

# **Recreational Equipment, Inc.**

## **Bylaws**

### **ARTICLE I**

#### **Purpose and Principles**

The purposes of Recreational Equipment, Inc. (“REI”) are to operate successfully as a leading retailer of outdoor recreation products and services, and to promote an outdoor lifestyle that helps its members enjoy and appreciate nature and serve as faithful stewards of our natural environment. REI provides a broad range of excellent outdoor products and shares its knowledge and passion for the outdoors with its members, to inspire, educate and outfit them for a lifetime of outdoor adventure and stewardship. REI strives to fund its capital needs through new member enrollments and profits generated by sound financial management. REI’s ability to achieve these goals is enhanced by its efforts to maintain an excellent workplace for its talented and dedicated staff, its commitment to responsible corporate citizenship and adherence to a cooperative spirit in the conduct of its business. Pursuant to Section 24.06.032 of Revised Code of Washington (“RCW”), Chapter 24.06 (the “Governing Statute”), REI elects to avail itself of the additional rights and powers granted to cooperative associations under RCW 23.86.030(1), 23.86.105(1), 23.86.160 and 23.86.170.

### **ARTICLE II**

#### **Members**

1. *Membership Application and Fee.* Membership will be open to all persons who make application in the form prescribed and who pay a membership fee in the amount prescribed by the Board of Directors (the “REI Board”) at the time of application. Applications for membership are presumed approved unless specifically disapproved in accordance with criteria to be developed by the REI Board. No assessment of any kind may be made against any member except for full payment of the prescribed membership fee.

2. *Active Status; Termination.* REI’s Articles of Incorporation, as amended (the “REI Articles”), describe the requirements for “active” membership status and the circumstances under which a membership will automatically terminate. To maintain active membership status, a member must in each calendar year purchase at least \$10.00 worth of merchandise (excluding merchandise that is returned by the record date) from REI or its Foreign Subsidiaries, or pay a \$10.00 mailing or delivery charge instead. The REI Board may adopt policies for reinstatement of any membership that has automatically terminated pursuant to the REI Articles, without requiring a new application or payment of an additional membership fee. Any member who commits fraud or any criminal act against REI, or commits any other act that significantly harms

the interests of REI or its members, will be deemed to have voluntarily withdrawn from membership by virtue of such action.

3. *Annual and Special Meetings.* A meeting of members will be held annually on such date and at such place and time as the REI Board specifies, for the purpose of installing newly-elected Directors and transacting such other business as may properly come before the meeting. The annual meeting may be held by means of electronic or remote communications to the fullest extent permitted by and subject to the requirements of RCW 24.06.032(2)(c) and any other procedural guidelines and limitations the REI Board may adopt. A special meeting of members may also be called in the manner authorized by the Governing Statute.

4. *Meeting Notices.* The Secretary will give notice of any meeting of members, either in writing or by electronic transmission, in the time period prescribed for consumer cooperatives by the Governing Statute, to all active members as of the record date. The REI Board may specify any record date that is not more than ninety days prior to the date of first mailing or electronic transmission of the notice of meeting. If no record date is specified by the REI Board, the record of active members will be determined as of the thirtieth day prior to the date of first mailing or electronic transmission of the notice of meeting. Meeting notices will be accompanied by a written or electronic ballot relating to all matters to be voted on at the meeting. Any information or materials relating to a meeting, including ballots, may be furnished in the manner authorized by RCW 24.06.032(2)(b).

5. *Items of Business.* No item of business will be in order or may be acted upon at an annual meeting unless the REI Board has included it on the ballot for the meeting. A member may submit an item of business for consideration or voting by the members at an annual meeting only if (a) written notice describing the item in reasonable detail and bearing the signatures of at least fifteen members is submitted to the REI Board no later than the last Friday in October prior to such annual meeting, and (b) at least one-third of the Directors then in office concur in writing that the proposed item of business is an appropriate matter for members to consider or act upon and should be included on the ballot that accompanies the annual meeting notice. Any member whose proposed item of business is so approved for inclusion on the annual meeting ballot may also submit a concise statement (not to exceed 250 words) in favor of the proposal. Subject to any modifications that may be considered appropriate by a majority of the Directors who concurred in placing the proposal on the ballot, this statement will be included in the meeting notice. The non-concurring Directors may also include any opposing or additional statement relating to the proposal that they may consider appropriate. Submission of any matter to consideration or voting by the members will not diminish or override the ultimate authority of the REI Board to manage REI's affairs, except to the extent otherwise required by the Governing Statute.

