting other than the regular and ongoing matters contained in this Section.

Section 7. Board of Directors – Powers and Role in Governance.

7.1 Board Powers.

The Board manages and directs the business and affairs of the Cooperative, and all lawful powers of Cooperative Peoples Exchange LCA under Chapter 23.100 RCW, as amended, shall be exercised by or under the authority of the Board. The business of the Board is a governance role within the Cooperative.

7.2 Board Authority for Bylaws.

The Board, in exercising the powers of the Cooperative, shall adopt and safeguard the Bylaws and the explicitly stated purpose, values, and mission of the Cooperative contained in Section 1 of these Bylaws.

The Board shall be the body of the Cooperative with the authority to make, add to, or amend Sections of these Bylaws, except that the Board may not make, add to, and/or amend any Sections of the Bylaws identified in Section 6, above, that first require the approval of Members. The Board may not make, add to, and/or amend the Articles of Organization without seeking the review, feedback, and/or approval of the Members pursuant to Section 6 above.

Furthermore, the Board may not make, add to, or amend, any provisions in the Sections of these Bylaws which would alter the procedure(s) for making, adding to, or amending the Bylaws, or which alter the provisions for removal of Directors.

In advance of a Board action to make, add to, or amend, provisions of these Bylaws other than those identified in Section 6 which require explicit Member approval, the Board shall seek review, input and feedback of the Members at a duly called Members meeting, for

which the meeting notice clearly states the change(s) in the Bylaws to be considered by the Board.

Section 8. Member and Board Governance Procedures: Communications, Notices, Meetings, and Voting Procedures

8.1 Communication Methods for Governance Flow of Information Concerning Meetings, Notice, and Voting.

PEX may use digital/electronic methods and physical methods for transmitting information and official notices for anything in the Bylaws or Articles that must be “written” or “in writing”, and for conducting meetings and voting procedures. The Cooperative’s Governance (Membership and Board) meetings and business operations meetings will generally occur in person, however, the Co-op will allow meetings and procedures to be conducted using digital/electronic methods via group digital platform, or via a mix of in-person and digital platform, if all participants in the meeting can hear each other throughout the meeting. The Co-op allows these methods to meet the needs of members, to address special needs and/or special circumstances, and/or to provide flexibility when there are emergent circumstances. Special conditions imposed by Washington law, if applicable, are addressed in relevant sections of the bylaws.

8.2 Keeping Members Informed: Meeting Notices.

Notice of all Cooperative Governance meetings (Member and Board) must be in writing¹³, specifying the place, date, and hour of the meeting, and stating the purpose and business to be addressed. Regular meeting notices shall be delivered to Members for applicable Members’ and Directors’ governance meetings at least ten (10) days prior to, and not more than sixty (60) days prior to the date of the meeting, unless otherwise specified in these bylaws to address an urgent or unique circumstance¹⁴.

Information sharing notices of all kinds will be sent electronically to the email of record given to the Co-op by each Member for the purpose of notice. Text messages or some other digital media may be sent supplementally as an option. Email and digital notices and information are delivered when sent. Notices and information may be posted on a physical and/or digital platform(s) in addition to email communication. Special conditions for notice imposed by Washington law, if applicable, are addressed in relevant sections of the bylaws.

8.3 Governance Decision Making and Voting.

¹³ “Writing” specifically includes digital means of writing.

¹⁴ These notice requirements are required by RCW 23.100.0408 as amended.

- (a) Voting Procedures.** Governance voting procedures may be in person or digital. Voting may be accomplished by the method best suited to the decision, including consent, voice votes, and where warranted, such as for elections of Directors and Officers, secret written and signed ballots to one vote tabulator and/or by an electronic voting platform that provides for a secret ballot with electronic signature that goes directly to one vote tabulator. Proxy voting shall not be allowed. All voting procedures shall be conducted using the processes in this Section unless otherwise specified in these bylaws.
- (b) Absentee Ballots.** For Governance (Board and Member) voting actions, an absentee ballot may be submitted by a Member or Director who is eligible to vote if the following procedures are followed. A description of the exact motion or resolution to be voted on must accompany the notice of the meeting at which the vote will take place, along with a blank ballot or digital voting procedure with information about how to register/submit an absentee ballot. A Member or Director eligible to vote may submit in advance of the meeting, a signed absentee ballot in writing or by digital platform, under these circumstances.
- (c) Properly Registered Absentee Ballot is Present for Establishing Quorum.** A registered/submitted absentee ballot by a Member or Director who is eligible to vote that follows the processes of this section is considered present at the meeting for the purpose of establishing quorum.

8.4 No Quorum.

For Member and Board meetings where quorum is not met, as required by the applicable provisions of these Bylaws, or where quorum is lost during a meeting before a voting action occurs, the Members or Directors who are present may continue to discuss all items on the agenda. If those present continue discussion of any voting subject, they must take notes to file with the Clerk after the meeting, if the Clerk is not present, and will hold over any voting action(s) to a rescheduled date.

Section 9. Member Governance Meetings.

9.1 Annual Members Meeting.

The annual meeting of the Members shall be held at the principal place of business of the Cooperative or at any other place conveniently located within the area served by it, or by all other means identified in Section 8 of these bylaws. The Annual Member Meeting shall be held in the month of March, and/or no later than within six (6) months after the close of the previous fiscal year at the call of one or more of the Officers of the Cooperative, or a majority of the Board.

Elections of the Board of Directors, as required per Section 10, shall be conducted at the Annual Members Meeting in addition to any other Member business contained in the

meeting notice. Annual Meetings shall follow the written agenda contained in the notice of the meeting, and no other business may be conducted without a motion, a second motion, and the consensus of all members present to add the business item to the agenda. All decisions of the Members at the Annual Member Meeting shall be decided by simple majority where there is a regular Member's quorum per Section 9.4 below, unless otherwise specified in these Bylaws for a particular issue on the agenda.

9.2 Regular Calendar of Member Meetings may be established.

The Members may establish a regular calendar of Member governance meetings, such as bi-annually, quarterly or other. If any meeting dates on the regular calendar are changed, the Members must receive regular notice of the change in the date per Section 8.2.

9.3 Special Member Meetings.

A majority of the Board may call a Special Member Meeting.

In addition, any Member may create a proposal to call a Special Member Meeting, provided the proposal is signed by at least 10% of the members or at least 2 members, whichever is larger, entitled to vote at a Member meeting and conveyed to the Clerk¹⁵, such that the Clerk can determine that the minimum threshold is met. The proposal must clearly state the purpose of the Special Meeting. The Clerk will relay the proposal to one or both Co-Facilitator(s), one or both of whom must call the Special Member Meeting created by proposal.

