

ICA MODEL BY-LAWS
FOR A WORKER COOPERATIVE
VERSION II
1983

Industrial Cooperative Association
58 Day Street, Suite 200
Somerville, MA 02144

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ARTICLE I

CORPORATE AFFAIRS

1. NAME. The name of the corporation is _____ (hereinafter referred to as the "corporation").
2. REGISTERED OFFICE. The address of the registered office of the corporation is _____.
3. FISCAL YEAR. The fiscal year of the corporation shall end on the last day of (month) in each year.
4. EXECUTION OF INSTRUMENTS. All deeds, leases, transfers, contracts, bonds, notes and other obligations authorized to be executed on behalf of the corporation shall be signed by the President or the Treasurer except as the directors may otherwise determine.
5. CORPORATE RECORDS. Copies of the following documents shall be kept at the principal office of the corporation or at the office of the Clerk, but need not all be kept at the same office: (a) the Articles of Organization and By-laws, b) records of all meetings of incorporators, directors, and members, and (c) the stock and transfer records containing the names of all members and the record address and the stock held by each. These records shall be available to member for inspection at reasonable times and for purposes consistent with good faith exercise of membership rights and responsibilities in corporate affairs.
6. ARTICLES OF ORGANIZATION. The Articles of Organization are hereby made a part of these By-laws, and the purposes of the corporation shall be as set forth in the Articles of Organization. In the event of any inconsistency between the Articles of Organization and these By-laws, the provisions of the Articles of Organization shall be controlling. All references in these By-laws to the Articles or Articles of Organization shall be construed to mean the Articles of Organization of the corporation as amended from time to time.

ARTICLE II

MEMBERSHIP AND MEMBERSHIP SHARES

1. MEMBERSHIP ORGANIZATION. The corporation shall operate on a cooperative basis, with earnings and losses allocated on the basis of patronage in accordance with Article III and with voting by the members in accordance with Article IV.
2. ELIGIBILITY. Membership shall be limited to natural persons who: (1) patronize the corporation through contributions of their labor on a full-time or part-time basis, (2) have been approved by the Board of Directors or its designees, and (3) have paid or agreed to pay a membership fee in an amount determined by the Board of Directors. Neither the Board nor its designees may discriminate on the basis of race, age, sex, sexual preference, religion, or national origin when considering a person for membership. Except as otherwise determined by the Board, an employee must either be accepted as a member or terminated as an employee within a trial period of _____ months of employment.

3. **MEMBERSHIP SHARES & MEMBERSHIP FEE.** The corporation has a single class of common voting stock, hereafter referred to as "membership shares." Each member shall own one and only one membership share, and only members may own such shares. The cost of a membership share shall be determined by the Board of Directors and shall be designated as the "membership fee." Existing members shall have no pre-emptive rights to membership shares issued to new members. No capital stock other than membership shares shall be given voting power, except as otherwise provided by law.
4. **TRANSFER RESTRICTIONS.** No membership share or interest therein may be sold, assigned, or otherwise transferred, voluntarily or involuntarily, by operation of law or otherwise, except for a transfer to the corporation.
5. **MEMBERSHIP TERMINATION.** Upon voluntary or involuntary termination of a member's employment by the corporation, except for temporary layoffs or absences, his or her membership shall be terminated and the membership share shall be redeemed by the corporation for consideration determined in accordance with Article III. No member may be terminated involuntarily without written notice and a right to a hearing before a body designated in the Operating Rules.
6. **CERTIFICATES FOR MEMBERSHIP SHARES.** Each member is entitled to a certificate representing his or her membership share in such form as prescribed by the Board of Directors. The certificate shall be signed by the President or Vice-President and by the Treasurer or Assistant Treasurer when it is issued. Each membership share shall set forth conspicuously on the face or back of the certificate either: (1) the full text of the restrictions prescribed in section 4, or (2) a statement of the existence of such restrictions and a statement that the corporation will furnish a copy of such restrictions to the holder of such certificate upon written request and without charge. In case of the loss, destruction, or mutilation of a membership certificate, a duplicate certificate may be issued in its place, upon such terms as the Board of Directors may prescribe.

ARTICLE III

THE INTERNAL CAPITAL ACCOUNTS

1. **INTERNAL CAPITAL ACCOUNTS - DEFINITIONS.** The corporation shall have a system of internal capital accounts to reflect its net worth, and to reflect the allocation of the net worth among the members. The following definitions shall apply to terms used in this Article III.