6. *Voting.* Each active member will have one vote as to each REI Board seat to be elected and on each other item of business submitted to a vote of members. A member may cast his or her vote solely by means of written or electronic ballot.

Whether or not the member is present in person at the meeting, his or her vote will be counted only if (a) it is submitted on the form of ballot furnished by the Secretary for use in connection with the meeting, and (b) the executed ballot is received by the Secretary no later than whatever deadline for ballot submissions the Nominating and Governance Committee may designate for the purpose of allowing the Secretary sufficient time to count the votes cast, which deadline may not be more than seven days prior to commencement of the meeting. Voting by proxies or designees will not be permitted.

7. *Quorum; Majority Vote.* Except as otherwise required by law, (a) no quorum of members will be required to transact business, and (b) the affirmative vote of a majority of those active members voting upon any item of business will be sufficient for approval.

8. *Conduct of Meeting.* The Chair of the REI Board, or such other person as the REI Board may designate, will preside as chair of any meeting of members, with the power to specify such rules of order for conduct of the meeting as the chair may consider appropriate.

9. *Member Information.* The REI Board will adopt and maintain a privacy policy, and REI will comply with that policy as well as all applicable privacy laws, with respect to personal information of REI's members and customers. REI will also adopt commercially reasonable measures to prevent misuse of such information by third parties (including other members who request the right to inspect such information under the Governing Statute).

## **ARTICLE III**

### **Board of Directors**

1. *Board Size; Terms.* REI's affairs will be managed by a board of not less than ten nor more than fourteen directors (the "Directors"), as determined by the REI Board from time to time, all but one of whom will be elected by the members (the "elected Directors"), and one will be the President. Except in situations where shorter terms are expressly permitted under these Bylaws, all elected Directors will serve for terms of three years. The elected Directors will be divided into three groups as nearly equal in number as the then total number of Directors constituting the entire REI Board will reasonably permit (each, a "Group"). The terms of all elected Directors within a particular Group will expire at the same time, and the respective terms of the three Groups will expire in three different consecutive years. An elected Director's term of office will continue beyond his or her stated term until his or her successor is elected, except where his or her seat has become vacant pursuant to Article III(3) below. The President will serve ex officio and will cease to be a Director immediately upon ceasing to hold the office of President. A Director designated by the REI Board to fill the seat of an elected Director whose seat has become vacant for any reason shall have the same term of office as the other Directors of the Group to which the predecessor belonged. The REI Board shall have authority to designate the members of the three Groups of elected Directors and their respective terms, and may from time to time prescribe terms

of less than three years for particular elected Directors or nominees to the extent it considers such shortened terms to be reasonably necessary to achieve or maintain the required balance of staggered terms among the elected Directors. No action by the REI Board to prescribe a shortened term for an elected Director shall have the effect of shortening the term of an incumbent elected Director without his or her consent.

2. *Board Composition.* For a candidate to be eligible for election or appointment (including re-election or re-appointment) as a Director, the following criteria must be satisfied at the time of his or her election or appointment: the candidate must be a member and at least twenty-one years old; and the candidate must not, by the end of the term to which he or she is to be elected or appointed, have served as a Director for more than twelve consecutive years. The term limitation in the preceding sentence will not, however: (a) apply to a Director who is then serving as the President of REI; or (b) prevent a candidate who would otherwise be ineligible for election or appointment to an additional consecutive term from later being elected or appointed to a new term after a period of at least two years has elapsed since his or her last service as a Director, or from being appointed by a two-thirds majority vote of the other elected Directors to serve for a partial additional term equal to part or all of the time remaining until the end of such candidate's twelve-year limitation under the preceding sentence. All elected or appointed Directors must also, at the time of their election or appointment and during their respective terms of office, satisfy such standards of independence as are prescribed by the Nominating and Governance Committee at the time of their respective elections or appointments.

