

Guide to the 2012 Bylaws Update

Dear Member-Owner,

This page is intended to alert you to the specific changes to the bylaws. Please direct your questions to any member of the board via members@kitsapfood.coop.

Throughout the document

1. Changed the terminology to reflect our process
 - ➔ Kitsap Food Co-op to Kitsap Community Food Co-op
 - ➔ Chair changed to President
 - ➔ Secretary changed to Clerk
 - ➔ Minutes changed to Notes
 - ➔ Units changed to Shares
 - ➔ Member changed to Member-Owner

Changes by Section

1.03 Removed some language that made the section difficult to understand and simplified it. No policy change, just clarified the language.

2.01 'Clerk shall provide notice' changed to 'Clerk shall ensure notice is provided'.

2.02 '20% of the members submitted to the Clerk' changed to 'Board Administrator'.

2.05 Removed 'and at any annual or special meetings of the membership'.

3.01 Reflecting a proposal passed by the board regarding number of board directors. This was changed from seven (7) to ten (10) directors.

3.01 Reflecting a proposal passed in the board regarding interim board members, this section was updated to reflect the new policy. This section ensures that no more than 1/3 of the board seats will be open at any time and sets the number of board seats to seven.

3.06 This section is changed to reflect a change from Formal Consensus to simple ballot election of Directors by the membership.

3.12 This section sets the quorum of the board to 60% reflecting a change in policy per the board.

3.15 Reflecting a change in policy approved by the board, the following language was added: "If any director gives official notice at a Board meeting of their intention to leave the board or to not run for a subsequent term, the Board may immediately appoint a member of this cooperative to an additional seat on the Board of Directors called an Interim Board Member. This interim director shall serve as a director until the next annual or special members' meeting, at which time the members shall elect a director to fill the unexpired term of the vacant director's position."

5.01 Removed language that allowed for Treasurer, Clerk or other officers to not be member-owners.

5.02 Removed language that said that the President shall preside at all meetings because it goes against the Formal Consensus process.

5.04 Added 'completed proposals' to the archiving duties of the Clerk.

BYLAWS
OF
Kitsap Community Food Co-op
A Cooperative Organized Under
Washington Statutes, R.C.W. 24.06

BYLAW I: MEMBERSHIP

Section 1.01. Eligibility for Membership. Persons may, upon the approval of the Board of Directors of this cooperative, become a member of this cooperative by:

- (a) becoming the holder of one “Membership Share” of this cooperative; and
- (b) receiving from this cooperative written acceptance of membership;
- (c) meeting other membership criteria or requirements established from time to time by the Board of Directors.

Section 1.02 Qualifications. Membership shall be open to all persons who meet the requirements of admission to, retention of, and expulsion from membership as are adopted by the Board of Directors. Membership shall be open without regard to race, color, sex, religion, national origin, sexual orientation, or disability. No member shall own more than one membership. Qualifications for membership rests with the Board of Directors, or a duly constituted committee of the Board, and may be revised, amended or changed from time to time.

Section 1.03 Member Investment. Each member shall pay a membership investment in an amount and at a time determined by the Board of Directors. The membership investment shall be applied uniformly among members. The membership investment shall be paid in cash and is, upon termination of membership, refundable, in such a manner and time at the discretion of the Board of Directors. The refunded amount shall be limited to a return equal to the member’s Share or the fair value of such membership, less any debt, including interest, such member then owes the Kitsap Community Food Co-op.

Section 1.04. Termination of Membership. Membership in this cooperative may be terminated:

- (a) voluntarily by a member at any time upon notice to the Co-op; or
- (b) automatically whenever payment of membership fees or current capital contributions becomes delinquent to an extent determined by the Board of Directors;
- (c) for reasonable and sufficient cause, including willful violation of these Bylaws, by consensus of the Board of Directors, after a fair hearing at which the member has the opportunity to speak and present evidence.
- (d) become ineligible for membership for any reason;
- (e) died or ceased to exist as a legal entity and leaves no successor; or
- (f) the Board of Directors by resolution finds that a member has:
 - (1) intentionally or repeatedly violated any provision of the Articles, the Bylaws, or Board policies of this cooperative;
 - (2) taken actions that will impede this cooperative from accomplishing its purposes;
 - (3) taken or threatened actions that adversely affect the interests of this cooperative or its members;
 - (4) willfully obstructed any lawful purpose or activity of this cooperative;
 - (5) breached any contract with this cooperative.

