



AMENDED AND RESTATED BY-LAWS OF EQUAL EXCHANGE, INC.

Amended by the Worker Owners, 11/2/2000
Amended Operating Rule 2.2 by the Worker Owners, 3/14/2002
Amended by the Board of Directors, 9/18/2002
Amended by the Worker Owners, 5/1/2003
Amended by the Board of Directors, 6/3/2004
Amended By-Law 5.8 by the Worker Owners, 2/24/2005
Amended By-Laws 1.4.1 & 1.4.2 by the Worker Owners, 2/2/2006
Amended By-Law 7.11 by the Worker Owners, 9/20/2007
Amended By-Laws 6.4 & 6.4.1 and Operating Rule 3.1 by the Worker Owners, 3/15/2007
Amended By-Law 7.10 by the Board of Directors, 6/3/2010

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ARTICLE I: CORPORATE AFFAIRS

- 1.1 NAME.** The name of the Corporation is Equal Exchange, Inc. (hereinafter referred to as the “Corporation”).
- 1.2 REGISTERED OFFICE.** The address of the registered office of the Corporation is 50 United Drive, West Bridgewater, MA 02379.
- 1.3 PURPOSE.** Equal Exchange is a worker owned and operated cooperative business organized for the accomplishment of the mission and guiding principles of the Corporation as periodically agreed to by its members (see Article 1.4).
- 1.4 MISSION & GUIDING PRINCIPLES.**
- 1.4.1 MISSION.** Equal Exchange’s mission is to build long-term trade partnerships that are economically just and environmentally sound, to foster mutually beneficial relationships between farmers and consumers, and to demonstrate, through our success, - the contribution of worker co-operatives and Fair Trade to a more equitable, democratic and sustainable world.
- 1.4.2 GUIDING PRINCIPLES.**
- a) Trade directly with democratically organized small farmer co-operatives;
 - b) Facilitate access to credit for producer organizations;
 - c) Pay producers a guaranteed minimum price that provides a stable source of income as well as improved social services;
 - d) Provide high quality food products;
 - e) Support sustainable farming practices;
 - f) Build a democratically-run co-operative workplace;
 - g) Develop more environmentally-sound business practices.
- 1.5 FISCAL YEAR.** The fiscal year of the Corporation shall end on the last day of December in each year.
- 1.6 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 or the Clerk except as the directors may otherwise determine.
- 1.7 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 members for inspection at reasonable times and for purposes consistent with good faith exercise of membership rights and responsibilities in corporate affairs.
- 1.8 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: CLASS A COMMON STOCK (MEMBERSHIP AND MEMBERSHIP SHARES)

- 2.1 MEMBERSHIP ORGANIZATION.** The Corporation shall operate on a cooperative basis, with earnings and losses allocated on the basis of patronage in accordance with Article IV and with voting by the members in accordance with Article V.
- 2.2 ELIGIBILITY.** Membership shall be limited to natural persons who: (a) patronize the Corporation through contributions of their labor on a full-time or part-time basis; (b) have been approved by at least two thirds (2/3) of membership after a twelve (12) month trial period and have completed the first year review process with their supervisor; (c) have committed themselves and made arrangements 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 orientation, religion, or national origin when considering a person for membership. Except as otherwise determined by the Board, an employee will be eligible for membership after a trial period of twelve (12) months. An employee may petition the membership to be a non-member after the trial period and remain an employee without being a member, if so offered membership and said petition is approved by at least two thirds (2/3) of the

membership. The general rule, unless decided otherwise by at least two thirds (2/3) of the membership on a case by case basis, shall be that if an employee is rejected for membership after the trial period, said employee shall be terminated.