The net worth is the difference between the assets and liabilities on the corporate books (kept according to the Generally Accepted Accounting Principles).

The internal capital accounts consist of the individual capital accounts and the collective account, and may include a startup losses account. The sum of the (net credit) balances in the internal capital accounts is the net worth of the corporation.

An individual capital account is maintained for each member, and it records the part of the net worth ultimately to be returned to each member.

The collective account is the unindividualized portion of the net worth that is not to be returned to the individual members during the lifetime of the corporation.

The startup losses account is an optional (debit-balance) contra-account to the collective account which records the startup losses to be allocated to the individual capital accounts over an extended period of time. The startup period is the period from the beginning of operations up to but not including the first fiscal year with positive accounting net income. The amortization of startup losses is the process of transferring debits from the startup losses account to the individual capital accounts in proportion to patronage over an extended period of time following the years when the startup losses were incurred.

The accounting net income is the book net income for the fiscal year computed in accordance with the Generally Accepted Accounting Principles (GAAP). The accounting net income, positive or negative, is divided into the collective net income and the individual net income.

The individual net income is fifty percent (50%) of the accounting net income. It is that part which will immediately or ultimately be allocated to the individual members as interest on their individual capital accounts or as patronage allocations.

The collective net income is fifty percent (50%) of the accounting net income. It is that part which will only affect the collective account. The collective net income minus the corporate taxes equals the self-insurance allocation.

The corporate taxes to be subtracted from the collective net income are all those taxes including the Federal corporate income tax which have not been treated as an expense in determining the accounting net income.

The self-insurance allocation is the collective net income minus the corporate taxes, and it is allocated to the collective account.

The labor patronage of a member or non-member is the total number of hours worked for the corporation during the fiscal year (regardless of the rate of pay). The members' patronage is the total number of hours worked by members during the fiscal year, and the non-members' patronage is the total number of hours worked during the fiscal year by workers in their trial period. The total patronage is the sum of the members' and non-members' patronage.

[Or, if the other definition of "patronage" is used then the above paragraph is replaced by: "The labor patronage of a member or non-member is the total labor compensation received from the corporation during the fiscal year. The members' patronage is the total labor compensation received by members during the fiscal year, and the non-members' patronage is the total labor compensation received by workers in their trial period. The total patronage is the sum of members' and non-members' patronage."]

The patronage dividend is the positive amount of net income that is allocated to the members in proportion to patronage as described in section 1381 of the Internal Revenue Code of 1954 as amended (hereinafter referred to as the IRC). It can take the form of non-qualified patronage dividends (as defined in section 1388(d) of the IRC) or qualified patronage dividends (as defined in section 1388(c) of the IRC). A non-qualified or qualified written notice of allocation is the certificate issued to each member specifying the amount of the respective non-qualified or qualified patronage dividend allocated to the member and retained in the corporation.

The negative patronage allocation is the negative amount allocated to the individual capital accounts of the members in proportion to their current labor patronage. A negative

patronage allocation may result from current losses or from an allocation to the individual capital accounts from the startup losses account. The patronage calculations and allocations for a fiscal year are to be completed within the payment period for the fiscal year which is defined as eight and one-half months after the end of the fiscal year.

The individual capital account statement is an accounting statement issued to each member during the payment period for a fiscal year which details all the changes in the member's individual capital account for that fiscal year.

The capital contributions to the internal accounts include the membership fee and any additional paid-in capital in excess of the membership fee.

The membership fee is the cost of the membership share.

A redemption of a written notice of allocation is a distribution of the amount of the notice in cash or other property to the member ordinarily a fixed number of years after the issuance of the notice.

The termination distribution refers to the distribution of cash and/or notes of indebtedness to an ex-member or an ex-member's estate which is triggered by termination or retirement and which is not a payment in redemption of a written notice of allocation.

The dissolution distribution refers to a distribution, if any, of cash or other property to members and ex-members following the sale, liquidation, or dissolution of the corporation.

1.A. INDIVIDUAL CAPITAL ACCOUNTS. Each member shall have an individual capital account.

The balance in the individual capital account results from and is increased by: (1) the initial membership fee, plus any other paid-in capital from the member in excess of the membership fee, (2) the accrual of interest on the total balance in the individual capital account at the rate prescribed by these by-laws, or (3) the amount of any written notice of allocation of patronage dividends issued to the member. The balance is decreased by: (1) the application of negative patronage allocations (losses from current operations or, if applicable, losses from the amortization of startup losses), or (2) the redemption in cash or notes of indebtedness of a written notice of allocation previously issued to the member and recorded in the member's account.