3. *Nominations; Election.* The Nominating and Governance Committee will establish procedures and criteria for selection and nomination of candidates for election to the REI Board, with a view toward maintaining depth of experience and diversity on the REI Board as a whole, and enabling reasonable participation by non-Director members in the process for identifying potential candidates. The Nominating and Governance Committee will annually recommend a slate of potential candidates that is not greater than two times the number of elected Directors whose terms will expire at the next annual meeting of members. From this slate, the REI Board will nominate a number of proposed Directors that is neither fewer than the number of elected Directors that must be elected at the next annual meeting to maintain at least nine elected Directors in office, nor greater than the largest number of elected Director positions that could be elected at such meeting plus two. No other candidates who have not been so nominated will be eligible for nomination or election to the REI Board. If the REI Board nominates a number of proposed Directors that is greater than the number of elected Director seats that it desires be filled, then the REI Board shall also specify which of the nominees will run for a seat on an uncontested basis, and which nominees will run against one another on a contested basis either for a specified seat or on an at-large basis for any of the remaining available seats. Relative to each annual meeting, the Secretary will furnish to all active members information as to the identities of the nominees for election to the REI Board, such biographical information for each of them as the Nominating and Governance Committee may consider appropriate, information as to which nominees are running on an uncontested or contested basis, and a ballot for use in voting for elected Directors. With respect to each nominee for election to a

seat that is not shown on the ballot as being subject to an election contest, the ballot shall indicate that members may either cast their vote “for” or expressly “withhold” their vote as to such nominee. In such an uncontested election, a nominee will be elected if the number of votes cast “for” the nominee exceeds the number of votes expressly “withheld”. In such an uncontested election, any nominee who does not receive a greater number of “for” than “withhold” votes will not be elected, and the REI Board seat for which the nominee was nominated will be considered vacant. A vacancy so created may be filled by action of the remaining Directors as authorized by the Governing Statute, by appointing a director, chosen from a slate of potential candidates nominated by the Nominating and Governance Committee, to a term expiring at the next annual meeting of members. In an election where the REI Board has created an election contest by nominating two or more nominees for a particular seat, a nominee will be elected to that seat upon receiving the greatest number of votes in favor of his or her election among all the nominees for that same seat. If the REI Board proposes that several nominees run on a contested basis for two or more available elected Director seats, then a nominee will be elected upon receiving the greatest number of votes in favor of his or her election from among all such nominees, followed by the nominee who receives the second most votes, and so on until all available contested seats are filled. The term of each elected Director will commence on the date of the annual meeting of members, provided the results of voting as to his or her election have been communicated to REI by the independent vote tabulator prior to that date.

4. *Board Meetings.* Each newly constituted REI Board will hold an annual meeting, at which officers will be appointed (the “Officers”), either on the same day as the annual meeting of members or within a reasonable number of days thereafter, to be held via teleconference or at REI’s principal office or its principal store in Seattle, Washington or at such other location as may be designated by the Chair of the REI Board. No notice need be given of the annual meeting of the REI Board if it is held on the same day as the annual meeting of members. The REI Board must hold at least four regularly scheduled meetings per year, and may by resolution designate a time, date and place for its regular meetings. If scheduled in this manner, regular meetings may be held without further notice to the Directors. A portion of each regular meeting of the REI Board must be devoted to an executive session, without members of management (including the President) present. Special meetings of the REI Board may be called by the Chair, the President or any three or more Directors, upon delivery to the Secretary of a written request stating the purpose of the meeting. Upon receipt of such a request, the Secretary will promptly give notice to each Director at least three days prior to the date of the special meeting. A special meeting called upon request by the Chair, the President or three or more Directors must be held either via teleconference or at REI’s principal office or its principal store in Seattle, Washington. A special meeting may also be called by action of the REI Board, to be held upon at least three days’ advance notice at such time and place as the Board may specify. Any required notice of a meeting of Directors may be waived in writing by any Director before or after the meeting.

5. *Quorum; Majority Vote.* Except as otherwise required by law, (a) a majority of the Directors in office will constitute a quorum to transact any business, and (b) the affirmative vote of a majority of Directors present at a meeting at which a quorum is present will be sufficient for approval of any action.