The agenda of a Special Member Meeting shall be in writing and provided with the Special Meeting Notice, subject to the requirements of Section 8 of these Bylaws. No additional business may be added to the agenda after Notice is made. All decisions of the Members at a Special Member Meeting shall be decided by consent of a regular quorum of the Members per Section 9.4 unless otherwise specified in these bylaws.

9.4 Member Meetings - Regular Quorum.

All Members may participate in any Member meeting. A regular quorum at a Member Meeting, including Special Member Meetings, shall be 2/3 of the full voting power of all Members entitled to vote. Each Member shall have only one vote. Where special quorum rules apply to a Member meeting, such are stated in the applicable Bylaws Section. See Section 8.4 for meetings where there is no quorum or a loss of quorum.

9.5 Members and Board Resolutions.

The Members may require the Board to consider a new resolution or reconsider a resolution the Board has previously considered. A membership action requiring the Board to consider a new resolution may pass with a simple majority vote of Members at a Member meeting where there is regular quorum per Section 9.4.

¹⁵ RCW 23.100.407

An action requiring the Board to reconsider a resolution the Board previously considered must pass by at least a $\frac{2}{3}$ vote of all Members at a Members' meeting where there is a regular quorum. If the vote carries in favor of a new resolution or a reconsideration of a prior resolution, the Members shall provide an explanatory proposal to the Board to consider such resolution at the next Board Meeting. The Board shall allow at least one Member in favor of the resolution who is not on the Board to address the Board at their meeting.

Section 10. Board of Directors Composition, Terms, Elections, Removal.

10.1 Board Composition and Terms.

The Board of Directors shall consist of at least three (3) people and no more than (5) people, who are required to be Members of the Cooperative. Other than the initial Board, Board positions shall be elected by the Members at the Annual Member Meeting.

Only one Member of the Cooperative per household may serve on the Board at any given time, with household defined as "all the people who occupy a housing unit, such as a house or apartment, as their usual and regular place of residence".

The terms of each Director shall be two (2) years, measured from the start of the Organizational Meeting of the Board of Directors each year¹⁶, and ending at the commencement of the Organizational Meeting of the Board of Directors two years later.

10.2 Staggered Terms.

The Cooperative uses staggered Board terms, the purpose of which is to have a Board that is not completely reconstituted every two years. Staggered two-year terms provide continuity and the opportunity for the sharing of expertise between continuing and new Board members.

After the terms of the First Elected Board¹⁷, the Board shall consist of two groups, Group #1 and Group #2, each with two-year terms. One of the two groups is subject to election every year on a rotating basis.

10.3 Subsequent and Consecutive Terms.

A Director may serve and/or be re-elected for one (1) subsequent term. A Director may serve a maximum of two terms consecutively and then must take a break for one (1) year.

¹⁶ The "Organizational" meeting of the Board is the first meeting after the Board is elected at the Annual Members Meeting.

¹⁷ The First Elected Board is delegated into two (2) groups. Group #1 shall have a term of One (1) Year expiring at the commencement of the Organizational Meeting of the elected Board of Directors one year after they began their term; and Group #2 shall have a term of Two (2) Years expiring at the commencement of the Organizational Meeting of the elected Board of Directors two years after they began their term. Thereafter, both Group #1 and #2 will proceed with 2-year terms, with one of the two groups subject to election every year.

After a break of one year, a Steward Member who has previously served as a Director may run again for a Board seat.

10.4 Minimum Number of Directors.

The number of active Directors of the Cooperative Peoples Exchange shall at no time be less than three (3) people who are Steward Members of the Cooperative.

10.5 Board Vacancies.

Vacant seats that would cause the Board to have less than three (3) Members must be filled with a temporary appointment of a new Member by the remaining Directors. The appointed Member will complete the existing term of the vacant seat.

10.6 Tracking Board Seats, Terms.

The Clerk of the Cooperative shall track board terms and information concerning which seats are up for election, the term length of such seats, and any seats vacated before the expiration of their term, if the Board has not made a temporary appointment to fill the seat per Section 10.5 above.

10.7 Election Procedures for Directors.

The Board of Directors shall determine the policy for the conduct of Board elections by the Members and may create a Board Election Committee (See Section 10.12) to implement this policy. The election of Directors shall be conducted at the Annual Member Meeting following the procedures for communications, notices and voting procedures in **Section 8** of these Bylaws.

10.8 Resignation and Removal of Directors from the Board.

(1) Resignation as a Director but not as a Member. A Director may resign their position as a Director but not as a Member, by giving written Notice of such to the Clerk and the Members of the Board. Such resignation shall be effective as of the delivery of the Notice of Resignation.

(2) Director Resignation as a Member. Any Director who resigns or dissociates from their Membership in the Cooperative shall be immediately removed from their Director position, and provided with written notice accepting their resignation, which acknowledges that removal as a Director is immediate.

(3) Failure to Attend Board Meetings. Any director who fails to attend three regular board meetings within a six-month period shall be immediately removed as a Director, and provided with written notice of removal, which acknowledges that removal as a Director is immediate.

(4) Members May Vote to Remove a Director for Cause. Members representing at least 10% or 2 people, whichever is larger, of the total voting power of the Cooperative may submit a petition for removal of a Director that cites the cause for such removal to the Clerk. Once a petition is received, one or both Co-Facilitators shall call a Special Meeting of the Members per Section 9.3 with regular Notice that meets the requirements of Section 8 & 8.2, to be sent to all Members with a copy of the petition. The Notice for the Special Meeting and the petition must be sent within 30 days of when the petition is received by the Clerk. A Director is removed with a simple majority vote in favor of removal at the Special Meeting with a quorum of 85% of the Members entitled to vote.

10.9 Dual Roles Limitation.

One person may hold multiple roles, however, the Facilitator may not also hold the role of Clerk.

10.10 Board of Directors Meetings

1) Purpose of Board Meetings.

A meeting of the Board of Directors is for the purpose of conducting the business and affairs of the Cooperative, including the exercising of all powers of a Limited Cooperative Association authorized by RCW 23.100 and related statutes. The board is primarily concerned with strategic goals and plans of the Cooperative, internal governance, oversight of the Cooperative's operations, development and passage of the annual budget, regular review of the cooperative's budget, and consequential commitment of financial resources beyond day-to day expenses. The Board is responsible for ensuring that all procedures, rules, and/or policies adopted by the Co-op are consistent with the Co-op's purpose, mission and values, Articles of Organization, Bylaws, and applicable state and local laws.

2) Organizational Meeting.

Following the election of directors at the Annual Member Meeting, the newly elected members of the Board shall call a first Organizational Meeting of the Board of Directors. At the first Organizational Meeting, the Board shall onboard new members and elect officers for the coming year.