1.B. THE COLLECTIVE ACCOUNT. The balance in the collective account results from and is increased by: (1) the self-insurance allocation, and (2) any gifts or grants to the corporation which are not to be allocated to the individual capital accounts. The balance in the collective account is decreased by negative self-insurance allocations.

[If your cooperative wishes to simplify the By-laws by not having any Startup Losses Account, then the following section 1.C should be deleted in its entirety -- along with references to the Startup Losses Account elsewhere in the By-laws.]

1.C. THE STARTUP LOSSES ACCOUNT. The corporation may establish a contra-equity debit-balance account called the "startup losses account." During the startup period, the cooperative will allocate only 20% of the current losses, i.e., the individual net income (which is negative during the startup period) minus the interest on the individual capital accounts, among the individual capital accounts on the basis of labor patronage. The remaining 80% is allocated to the startup losses account. The debit balance in the startup losses account is increased by such allocations. In each of the four years after such an

allocation to the startup losses account, one-fourth of that loss allocation is distributed to the individual capital accounts on a current patronage basis. The balance in the startup losses account is decreased by these patronage loss distributions to the individual capital accounts.

2. NET INCOME. The accounting net income of the corporation shall be allocated among the internal capital accounts in accordance with these By-laws.

2.A. INTEREST ON INDIVIDUAL CAPITAL ACCOUNTS. The individual capital accounts shall accrue interest at an annual rate of _____ percent compounded annually. The interest which accrues on the individual capital accounts for a fiscal year is subtracted from the individual net income to yield the net income allocated according to patronage.

2.B. PATRONAGE ALLOCATIONS - GENERAL. In accordance with the law, patronage dividends shall not be declared on non-member patronage, nor shall they exceed the tax-basis net income.

2.B(1). POSITIVE PATRONAGE ALLOCATIONS. If the individual net income, minus the interest accrued during the fiscal year on the individual capital accounts, is positive, then the corporation shall declare that patronage net income as a patronage dividend in accordance with section 1381 of the IRC. The patronage dividend is allocated among the members in proportion to their patronage. Each member receives a fraction of the total patronage dividend equal to the ratio of his or her member patronage to the total members' patronage for the fiscal year.

2.B(1)(a). WRITTEN NOTICES OF ALLOCATION. In any proportions determined by the Board of Directors, the patronage dividend may be paid in cash, in non-qualified written notices of allocation, and/or in qualified written notices of allocation. During the payment period for the fiscal year, the corporation shall deliver to each member the cash patronage dividend and/or the written notices of allocation showing the amount of any patronage dividend for that fiscal year retained in the corporation and credited to his or her individual capital account. Unless approved by the Board of Directors, the written notices of allocation shall be non-transferable. In the absence of such board approval, any transfer of allocation notices, whether voluntary or involuntary, shall be of no effect against the corporation and shall not entitle the transferee to receive payment from the corporation.

2.B(1)(b). WRITTEN NOTICES AND INDIVIDUAL ACCOUNTS. The amount of patronage dividends paid to a member in non-qualified or qualified written notices of allocation shall be credited to the member's individual capital account. When allocation notices are redeemed or cancelled, the member's individual capital account shall be accordingly debited. The net income treated as retained patronage dividends credited to the members' accounts may be used for any and all corporate purposes.

[If your cooperative wishes to simplify the By-laws by not providing for the use of qualified (as opposed to non-qualified) written notices of allocation, then the following section 2.B(1)(c) should be deleted

in its entirety -- along with the references to "qualified" written notices elsewhere in the By-laws.]

2.B(1)(c). QUALIFIED WRITTEN NOTICES OF ALLOCATION.

By becoming a member of the corporation, each member shall be deemed to have consented to include in his or her taxable income any qualified written notices of allocation (within the meaning of section 1388 of the IRC) received by him or her at its stated dollar amount, in the manner provided by the section 1385 of the IRC, and to pay the tax thereon. In accordance with section 1388(c) of the IRC, at least twenty percent (20%) of each member's patronage dividend to be paid in cash and qualified written notices of allocation must be paid in cash.