6. *Directors' Compensation.* All Directors other than the President will be compensated for their service as Directors. The Chair of the REI Board, and the chair of each committee of the REI Board, will receive additional compensation for service in those capacities. The amount and timing of all such compensation will be determined by the Compensation Committee, subject to approval of the REI Board.

7. *Board Committees.* The REI Board may from time to time appoint standing or temporary committees consisting solely of Directors and invested with such powers as the REI Board may prescribe, subject to the limitations of the Governing Statute. At a minimum, the REI Board will establish the following standing committees: Executive Committee; Audit and Finance Committee; Nominating and Governance Committee; and Compensation Committee. Each of these required standing committees will have such powers and responsibilities as are described in their respective charters, which will be subject to approval of the REI Board and the limitations of the Governing Statute. Except for the Executive Committee, these required standing committees will be composed solely of Directors who satisfy the independence standards prescribed by the Nominating and Governance Committee from time to time.

8. *Action by Consent.* Any action that can be taken at a meeting of Directors or of a committee of the REI Board may be taken without a meeting if a written consent, describing the action to be taken, is signed before or after such action by all of the Directors in office, or all of the members of the committee, as the case may be. Such a consent will have the same effect as a unanimous vote and will be effective when the last Director signs, unless a later date is specified.

## **ARTICLE IV**

### **Officers**

REI's Officers will include (a) the Chair of the REI Board, (b) the President, (c) one or more Executive Vice Presidents and Senior Vice Presidents, (d) a Chief Operating Officer (if one is appointed), (e) the Chief Financial Officer, (f) the Treasurer, and (g) the Secretary, each of whom shall be appointed by the REI Board. In addition, the President may from time to time in his or her discretion appoint other Officers of lesser rank than Senior Vice President. The President will be the chief executive officer of REI unless some other chief executive officer is appointed by the REI Board. All of the Officers will have those responsibilities and powers as are customarily associated with their respective offices, subject to such limitations or additional powers as the REI Board may prescribe. The term of office for each Officer will be one year or until his or her successor is elected. Any Officer may be removed at any time, with or without cause, by the affirmative vote of a majority of the Directors in office or, solely with

respect to officers appointed by the President, upon notification of removal by the President. Any such removal will be without prejudice to any contract rights of the person so removed.

## ARTICLE V

### Dividends

1. *Patronage Dividends.* The net distributable surplus from REI's conduct of business on a cooperative basis will be returned annually to active members as patronage dividends, in proportion to their purchases from REI during the calendar year for which the dividend is declared, subject to the other provisions of this Article V. The REI Board will annually determine the amount of net distributable surplus for the prior calendar year, the time and manner of distribution of patronage dividends from such amount, and any other related matters, in accordance with such policies and procedures as it may adopt from time to time. The REI Board may elect not to declare or distribute a patronage dividend of net distributable surplus for any calendar year if it determines that such election is in the best interests of REI; however, in accordance with Article VI of the REI Articles, the REI Board may not so elect more frequently than every other calendar year.

2. *Definitions.* As used in this Article V, "net distributable surplus" means the amount equal to (a) the annual earnings from the conduct of business on a cooperative basis for such year as determined by the REI Board less (b) such reserves as the REI Board may consider necessary or appropriate for business purposes or contingencies. As used in this Article V, "purchases" means all purchases of merchandise or services on the cooperative plan (or comparable plan with respect to a Foreign Subsidiary), except that: (x) unless otherwise specified by the REI Board, services will not qualify as purchases; (y) the REI Board may designate specified merchandise (such as sale merchandise and merchandise with low profit margins) as not being sold on the cooperative plan and not qualifying as "purchases;" and (z) the REI Board may establish separate allocation units or pools for specified merchandise or services, and distribute net profits on the basis of the value of business done with or for members with respect to such units or pools.

