

RIVER MARKET COOPERATIVE BYLAWS

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DUTIES, AND POWERS OF DIRECTORS			

DEFINITIONS

1. “Director” shall refer to any Director, unless stated or implied otherwise, regardless of whether the Director was elected, appointed, has full Director rights, or is an Alternate Director, as clarified by Board policy.
2. “Ownership” is defined as the state of being an Owner.
3. “Majority” is defined as more than half, unless otherwise defined to a higher threshold by Board policy for particular or all questions before the Board.

OWNERSHIP

4. **Open Ownership.** Any person, household, firm, or entity incorporated or organized under the laws of any state may, on approval of the application to be an Owner, be accepted into Ownership on terms established by Board of Directors policy.
5. **No Discrimination.** This Cooperative shall not discriminate on social or political grounds, or on the basis of race, creed, age, sex, handicap, sexual orientation or marital status.
6. **Application.** Application for Ownership shall be made in a manner and on a form provided by the Cooperative.
7. **Stock Purchase.** Upon approval of the prospective Owner’s application to be an Owner by the Board of Directors or the Cooperative’s management, each prospective Owner shall purchase one (1) share of Class A stock and a number of shares of Class B stock as determined by Board of Directors policy.
8. **Approval.** Each application shall be acted on by the Board of Directors or the Cooperative’s management.
9. **Provision.** The Articles of Incorporation and Bylaws of the Cooperative shall be made available to all new Owners.
10. **Voting.** For the questions put to the ownership by the Board and for director elections, each Owner shall have one vote. Any Owner that is not a natural person shall designate a natural person to vote its share. When there are multiple names on an Ownership, one voter shall be designated by the group.
11. **Cancellation.** If an Owner shall die, move from the territory served by the Cooperative, fail to patronize the Cooperative for a period of one (1) year, request to withdraw, or fail to comply with the requirements of these Bylaws or Board approved policies, the Cooperative through its Board of Directors, may elect to cancel the Ownership by either:
 - (a) Purchasing the Class A stock of the Owner by tendering to the Owner, or the heir or successors in the appropriate case, the par value or the book value thereof, whichever is less, together with any portion of a patronage dividend due or unpaid, less any indebtedness due the Cooperative; or
 - (b) Purchasing the Class A stock of the Owner by tendering to the Owner the heirs or successors in the appropriate case, Class B stock, together with any cash portion of a patronage dividend due or unpaid, less any indebtedness due the Cooperative.In either case, the Class A stock of the Owner shall be canceled and shall have no voting rights in the Cooperative.
12. **Restrictions.** Every Owner upon uniting with this Cooperative agrees that in case the Owner shall desire to dispose the share of stock in the Cooperative, that the stock can only be transferred to the Cooperative upon approval by the Board of Directors or the Cooperative’s management. The stock of this Cooperative is not transferable in any

other event.