The Board of Directors may terminate the membership of a member only at a meeting of the Board of Directors, having given 20 days prior written notice of which was served upon the last known mailing address of the member alleged to be ineligible by United States Certified Mail. The notice must state with reasonable particularity the grounds upon which the member is alleged to be ineligible and that the member is entitled to be heard on the matter of termination at the meeting.

Section 1.05. Consequences of Membership Termination.

(a) If the Board of Directors finds that any Membership Share of this cooperative has come into the hands of any person who is not eligible to own a Membership Share or who has otherwise become ineligible for membership in this cooperative, the Board of Directors of this cooperative has the right, at its option, (i) to redeem the Membership at an amount equal to the value of the consideration for which the Membership was issued; Upon such redemption or conversion, such ineligible holder of Membership Shares will cease to be a member of this cooperative and will cease to have any membership rights in this cooperative.

(b) In exercising its right to redeem or to convert the Membership Shares under the preceding paragraph, this cooperative may cancel the certificate or certificates of such Membership Shares on its books if the holder fails to deliver the certificate or certificates evidencing such Membership Shares to the cooperative.

(c) Other than as provided in Section 1.03(a), the termination of membership or other action taken by this cooperative with respect to a member or the member's Membership Shares will not modify the obligations and liabilities of any holder thereof to this cooperative under any supply contract, service contract, or other contract between the holder and this cooperative, nor impair the rights of this cooperative under such contracts.

BYLAW II: MEETINGS OF MEMBERS

Section 2.01. Annual Meetings. The annual meeting of the members of this cooperative shall be held following the close of each fiscal year of this cooperative at such time and place as shall be determined by the Board of Directors. The notice of the meeting shall state the date, place and hour of the meeting. The Clerk shall ensure notice is provided of annual members' meetings in the manner prescribed herein. The officers of this cooperative must submit reports to the members at the annual meeting covering the business of this cooperative for the previous fiscal year that show the condition of this cooperative at the close of the fiscal year. At the annual meeting, the members shall elect directors of this cooperative for the terms of office and in the manner prescribed by the Bylaws and transact such other business as may properly come before the meeting.

Section 2.02. Special Member Meetings. Special meetings of the members of this cooperative shall be held at the place specified in the notice of the meeting. The notice shall state the time, place and purpose of the special members' meeting. A special meeting of the members may be called by consensus of the Board of Directors, or upon the written petition of at least 20% of the members submitted to the Board Administrator of this cooperative. The Clerk shall ensure notice is provided of a special members' meeting in the manner prescribed herein. In the event a special members' meeting is called by the written petition of members, the notice of the special members' meeting shall be given within thirty (30) days from and after the date of the presentation of the members' petition, and the special members' meeting must be held by sixty (60) days after the date of the presentation of the members' petition. No business shall be considered at a special members' meeting except as covered in the notice of the meeting.

Section 2.03. Notice. Notice of all annual and special members' meetings shall be given by at least one of:

(a) The Co-op shall give each member-owner written notice of Annual or Special Meetings of members, either personally, e-mailed or mailed to their last known address at least ten (10) and no more than sixty (60) days before the meeting. Such notice may also be given by being prominently displayed and included in a regular Co-op periodical, which is mailed at postage rates complying with the regulations of the United States postal service addressed to a

member. Notices shall also be posted in the storefronts no less than ten (10) days before the meeting.

(b) otherwise providing notice in a manner prescribed by applicable law.

Failure of a member to receive notice of an annual or special members' meeting shall not invalidate an action that is taken by the members at a members' meeting. The Clerk shall execute a certificate containing a correct copy of the mailed or published notice; the date of mailing or publishing the notice; and a statement that the notices were mailed or published as prescribed by [check statutory citation]. The certificate shall be made a part of the record of the meeting.

Section 2.04. Quorum. At any annual or special members' meeting, a quorum necessary for the transaction of business shall be ten percent (10%) of the total number of members if the cooperative has 500 or fewer members; or the lesser of five percent (5%) or two hundred (200) if the cooperative has more than 500 members. The attendance of a sufficient number of members to constitute a quorum shall be established by a registration of the members present.