2.B(2). NEGATIVE PATRONAGE ALLOCATIONS - GENERAL. The individual capital account of each member shall be debited with the fraction of the total negative patronage allocation equal to the ratio of his or her member patronage to the total members' patronage for the fiscal year. If a negative patronage allocation is applied against a portion of an individual capital account represented by a written notice of allocation, the amount of the written notice is accordingly reduced. A written notice is cancelled when its amount is reduced to zero.

[If the cooperative is not using a startup losses account, then the following sections 2.B(2)(a) and 2.B(2)(b) can be deleted.]

2.B(2)(a). STARTUP LOSSES. During the startup period, only twenty percent (20%) of the individual net income, minus the interest on the individual capital accounts, shall be allocated to the individual capital accounts in accordance with patronage. The remaining eighty percent (80%) shall be debited to the startup losses account. After the startup period (in the first fiscal year with a positive accounting net income and thereafter), the entire retained individual net income, minus interest on the individual accounts, shall be allocated to the individual capital accounts in accordance with patronage.

2.B(2)(b). AMORTIZATION OF STARTUP LOSSES. An allocation to the startup losses account shall be amortized on a straight-line basis over a four (4) year period. After each of the four fiscal years following a loss allocation to the startup losses account, one-quarter (25%) of such an allocation shall be reallocated to the individual capital accounts in accordance with patronage. Five years after the end of the startup period, the startup losses account will be empty and may be eliminated from the books of the corporation.

2.B(3). INDIVIDUAL CAPITAL ACCOUNT STATEMENTS. During the payment period for a fiscal year and after all the internal account changes which relate to that fiscal year, each member shall be issued an individual capital account statement. This statement shall include the previous balance in the member's account, the accrued interest, the positive and/or negative patronage allocations to the account, the redemptions or distributions from the account, and the resulting current balance in the member's account. If all or part of any written notices of allocation were cancelled by any negative

patronage allocations to the account, then the account statement shall specify the notices and amounts cancelled.

2.C. COLLECTIVE NET INCOME - GENERAL. Fifty percent (50%) of the accounting net income (positive or negative) is the collective net income. The collective net income minus the applicable corporate income taxes yields the self-insurance allocation to the collective account.

2.C(1). FEDERAL CORPORATE INCOME TAX. As described in Subchapter T of the IRC, this corporation, as a corporation operating on a cooperative basis, shall deduct from taxable income: (a) any amounts paid during the payment period for the taxable year (eight and one-half months after the end of the fiscal year) as patronage dividends paid in cash, qualified written notices of allocation, or other property (except non-qualified written notices of allocation), and (b) any amounts paid in redemption of non-qualified written notices of allocation. Otherwise, the Federal corporate income tax shall be computed as in a corporation not operating on a cooperative basis.

2.C(2). THE SELF-INSURANCE ALLOCATION. Positive self-insurance allocations shall be credited to the collective account. The net income credited to the collective account may be used for any and all corporate purposes. Negative self-insurance allocations shall be debited from the collective account.

3. CAPITAL CONTRIBUTIONS AND DISTRIBUTIONS.

3.A. MEMBERSHIP FEE. Each member shall pay to the corporation in cash or other property an initial membership fee in an amount determined from time to time by the Board of Directors. The membership fee shall be credited to the member's individual capital account. Any additional capital paid in by a member in excess of the membership fee shall be credited to the member's individual capital account.

3.B. REDEMPTION OF WRITTEN NOTICES OF ALLOCATION. All written notices of allocation credited to a member's capital account shall be redeemed in cash within five (5) years of their date of issuance unless the Board of Directors determines that a postponement of the redemption is appropriate.

[(add if appropriate) The immediately preceding sentence notwithstanding, if a subordination agreement executed by the corporation or the member to whom the notices of allocation were issued requires that the corporation delay or withhold any payment with respect to a written notice of allocation, then such subordination agreement shall govern the timing of payment of such written notices of allocation.]

The internal capital account credits, evidenced by written notices of allocation, shall be paid off in the order of their date of issuance, the oldest allocation notices first, except that the Board may give first priority to the estates of deceased ex-members. In determining the oldest notices, all allocation notices of the same fiscal year shall have the same priority. If any payment is not sufficient to cover all redeemable notices, a proportionate part of the dollar amount of all the redeemable notices shall be paid. When a member's allocation notice is paid off, the member's internal capital account shall be accordingly debited.