MEETINGS

13. **Annual Meeting.** The annual meeting of the Owners shall be held within the territory served by this Cooperative annually at such time as may be determined by the Board of Directors of the Cooperative.
14. **Special Meetings.**
 - (a) **Call.** The president shall cause a special meeting of the Owners to be called upon a written petition of at least twenty percent (20%) of the Owners, or upon a majority vote of the Board of Directors.
 - (b) **Call By Petition.** If the special meeting is called by Owner petition, the notice of the time, place, and purpose of the special meeting shall be issued within ten (10) days from the receipt of the petition by the President, and the special meeting shall be held within thirty (30) days from the receipt of the petition by the president.
 - (c) **Business.** No business shall be considered at the special meeting except as may be mentioned in the call and included in the notice of the meeting.
15. **Notice of Meeting.**
 - (a) **Means of Notice for Annual Meetings.** Notice shall be given by the Secretary of all annual meetings of the Owners by in-store posting, and
 - i. publication at least two weeks before the date of the meeting in a legal newspaper published in the county of the principal place of business of the Cooperative,
 - ii. publication at least two weeks before the date of the meeting in a magazine, periodical, or other publications regularly published by or on behalf of the Cooperative and circulated generally among its Owners, or
 - iii. mailing a notice thereof to each Owner at the last known address at least 15 days before the date of the meeting.
 - (b) **Means of Notice for Special Meetings.** Notice shall be given by the Secretary of all special meetings of the Owners in the manner set forth below.
 - i. With respect to special meetings called by a majority vote of the board, notice shall be provided in any manner set forth in Paragraph 15(a).
 - ii. With respect to special meetings called by the written petition of the members, the Secretary shall give notice of the special meeting by
 - a. publication in a manner set forth in Paragraph 15(a)(i)-(ii), except that notice must be published within ten days from and after the date of the presentation a members' petition; or
 - b. mailing of notice in the manner set forth in Paragraph 15(a)(iii), except that notice must be mailed within ten days from and after the date of the presentation a members' petition.
 - (c) **Certificate.** The secretary shall execute a certificate setting forth a correct copy of such notice and showing the date of mailing or publication thereof, and include a statement in the certificate that the special or regular members' meeting notices were mailed or published as prescribed by the Cooperative's Bylaws.
 - (d) **Failure of Receipt of Notice.** The failure of any Owner to receive any such notice of the annual or special meeting of the Owners shall not invalidate any

- action that may be taken by the Owners at any such annual or special meeting.
16. **Voting.**
- (a) **Limitations.** No Owner shall be allowed to vote by proxy and no Owner shall have more than one vote, regardless of the number of shares owned.
 - (b) **Absentee Ballots.** Absentee ballots shall be permitted only upon specific authorization by the Board of Directors and only upon issues specified by the Board.
17. **Presiding Officer.** For any annual, general Ownership or special Ownership meeting of this organization, the presiding officer shall be the President of the Board of Directors. The presiding officer at the Board of Directors' meetings shall be the President, or, in his/her absence, the Vice-President, who shall cast the deciding vote in all cases of a tie. In the absence of the Vice-President, the presiding officer shall be the Secretary, or in his/her absence some other Owner of the Board, who shall call the meeting to order and officiate over the immediate election of a Chairperson pro-tem.
18. **Quorum of Owners.**
- (a) **Counting.** At any regular or special meeting of the Owners, a quorum necessary for the transaction of business shall be at least ten percent (10%) of the total number of the Owners of the Cooperative or fifty (50) holders of voting stock, which ever is fewer.
 - (b) **Presence.** Only Owners in actual attendance at the meeting shall count towards a quorum, unless a question was submitted to the Owners by a vote by mail in which case Owners present in person as well as those represented by mail ballots shall be counted.
19. **Order of Business.** The order of business at the annual meeting, and so far as practicable at all other meetings of the Owners shall be:
- Calling of roll or registering of Owners.
 - Proof of notice of meeting.
 - Reading and disposing of all unapproved minutes.
 - Annual reports of President, Treasurer, and General Manager.
 - Unfinished business
 - New business
 - Adjournment
20. **Regular Board Meetings.** Regular meeting of the Board of Directors shall be held at such time and place as the Board of Directors, by proper resolution duly adopted and recorded upon the minutes, shall from time to time determine.
21. **Special Board Meetings.** Special meetings of the Board of Directors may be called by the president or by a majority of said Board. Each Director shall be duly notified of all such meetings with as much notice of date, time, place, and purpose as circumstances may allow by the best means of communication made known by each Director. No business except that mentioned in the call for special meeting of the Board of Directors shall receive final action at said meeting.
22. **Restrictions of Board Meetings.** A majority of the Directors shall constitute a quorum at all meetings of the Board, and a majority vote of the Directors present shall decide all questions, except as set forth herein. Presence at a meeting shall constitute waiver of notice of such meeting. Directors' meetings may be held by conference call or other remote meeting methods, if
- (a) so approved by all Directors,