Section 2.05. Decision Making Powers. Each member shall be entitled to attend certain meetings of the Board of Directors in order to provide or withhold consent on decisions. A member must be in person in order to withhold their consent. A member's absence at the meeting assumes that consent on all matters in the meeting has been granted. **Withholding consent by proxy is not permitted.** Members that are not individual persons must designate a representative (and may also designate an alternate representative) authorized to attend the meeting in order to help make decisions dealing with the affairs of this cooperative. The designation must be in writing, must be properly authorized by the member, and must be provided to the Clerk of this cooperative at or before the member meeting. The written designation will remain effective until it is superseded by a more recent written designation meeting the same criteria. Except where a different method is specified in the Bylaws or required by applicable law, members shall take action on all matters submitted to them on all items where consensus has been reached. The process of issue identification, discussion, identification of general concerns and resolution shall follow the procedures outlined in C.T. Butler's "On Conflict and Consensus". This shall be the methodology used to resolve any issues or conflicts at the board level.

BYLAW III: Directors

Section 3.01. Number, Qualifications and Terms of Office. The business and affairs of this cooperative will be governed by the Board of Directors, with the Board of Directors upon the adoption of these Bylaws consisting of ten (10) directors, plus any interim board members who are appointed by the board. Each director must be a member of this cooperative. Except as otherwise provided herein, all directors shall serve three-year terms for their first terms and until their successors are duly elected and qualified. Directors who are re-elected for subsequent terms may choose a one, two or three year term providing that not more than 1/3 of the board seats will be open at any time. In order to preserve continuity of governance and the harmonious transition of the initial Board of Directors to the elected Board of Directors, the terms of the directors of the initial Board of Directors shall be staggered such that one-third of the directors (or as nearly as possible) shall be elected at the annual members' meeting following the date on which the Board of Directors determines that the initial membership in this cooperative has been established and at each annual meeting thereafter. The Board of Directors shall adopt a procedure to achieve the desired staggered effect prescribed by the Bylaws.

Section 3.02. General Powers. The Board of Directors shall govern the business and affairs of this cooperative and shall exercise all of the powers of this cooperative, except those powers that are conferred upon or reserved to the members by law, the Articles of Incorporation, or these Bylaws. The Board of Directors shall adopt such policies, rules, and regulations and shall take such actions as it may deem advisable, provided that the Board of Directors does not act in a manner inconsistent with law, the Articles of Incorporation, or these Bylaws.

Section 3.03. Committees. By resolution, the Board of Directors may designate three or more directors, one of whom shall be the President of the Board of Directors, to constitute an Executive Committee. The Executive Committee shall have and exercise only such authority of the Board of Directors in the management of this cooperative to the extent provided in the resolution. The Board of Directors may establish such other committees from time to time as it deems advisable, having such authority as provided by the Board of Directors. Committees are subject at all times to the direction and control of the Board of Directors.

Section 3.04. Director Eligibility. The General Manager shall not be eligible to serve as a member of the Board of Directors of this cooperative, nor shall her/his spouse or significant other. However, the General Manager of this cooperative is permitted but not required to serve in an advisory role to the Board of Directors. For purposes of clarification, this section is neither intended to burden the General Manager with the additional fiduciary obligations borne by directors nor benefit the Manager with such rights afforded to Directors as decision making, notice and counting towards quorum.

Section 3.05. Financial Matters. The Board of Directors shall have the power to select one or more banks or other financial institutions to act as depositories of the funds of this cooperative, and to determine the person or persons who shall have authority to sign checks and other instruments.

Section 3.06. Election of Directors. Directors shall be chosen by ballot before the annual meeting. Candidates for director may be selected by the board, a committee designated with this duty or by petition signed by at least ten percent (10%) of members and submitted to the Board Administrator at least thirty (30) days before the annual meeting.

The candidate(s) receiving the highest number of votes of support by the membership will be duly elected to the board based upon the number of vacant director positions.

Section 3.07. Annual Meeting. Within 30 days after each annual members' meeting, the Board of Directors shall meet for the purpose of electing officers of this cooperative and for the transaction of such other business as shall come before the meeting. The annual meeting of the Board of Directors shall be held at such time and place as may be fixed by the Board of Directors.