3. *Form of Payment; Taxation.* Patronage dividends may be distributed in cash, merchandise credits, qualified or non-qualified written notices of allocation (as such terms are defined in 26 U.S.C. Sec. 1388), other property, or any combination of the above as determined from time to time by the REI Board. Any patronage dividend distributed as a qualified or non-qualified written notice of allocation must be designated as such by the REI Board in accordance with 26 U.S.C. Sec. 1388. REI will redeem any qualified or non-qualified written notice of allocation with merchandise credits in full and complete satisfaction of such allocation. Merchandise credits distributed in payment of patronage dividends or in redemption of qualified or non-qualified written notices of allocation may be used, upon such terms and conditions as may be designated by the REI Board, at any of REI's physical or online retail locations or any other place designated by the REI Board. Each member, by such act of membership alone,

consents that the amount of any distribution with respect to his or her patronage which is made in the form of a qualified written notice of allocation will be taken into account as part of the member's taxable income at its stated dollar amount in the manner provided in 26 U.S.C. Sec. 1385(a) in the taxable year in which the member receives such qualified written notice of allocation.

4. *Unclaimed Dividends.* Unless it has taken specific action to the contrary, the REI Board will be conclusively presumed to have exercised its discretion under RCW 23.86.160 to cause the expiration and reversion to REI of any patronage dividend that was paid in the form of a qualified or non-qualified written notice of allocation or in merchandise credits, to the extent it has not been used or redeemed on or before the second January 3 following declaration of the patronage dividend. REI may, in its discretion, treat any written communication that it receives from a member regarding his or her unredeemed patronage dividend as a request for payment of the patronage dividend in cash, whether or not the member has explicitly made such a request.

5. *Deductibility.* If any part of REI's annual earnings or income to be distributed and paid to members as patronage dividends would not be deductible from REI's gross income as a patronage dividend (under applicable provisions of 26 U.S.C. Secs. 1381-1388, inclusive, or any other applicable revenue statute or regulation), the declaration and payment of such patronage dividends will to such extent be deemed to have been made out of annual earnings that do so qualify as deductible, whether or not the dividend resolution of the REI Board made specific reference to the source of earnings out of which the patronage dividend was declared or payable.

6. *Foreign Subsidiaries.* REI may from time to time, directly or indirectly own or control corporations or other entities under the laws of countries other than the United States ("Foreign Subsidiaries") for the purpose of conducting business in other countries substantially similar to the business conducted by REI in the United States. Subject to limitations in the bylaws of each Foreign Subsidiary or under any foreign laws to which such Foreign Subsidiary is subject, the net distributable surplus of each such Foreign Subsidiary will be returned annually to those active members of REI who have made purchases from such Foreign Subsidiary during the calendar year for which the net distributable surplus is calculated. Such net distributable surplus will be returned in the form of patronage dividends or its equivalent, including rebates, credits or coupons, based upon the active members' purchases from such Foreign Subsidiary during such calendar year. This Section 6 does not limit the authority of the board of directors or other governing body of a Foreign Subsidiary to establish a fixed percentage or minimum patronage dividend or its equivalent that will be returned to active members based upon their purchases, even though the amount to be returned may exceed net distributable surplus for the applicable year, if such board or governing body determines that it is advantageous to do so for marketing or other business reasons.



## **ARTICLE VI**

### **Indemnification**

In addition to the immunities and releases from liability conferred by RCW Secs. 4.24.264, 23B.08.320 and 24.06.035, REI undertakes in accordance with the Governing Statute to indemnify its current and former Directors, Officers, employees and agents against any expense, loss or damages incurred by them in connection with or arising out of their service in such capacities, to the fullest extent allowed by law under any circumstances. Without in any manner limiting this undertaking, which is not exclusive, REI may also provide indemnification and other benefits to its current and former Directors and Officers pursuant to separate agreements approved by the REI Board, as authorized under RCW 24.06.030(15). Whether or not any such separate agreement has been entered into, the right to indemnification conferred in this Article VI is a contract right upon which each beneficiary hereof will be presumed to have relied. Any amendment to or repeal of this Article VI will not adversely affect any right or protection of any current or former Director, Officer, employee or agent for or with respect to any acts or omissions of such individual occurring prior to such amendment or repeal.

## **ARTICLE VII**

### **Amendment**

These Bylaws may be amended or repealed by the affirmative vote of two-thirds of the Directors in office. No such amendment or repeal may, however, alter in an adverse manner or reduce or diminish the rights and benefits of any current or former Director, Officer, employee or agent under Article VI except with the advance written consent of each individual so affected.

[End of Bylaws]