- 2.3 MEMBERSHIP SHARES & MEMBERSHIP FEE.** The Corporation has a single class of common voting stock, known as Class A Common Stock and hereafter referred to as "membership shares." Each member shall own one and only one membership share, (Class A Common Stock) 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 preemptive rights to membership shares issued to new members.
- 2.4 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.
- 2.5 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 IV. No member may be terminated involuntarily without written notice and a right to a hearing before a body designated in the Operating Rules.
- 2.6 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, Vice-President and by the Treasurer or Assistant Treasurer or Clerk 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: CLASS B PREFERRED STOCK

- 3.1 ELIGIBILITY.** There shall be no membership or other eligibility requirements for the ownership of Class B Preferred Stock. Said shares can be sold by the Corporation to any individual or organization at a cost to be determined by the Board of Directors of the Corporation.
- 3.2 VOTING RIGHTS.** Class B Preferred Stock shareholders shall not have voting rights except as so required by law. On such matters, said shareholders shall vote as a class and each share shall entitle the holder thereof to one vote. For any such vote, a majority of the outstanding and issued shares entitled to vote shall decide any matter to be voted upon.
- 3.3 TRANSFER RESTRICTIONS.** Class B Preferred Stock or any interest therein may not be sold, assigned or otherwise transferred, voluntarily or involuntarily, by operation of law or otherwise except for a transfer to the Corporation pursuant to the redemption provisions of Article IV, Section 3D, unless otherwise agreed by the Board of Directors of the Corporation.
- 3.4 CERTIFICATES.** Each share of Class B Preferred Stock shall be evidenced by a stock certificate that shall be in a form and style as prescribed by the Board of Directors. The certificate shall be signed by the President and by the Treasurer or Clerk when it is issued. Each share shall set forth conspicuously on the face or back of the certificate either: (1) the full text of the restrictions prescribed in Section 3. (2) a statement of the existence 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 certificate a duplicate certificate may be issued in its place, upon such terms as the Board of Directors may prescribe.

ARTICLE IV: THE INTERNAL CAPITAL ACCOUNTS

4.1 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 and the preferred shareholders. The following definitions shall apply to terms used in this Article IV.

- a) The **net worth** is the difference between the assets and liabilities on the corporate books (kept according to the Generally Accepted Accounting Principles).
- b) The **internal capital accounts** consist of the **individual capital accounts** and the **collective account**. The sum of the (net credit) balances in the internal capital accounts is the net worth of the Corporation.
- c) 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.
- d) The **collective account** with the exception of that portion designated as the special Class B 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.
- e) The **Class B account** is a special capital account of the collective account which represents the value of the preferential claim of Class B shareholders to the net worth of the Corporation.
- f) 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.
- g) The **individual net income** is the percentage of the accounting net income after deducting the dividend to the Class B shares, if so declared. It is that part which will immediately or ultimately be allocated to the individual members capital accounts as patronage allocations. Individual net income shall be no less than twenty percent (20%) of the accounting net income.
- h) The **collective net income** shall be no more than eighty percent (80%) of the accounting net income. It is that part which will only affect the collective account. The collective net income minus the sum of the corporate taxes and the Class B allocation as defined in Section 1 of this Article equals the **self-insurance allocation**.
- i) 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.
- j) The **self-insurance allocation** is the collective net income minus the sum of the corporate taxes and the Class B allocation.
- k) The **labor patronage** of a member is the measure of a member's contribution of labor to the Corporation on a full-time or part-time basis, entitling such member to a patronage dividend as defined herein.
- l) 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.
- m) 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 results from current losses. The patronage calculations and allocations for a fiscal year are to be completed within the payment period for the fiscal year that is defined as eight and one-half months after the end of the fiscal year.
- n) The **individual capital account statement** is an accounting statement issued to each member during the payment period for a fiscal year that details all the changes in the member's individual capital account for that fiscal year.
- o) The **capital contributions** to the internal accounts include the membership fee and any additional paid-in capital in excess of the membership fee.
- p) The **membership fee** is the cost of the membership share.

- q) 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.
- r) 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.
- s) 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.

4.1.1 INDIVIDUAL CAPITAL ACCOUNTS. Each member (Class A Common Stock) shall have an individual capital account. The balance in the individual capital account results from and is increased by: **(a)** the initial membership fee, plus any other paid-in capital from the member in excess of the membership fee; or **(b)** the amount of any written notice of allocation of patronage dividends issued to the member. The balance is decreased by: **(a)** the application of negative patronage allocations (losses from current operations) or **(b)** 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.