Section 3.08. Regular Meeting. Regular meetings of the Board of Directors shall be held from time to time at such time and place as may be fixed by the Board of Directors.

Section 3.09. Special Meetings. Special meetings of the Board of Directors may be called by the President, and must be called upon request by any three of the directors. Special meetings of the board shall be held from time to time at a time and place as may be designated in the notice of the meeting.

Section 3.10. Notice of Meetings. Notice of each annual, regular or special meeting of the Board of Directors shall be given by the Clerk who shall give at least five days prior notice of the meeting to each director by mail, telephone, telephonic facsimile transmission, telegram, electronic mail or in person unless, a shorter time period is otherwise agreed to. Notice shall be deemed given upon mailing, if notice is given by mail.

Section 3.11. Waiver of Notice. Notice of any meeting of the Board of Directors may be waived either before, at or after the meeting, in writing signed by each director. A director, by attendance at any meeting of the Board of Directors, shall be deemed to have waived notice of such meeting, except when a director attends the meeting and objects to the transaction of business because the meeting was not lawfully convened.

Section 3.12. Quorum; Board Action. Sixty-percent of the members of Board of Directors shall constitute a quorum for the transaction of business except that, when a vacancy or vacancies exist, sixty-percent of the remaining directors shall constitute a quorum. The Board of Directors shall take action by consensus of the directors present at a duly held meeting. The process of issue identification, discussion, identification of general concerns and resolution of various issues and proposals shall follow the procedures outlined in C.T. Butler's "On Conflict and Consensus". This shall be the methodology used to resolve any issues or conflicts at the board level and at any annual or special meetings of the membership.

Section 3.13. Action Without a Meeting. Any action required or permitted to be taken at a meeting of the Board of Directors may be taken by written action signed by all of the

directors. The written action is effective when signed by all of the directors, unless a different effective time is provided in the written action.

Section 3.14. Electronic Communications. Any meeting of the Board of Directors may be conducted by telephone or other electronic means of communication through which the directors may simultaneously communicate with one another.

Section 3.15. Vacancies. If a director's position is vacant, the Board of Directors may appoint a member of this cooperative to fill the directors' position until the next annual or special members' meeting. At the next annual or special members' meeting, the members shall elect a director to fill the unexpired term of the vacant director's position.

If any director gives official notice at a Board meeting of their intention to leave the board or to not run for a subsequent term, the Board may immediately appoint a member of this cooperative to an additional seat on the Board of Directors called an Interim Board Member. This interim director shall serve as a director until the next annual or special members' meeting, at which time the members shall elect a director to fill the unexpired term of the vacant director's position.

Section 3.16. Removal. In order to terminate a director's tenure for cause, a proposal to terminate said tenure must be made by another director or by a duly constituted committee authorized to evaluate and make recommendations to the board regarding board member competence and other related matters, at an annual or regular Board meeting. The director whose tenure may be terminated must be given reasonable notice and an opportunity to be heard at the meeting considering her or his termination. Provided a quorum is present, a consensus in favor of the director's removal shall cause said director's tenure to be terminated. The director whose tenure may be terminated does not participate in the call for consensus on the issue of her or his termination.

For purposes of this Section, "for cause" shall include failure of a director to attend more than two consecutive or four meetings of the Board of Directors held in the prior fiscal year, misfeasance or malfeasance. Absences may only be excused by consensus of the Board at the meeting at which the absence occurs or at the following meeting. In case any director is so removed at an annual or special meeting, a successor director shall be elected at the same meeting.

Section 3.17. Compensation. Directors shall receive such fixed sum per meeting attended or such fixed annual sum as shall be determined, from time to time, by resolution of the Board of Directors. All directors shall be reimbursed for their expenses, if any, of attendance at meetings of the Board of Directors or any committee thereof. Nothing in these Bylaws shall be construed to preclude any director from serving this cooperative in any other capacity and receiving proper compensation for the service.

Section 3.18 Conflicts of Interest. Directors shall be under an affirmative duty to disclose their actual or potential conflicts of interest in any matter under consideration by the Board unless otherwise determined by the Board. A director having a conflict of interest in any matter may not participate in the discussion or decision of an issue involving that matter. Any

member who participates in a decision on behalf of the co-op will be prohibited from accepting any position or job within the co-op that would present a conflict of interest for at least one year from the time the decision was made, or one year from commencement of that position, whichever is longer.