- (b) such technology is utilized so that each participant may hear all and be heard by all, and
 - (c) speakerphone or similar technology participation at a Board meeting location is made available & notice is provided to all Owners and Directors.
23. **Action without a Board Meeting.** Decisions of the Board of Directors may be made without a meeting if consent in writing, stating the action to be taken, is approved by all Directors and filed with the minutes of the following meeting.
24. **Owner Attendance at Board Meetings.**
- (a) Owners may attend regularly scheduled meetings as observers.
 - (b) Board meeting dates shall be posted in the store, the newsletter, and the website.
 - (c) Owners are welcome to attend all parts of the meeting with the exception of “Executive Committee” and “Closed” sessions and/or agenda items for such meetings.

BOARD OF DIRECTORS

25. **Terms of Directors.**
- (a) **Number of Directors.** The number of Directors of this Cooperative shall be no less than seven (7) nor more than nine (9), plus the option, as set by Board policy, of up to two (2) Alternate Directors. Directors and Alternate Directors shall be Owners of the Cooperative. The Alternate Director seats shall be awarded to the top two vote recipients who are not elected Directors at each annual meeting.
 - (b) **Scope of Authority by Alternate Directors.** The Alternate Directors shall have the same powers and responsibilities of Directors, as set forth in the Articles of Incorporation and herein, except they shall not have the authority to vote on any matters or hold executive office.
 - (c) **Natural Owners.** Owners who are not natural persons shall designate one natural person who may run and be elected to the Board of Directors.
 - (d) **Household Ownerships.** When there are multiple names on an Ownership, one person who may run and be elected to the Board of Directors shall be designated by the group.
 - (e) **Election.** All of the Directors shall be elected by ballot at an annual meeting of the Owners for a term of three (3) years, and shall hold office until their successors shall be elected and qualified. The Directors have the authority to adopt reasonable processes for the election of Directors based on the number of available seats.
 - (f) **Terms.** The Directors shall be elected to staggered terms, such that an equal number of Directors shall be elected each year. The Alternate Directors shall be elected to one (1) year terms.
 - (g) **Cancellation of Ownership.** If any Director shall cease to be an Owner, that office shall be thereupon automatically vacated.
26. **Board of Director Votes.** Matters voted on by the Board of Directors are approved if at least half of the Directors vote in favor of the matter. Whenever there is a tie vote on a matter before the Board of Directors, the matter is approved by the Board of Directors.
27. **First Board Meeting.** At the first board meeting immediately following the annual meeting (“First Board Meeting”), the Board of Directors shall:
- (a) Seat the newly elected Directors upon their reading and signing the Code of Conduct and the Confidentiality Agreement, as established by Board of Directors

- policy.
- (b) Elect new officers by a vote of the existing and new Directors, in a manner as chosen by the Board.
28. **Vacancies.**
- (a) Any vacancy by a Director shall be filled by either
- i. the appointment of the Alternate Director. Such appointed Alternate Director shall assume the same term of office as the vacating Director. Appointment shall be by a majority vote of the Board; or
 - ii. the appointment of an Owner by the remaining Directors of the Board. The Owner so appointed to hold office until the next annual meeting of the Owners and until their successors have been elected. Appointment shall be by a two-thirds approval vote of the Board.
- (b) Any vacancy by an Alternate Director may be filled by the appointment of an Owner by the remaining Directors of the Board. The Owner shall hold office until the next annual meeting. Appointment shall be by a majority approval vote of the Board.
29. **Resignations.** Any Director may resign at any time and shall do so by written notice to the President, next presiding Officer, or if not available the entire Board.
30. **Election of Officers.**
- (a) **President & Vice-President(s).** At the First Board Meeting, the Board of Directors shall elect by ballot, unless another selection process is established by Board policy, a President and one or more Vice Presidents. The President and Vice President(s) shall be elected if at least half of the Directors vote to elect the President and Vice President(s).
- (b) **Secretary & Treasurer.** At the First Board Meeting, the Board of Directors shall also elect a Secretary and a Treasurer. The Secretary and Treasurer shall be elected if at least half of the Directors vote to elect the Secretary and Treasurer. The office of the Secretary and Treasurer may be combined and when so combined shall be termed Secretary-Treasurer.
- (c) **Removal.** Any officer may be removed by the Board whenever in its judgment the best interests of the Cooperative will be served thereby.
31. **Removal of Director.**
- (a) **By Vote of Owners.** Any Director of the Cooperative may, for cause, at any annual or special meeting called for the purpose, at which a quorum of the Owners shall be present, be removed from office by vote of two-thirds of the Owners voting.
- (b) **By Absences.** Failure of a Director to attend three consecutive Directors' meetings, or one-third of the Directors' meetings during the twelve (12) months just preceding, except for just cause as determined by a majority vote of the remainder of the Board, shall provide grounds for removal from office.
- (c) **Notice.** The removal of a Director shall not be considered at a special meeting unless that fact has been stated in the notice of such meeting. No Director shall be removed from office at either an annual or special meeting unless that Director shall be informed of the meeting at which the matter is to be considered at least ten (10) days before such meeting. The Board shall give notice and that Director shall be entitled to be heard at such meeting, except that a Director may be removed at an annual meeting without notice for failure to attend the required number of Board meetings.