4.1.2 THE COLLECTIVE ACCOUNT. The balance in the collective account results from and is increased by: **(a)** the self-insurance allocation, **(b)** any gifts or grants to the Corporation which are not to be allocated to the individual capital accounts; and **(c)** any increase in the Class B account (see 1.C.). The balance in the collective account is decreased by **(a)** negative self-insurance allocations; and **(b)** any decrease in the Class B account. The Class B account is a special internal account of the collective account that reflects the portion of the net worth represented by the Class B Preferred Stock and that defines the redemption value of the Class B Preferred Stock.

4.1.3 THE CLASS B ACCOUNT. The balance in the Class B account results from and is increased by: **(a)** any paid-in capital invested by the holder of Class B Preferred Stock; **(b)** the amount of any outstanding loan balance that is converted to Class B Preferred Stock; and **(c)** an optional annual allocation, not distributed as a dividend, if so declared by the Board of Directors of the Corporation, in an amount normally equal to five percent (5%) of year end balance in the Class B account. This annual allocation shall be referred to as **the Class B allocation**. The balance in the Class B account is decreased by: **(a)** the redemption of the Class B Preferred Stock; **(b)** the payment to Class B shareholders of previously allocated but unpaid Class B allocations; or **(c)** any payment of an outstanding loan balance resulting from a prior conversion of Class B Preferred Stock to a promissory note.

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

4.2.1 INTEREST ON INDIVIDUAL CAPITAL ACCOUNTS. The individual capital accounts shall not accrue interest.

4.2.2 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.

4.2.2.1 POSITIVE PATRONAGE ALLOCATIONS. If the individual net income 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 based on the Full Time Equivalent (FTE). Each member receives a fraction of the total patronage dividend equal to his or her FTE status in that fiscal year.

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.

- 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 canceled, 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.
- 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 is to be paid in cash and qualified written notices of allocation must be paid in cash.

4.2.2.2 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 FTE status in 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 canceled when its amount is reduced to zero.

4.2.2.3 INDIVIDUAL CAPITAL ACCOUNT STATEMENTS. During the payment period for a fiscal year and after all the internal account changes that 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 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 canceled by any negative patronage allocations to the account, then the account statement shall specify the notices and amounts canceled.

4.2.3 COLLECTIVE NET INCOME - GENERAL. No more than eighty percent (80%) of the accounting net income (positive or negative) shall be the collective net income. The collective net income minus the applicable corporate income taxes and any Class B allocations yields the self-insurance allocation to the collective account.

4.2.3.1 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.

4.2.3.2 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.

4.2.4 CLASS B ALLOCATIONS. A positive amount targeted at five percent (5%) of the year-end balance in the Class B account shall be allocated annually to the Class B account, if so declared by the Board of Directors. The amount of this "Class B allocation" shall be reduced from the collective net income whether the collective net income is positive or negative.

4.3 CAPITAL CONTRIBUTIONS AND DISTRIBUTIONS.

4.3.2 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.

- 4.3.3 REDEMPTION OF WRITTEN NOTICES OF ALLOCATION.** From time to time, the Board of Directors may redeem written notices of allocation credited to a member's capital account in cash.

The immediately preceding sentence notwithstanding, if a subordination agreement is executed by the Corporation and the member to whom the notices of allocation were issued, 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.

- 4.3.4 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 4.3.3 (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.

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 that is not represented by written notices, then the membership share shall be returned to the Corporation for no consideration.