Section 3.19 Open Meetings. Meetings of the Board of Directors shall be open to observation and limited participation by members of the Co-op. The Board may, however, conduct a closed session when necessary to protect the vital interests of the Co-op.

BYLAW IV: POWERS AND RESPONSIBILITIES OF THE BOARD

Section 4.01 Responsibilities. The Board of Directors is responsible for the operations of the Co-op and is expected to carry out its task to insure that the stores are operated in an efficient, sensible and prudent manner to benefit the whole Co-op. The Board shall establish all policies of the Co-op, which shall not be inconsistent with law, these by-laws or recognized cooperative principles. The Board may establish a non-redeemable application fee which may be required as a condition of admission to membership. The Board is responsible for carrying out the provisions of these by-laws.

Section 4.02 Notes. The Board of Directors shall prepare notes of all Board of Director meetings.

Section 4.03 Annual Report. The Board of Directors shall present an Annual Report to the members at each Annual Meeting, containing a report on the year's operations and the financial statements.

Section 4.04 Referral To Members. The Board may refer any question to the members for decision at an Annual or Special meeting or by referendum.

Section 4.05 Input From Members. The Board is expected to continually solicit, both formally and informally, comments, suggestions and advice from members.

Section 4.06 Dispute Resolution Body. The Board may establish a neutral dispute resolution body to attempt to settle disputes between the Co-op and any of its members.

BYLAW V: OFFICERS

Section 5.01. Officers. The officers of this cooperative shall be a President, a Vice-President, a Clerk and a Treasurer, who shall be elected in the manner as provided in Section 5.07 of these Bylaws. The offices of the Clerk and Treasurer may be combined and when so combined shall be termed "Clerk-Treasurer." Except for the Clerk-Treasurer, no offices may be held concurrently by the same person. The President and Vice-President must be directors and members of this cooperative. The Board of Directors may elect other officers from time to time as it deems advisable or as required by these Bylaws, and in such event shall establish appropriate duties and responsibilities for any such other officers.

Section 5.02. President. The President shall see that all orders and resolutions of the Board of Directors are carried into effect. The President shall be the official representative of this cooperative to all outside associations or organizations of which this cooperative is a member, unless another person is appointed by the President or other action is taken by the Board of Directors. The President shall sign and deliver in the name of this cooperative any deeds, mortgages, bonds, contracts and other instruments pertaining to the business of this cooperative, except in cases in which the authority to sign and deliver is required by law to be exercised by another person or is expressly delegated by the Articles or the Bylaws or the Board to some other officer or agent of this cooperative. This broad signing authority shall not be construed so as to preclude the Board of Directors from authorizing any other officer or agent of this cooperative to sign any deeds, mortgages, bonds, contracts and other instruments pertaining to the business of this cooperative on behalf of this cooperative. The President shall have such other duties as may, from time to time, be assigned by the Board of Directors.

Section 5.03. Vice- President. The Vice- President shall have powers and perform duties as may be specified in the Bylaws or prescribed by the Board of Directors or by the President. In the event of the absence or disability of the President, the Vice- President shall perform the duties and exercise the powers of the President.

Section 5.04. Clerk. Subject to the discretion of the Board of Directors, The clerk shall keep and maintain corporation files, including archives of the directors' meetings notes, which shall be kept at the corporation's principle office in the state where the corporation is incorporated. Such records shall also include corporate articles of organization, by-laws, completed proposals, and the names and addresses of current directors. The Clerk shall give proper notice of meetings of the members and of the Board of Directors. The Clerk shall perform such other duties as may, from time to time, be prescribed by the Board of Directors or by the Chair.

Section 5.05. Treasurer. Subject to the discretion of the Board of Directors, the Treasurer shall be the custodian of all funds, securities and properties of this cooperative and shall perform such other duties with respect to the finances of this cooperative as may be prescribed by the Board of Directors or by the President. This function may be delegated by the board to management with oversight by the treasurer or the board.

Section 5.06. Compensation of Officers. The officers of this cooperative shall receive compensation for their services as may be determined, from time to time, by resolution of the Board of Directors. No officer who is a director may take part in the discussion or consensus of his or her salary for services rendered to the cooperative.