3) Regular Board Meetings Schedule and Policies.

Board meetings shall occur monthly after the month in which the Annual Members Meeting and Organizational Meeting of the Board occurs. The Board may adopt a set of policies for the conduct of Board meetings. Board meetings shall be open to the members to attend and listen unless the board votes to meet in an executive

session¹⁸ pursuant to Board policies. The Board shall adopt an annual schedule of regular meetings and ensure that each Member of the Coop receives the annual schedule some time after the Board's annual Organizational Meeting and at least ten days prior to the first Board meeting on the annual schedule. Following the requirements of this subsection satisfies the notice requirements for all Board meetings thereafter on the annual schedule¹⁹.

4) Board Quorum and Voting Threshold.

Two-thirds (2/3) of the elected Directors shall constitute a quorum at all Meetings of the Board. Unless otherwise specified, all decisions requiring voting action by the Board shall be decided by simple majority. See Section 8.4 if quorum is not met or is lost during a Board meeting.

5) Special Board Meetings with Notice.

Special meetings of the Board of Directors may be called by the Facilitator, Co-Facilitator, or Board members representing a majority of the Board. A special meeting may occur as long as there is a quorum present. No business except that stated in the call for the special meeting of the Board shall receive consideration and/or action at the special meeting.

The informational notice requirements for a special board meeting are as follows:

- (a) The notice requirements of Section 8 of these Bylaws apply unless the caller(s) of the meeting identify and articulate an issue that could harm the Cooperative if ten (10) days' notice must be given before the meeting.
- (b) With the type of urgency stated in (a) above as the reason for the meeting, a Special Board Meeting may be called with **48 hours' notice** delivered by email to the member's email address of record for notice. Email notice may be supplemented with text messaging, other digital media, and physical posting as options.

6) Board Action Without Notice²⁰.

¹⁸ An "executive session" may be called for such matters as the need to confer with legal counsel on a sensitive matter, a sensitive matter related to a potential termination of a Member, or another matter for which a Member has requested privacy.

¹⁹ RCW 23.100.350 and RCW 24.06.105

²⁰ This Subsection of the Bylaws does not apply to the organizer Members and initial Board of the Cooperative, who may sign waivers of Notice and make Consent Resolutions without a meeting in order to address important needs of the Cooperative in the Start-up phase.

The Board of Directors may only conduct very urgent business²¹ of the Cooperative without notice as long as there is a quorum of Board members participating. Waivers of Notice for Urgent Business must be signed by the Directors on the day action is taken, stating the urgent reason that is in the best interests of the Cooperative and its Members for conducting a meeting without notice. All Directors must also approve the action(s) taken in writing, and the written waivers of notice, and written resolutions approved must be filed with the Clerk. All Co-op Members must be notified of the decision within seventy-two hours (72) of its approval.

7) **Board Duties, Responsibilities and Conflicts of Interest.**

Board members have duties and responsibilities that are prescribed by these Bylaws and Washington State law, which include:

i.) Duty of Care. Directors must take actions concerning the Cooperative in good faith, with the care that an ordinarily prudent person in a Director position would exercise under similar circumstances, based upon reasonable and adequate information sources, and in support of the Cooperative's purpose, mission, principles, and values. Directors must act with a reasonable belief they are acting in the best interests of the Cooperative.

Reasonable information sources that Directors may rely on include: (a) one or more Officers or workers of the Co-op whom the Director reasonably believes are reliable and competent, (b) legal counsel for the Co-op, (c) public accountant(s), (d) committees of the Board that merit confidence, or other persons the director reasonably believes have expert or professional competence. A Director is **not** **acting in good faith** if the Director has direct knowledge or information concerning the matter in question that makes reliance on information from a source, as listed above, unwarranted.

ii.) Fiduciary Duty of Loyalty. Directors put the interests of the Cooperative above their personal interests, especially financial interests, when making decisions for the Cooperative, and never use confidential information of the Cooperative for personal gain to themselves, a spouse, partner, family member, or other person with whom they have a close personal relationship.

The fiduciary duty of loyalty includes the duty to avoid voting for, or otherwise assenting to distributions, including Steward Member returns, in violation of law. WA law stipulates that distributions cannot be made by the Board of Directors if the distributions will cause the Cooperative to be unable to pay its liabilities as they come due in the usual course of business. Directors may be personally liable to the

²¹ "Very urgent business" is defined as damage or risk of damage to the PEX shared space, an urgent financial matter that may harm the Cooperative, and personal behaviors that pose a risk to the Steward Members or the PEX community at large.

Cooperative for amount(s) distributed that exceed what, if any, could have been lawfully distributed.

iii) Duty to Disclose any Actual or Potential Conflicts of Interest. Directors are obligated to disclose to the entire Board, verbally and in writing, any potential or actual conflicts of interest concerning themselves or another person with whom they have a close relationship, as stated above, when relevant to a Board discussion or action. Directors having such a conflict shall recuse themselves from the discussion and decision of any related matter under consideration by the board for which they have a potential or actual conflict unless the Board hears the potential conflict at the meeting and determines in the meeting record how the Director may or may not be allowed to participate²².

10.11 Board Compensation.

Directors on the Board will not be compensated. The Cooperative's Steward Members may elect to determine Board compensation at a later date when and if the Board establishes that compensation may be addressed in the Cooperative's budget and has sought the approval by the Members. This section may be amended at the time such compensation is determined to be possible.

10.12 Board Committees.

The Board may form a committee(s) for a special project or a particular purpose. A committee may include Members who are not on the Board and may also include non-Members with community involvement, special expertise and/or knowledge desired by the Board. A committee is formed by a simple majority vote in favor by a quorum of 2/3 of the Board. Board committees must be chaired by a Steward Member.

Committees with participants who are not on the Board shall not have any of the powers of the Board, including voting powers, and are limited to the purpose or project designated to the committee by the Board. The Clerk may assign a note taker/recorder for a committee to which the clerk is not a member to ensure proper recording and approval of the notes by the committee. Properly approved Committee notes will be delivered to the Clerk for storage in the Cooperative's official records. Committees are subject to the same notice requirements as the Board, will report to the Board on a regular basis, and shall deliver all proposals for action/resolution to the Board for their decision. When a committee's project or purpose is fulfilled, it may be disbanded by the Board.

Section 11. Officers of Cooperative Peoples Exchange.

11.1 Election of Officers.

²² See RCW 23B.08.300

Cooperative Peoples Exchange Officers will be elected annually by the Board at the Annual Organizational meeting of the Board following the Annual Members Meeting.