- 4.3.5 CLASS B PUT AND CALL OPTIONS**

4.3.5.1 CLASS B PUT OPTION. Holders of Class B Preferred Stock shall have the right, beginning two (2) years from the date of purchase of shares of Class B Preferred Stock, to request that the Corporation redeem such shares at a redemption price equal to the Class B Preferred Purchase Price paid by such holder multiplied by the number of shares held by such holder of Class B Preferred Stock (the "Redemption Price") as follows:

After year 2: at 70% of the Redemption Price

After year 3: at 80% of the Redemption Price

After year 4: at 90% of the Redemption Price

After year 5: at 100% of the Redemption Price

The Board of Directors shall have the right from time to time to modify the above timing and percentages applicable to the put right of holders of Class B Preferred Stock. In the event the price per share at the Corporation's most recent sale of Class B Preferred Stock (the "Sale Price") exceeds the Class B Preferred Purchase Price paid by such holder of Class B Preferred Stock, the Board of Directors shall have the right to modify the Redemption Price to an amount equal to the number of shares held by such holder of Class B Preferred Stock multiplied by the Sale Price. The Corporation may redeem the

shares of Class B Preferred Stock at the Redemption Prices described above by payment in cash, property or the issuance of promissory notes having a five year term with annual interest in the amount of five percent (5%) per annum, or any combination of the foregoing.

- a) Requests for redemptions shall be made in writing.
- b) In the event the Board of Directors grants the request for redemption, the Corporation shall tender the Redemption Price to the holders of Class B Preferred Stock who requested redemption within thirty (30) days after receipt of such request.
- c) If at any time the debt/equity ratio of the Corporation (defined as the Corporation's total liabilities divided by the Corporation's total shareholders' equity) exceeds 2:1, or the requested redemption would cause the debt/equity ratio to exceed 2:1, the Board of Directors may postpone or refuse a request for redemption.
- d) If at any time the Board of Directors determines that the payment of the aggregate Redemption Price payable pursuant to requests for redemption will impair the ability of the Corporation to operate effectively, the Board of Directors shall have the discretion to limit, postpone or refuse requests for redemption.

4.3.5.2 CLASS B CALL OPTION. The Corporation shall have the right, but not the obligation, at any time to redeem the outstanding shares of any holder of Class B Preferred Stock at the applicable Redemption Price.

The Corporation shall exercise such right by giving written notice of such election (the "Redemption Notice") to the holder of Class B Preferred Stock at the address shown on the records of the Corporation at least twenty (20) days prior to the date set for consummation of the redemption transaction (the "Redemption Date"), which notice shall set forth the Redemption Price, the Redemption Date, and the time and place of the consummation of the redemption transaction.

Upon receipt of the Redemption Notice, the holder of such shares of Class B Preferred Stock shall deliver all certificates representing the shares of Class B Preferred Stock held by such holder together with stock powers duly executed in blank for transfer to the Corporation at least ten (10) days prior to the Redemption Date. Upon receipt of the certificates representing the shares of Class B Preferred Stock held by the holder thereof together with stock powers duly executed in blank for transfer, the Corporation shall pay the Redemption Price in cash, property, or promissory notes having a five year term with annual interest in the amount of five percent (5%) per annum, or any combination of the foregoing.

4.3.6 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 shall be distributed first to the Class B shareholders in the amount equal to the balances in their internal accounts and then to the current members or, if said residual assets are insufficient, then on a pro rata basis in proportion to the relative balances in their internal accounts. Any assets remaining after said distribution ("excess assets") shall be distributed to an alternative trading organization as so determined by the Board of Directors of the Corporation.