Section 5.07. Election of Officers. On an annual basis, the Board of Directors shall elect from its members a President and one or more Vice-Presidents. Election for persons to fill any other offices established by these Bylaws or by the Board of Directors pursuant to Section 5.01 of these Bylaws shall be held at the annual meeting of the Board of Directors or at any other meeting of the Board of Directors, provided that notice of such election has been given in the

notice of such meeting if other than the annual meeting. The officers shall hold their offices until their successors have been elected and have qualified, subject to any removal provisions of these Bylaws.

Section 5.08. Removal of Officers. The members may remove an officer at a members' meeting for cause related to the duties of the position of the officer and fill the vacancy caused by the removal. In addition, any officer may be removed by the Board of Directors whenever in its judgment, or by a duly constituted committee authorized to evaluate and make recommendations to the board regarding officer competence and other related matters and the best interests of the cooperative will be served. Any vacancy among the officers caused by such removal shall be filled by the Board of Directors. No election or appointment to an office of this cooperative shall itself create any contract rights.

Section 5.09. Power of Delegation. The Board may, from time to time, hire or appoint other officers, employees, representatives and agents as it deems necessary and may grant them appropriate duties and powers.

BYLAW VI: INDEMNIFICATION AND INSURANCE

Section 6.01. Indemnification. This cooperative shall indemnify each person who is or was a director, officer, manager, employee or agent of this cooperative, and any person serving at the request of this cooperative as a director, officer, manager, 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 extent to which such directors, officers, managers, employees or agents of this cooperative may be indemnified under the law of the State of Washington.

Section 6.02. Insurance. This cooperative shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, manager, employee, or agent of this cooperative against liability asserted against and incurred by the person in the person's capacity as a director, officer, manager, employee or agent, or arising from the person's status as a director, officer, manager, employee, or agent of the cooperative.

BYLAW VII: FINANCE

Section 7.01. Financial Operation. This corporation operates on a cooperative basis and allocates earning and losses to patron-members on the basis of the business done with or for such patrons. Thus, in accordance with section 1381 of the Internal Revenue Code of 1954, this corporation may declare a patronage dividend to be distributed among the members in accordance with the total amount of purchases made by each such patron during the preceding fiscal year.

Section 7.02. Patronage Dividend. The patronage dividend, as determined by the Board of Directors, shall be non-cash payments in the form of "qualified written notes of allocation" as defined in section 1388 of the Internal Revenue Code of 1954. In accordance with

Section 1382 of the Internal Revenue Code, the patronage dividends declared by the corporation are deductible from the taxable income of the corporation and must be included in the taxable personal income of the member.

Each member shall have an internal capital account in his or her name. The surplus earnings of the company after paying taxes, interest on loans, and allocations to the Reserve Fund (See Section 10 below) shall be allocated to members as a patronage dividend. Unless otherwise decided by the Board of Directors, the patronage dividend shall be credited to the owners' Internal Accounts. At least 20% of each year's patronage allocation must be paid out in cash/check to members.

Section 7.03. Equity Capital. The Board of Directors shall manage the Cooperative's equity capital in a way to preserve and build upon the Cooperative's financial position while also allowing for redemptions of equity as and when the Cooperative has the financial strength to redeem equity. The Board of Directors may, from time to time, establish policies for redeeming equities, stock, or other forms of equity used for qualified or non-qualified notices of allocation, or the Board may eliminate equity redemption policies in favor of a capital management policy. Any of these policies may contain offers of discounts or required retentions of capital as part of any redemption of allocated equity. The Board retains the power to amend, modify or repeal these policies and may do so retroactively, all in the Board's sole discretion. For example, if the application of a policy to a specific circumstance suggests that the equity of a deceased member should be paid to the member's estate, the Board of Directors retains the right and power to determine whether to approve the expenditure. In each case, the Board of Directors may refuse any expenditure(s) if the Board determines that such expenditure(s) is (are) not in the interest of the cooperative. Therefore, no equity redemption policy shall be interpreted to require any expenditure of capital and the Board of Directors retains all right and power to the final review and approval of each expenditure of capital for any redemption of equity. No person shall have any right whatsoever to require the retirement or redemption of any patrons' equities except in accordance with their term, or of any allocated capital reserve. Any redemption or retirement is solely within the discretion and on such terms as determined from time to time by the Board of Directors of this Cooperative, which may, in making any such redemption or retirement, distinguish natural members from unnatural members (corporations, partnerships, LLCs and other business organizations, etc.) and, in doing so, favor natural members with respect to estate retirements and redemptions at specified ages.