11.2 Subsequent Terms.

Officers of the Co-op may be re-elected for subsequent terms during their board term.

11.3 Titles of the Co-op's Officers.

Officers of the Co-op shall be:

(1) Facilitator²³

(2) Clerk²⁴

(3) Treasurer (also a Co-Facilitator to step in as the Facilitator when necessary)

11.4 Officers Requirement.

Officers of the Cooperative are required to be on the Board of Directors.

11.5 General Duties of the Facilitator.

(1) Chairing of Board Meetings

The responsibility for preparations and chairing a Board meeting shall be overseen by the Facilitator but may rotate between Board Members on a monthly basis.

(2) Other General Duties

The Facilitator has general oversight duties regarding the calling of Member and Board governance meetings and shall work with the Clerk to ensure that notices are properly issued for such governance meetings.

The Facilitator ensures that the Bylaws and compatible Policies adopted by the Board are followed, and that all required meeting notes recorded and written materials are properly filed and stored by the Clerk.

The Facilitator is responsible for either facilitating Member governance meetings or ensuring that facilitation is rotated, and that all Members can speak and contribute at Member governance meetings and at all levels of operations.

The Facilitator has general charge and control of the day-to-day business affairs and management of the Cooperative and any property of the Cooperative, working in the consent model with the Members as to daily operations. The Facilitator may sign and execute all authorized contracts, or other obligations in the Cooperative's name that were contemplated in the annual budget approved by the Board, or as otherwise

²³ The "Facilitator" is the equivalent of the role of President.

²⁴ The "Clerk" is the equivalent of the role of Secretary.

approved by the Board. The Facilitator may perform other duties as the Board may assign them from time to time.

11.6 Duties of the Clerk.

The Clerk will relay informational notices of all governance meetings of the Members and the Board pursuant to these Bylaws and WA law. In the Clerk's absence, refusal, or neglect, the Facilitator and Co-Facilitator shall give required notice(s) until the Clerk can be replaced. The Clerk is responsible for the documentation and approval²⁵ of Member and Board governance meeting notes recorded and approved. The Clerk shall record, or cause to be recorded, notes and essential records of all meetings and/or actions of the Board, any Board Committees, and the Members.

Meeting notes of governance meetings that are maintained by the Clerk shall include the following: (i) time and place of meeting; (ii) whether it is regular meeting or a special meeting, and if a special meeting the basis for which it was authorized and called and the information that was provided to meeting participants as required by these Bylaws; (iii) the type of meeting notice given; (iv) the meeting topic(s) and agenda; (v) the names of those present and absent for Board meetings; (vi) the number of Members present at Member meetings; (vii) a general summary record of agenda items discussed; and, (viii) a full & complete record of any actions/resolutions for which a vote was taken, and the outcome of the vote(s), or decision-making process, as required in these Bylaws.

The Clerk maintains organized and accessible official records of the Cooperative per Section 15 of these Bylaws, including Member and Board governance meeting agendas and notices, any recordings made at meetings, approved meeting notes as described above, records of Board and Officer vacancies and interim Board appointments, and any other written records of the Co-op specified in these Bylaws. All official records and documents of the Cooperative shall be kept in a format and system approved by the Board that ensures safe retention and availability of the official records and documents of the Cooperative. Records shall be available to Members at the written request of such, as required by law²⁶, at the principal place of business.

The Clerk may perform other duties as assigned by the Co-Facilitators.

11.7 Duties of the Treasurer.

The Treasurer will have custody of the accounts containing the funds and any investment securities of the Cooperative, including Membership fee investments, and will keep full and

²⁵ Approval of the notes/minutes/recording of each Board or Member governance meeting, or Board Committee meeting, after review by the participants may be taken up as the first resolution at the following meeting when meetings are regularly scheduled or may be taken via a poll after a meeting if the draft notes/minutes have been sent to the participants.

²⁶ RCW 23B.16.020, 23B.16.010, and 23B.16.200. The Board may develop rules, policies, and/or procedures not inconsistent with these sections of 23B.

accurate accounts of receipts and disbursements in books belonging to the Cooperative. The Treasurer will work with the Cooperative's accountant or bookkeeper, if any, to keep accurate records of the accounts of the Co-op. The Treasurer will deposit all money and other valuables in the name of and to the credit of the Cooperative in the depository or depositories designated by the Board. The Treasurer shall perform all the duties generally incident to the chief financial officer of a company, subject to the control of the Board and its Officers, and will work with any hired CPA, accountant, and/or bookkeeper of the Cooperative.

If the Board does not fill the position of Treasurer, or the position is vacated for some period until the office can be replaced through an election by the Board, the Clerk must temporarily assume and perform the duties ascribed to the Treasurer as a combined office of Clerk-Treasurer. During the temporary period when the Clerk and Treasurer are combined and held by the same person, they may not serve as the Facilitator, and may not sign, acknowledge, or verify any instrument in more than one capacity if these Bylaws and/or Board-adopted rules, policies, and procedures require the instrument or amount to be executed, acknowledged, or verified by two or more officers.

11.8 Officer Removal.

Officers serve at the will of the Board and may be removed from office at any time, with or without cause by a majority vote of the Board²⁷ at a meeting at which there is a regular Board quorum per 10.10(4), unless the Board has provided otherwise in a contract with an officer that has been authorized and signed by the Board.

11.9 Officers May Resign with Notice.

Officers may resign from their position by written notice to the Board. The Cooperative appreciates notice at least 15 days prior to the effective date so that the Board may determine a replacement for such an officer.

11.10 Directors May Serve in More Than One Office.

One person may hold multiple offices, however, the roles of Facilitator and Clerk shall not be held by the same person.

Section 12. Financial Provisions.

12.1 Fiscal Year.

The fiscal year of the Cooperative is determined in consultation with the Cooperative's Officers, Accountant and/or Bookkeeper, and shall be stated in Board-adopted financial policies of the Cooperative.

12.2 Internal Capital Accounts & Cooperative Taxation Election.

²⁷ RCW 23.100.0623 requires Officer removal to be by the Board.

As a Limited Cooperative Association, Peoples Exchange will maintain internal capital accounts, as defined in this Section. The Cooperative elects taxation under Subchapter K of the Internal Revenue Service Code.

Members of PEX agree to taxation under Subchapter K as Member-owners of the Cooperative that share in the net income equity of the Cooperative and are not employees of the Cooperative. All Members and provisional members agree to the Cooperative's chosen method of taxation in writing in the Steward Member and Provisional Member agreements.

All net income of the Cooperative is passed through to the Member-owners as self-employment income based on patronage hours contributed to the Cooperative.