DUTIES, AND POWERS OF DIRECTORS

32. **Management of Business.**
- (a) **Scope.** The Board of Directors shall govern the business and the affairs of the Cooperative and make all necessary policies not inconsistent with law or with these bylaws.
 - (b) **Hiring.** The Board of Directors shall have power to employ and dismiss a manager of the Cooperative and to determine the duties and compensation.

CAPITAL STOCK

33. **Certificates or Proof of Ownership.** In lieu of certificates for Class A stock, an Owner shall be notified of said status as an Owner when the initial required stock is fully paid for and the Ownership application has been received.
- (a) **Notice.** Class B stock received as patronage dividends shall be evidenced by written notice of allocation mailed to the Owners.
 - (b) **Termination.** The Cooperative retains the right to terminate all Ownerships as provided in the Bylaws and to purchase or recall all stock. Redemption of capital stock by the Cooperative is subject to any indebtedness owing the Cooperative by the stockholder, meaning the Cooperative may redeem capital stock to satisfy or partially satisfy an Owner's indebtedness to the Cooperative.
 - (c) **Transfer.** Shares of stock shall be transferable only to the Cooperative with the consent and approval of, or pursuant to policies adopted by, the Board of Directors. Shares of stock may not be transferred in any other manner. In case the certificate to be transferred has been lost or destroyed, the Board of Directors may require the holder thereof to furnish an indemnifying bond protecting the Cooperative against any loss or damage by reason of issuing a new certificate, and may further require the holder to make an affidavit that the certificate has not been sold, transferred, assigned or hypothecated.

ALTERNATIVE STOCK

34. **Class B Stock.**
- (a) **Issuance.** In order to further the cooperative character of this Cooperative and provide a means whereby its current and active Owners will finance the Cooperative, this Cooperative, as determined by the Board of Directors and as permitted by the law under which this Cooperative is organized, is authorized to issue Class B stock, equity reserve or capital interest certificates, or any other stock.
 - (b) **Purpose.** Funds and credits arising from the issue of such stock, certificates or other media may be used for creating a revolving fund for the purpose of building up an amount of working capital and an interest in wholesale or central Cooperatives as this Cooperative may from time to time deem necessary, and for revolving the capital.
 - (c) **Retirement.** Whenever the Board of Directors determines that all of its funds are not necessary for the proper financing of the operations of the Cooperative then it may retire Class B equity with capital reserves or any other media previously issued to evidence patronage refunds.
 - i. The Board of Directors may retire all or part of each class of stock as it

so determines thus creating a preference for one class of stock over the other.

- ii. The Board of Directors may in its discretion, choose one method for retiring one class of stock and another method for retiring the other class of stock.