BYLAW VIII: CONSENT

Section 8.01. Consent to Take Patronage Distributions Into Income. Each person who hereafter applies for and is accepted to membership in this cooperative and each member of this cooperative as of the effective date of this bylaw who continues as a member after such date shall, by such act alone, consent that the amount of any distributions with respect to its patronage which are made in written notices of allocation (as defined in 26 U.S.C. § 1388), and which are received by the member from this cooperative, will be taken into account by the member at their stated dollar amounts in the manner provided in 26 U.S.C. § 1385(a) in the taxable year in which the written notices of allocation are received by the member.

BYLAW IX: MERGER OR CONSOLIDATION; DISSOLUTION

Section 9.01. Merger or Consolidation. If the terms of a merger or consolidation of which this cooperative is a party do not provide the members of this cooperative with an economic interest in the surviving entity that is substantially similar to the economic interest possessed by such members in this cooperative immediately before such merger or consolidation, the value of the consideration received shall be divided among them in the same manner as a comparable amount of net liquidation proceeds would be distributed pursuant to Section 9.02. This shall not be construed to prevent issuance of differing forms of consideration to different groups of members to the extent allowed by law.

Section 9.02. Liquidation, Dissolution and Winding-Up. Subject to the Articles of Incorporation, in the event of any liquidation, dissolution or winding up of the affairs of this cooperative, whether voluntary or involuntary, all debts and liabilities of this cooperative shall be paid first according to their respective priorities. The remaining assets shall be distributed in the following manner and order of preference: (1) outstanding membership loans; (2) second to the holders of Membership Shares in an amount equal to the value of the consideration for which the Membership Shares were issued, without priority and on a pro rata basis if necessary; (3) third to payment of the stated dollar amount of all Patrons' Equities (other than Non-Patronage Earnings Certificates), in chronological order of year beginning with the oldest outstanding Patrons' Equities first and on a pro rata basis within a year if necessary; (4) fourth to payment of the stated dollar amount of Non-Patronage Earnings Certificates, in chronological order of year beginning with the oldest outstanding Non-Patronage Earnings Certificates first and on a pro rata basis within a year if necessary; and (5) fifth to the patrons in accordance with their interest in Capital Reserves. Any assets remaining after the foregoing payments have been made shall be allocated among the allocation units in the manner as the Board of Directors, having taken into consideration the origin of the amounts, shall determine to be reasonable and equitable. Amounts so allocated shall be paid to current and former patrons of each such allocation unit in proportion to their patronage of the unit over the period as may be determined to be equitable and practicable by the Board of Directors. The obligation to distribute shall be construed as a preexisting duty to distribute any patronage sourced net gain realized in the winding up process to the maximum extent allowable by law.

BYLAW X: RESTRICTIONS ON SALES AND TRANSFERS

Section 10.01. Restrictions on Transfer. For purposes of this Bylaw, the term "transfer" shall mean, as a noun, any voluntary or involuntary transfer, sale, assignment, or other disposition and, as a verb, to voluntarily or involuntarily transfer, sell, assign or otherwise dispose of. The Membership Shares of this cooperative are transferable only with the consent and approval of the Board of Directors and may not be pledged. Any purported transfer other than a transfer in accordance with these Bylaws shall be null and void and of no force or effect whatever.

BYLAW XI: FISCAL YEAR

The Board of Directors may by resolution adopt a fiscal year of this cooperative from time to time.

BYLAW XII: AMENDMENTS

Any bylaw may be adopted, amended or repealed by a consensus of the members present at any regular or special meeting of the members.

The Board of Directors may make and amend any bylaws, which amendment is effective immediately. Provided, that any bylaw adopted or amended by said board shall be reported at the next regular member meeting; and provided, further, that any bylaw adopted or amended by said board shall be at any time subject to amendment or repeal by the members upon prior notice.

In the event that any provision of these bylaws is determined to be invalid or unenforceable under any statute or rule of law, then such provision shall be deemed modified to conform with such statute or rule of law without affecting the validity or enforceability of any other provision of these bylaws.