12.3 Method of Accounting.

The Cooperative's books are kept according to the method or modified method determined in consultation with the Cooperative's Officers, Accountant and/or Bookkeeper, and may be stated in Board-adopted financial policies of the Cooperative. The books of the Cooperative may be kept in the best method determined by the Board in coordination with the Cooperative's bookkeeper and/or accountant, including the use of different names for the accounts in the books, as long as they are equated with the concepts and methods articulated in the Financial Provisions of Section 12.

12.4 Financial Section Definitions.

“Loss” or “Losses” is net negative income in a fiscal year where applicable expenses exceed total income. Losses will be allocated, at the discretion of the Board, to the Collective Account and Individual Capital Accounts, per Section 12 of these Bylaws, with the goal that 25% of the losses may be allocated to the Collective Account.

“Net Income” is the Cooperative's total income for a fiscal year minus applicable expenses²⁸, as determined by the Cooperative's treasurer and accountant. The net positive or net negative income is first divided into Surplus Net Income and Profit Net Income.

“Member Surplus Net Income” is the portion of net income for a fiscal year attributable to voluntary Steward Member labor contributions.

“Non-Member Profit Net Income” is the portion of net income that results from transactions that do not facilitate the primary business of the Cooperative from voluntary Steward Member labor. This income is allocated to the Collective Account and never to the Individual Capital Accounts of

²⁸ Subject to the accounting method chose by Pidgin and its accountant, expenses may include cost of goods sold, operational expenses, depreciation, amortization payments, interest, and any applicable state business taxes and federal taxes paid.

Members. Non-Member Profit Net Income is ancillary income and may include such income as that which is derived from any long-term investments of the Co-op, income derived from interest on bank account(s), from renting or subletting property to another entity, or income from the sale of a cooperative asset, such as real property or equipment.

“Internal Capital Accounts” are made up of **(a) Individual Capital Accounts, which consist of the accounts of each Member, and (b) the Collective Account of the Cooperative.**

(a) “Individual Capital Accounts” are accounts maintained for each Member that records the part of the net worth of the Cooperative ultimately to be returned to each member. The Individual Capital Accounts reflect the allocation of relative equity among all the Members and determine the redemption value of each Member’s account.

Increases. The balances in Individual Capital Accounts **are increased by:** (1) the payment of the Membership fee investment in the Cooperative; (2) written notices of Member equity allocations²⁹; (3) any other capital contributions by a Member to the Cooperative. Allocated Member equities credited to a Member’s Internal Capital Account bear no interest or other form of return on the credited value.

Decreases. The balances in Individual Capital Accounts **are decreased by:** (1) any fiscal year losses allocated to the Cooperative’s Individual Capital Accounts per Section 12.5(5); (2) any debt(s) the Member owes to the Cooperative; and (3) the periodic redemption, in cash/cash equivalent, as permitted by the Board, of amounts credited to each Member’s Individual Account as capital contributions of the Member, but not including the Membership fee investment, which remains available to the Co-op until the Member resigns or is terminated from possession of Membership rights.

(b) “Collective Account” is the umbrella name for the collective portion of the net worth of the Cooperative that is co-owned by all the Members but **is not** allocated to Individual Capital Accounts. The Collective Account includes two Sub-accounts:

(i) an Indivisible Reserves Account for Operating and Working Capital Reserves.

²⁹ This may include Net Income from the designated portion of donations made in support of the Steward Members contributions to the management of the PEX space.

(ii) an Indivisible Reserve Account for a Specific Purpose or Purposes as defined below.

Capital allocated to the Collective Account is not to be returned to Individual Capital Accounts of Members during the lifetime of the Cooperative.

The Collective account includes any Profit Net Income, and the portion of Member Surplus Net Income designated to the Collective Account by the Board annually pursuant to their fiduciary duty to the Cooperative. The Indivisible Operating and Capital Reserves Account of the Collective Account shall be maintained by the Board to ensure the availability of reasonable reserves and capital support for adopted business plans that safeguard the sustainability of the Cooperative.

Increases. Balances in the Collective Account **are increased by:** (1) Distributions allocated to the Collective Account by the Board pursuant to this Section 12 of the Bylaws; (2) Ancillary Income, which is revenue generated to the Cooperative that is not derived from the Cooperative's core services; and (3) donations, gifts or grants to the Cooperative as a whole, which may not be allocated to Individual Capital Accounts.

Decreases. Balances in the Collective Account **are decreased by:** (1) any losses allocated to the Collective Account per Section 12.5(5); (2) business plan and operating expenditures of reserve capital approved by the Board; and (3) expenditures approved by the Board for one or more specific purpose(s) of the Indivisible Specific Purpose(s) Reserves Account described below.

“Indivisible Operating and Capital Reserves Account” is a sub-account of the Collective Account that is co-owned by the Members to be used as operating and capital reserves for the internal use of PEX for its long-term health and development, which benefits all current and future Members. These indivisible reserves will not be distributed to individual Members for the life of the Cooperative. Upon dissolution, liquidation or other event per Section 14 of these Bylaws, funds in the Indivisible Reserves Account of the Cooperative may be distributed to Steward Members.

“Indivisible Specific Purpose(s) Reserves Account” is sub-account of the Collective Account that is co-owned by the Members to be used for one or more special cooperative community-oriented purposes that are external to PEX and related to its work in the local and broader cooperative community, such as: (1) Cooperative development, education and training; (2) Creation and distribution of materials concerning principles of cooperation and a cooperative economy; and (3) Community-oriented projects of the Cooperative. Upon dissolution, liquidation, or other event

per Section 14 of these Bylaws, funds in the Specific Purpose Indivisible Reserves Account of the Cooperative may not be distributed to Steward Members and will be distributed to an identified external Cooperative Development Fund or another comparable community fund.

“Net Worth” is the difference between the assets and liabilities on the Cooperative’s books and is the sum of the balances of the Internal Capital Accounts of the Cooperative.

“Steward Members” are the Member-owners who contribute their voluntary time as patronage hours to the Cooperative and share in the equity of the Cooperative based on such patronage hours.

“Patronage” is defined as hours contributed by each Member-owner to the Cooperative.

12.5 Process for End of Fiscal Year Allocations by the Board.

(1) Determine Member Surplus Net Income.

After the end of the fiscal year the Board shall work with the Treasurer and an accountant and/or bookkeeper, as relevant, to determine if there is Net Income as defined in this Section. If there is any Profit Net Income for the fiscal year, such shall be subtracted from total Net Income and allocated to the Collective Account Reserves. The remaining Net Income is Member Surplus Net Income.

(2) Determine the Amount of Surplus Income to Credit to the Collective Account for the Indivisible Operating & Capital Reserves and Indivisible Specific Purpose Reserve Sub-Accounts, as Feasible.