35. **Accounting.** The books and records of the Cooperative shall be kept on a fiscal year basis, and in such manner that the patronage refunds of each Owner may be ascertained at any time.

36. **Dissolution Payment Priorities.**

- (a) **Debts & Liabilities.** Upon dissolution or liquidation of the Cooperative, the debts and liabilities of the Cooperative shall first be paid according to their respective priorities.
- (b) **Owners.** Owners or other holders of equity of capital reserve credits or other media issued by the Board of Directors shall then be paid the par value of their shares or credits with payment made in the order of preference stated in the Articles of Incorporation.
- (c) **Additional Equity.** Any additional property remaining after Owners and other equity holders have been paid may be distributed to another cooperative doing business on a cooperative basis or a non-profit organization exempt from taxes under section 501(c) of the Internal Revenue code, or as otherwise required by law, as shall be determined by the Board of Directors or Trustees.

NET INCOME

37. **Annual Net Income.**

- (a) **Gross Receipts.** Gross receipts of the Cooperative from all business done with Owners and non-Owners shall be all proceeds from the sale of goods and services to Owners and non-Owners, all sums received (including patronage dividends received) which reduce costs and expenses incurred in connection with these activities and all non-patronage income.
- (b) **Deductions from Gross Receipts.** The Cooperative shall deduct from “gross receipts” all expenses incurred in generating the “gross receipts” including, but not limited to, marketing expenses, costs of goods or services sold, taxes, depreciation, and all other necessary expenses.
- (c) **Total Annual Net Savings.** The amount remaining after reducing the “gross receipts” by the deductions contained in Paragraph 37(b) of the Bylaws (*Deductions from Gross Receipts*) shall constitute the annual net savings (net earnings) of the Cooperative.

38. **Owner Patronage Income.**

- (a) **Owner Patronage.** Total annual net savings shall be divided into (1) annual net savings from Owner patronage and (2) annual net savings from non-Owner patronage and non-patronage sources. Annual net savings from Owner patronage shall be determined by taking the percentage of gross receipts attributable to business done with or for Owners (including patronage dividends, etc.) and multiplying that percentage times the total annual net savings.
 - i. The amount resulting shall be annual net saving from Owner patronage, which shall be distributed to the Owner-patrons of this Cooperative in proportion to the amount of business done by them with the Cooperative, subject only to the deductions therefrom and the exceptions provided

Paragraph 39 (*Education Reserve*) and Paragraph 40 (*Capital Reserves*) of these Bylaws.

- (b) **Non-Owner Patronage and Non-patronage Income.** The difference between total annual net savings and net savings from Owner patronage shall be annual net savings from non-Owner patronage and non-patronage sources.
39. **Education Reserve.** The Board of Directors may set aside a sum not to exceed five percent (5%) of non-Owner patronage and non-patronage income as an education fund, which shall be used for the purpose of promoting and encouraging cooperation among cooperatives.
40. **Capital Reserve.**
- (a) **Annual Commitment.** The Board of Directors shall annually set aside all annual net savings from non-Owner patronage and non-patronage sources less any deductions for the educational reserve as a capital reserve.
 - (b) **Additional Funds.** In addition the Board of Directors may also place into the capital reserve fund:
 - i. all annual net savings from Owner patronage attributable to Owner-patrons who are unidentified;
 - ii. all annual net savings from Owner patronage attributable to Owner-patrons who do not consent to take into account patronage dividends from the Cooperative in the manner provided in 26 U.S.C Section 1385;
 - iii. and all annual net savings from Owner patronage attributable to Owner-patrons who so consent, but who have not made at least one hundred dollars (\$100) in purchases in the fiscal year.
 - (c) **Limit.** Notwithstanding anything in this section to the contrary, the Board of Directors may, by resolution duly adopted prior to the beginning of the fiscal year to which such savings are attributable, determine to set aside such other reasonable amount as a capital reserve but not more than thirty percent (30%) of the total annual net savings.