3.C. TERMINATION DISTRIBUTIONS. Upon voluntary or involuntary termination of a member's work in the corporation (excluding temporary layoffs), his or her membership share shall automatically be deemed to have been transferred to the corporation in return for the consideration specified in this paragraph, and the membership share shall be returned to the corporation. The account balance in the terminating person's internal capital account shall be fixed after the adjustments at the end of that fiscal year, and the account shall be closed to any further patronage allocations. The written notices of allocation represented in the account, plus any otherwise unpaid interest, shall be redeemed in accordance with Section 3.B (above). After the year-end adjustments, if the portion of the account not represented by written notices of allocation has a positive balance, then that balance shall be paid to the person in consideration for the membership share in some combination of cash and promissory notes as the Board of Directors shall deem appropriate. The promissory notes issued, if any, shall be payable in full within five (5) years of being issued and shall have such other terms as the Board of Directors shall deem appropriate.

[(add if appropriate) The immediately preceding sentence notwithstanding, payment of the notes may be subordinated to the payment of any other obligation and delayed or withheld entirely at any time in accordance with the terms of any subordination agreement to which the cooperative or the payee of the notes, or both, are parties, and the maturity date of the notes may also be extended if the cooperative's Board of Directors determines that the financial condition of the cooperative necessitates such extension.]

After the year-end adjustments, if there is no balance in the person's individual capital account which is not represented by written notices, then the membership share shall be returned to the corporation for no consideration.

3.D. DISSOLUTION DISTRIBUTIONS. On the sale of all the assets, liquidation or dissolution of the corporation, any residual assets left after the payment of all debts and individual capital accounts shall be distributed in proportion to patronage to all the previous and current members, or their heirs; except that no distribution need be made to any person who fails to acknowledge, in a timely manner, receipt of notice of liquidation. It shall be deemed sufficient notice to a current or former member to send notice of liquidation by certified mail, at least 30 days before distribution of any residual assets, to the person's last known business or residence address. Any amounts unclaimed after sufficient notice shall be distributed in proportion to patronage to all previous and current members who acknowledge receipt of notice of liquidation.

[(an alternative Section 3.D. is as follows) **DISSOLUTION DISTRIBUTIONS.** The capital represented by the collective account is not to be appropriated by any members as individuals. Accordingly, on the sale of all the assets, liquidation or dissolution of the corporation, any residual assets left after the payment of all debts and individual capital accounts shall be distributed to charitable organizations.]

ARTICLE IV

MEMBERSHIP MEETINGS

1. **ANNUAL MEETING.** The annual meeting of the members shall be held on the (No.) (day) in (month) at (hour) . The location of the annual meeting shall be fixed by the Board of Directors or by the President. The annual meeting shall be held for the purpose of electing the Board of Directors, and for any other lawful purposes that are: (1) prescribed by law, by the Articles, or by these By-laws, or (2) specified by the President or by the directors or by at least 10% of the members. If the annual meeting is omitted on the day specified herein, a special meeting may be held in its place and any business transacted shall have the same effect as if transacted at the annual meeting.
2. **REGULAR MEETINGS.** Regular meetings of the members may be held without call or formal notice at such places and at such times as the President or a majority of the members may from time to time determine, provided that each member shall be given notice of the determination.
3. **SPECIAL MEETINGS.** Special meetings of the members may be called at any time by the Board or by the President. Upon written application of 10% of the members, a special meeting shall be called by an officer. Special meetings may be called for any lawful purpose.
4. **NOTICE OF MEETINGS.** A written notice of each annual or special membership meeting stating the time, place, and purpose shall be given by the Clerk or by the officer calling the meeting, at least seven days before the meeting, to each member either: (1) in person, (2) by leaving the notice at the member's residence or usual workplace, or (3) by mailing it to the member's address as shown on the records of the corporation. Notice need not be given to a member if a written waiver of notice, executed before or after the meeting by such member, is filed with the records of the meeting. Each member shall notify the corporation of her or his current mailing address.
5. **QUORUM.** A majority of the members at the time of the meeting shall be required to constitute a quorum at any membership meeting.
6. **VOTING AND PROXIES.** Each member of record at the time of the meeting is entitled to one and only one vote on any matter requiring membership voting. Voting by proxy shall not be permitted.
7. **ACTION AT A MEETING.** The President, Chairperson, or other designee, as determined by the Board of Directors, shall preside at membership meetings. When a quorum is present at a membership meeting, a majority of the members present and entitled to vote shall decide any matter to be voted upon by the members, unless a larger vote is required by law or by the Articles or these By-laws. A secret ballot is required if requested by any member present at the meeting. The corporation shall not directly or indirectly vote any share of its stock.
8. **ACTION WITHOUT MEETING.** Any action to be taken by the members may be taken without a meeting if all members entitled to vote on the matter consent to the action in writing. Such written consent shall be filed with the records of the meetings of members, and shall be treated for all purposes as a vote at a meeting.