At the end of each fiscal year it shall be the duty and sole discretion of the Board to determine an amount of the Surplus Net Income, that, in their judgment, is reasonable, necessary, and proper to credit to one or both of the sub-accounts of the Collective Account for:

(1) Indivisible Operating & Capital Reserves Account - to provide working capital, adequate operating reserves, and proper facilities for carrying on the business of the Cooperative, as defined in Section 12.4, and;

(2) Indivisible Specific Purpose(s) Reserves Account - for special purposes of cooperative community-oriented purposes that are external to PEX, as defined in Section 12.4.

The annual goal is to allocate up to 75% of the Net Income available to these two reserves accounts; and 25% of the Net Income available for patronage-based equity sharing allocations to Members pursuant to Sub-Section 3 below.

When there are Net Losses, refer to Section 12.5(5) of these Bylaws.

(3) Determine the Amounts to Allocate to Steward Members as Equity Shares Based on Patronage Contributions to the Cooperative, as Feasible.

At the end of each fiscal year, the Board shall determine, in their sole discretion, whether there is adequate Member Surplus Net Income to allocate equity credits based on Member patronage hours contributed to the Cooperative during the fiscal year, to the Individual Capital Accounts of Members. The Board shall determine the portion of such equity credits that can be paid out in cash, if any, for the fiscal year that closed, and the amount that will be credited to member accounts to be paid out in future years.

Each Steward Member shall receive written notice of the amount of such equity amounts credited to the Members' Individual Capital Accounts, and the cash portion, if any, to be paid out to Member's in the next 60 days.

Patronage hours will be calculated based on actual hours contributed and recorded by each Steward Member for the entire fiscal year. The patron hours contributed by Steward Members are added together to determine the total Member Patronage hours for the fiscal year, and each Steward Member's percentage of the total hours is the percentage of equity they may be allocated for the fiscal year and recorded in their "account" in the Cooperative's books.

The Board shall also determine, in their sole discretion, whether any redemption of accumulated equity credits in the Individual Capital Accounts of Steward Members from prior years may be paid to Members for the fiscal year, per the Periodic Redemption Section (12.6) below. The Board shall make such determinations in the best interests of the Cooperative and its Members.

Payments to provisional members who did not continue or were not accepted for Membership during the fiscal year, for their contribution of time to the Cooperative, may be considered, at the sole discretion of the Board, per Board financial policies and Section 12.9.

(4) Remaining Net Income.

If there is remaining Surplus and/or Profit Net Income, the remaining income may be allocated to one or both of the Indivisible Reserve Sub-Accounts of the Collective Account and/or current needs in the best interests of the Cooperative as determined by the Board.

(5) Allocation of Losses, as Applicable.

Any losses incurred in a fiscal year may be allocated as losses to the Collective Account and/or Steward Member Individual Capital Accounts, as recited in this Section below. The goal is for losses to be distributed 75% to Member Individual Capital Accounts and 25% to the Collective Account.

Profit Net Loss from any Ancillary Income, as relevant, shall be allocated as Loss to the Collective Account.

When there are Net Losses in a fiscal year, the Board of the Cooperative may take one or more of the following actions combined to address the losses:

- (a) Offset either a portion or all such Net Loss against the Collective Account; and/or carry forward all or a portion of the Net Loss to be charged against future net income allocation(s) to the Collective Account; and/or
- (b) Cancel all or a portion of credited and unpaid equity shares in the Individual Capital Accounts of Steward Members to address all or a portion of the Net Loss; and/or
- (c) Establish accounts receivable for all or a portion the Net Loss from Steward Members that may be satisfied out of any future amounts that become payable by the Cooperative to each Steward Member; and/or
- (d) Carry all or a portion of the Net Loss forward to be charged against future Surplus Net Income allocations.

Allocation of Net Loss Among Steward Members. Any cancellation of credited and unpaid equity shares of Steward Members, and/or establishment of accounts receivable from Steward Members per this Section 12.7(5) shall be allocated among the Steward Members in the same manner that Surplus Net Income is allocated.

Board Discretion. The provisions of this Section shall be implemented by the Board of Directors with due consideration for all the circumstances which caused the Net Loss, and in a manner that it determines is equitable and in the best interests of the Cooperative.

12.6 Periodic Redemption of Steward Member's Individual Capital Accounts.

- (1) The Cooperative shall aim to redeem, by cash/check/digital equivalent, amounts credited to each Steward Member's Individual Capital Account ("Members' Accounts") as capital contributions of the Steward Member, but not including each Member's initial membership investment fee³⁰, within three years of the date the funds were first credited to the Individual Capital Account, but not sooner than one year from when they were first credited to the Account. This determination is at the sole discretion of the Board in consultation with any accountant or bookkeeper under contract with the Cooperative and may be included in the financial policies. The

³⁰ The membership investment fee remains available to the Cooperative for the entire period of membership in the Cooperative.

Board has the discretion to engage with Steward Members who have committed long-term capital to the cooperative to create longer term payout goals.

(2) Redemption distributions for amounts credited to Steward Member's Accounts will be paid out in the order in which they are credited, with the oldest years' credits paid out first. The Board may determine whether acceleration of the redemption of the Individual Capital Account to the estate of a deceased former Member, or to a former Member directly, may be done on a case-by-case basis.

(3) If the Cooperative does not have sufficient funds to pay out all funds credited to Steward Member's Individual Capital Accounts for a prior year's equity credits, then funds will be paid out as partial payments in proportion to all balances for that year in the Steward Members' Accounts.

(4) When equity share allocations are fully or partially paid out, the Steward Members' Individual Capital Accounts shall be debited accordingly.

12.7 Priority of Payments.

Payments by the Cooperative shall be made in the following order of priority, in amounts to be determined by the Board:

- (1)** First, to make payments for any and all necessary expenses related to the ongoing operational needs of the Cooperative, including payments of interest and principal on any debts of the Cooperative.
- (2)** Second, to pay a cash portion of the equity shares as patronage to the Steward Member-Owners based on patron hours contributed to the Cooperative during the year, if there is adequate Member Surplus Net Income to pay such.
- (3)** Third, to make periodic redemption payments for unpaid equity credits in Steward Member Individual Capital Accounts per Section 12.6 of these Bylaws.

12.8 Payment Rights Upon Resignation or Termination of Members.

(1) When a Steward Member resigns or their membership in the Cooperative is terminated for any reason under these Bylaws, including a member's death, **their Individual Capital Account is closed to future surpluses or losses at the end of the fiscal year of the occurrence of a resignation or termination that dissociates the Member from the Cooperative.** A Membership in the Co-op is not transferable to a deceased Member's heirs, however, the closed account of a Steward Member terminated due to death of the Member is transferable to the heirs of the deceased Member until credits remaining in the account, if any, after the balancing of credits and debits, including debited losses, have been paid out to the former Member's heirs.

