



Membership Disclosure Statement

1. Accuracy of Information

The information contained in this disclosure statement is accurate and correct as of July of 2014.

2. Cooperative Status

The Paso Robles Food Cooperative, Inc. is a cooperative corporation organized under the Consumer Cooperative Corporation Law of California, specifically Title I, Division 3, Part 2 of the California Corporation Code.

3. Copy of Articles, Bylaws and Membership Disclosure Statement

Each prospective Member, upon submitting an application for Membership, shall receive a copy of the Articles of Incorporation, Bylaws, and the Membership Disclosure Statement of the Cooperative. People can also send a written request to receive these documents to the Paso Robles Food Cooperative, Inc., P.O. Box 922, Paso Robles, California 93447.

4. Membership Share

“Membership Share” shall mean that share which confers the right to vote as a Member and is initially purchased by the prospective Member as a prerequisite for Membership in the Cooperative. Membership Share ownership entitles a Member to only one (1) vote in the Cooperative affairs regardless as to the number of membership and Preferred Non-Voting Shares a Member owns, and to all the rights of Membership as described by statute, the Articles of Incorporation, and the Bylaws. (Bylaw Section 1.07.)

5. Household Shopper Status

Household shall be defined as more than one person residing at the same address where food purchases are shared and food is prepared and eaten jointly. Pursuant to procedures established by the Board of Directors, any Member of the Cooperative may designate one additional adult and the dependent children of the Member under the age of 19 as a “household shopper” eligible for the same Cooperative purchase privileges as the Member. “Household Shopper” status shall confer no Member voting rights. (Bylaw Section 1.03.)

6. Application and Qualifications for Membership

An applicant eligible for and desiring admission to Membership in the Cooperative shall submit a Member Application and Agreement to the Paso Robles Food



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Cooperative, P.O. Box 922, Paso Robles, CA 93447. (Bylaw Section 1.04.)

The Application can be obtained by sending a written request to the Cooperative or downloaded from the Cooperative's website: www.pasofoodcooperative.com.

Any person who is a California resident, irrespective of age, gender, race, nationality, political opinion, sexual preference, mental or physical handicap, or any other classification recognized by state and federal law, may become and remain a Member of this Cooperative by (Bylaw Section 1.02.):

- (a) Complying with such uniform conditions as may be prescribed by the Board of Directors; and
- (b) Making full payment of one (1) Membership Share of \$300 (Bylaws Section 1.07.); and
- (c) Submitting a fully completed and signed Member Application and Agreement form to the Cooperative.

7. Acceptance of Members

Member Applications shall be reviewed by the Board of Directors or by a Membership Committee duly authorized by resolution to admit Members. The Application shall be accepted unless rejected in writing within thirty (30) days for reasons satisfactory to the Board. If accepted, the Cooperative shall:

- (a) Issue a written receipt acknowledging the payment of the amount of the Membership Share as described in Bylaw Sections 1.07; and
- (b) Inform the applicant that they have been admitted to Membership and allowed to vote and hold office per the Bylaws.

If rejected, the applicant shall be entitled to a refund of any amounts paid for the Membership Share. In all cases, neither the Board nor the Membership Committee reject an applicant based upon the applicant's (or the applicant's designated Household Shopper(s')) age, gender, race, nationality, political opinion, sexual preference, mental or physical handicap, or any other classification recognized by state and federal law. (Bylaw Section 1.05.)

8. Preferred Non-Voting Share Issuance and Ownership Rights

Preferred Non-Voting Shares may be issued to Members for money paid in an amount as is determined from time to time by the Board of Directors and as share dividends, patronage refunds, or other changes affecting outstanding shares.



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“Shareholder” shall mean a Member who has also purchased Preferred Non-Voting Shares. (Bylaw Section 2.01.)

Preferred Non-Voting Share ownership does not entitle the Member to a vote in Cooperative affairs. Pursuant to Subsection (b) of Section 9.03 of the Bylaws, the Directors may declare noncumulative dividends on Preferred Non-Voting Shares not to exceed any maximum rate established by statute. (Bylaw Section 2.02.)

9. Partial Withdrawal of Preferred Non-Voting Shares

A Member, having a monetary amount in his or her Preferred Non-Voting Share account in excess of a monetary amount to be determined from time to time by the Board of Directors, may request that the Cooperative purchase his or her excess Preferred Non-Voting Share amount upon written request to the Board. Subject to Section 2.06 of the Bylaws, the Board must, within one (1) year of such request, pay the amount the Member requests in cash or other property or both. The exact form of payment is within the discretion of the Board. (Bylaw Section 2.05.)

The Cooperative shall delay the purchase of Preferred Non-Voting Shares as described in Sections 2.05 and 3.06 of the Bylaws if the Cooperative, in making such purchase is, or as a result thereof would be, likely to be unable to meet its liabilities (except those whose payment is otherwise adequately provided for) as they mature. (Bylaw Section 2.06.)