ARTICLE V

THE BOARD OF DIRECTORS

1. **POWERS.** The Board of Directors may exercise all the powers of the corporation, including the power to issue stock, except as otherwise provided by law, by the Articles, or by these By-laws. In the event of a vacancy in the Board of Directors, the remaining directors may exercise the powers of the full Board until the vacancy is filled except as otherwise provided by law.
2. **ELECTION AND SIZE.** The number of directors shall be determined at the first meeting of the incorporators and thereafter at each annual meeting of the members, in accordance with the law and subject to change as provided in section 4 of this Article. The incorporators shall elect the initial directors at their first meeting, and, thereafter, the members shall elect the directors at each annual membership meeting or special meeting held in its place. A director need not be a member.
3. **VACANCIES.** Any vacancy in the Board of Directors, occurring between the annual membership meetings, may be filled at a special meeting of the members or by a majority of the directors then in office.
4. **ENLARGEMENT OF THE BOARD.** The number constituting the Board of Directors may be increased and one or more additional directors elected at the annual meeting or any special meeting of the members.
5. **TENURE.** Except as otherwise provided by law, by the Articles, or by these By-laws, directors shall hold office until their successors are elected. Any director may resign by delivering his or her written resignation to any officer or to a meeting of the Board of Directors, effective upon receipt or at some later time specified. No director resigning or removed shall have any right to any compensation as such director for any period following his or her resignation or removal, or any right to damages on account of such removal, unless provided by a written agreement or by a resolution of the remaining directors.
6. **REMOVAL.** A director may at any time be removed from office (1) with or without cause by a vote of a majority of the members or (2) for cause by a majority of the directors then in office. A director may be removed for cause only after reasonable notice and opportunity to be heard before the body proposing to remove the director.
7. **MEETINGS.** Regular meetings of the Board may be held at such places and times as the Board may from time to time determine. Special meetings of the Board of Directors may be called at any time by the President or by the Clerk at the request of three or more of the directors.
8. **NOTICE OF MEETINGS.** Notice of the time, place, and purposes of any meeting of the Board shall be given to each director by an officer or by one of the directors calling the meeting. Notice shall be given to each director in person or by telephone or by telegram sent to the director's last known address not less than twenty-four hours before the meeting, or by written notice mailed to such address at least 72 hours before the meeting. Notice need not be given to any director if a written waiver of notice, executed by the director before or after the meeting, is filed with the records of the meeting or to any director who attends the meeting without protesting the lack of notice.
9. **QUORUM.** At any meeting of the Board of Directors, a majority of the directors then in office shall constitute a quorum.

10. **ACTION AT A MEETING.** If a quorum is present, a majority of the directors present may take any action on behalf of the Board of Directors, unless a larger number is required by law, by the Articles, or by these By-laws.

11. **ACTION BY CONSENT.** Any action by the directors may be taken without a meeting if all directors then in office consent to the action in writing and the written consents are filed with the records of the directors' meetings. Such consent shall be treated as a vote of the directors for all purposes.

12. **COMMITTEES.** The directors may elect committees and may delegate thereto some or all of their powers except those which they are prohibited from delegating by the law, by the Articles, or by these By-laws. Except as the directors may otherwise determine, any such committee may make rules for the conduct of its business.

ARTICLE VI

OFFICERS

1. **ELECTED OFFICERS.** A President, Treasurer, Clerk, and Chairperson shall be elected annually by the Board of Directors at its first meeting following the annual membership meeting or following a special meeting held in place thereof. Other officers may be elected by the Board of Directors at its discretion.

2. **QUALIFICATION.** Each officer shall be a member, and the Chairperson of the Board shall be a director. Any two or more offices may be held by the same person.

3. **TENURE.** Except as otherwise provided by law, by the Articles, or by these By-laws, the term of office of the officers shall be determined by the Board of Directors. Any officer may resign by delivering to any director his or her written resignation, effective upon receipt or at some later time specified. No officer resigning or removed shall have any right to any compensation as such officer for any period following his or her resignation or removal, or any right to damages on account of such removal, unless provided by a written agreement or by a resolution of the directors.