ARTICLE V: MEMBERSHIP MEETINGS

- 5.1 ANNUAL MEETING.** The annual meeting of the members shall be held on or near May 1, the exact date to be determined by the Board of Directors. The location of the annual meeting shall be fixed by the Board of Directors or by the President, Treasurer or Clerk. 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 twenty percent (20%) 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.
- 5.2 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.
- 5.3 SPECIAL MEETINGS.** Special meetings of the members may be called at any time by the Board or by the President. Upon written application of twenty percent (20%) of the members, an officer shall call a special meeting. Special meetings may be called for any lawful purpose.
- 5.4 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 (7) 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.
- 5.5 QUORUM.** A majority of sixty percent (60%) of the members at the time of the meeting shall be required to constitute a quorum at any membership meeting.
- 5.6 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.
- 5.7 ACTION AT A MEETING.** The President, Chairperson, Worker Owner Coordinator, 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 two third (2/3) vote 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.
- 5.8 ACTION WITHOUT MEETING.** Actions without meeting may be taken only under one of the following circumstances:
- 5.8.1 Unanimous Written Consent. Any action to be taken by the membership 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.
- 5.8.2 Membership Votes. Current members may cast ballots for prospective members without a meeting of the membership provided that (a) the required notice has been given (see 5.4 of these by-laws), and (b) there is a paper verification system of the votes cast to ensure accuracy. At any point prior to the vote, members may petition for a special in-person meeting of the membership for consideration of a candidate by written request of 20% of eligible members (see 5.3 of these by-laws). In keeping with these by-laws, approval by 2/3 of current members is required for a candidate's approval for membership in the cooperative. Votes cast in this manner for the purpose of approving new members 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 VI: THE BOARD OF DIRECTORS

- 6.1 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, 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.
- 6.2 ELECTION AND SIZE.** The Board of Directors shall consist of no fewer than three (3) and no more than nine (9) Directors elected annually by a simple majority at the annual meeting of members. If no candidate receives fifty percent (50%) of the vote, a run-off vote of the top two candidates will determine the winner.
- 6.2.1** The number of Directors who are members shall be equal to half the number of the total membership, but never less than three (3) or more than nine (9).
- 6.2.2** A term of office for a Director shall be equal to three (3) years. One third (1/3) of the Directors are to be elected for a three (3) year term at each annual meeting.
- 6.2.3** A Director must be a member of the Corporation in good standing, having worked no less than one full year for the Corporation as a full time or part-time worker.
- 6.3 OUTSIDE DIRECTORS.** Members shall have the power to elect, by 2/3 vote, up to three Outside Directors. It is the intent of the Corporation that at least one Outside Director be elected to represent the Class B Preferred Stockholders.
- 6.3.1 POWERS.** Outside Directors shall be full voting members of the Board of Directors and shall be selected for the particular skills and expertise that she or he offers the cooperative.
- 6.3.2 TERM.** Outside Directors shall serve staggered terms of three (3) years, and may serve two (2) consecutive terms before rotating off the Board for at least one (1) year.
- 6.3.3 ELECTION.** Outside Directors shall be elected through the following process:
- The Chair of the Board of Directors will form a standing 3-person Nomination Committee consisting of the Chair of the Board, the Executive Director, and the Worker Owner Coordinator.
 - Staff will have the opportunity to submit nominations to the committee for the available Outside Director seat, along with materials supporting their nominee's potential contribution to the cooperative. Nominations may be made up until the first membership meeting of any given year.
 - The Nomination Committee will report the full list of nominations to the Worker Owners at the first membership meeting of any given year.
 - The Nomination Committee will present its nominee(s) for the outside seat no less than 2 months prior to the Annual Meeting. The committee is encouraged to provide opportunities for the nominee(s) to meet staff before this meeting.
 - The candidate(s) presented by the Nomination Committee will be elected by the worker owners by a 2/3 vote. If more than one candidate is presented, a preference voting system will be used for the election. If no candidate received more than 2/3 of the vote, the Committee will be asked to revisit its choice and make a new recommendation at the next worker owner meeting.
- 6.4 VACANCIES.** Any vacancy in the Board of Directors, occurring between the annual membership meetings, may at the discretion of the Board Chair be filled at a special meeting of the members. The Worker Owner Coordinator will determine the scheduling of said meeting.
- 6.4.1 "If an outside seat on the Board of Directors should become open before the full term has been served, the Board Chair shall select one of the following actions to be taken:
- The seat shall remain open until its full term comes due, at which point the established procedure for electing outside directors will take place.
- Or
- The Outside Board Nominating Committee may nominate an outside board member who is otherwise expected to leave the board at the next annual membership meeting to fill the

balance of the open seat. This person would still be subject to election by the worker owner. If elected the director would be temporarily exempt from the restrictions of Section 6.3.2 until the end of their new term.