10. Termination or Suspension of Membership

Bylaws Section 3.01. Transfer of Membership Rights

Membership rights and interests may not be transferred, except that, upon the death of a Member, another person previously designated on the deceased Member’s as “Household shopper,” as described in Bylaw Section 1.03, may be permitted by the Board of Directors to succeed to rights and interests of such person, provided that the Cooperative is advised of the transfer in writing by this person and an amended application for membership is submitted by this person as described in Bylaw Section 1.04. Any attempted transfer contrary to this section shall be wholly void and shall confer no Membership rights on the intended transferee.

Bylaws Section 3.02. Expulsion

- (a) A Member may, be expelled from the Cooperative by resolution adopted by a two-thirds (2/3) vote of all Members of the Board of Directors for: (1) failure to comply with these Bylaws, rules, or regulations of the Cooperative; (2) unless waived by the Board, failure to patronize the Cooperative during the



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immediately preceding fiscal year of the Cooperative in a minimum amount to be set by the Board; or (3) for any other justifiable reason as reasonably determined by the Board. Expulsion shall become effective immediately unless the Board shall, in the resolution, fix another time. On expulsion, the name of the Member expelled shall be stricken from the Membership register and all of his or her rights shall cease except as provided in Section 3.06 of the Bylaws. Any expulsion must be done with good faith and in a fair and reasonable manner.

- (b) Prior to expulsion of a Member, the Board of Directors shall give such Member at least fifteen (15) days notice prior thereto and the reasons thereof. Such Member shall have the opportunity to be heard, orally or in writing, not less than five (5) days before the effective date of expulsion by the Board.
- (c) The notice required pursuant to Subsection (b) of Bylaw Section 3.02 may be given by any method reasonably calculated to provide actual notice. Any notice given by mail must be given by U.S. First-Class Mail, either regular or Certified, sent to the last known address of the Member shown on the Cooperative's records.

Bylaws Section 3.03. Voluntary Withdrawal

A Member shall have the right to resign or voluntarily withdrawal from the Cooperative and terminate his or her Membership by filing with the Secretary of the Cooperative a written notice of resignation. The resignation shall become effective immediately without any action on the part of the Cooperative.

If this written notice of resignation includes a request that the Cooperative repurchase the amount of the Membership Share payment, as set forth in this Member's Member Application and Agreement form, which this Member signed and submitted when this Member applied to join the Cooperative, the Board of Directors shall repurchase this Membership Share by the end of the fiscal year following receipt of this request, less any indebtedness of the Member to the Cooperative, if the following 2 conditions are both met: (1) the Cooperative's retail store has been operating for at least 2 years and (2) the Cooperative is projecting a positive after-tax net income from store operations at the end of the fiscal year. If both of these conditions are not met, the Cooperative may delay repurchase of this Membership Share, less any indebtedness of the Member to the Cooperative, until these conditions are met.

Bylaws Section 3.04. Suspension

A Member may be suspended based on the good faith determination by the Board, or a Committee or person authorized by the Board to make such a determination,



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that the Member has failed in a material and serious degree to observe these Bylaws, or has engaged in conduct materially and seriously prejudicial to the Cooperative's purposes and interests. Automatic temporary membership suspension of a Member's Membership will occur where a Member fails to pay the required dues, fees, and assessments in accordance with the Bylaws. In all cases, suspended Members shall not be entitled to vote or hold office. Suspended Memberships can be reinstated to good standing upon a majority vote of the Board and/or payment of the required dues, fees, and assessments in accordance with the Bylaws.

Bylaws Section 3.05. Effect of Termination or Suspension of Membership

All rights as a Member of the Cooperative shall cease on the termination or suspension of the Membership. Termination or Suspension shall not relieve that Member from obligations for charges incurred, services or benefits actually rendered, dues, assessments or fees, or for any obligation arising from contract, or otherwise.

Bylaws Section 3.06. Settlement of Preferred Non-Voting Share Interest

If a Membership is terminated for any reason set forth in Article III of the Bylaws, the Preferred Non-Voting Share interest held by the Member shall be purchased by the Cooperative, subject to Section 2.06 of the Bylaws, within one (1) year of the date of termination to the extent of the paid-up value of the Member's shares on such date. The Board of Directors, in so settling the Member's Preferred Non-Voting Share interest, shall have the right to set off any and all indebtedness of the Member to the Cooperative. The paid-up value of the Member's share interest is the monetary amount of such interest (including fractional shares) that the Member has been issued in accordance with Section 2.01 of the Bylaws.

11. Member's Proprietary Interest

The proprietary interests of the Members of this Cooperative are unequal. A Member's proprietary interest in the Cooperative is equal to the unredeemed (1) total of money received by the Cooperative in exchange for the Membership Share payment and all Preferred Non-Voting Shares purchased by such Member, and (2) the monetary amount of any Preferred Non-Voting Shares allocated to a Member by the Cooperative. (See Bylaw Sections 2.01, 2.02, 2.05, 3.04, and 9.03.) A Member or former Member's proprietary interest does not include amounts transferred to the Cooperative pursuant to Section 2.07 of the Bylaws (related to "unclaimed" equity interests).