4. **REMOVAL.** The Board of Directors may remove any officers with or without cause. If an officer is removed for cause, he or she is entitled to reasonable notice and an opportunity to be heard by the Board of Directors.

5. **VACANCIES.** If any office becomes vacant for any reason, the Board of Directors may elect a successor or successors, who shall hold office for the unexpired term, except as otherwise provided by law, by the Articles, or by these By-laws.

6. **CHAIRPERSON OF THE BOARD.** The Chairperson of the Board (or, in his or her absence, a temporary chairperson selected by the Board) shall preside at all meetings of the Board and shall have such other duties and powers as determined from time to time by the Board.

7. **PRESIDENT.** The President shall be the chief executive officer of the corporation and shall, subject to the direction of the Board, have general supervision of the business of the corporation. The President shall have such other duties and powers as the Board shall determine from time to time. The President has the power to enter into contracts in the name

of the corporation, and such contracts shall be binding on the corporation and not subject to reversal by the members.

8. **TREASURER.** Subject to the supervision of the directors, the Treasurer shall have: (1) general charge of the finances and custody of the funds of the corporation, (2) power to endorse for deposit or collection all notes, checks, drafts, and other obligations or payments to the corporation and to accept drafts on behalf of the corporation, and (3) shall cause to be kept accurate books of account, which shall be the property of the corporation. If required by the Board of Directors, the Treasurer shall give bond for the faithful performance of duty.

9. **CLERK & ASSISTANT CLERK.** The Clerk shall be a resident of the state of _____. The Clerk shall keep at his or her office or at the principal office of the corporation those documents described in section 5 of Article I and such other documents as the Board of Directors shall determine, and shall have such other duties and powers as determined by the Board. In the absence of the Clerk at a meeting, an Assistant Clerk (if any) or a Temporary Clerk designated by the person presiding at such meeting shall perform the duties of the Clerk.

ARTICLE VII

INDEMNIFICATION AND INSURANCE

1. **INDEMNIFICATION.** The corporation shall indemnify each of its directors and officers against all liabilities and expenses, including amounts paid in satisfaction of judgements, in compromise, or as fines and penalties, and counsel fees reasonably incurred or paid by him or her in connection with the defense or disposition of any action, suit, or other proceeding (whether civil or criminal) in which he or she may be involved, while in office or thereafter, by reason of his or her having been such a director or officer; except with respect to any matter as to which he or she shall have been adjudicated in any proceeding not to have acted in good faith in the reasonable belief that his or her action was in the best interests of the corporation, or with respect to any matter as to which he or she shall agree or be ordered by any court of competent jurisdiction to make payment to the corporation. The right of indemnification herein provided for shall be in addition to any other right which any such person may have or obtain, shall continue as to any such person who has ceased to be a director or officer, and shall inure to the benefit of the heirs of any such person.

2. **INSURANCE.** The corporation may purchase insurance to cover any liability or expense reasonably incurred by members, officers, or directors by reason of their having been members, officers, or directors.

ARTICLE VIII

AMENDMENTS

1. **BY MEMBERS.** The members shall have the power to make, amend, or repeal these By-laws by a vote of a majority of the members present at a membership meeting, provided that the notice for such meeting indicated a change in the By-laws was to be considered.

2. **BY DIRECTORS.** The Board of Directors shall have the power to make, amend, or repeal these By-laws by a vote of a majority of directors, provided that:

(a) The Board may not make, amend, or repeal any provision of these by-laws which by the law, by the Articles, or by these By-laws requires an action by the membership;

(b) The Board may not make, amend, or repeal any provision of these By-laws which alters the procedure for making, amending, or repealing the By-laws or which alters the provisions for removal of directors;

(c) Not later than the time of giving notice of the membership meeting next following the adoption, amendment, or repeal by the directors of any by-law provision, notice thereof stating the substance of such adoption, amendment, or repeal shall be given to all members.

ARTICLE IX

OPERATING RULES

1. OPERATING RULES. Written rules, separate from these By-laws, may be established by the members or by the Board of Directors. These Operating Rules may be added to, amended, or repealed at any meeting of the members or the Board, by a majority of the quorum. The Operating Rules shall be binding on all members and directors, unless inconsistent with the law, the Articles, or these By-laws. A current copy of the Operating Rules shall be maintained by the Clerk, and a copy shall be available to any member requesting a copy.

END