Or

3. Initiate a new Outside Board nomination process according to by-laws 6.3

- 6.5 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.
- 6.6 TENURE.** Except as otherwise provided by law, by the Articles, or by these By-laws, directors shall hold office for three (3) years or 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.
- 6.7 REMOVAL.** A director may at any time be removed from office **(1)** with or without cause by a vote of a two third (2/3) majority of the members or **(2)** for cause by a two third (2/3) 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.
- 6.8 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.
- 6.9 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.
- 6.10 QUORUM.** At any meeting of the Board of Directors, a majority of the directors then in office shall constitute a quorum.
- 6.11 ACTION AT A MEETING.** If a quorum is present, any action may be taken on behalf of the Board of Directors by a two-third (2/3) majority of those members present, unless a larger number is required by law, by the Articles, or by these By-laws.
- 6.12 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.
- 6.13 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 VII: OFFICERS

- 7.1 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. The Board of Directors may elect other officers at its discretion.
- 7.2 QUALIFICATION.** Each officer shall be a member, and the Chairperson of the Board shall be a director. The same person may hold any two or more offices.
- 7.3 TENURE.** Except as otherwise provided by law, by the Articles, or by these By-laws, the Board of Directors shall determine the term of office of the officers. 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.

- 7.4 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.
- 7.5 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.
- 7.6 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.
- 7.7 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.
- 7.8 VICE PRESIDENT.** The Vice President is an officer of the Corporation and has the responsibilities of the President in the absence of the President.
- 7.9 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.
- 7.10 CLERK & ASSISTANT CLERK.** The Clerk shall be a resident of the Commonwealth of Massachusetts unless the Board appoints a resident agent pursuant to Mass. General Law Chapter 156B: Section 49. 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.
- 7.11 WORKER OWNER COORDINATOR.** The Worker Owner Coordinator shall be elected to a one-year term at the Annual Meeting. The Worker Owner Coordinator (or, in her or his absence, a temporary facilitator selected by the Coordinator) shall preside at all meetings of the Membership and shall have other duties and powers on behalf of the cooperative as determined by the co-operative from time to time. To help carry out these duties, the Worker Owner Coordinator may appoint fellow worker owners to a “worker-owner Cabinet”. The Coordinator is responsible for the performance and composition of the Cabinet and may remove members and/or positions from the cabinet as she or he deems necessary.

ARTICLE VIII: INDEMNIFICATION AND INSURANCE

- 8.1 INDEMNIFICATION.** The Corporation shall indemnify each of its directors and officers against all liabilities and expenses, including amounts paid in satisfaction of judgments, 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.
- 8.2 INSURANCE.** The Corporation may purchase insurance to cover any liability or expense reasonably

EQUAL EXCHANGE OPERATING RULES

ARTICLE 1: AMENDMENT OF OFFICIAL DOCUMENTS

- 1.1. PROCESS FOR AMENDMENT OF BY-LAWS & OPERATING RULES.** Proposed amendments to the By-laws and Operating Rules are subject to the Articles 5, 6, and 9 of the By-laws. Further, provisions shall be made for the (a) adequate evaluation and discussion of amendments to the By-laws and Operating Rules, (b) for the maintenance of accurate records of changes made to the By-laws and Operating Rules over time, and (c) for the distribution of current By-laws and Operating Rules to members and directors.
- 1.1.1. ROLE OF GOVERNANCE COMMITTEE.** No less than two weeks prior to a vote by the members or directors, proposed amendments to the By-laws or Operating Rules shall be submitted to the Governance Committee for consideration of potential conflicts between proposed changes and existing By-laws, Operating Rules or other existing policies of the Corporation. The Governance Committee will then report its findings and any suggested actions to the voting body considering the amendment.
- 1.1.2. ROLE OF BOARD CLERK.** In keeping with Article 1.7 of the By-laws, it shall be the responsibility of the clerk of the Corporation to update, maintain, and make available to the membership current and historic copies of the By-laws, Operating Rules and other policies of the Corporation.
- a) Upon approval of any change to the By-laws or Operating Rules, the clerk shall (1) distribute written notice and content of approved changes to members, directors, and staff, and (2) provide for the updating of current documents to include approved changes. A list of the dates of the meetings at which the By-laws or Operating Rules have been amended, and by which governance body, shall be included in the By-laws and Operating Rules.
 - b) At each Annual Meeting of the members, the clerk shall distribute an updated copy of the By-laws to each member, director and employee for inclusion in their Owners' Manual. If no changes have been made to the By-laws, this action will not be necessary, but notice must be made to this effect.