- (2)** The portion of the former Steward Member's Individual Capital Account that represents the initial Member investment fee per Section 2.3 will be rolled into the most recent year's equity credits, which are paid out last.
- (3)** After year-end adjustments for the year in which the dissociation of membership occurs, any debits in the former Member's individual capital account, including any debits from losses, shall be offset against equity credits in the Member's account. If there is a zero-amount remaining or only a debit from losses remaining in the account, the account will be closed, the Member will not be due any further payments from the Cooperative and will not owe anything to the Cooperative. If a Steward Member was loaned money from the Cooperative, refer to Section (7) below.
- (4)** Former Member's Individual Capital Accounts with remaining credits will be maintained as a closed account, per Section 12.8(1) above, and credits will be paid out on the same schedule as active Members are paid per Section 12.7 of these Bylaws until the credits or debits remaining in such accounts have been resolved and/or paid out to the former Member.
- (5)** The Board may determine, in response to a request, whether acceleration of the redemption of an Individual Capital Account to the estate of a deceased former Member, or to a former Member directly, may be accomplished to address a hardship need, on a case-by-case basis.
- (6)** If the Cooperative does not have sufficient funds to pay out all funds credited to Steward Member's Individual Capital Accounts for a given year's redemption of equity credits, then funds will be paid out as partial payments in proportion to all balances in those Accounts.
- (7)** In settling a former Steward Member's Individual Capital Account, the Cooperative has the right to set off all indebtedness of the former Member to the Cooperative against equity credits in the account, and if there is any debt obligation remaining that cannot be offset against equity credits, the Cooperative has the right to enforce any such debt obligation or obtain damages for its breach.

12.9 Potential Equity Share of Provisional Members not Continuing as a Member.

Provisional members who were in the candidacy period and either decided not to continue or were not accepted for membership by the Steward Members, may or may not receive an equity share payment only for the fiscal year(s) in which they contributed time in hours to the Cooperative, at the sole discretion of the Board. Such an equity share payment(s) is based on the proportion of hours contributed by a provisional member to the overall calculated hours contributed by all Members and provisional members for the applicable year.

Provisional members do not have any interests or rights as a Steward Member and do not have a Steward Members Individual Capital Account personal property interest in the Cooperative. If there are losses for the applicable year(s) that a person was a provisional member, such person will not be assessed for any losses and will not receive any equity payment(s).

12.10 Notices of Available Payments and/or Losses to Former Members and Provisional Members.

When the board has declared that payments can be distributed to former Members or their heirs pursuant to Section 12.8 above, and/or to provisional members pursuant to Section 12.9 above, such persons will be sent a notice of the availability of such payment to the mailing address of record for such person. The notice will provide the former Member or provisional member with a specified period of at least 60 days to respond to the Notice and to request payment by one of the specified forms of payment as stated in the Notice.

12.11 Unclaimed Funds Payable, Redemption Payments, and Distributions May Revert to the Cooperative.

All unclaimed funds for which Steward Members, former Members, and provisional members have received written notice of the availability and/or potential availability of a distribution of funds, including but not limited to, returns, distributions, equity payments, and payments approved for redemption of credits to Member Individual Capital Accounts, shall revert to the Cooperative, at the discretion of the Board, under the following circumstances:

At any time after it has been one year from the end of the fiscal year during which a Member, former Member, provisional Member, or other, has received a Notice of a declaration concerning any of the above-noted distributions and has failed to respond to the Notice, and any follow-up notices, if applicable, in the method requested, the funds shall revert to the Cooperative Association with no further notice³¹.

Section 13. Indemnification and Insurance

13.1 Limited Liability of Directors, Officers, and Members.

Consistent with Washington State law, the personal liability of the Board of Directors and Officers of the Cooperative, acting in their capacity as a Director or Officer, is eliminated or limited as to their conduct and actions, provided that their conduct, acts or omissions do not involve intentional misconduct, a knowing violation of law, conduct violating RCW

³¹ RCW 23.100.0809 and 23.86.160 as amended. The LCA statute allows the Cooperative to bypass requirements of the WA State Unclaimed Property Act (RCW 63.30 et seq.) under RCW 23.86.160, as amended.

23B.08.310³², or any transaction from which the Director or Officer received or will receive a personal benefit in money, property, or services to which the Director or Officer is not legally entitled.

The Cooperative shall indemnify its Directors, Officers, Members, and agents to the full extent permitted under Washington Law, who are or were a party to, or are threatened to be made a party to any pending or completed legal action, suit, or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that they are or were a Director, Officer, Member, or agent of the Cooperative; but such indemnification shall not apply to the extent that any Director, Officer, Member or agent engaged in any of the above-stated conduct, misconduct, acts, or omissions.

13.2 Liability Insurance.

The Cooperative may purchase insurance to cover any liability or expense reasonably incurred by Directors, Officers, Members, and/or agents by sole reason of their being or having been Directors, Officers, Members, and/or agents of the Cooperative.

Section 14. Dissolution; Sale or Disposal of All or Any Part of the Assets of the Cooperative Outside the Regular Course of Business.

14.1 Dissolution.

For a voluntary dissolution of the Cooperative to occur³³, the Board must have unanimous consent of the entire Board to approve a resolution to dissolve the Cooperative. Following the Board's adoption of the resolution, the Board must call a meeting of the Members to be held no later than 90 days after the adoption of the resolution. The Board must transmit the following information to the Members with Notice and other requirements of Section 8 of these Bylaws:

- (1)** The adopted Board resolution which includes an explanation of the reasons the action is desirable and in the best interests of the Members of the Cooperative;
- (2)** A recommendation to the Members to vote in favor, or, if the Board determines there is a conflict of interest or other special circumstance for not making such a recommendation, an inclusion of the reasons for the determination not to recommend a vote in favor;
- (3)** Proper notice to the Members per Section 8 of these Bylaws, of the Member meeting to vote on the dissolution in the same manner as a Special Meeting is called per Section 9.3 of these Bylaws.

At the Special Meeting of the Members called for the purpose of addressing dissolution, a resolution to dissolve the Cooperative must be approved by the Members through a vote in

³² RCW 23B.08.310 addresses liability of the Board of Directors for unlawful distributions.

³³ RCW 23.100.1005

favor by enough Members to constitute 2/3 of the voting power of all the Cooperative's Members, otherwise the resolution shall fail.