PATRONAGE DIVIDEND DISTRIBUTION

41. **Annual Distribution.** The annual net savings from Owner patronage, less any deductions therefrom or exceptions thereto as determined by Paragraph 39 (*Education Reserve*) and Paragraph 40 (*Capital Reserves*) of these Bylaws, shall be distributed annually to the Owner-patrons of the Cooperative who consent to take into account patronage distributions from the Cooperative in the manner provided in 26 U.S.C. Section 1385, on the basis of their respective patronage in accordance with these Bylaws, and said Owner-patrons shall be notified thereof.
42. **Manner.** Patronage dividends shall be distributed in cash, equity (e.g. Class B Stock), or other form in such combination and manner as determined by the Board of Directors.
- (a) **Redemption.** Such equity (usually Class B stock) may be paid or redeemed in whole or in part at such time, in such manner and such order as shall be determined by the Board of Directors in its sole discretion. Without limiting the generality of the foregoing, the Board of Directors shall not be required to, but by resolution may opt for, the payments of or redemption of such equities.
 - (b) **Transferability.** No transfer of assignment of such equity (usually Class B stock) shall be binding upon the Cooperative without its consent.
 - (c) **Extraordinary Gains.** Margins produced by a transaction (such as income from the lease of premises, investment in securities, or from the sale or exchange of

capital assets) which is directly related to the Cooperative's business will be deemed to be patronage sourced margins and may be distributed to Owners in proportion, insofar as is practicable, to their patronage during any period to which such margins are attributable, as determined by the Board.

43. **Losses.** If this Cooperative has sustained an annual loss in its Owner-patron business, it shall have the power and authority to allocate such loss from Owner-patron business to the Owner-patrons for such year or years on a patronage basis and apply the same against the equity credits or stock of said Owner-patrons, to apply the loss to the capital reserve or to carry forward or back such loss, as determined by the Board of Directors.

QUALIFIED ALLOCATION

44. **Eligibility.** Each person, firm, or entity that applies for and is accepted to Ownership in this Cooperative, and each Owner of this Cooperative on the effective date of the Bylaws who continues as an Owner after such date, shall by such act alone consent that the amount of any distributions with respect to the patronage occurring in any fiscal year beginning after December 31, 1962, which are made by qualified written notices of allocation (as defined in 26 U.S.C. 1388) and which are received from the Cooperative at their stated dollar amount in the manner provided in 26 U.S.C. 1385 in the taxable year in which the qualified written notices of allocation, are received.
- (a) **Intent.** It is the intent of this Bylaw to provide a consent binding on all Owners who retain or obtain Ownership in this Cooperative after the adoption of this Bylaw and receipt of a written notification and copy of this Bylaw, for the purpose of making such distribution "qualified" within the meaning of the Internal Revenue Code.

INDEMNIFICATION

45. **Scope.** This Cooperative shall indemnify each person who is or has been a Director, officer or employee of this Cooperative, and each person who is serving or who has served at the request of this Cooperative as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred to the fullest extent the right to indemnity under current Minnesota Corporation Law and Minnesota Cooperative Law.

SUNDRY PROVISIONS

46. **Fiscal Year.** The fiscal year of this Cooperative shall begin on the first day of July and close on the last day of June of each year.
47. **Examination by Directors.** Every Director of the Cooperative shall have a right to examine, in person or by agent or attorney, at any reasonable time or times, and at the place or places where usually kept, all financial books and records of the organization and make extracts or copies at their own expense.
48. **Amendments.** These Bylaws may be amended, repealed, or altered in whole or in part by one of two methods:
- (a) a majority vote of the Owners present and voting at any annual meeting of the

Owners or at any special meeting of the Owners, provided that:

- i. notice of the meeting provided to Owners contains a summary statement of the proposed bylaw amendment or amendments; and
 - ii. a quorum, as defined by Paragraph 18 of these Bylaws, is present.
- (b) a ballot approved by 20% of the Owners.