ARTICLE 2: MEMBERSHIP FEE AND RELATED MEMBERSHIP RIGHTS

- 2.1. MEMBER'S RIGHT TO VOTE.** Full time or part time employees of Equal Exchange who have been approved by at least two-thirds (2/3) of the membership after working a twelve (12) month trial period, and who have made arrangements with the Board of Directors or their representative to pay the membership fee as outlined in A3 are eligible to vote in membership elections of the Corporation as described in the By-laws.
- 2.2. PROCEDURE FOR VOTING IN NEW MEMBER-OWNERS.** After one year, members vote to accept or reject eligible worker. If the vote is positive, an offer to become a worker-owner is made to the worker. When membership is offered to the candidate, he or she must present signed documents by the next scheduled worker owner meeting. Failure to present signed documents will result in a vote on the recall of the membership offer. Two thirds of the membership must approve the recall. Recall of offer results in termination. The candidate, or an advocate who is a worker owner, may submit written information to the worker owner/coordinator to petition for an extension or request to remain non-worker owner regular employee. The petition needs to be submitted not later than two weeks prior to the next regularly scheduled meeting of the worker owners.
- 2.3. MEMBERSHIP FEE.** The membership fee is established to be \$2,000 in 1990. It will be adjusted for cost of living adjustments (C.O.L.A.) annually every January 1 by the Board of Directors.
- 2.4. PAYMENT OF MEMBERSHIP FEE AND RIGHTS TO AND RESPONSIBILITY FOR THE PATRONAGE DIVIDEND.** After their election, a new member-owner of Equal Exchange must choose to pay her or his membership fee within two years in one of the following ways:
- a) all at once in a single lump sum;
 - b) in two equal installments, each equal to half the membership fee, the first within thirty (30) days after the election, the second installment one year later;
 - c) as a payroll deduction spread equally over the course of one year;
 - d) as a payroll deduction spread equally over the course of two years; or

e) as a payroll deduction spread equally over the course of four years.

A member who has made arrangements with the Board of Directors or their representative for a membership fee payment plan qualifies for and is responsible for any positive or negative patronage allocation made for that fiscal year as described in the By-laws, Article IV, Section 2.B(1) and (2). In any year when the Board declares a patronage dividend, a member whose membership fee has not been fully paid may not receive that dividend in cash, as required by law. Instead, the member's patronage dividend will be allocated to the individual capital account and will reduce the balance due on their membership fee.

- 2.5. MEMBERSHIP UNDER PROBATION.** Any member in default of a membership payment for any reason is considered to be a "member under probation," and their voting right and right to a positive patronage dividend is temporarily suspended until the Board of Directors or their representative makes a ruling. A "member under probation" is still responsible for their share of any negative patronage allocation.

ARTICLE 3: DETERMINATION OF THE ANNUAL PATRONAGE ALLOCATION TO WORKERS

- 3.1. FIGURING THE PATRONAGE ALLOCATION FOR MEMBERS.** The intent of the Corporation is to distribute the profit remaining after the Class B distribution/allocation and before payment of federal and state taxes in the following proportion: 40% to members as the annual patronage allocation, and 60% to the collective account to be retained by Equal Exchange as working capital. The calculation is not straightforward; in fact, it is circular because the patronage allocation to members is an allowable deduction before the corporate income tax is paid.