14.2 Sale, Lease, Exchange, License, or Disposal of Cooperative Assets.

Member approval is specifically required for every transaction that involves the sale, lease, exchange, license, or disposal of all or any part of the assets of the Cooperative outside the regular course of business; and/or the mortgage, pledge, commitment to repayment of debt, or any encumbrance of all or part of the assets of the Cooperative outside the regular course of business.

A majority vote of the entire Board is required to propose the disposition of Cooperative assets outside the regular course of business to the Members. The Board must transmit the following information to the Members with Notice and other requirements of Section 8 of these Bylaws:

- (1)** a written plan and resolution concerning the terms of the proposed disposition of Cooperative assets outside the regular course of business;
- (2)** A recommendation to the Members to vote in favor, or, if the Board determines there is a conflict of interest or other special circumstance for not making such a recommendation, an inclusion of the reasons for the determination not to recommend a vote in favor;
- (3)** A statement of any condition(s) applicable to the Board's submission of the proposed disposition of Cooperative assets;
- (4)** Proper notice to the Members per Section 8 of a Member meeting to vote on the proposed disposition of assets in the same manner as a Special Meeting is called per Section 9.3 of these Bylaws.

At the Special Meeting of the Members called for the purpose of addressing the issues of this Section 14.2, a resolution for proposed disposition of Cooperative assets outside the regular course of business must be approved by 85% of the total voting power of the Cooperative for which there is a regular quorum of members present at the meeting.

14.3 Asset Distribution.

This section applies in the event of dissolution per Section 14.1, or voluntary or involuntary liquidation of all or a portion of the Cooperative's assets per Section 14.2, and winding up of the Cooperative, as applicable. Any residual assets left over after payment of all debt liabilities shall be distributed to active Steward Members and former Steward Members in the amounts equal to the balances in their Member Individual Capital Accounts and for the amount of the Membership Fee they purchased as a Member Investment in the Cooperative, if such has not already been repaid to a Member.

14.4 Proportional Distribution Provision.

If there are not adequate assets available to distribute to active and former Steward Members per Section 14.3 above, the remaining available assets will be distributed on a

pro rata basis in proportion to the percentage of total equity held by active and former Steward Members.

14.5 Limitations on Distribution.

A distribution per Section 14.3 and 15.4 may be withheld from any person who fails to acknowledge in a timely manner the receipt of Sufficient Notice of the event(s) referred to in Section 14 that triggers asset distribution and fails to claim a distribution under the Notice. “Sufficient Notice” is notice sent by certified mail to the address on record with the Cooperative at least 30 days before asset distribution is set to occur; such Notice shall convey the method to acknowledge, and the date(s) by which the person must acknowledge their receipt of Notice and their desire to potentially receive a distribution. Any unclaimed distributions may revert to the Cooperative for redistribution pursuant to Section 12 of these Bylaws.

Section 15. Maintenance of Official Records of the Cooperative

15.1 Official Records to be Maintained.

The Cooperative shall maintain its official records at the principal office³⁴. Such records shall be available for the Members to view, and must include:

- (a) The initial filed Articles of Organization and all amended versions of the Articles by date of amendment.
- (b) The initial Bylaws and all amended versions of the Bylaws by date of amendment.
- (c) All filed Articles of Merger and/or Conversion, as applicable.
- (d) A list containing the name, last known street address and, if different, mailing address, contact email address, contact cell phone number, term of office of each Director on the Board and each Officer, and the dates such term expires.

Financial and Clerk of State Records

- (a) All financial statements of the Cooperative for the three (3) most recent years.
- (b) The most recent annual report delivered by the association to the Clerk of State, and any and all records filed with the Clerk of State.
- (c) The federal income tax returns, any state and local tax returns, and any tax reports of the association for the three (3) most recent years, as applicable.
- (d) Accounting records maintained by the association in the ordinary course of its operations for the three (3) most recent years.

Member Governance Records

³⁴ Hard records and documents must be physically kept in files at the principal office; digital records need to be accessible at the principal office through a computer or other comparable device.

- (a) The minutes/notes and/or recordings of Member's governance meetings for the period of the association's existence, which includes the annual Member meeting and governance actions of the Members contained in these Bylaws.
- (b) Written evidence of any governance actions taken without a meeting in conformity with the requirements of these Bylaws, for the period of the association's existence.
- (c) An up-to-date list containing the names, in alphabetical order, last known street address and, if different, mailing address, contact email address, and contact cell phone number of each Steward Member.
- (d) For each member, a description and statement of the member's interest or information from which the description and statement of such interest can be derived. This requirement is met through executed Member Agreements.
- (d) All communications and notices concerning the Cooperative made in a record to all members, or to all members in a district or class, for the three (3) most recent years.

Board Governance Records

- (a) The minutes/notes and/or recordings of Board of Directors meetings for the entire period of the association's existence.
- (b) Evidence of all actions taken by the Board without a meeting, in conformity with the requirements of these Bylaws, for the period of the association's existence.
- (c) The amount of money agreed to be contributed to the Cooperative and contributed by each Member.
- (d) Board approved policy document containing a statement and description of the agreed value of contributions or benefits other than money made or provided and agreed to be made or provided by each member, if applicable.
- (e) Board approved policy document containing a statement and description of the times at which, or events on the occasion of which, any additional contribution is to be made by each Member.

15.2 Records and Length of Co-op Existence.

If the Cooperative has existed for less than the period for which records must be maintained under Section 15.1 of this section, the period records must be kept is the period of the association's existence.

Section 16. Authorities and Severability.

16.1 Authorities.

To the extent that Board-adopted Policies contain any inconsistencies with these Bylaws or Articles, the Bylaws and Articles have higher authority, and any inconsistencies must be resolved in favor of the Bylaws and Articles.

To the extent that these Bylaws contain any inconsistencies with the Articles, the Articles have higher authority, and any inconsistencies must be resolved in favor of the Articles. To the extent that either the Bylaws and/or the Articles contain any inconsistencies with

Chapter 23.100 RCW as amended, and other applicable Washington Law, any inconsistencies must be resolved in favor of applicable Washington law.

16.2 Severability.

Provisions of these Bylaws will be interpreted, whenever possible, so as to be effective and valid under Washington law. If any provision of these Bylaws or the application of any provision to any person or circumstance is held to be prohibited by, illegal or unenforceable under Washington law, such provision will be ineffective only to the extent of such narrowly construed prohibition, illegality, or unenforceability, and shall not invalidate the remainder of such provision or the remaining provisions of these Bylaws.

These Bylaws were Approved and Adopted by the Board of Cooperative Peoples Exchange on September 20, 2024, and Signed and Certified by the Clerk of the Cooperative on October 3, 2024.