

**BYLAWS OF
MARKET 166 GROCERY AND KITCHEN COOPERATIVE, INC.¹**

BYLAW I: OWNERSHIP

Section 1.01. Eligibility for Ownership. Any person (representing himself/herself or a household) who agrees to comply with and be bound by the Articles, Bylaws, and policies and procedures adopted by the Board of Directors may, upon the approval of the Board of Directors of this cooperative, become a member and owner of this cooperative by:

- (a) Becoming the holder of one share of common stock as defined by the Board of Directors of this cooperative; or
- (b) Meeting other ownership criteria and requirements established from time to time by the Board of Directors.

Ownership is non-transferrable. The Board of Directors can reject any application for ownership in its sole discretion. The Board may establish one or more classes of non-voting ownerships on terms and conditions established by the Board of Directors.

Section 1.02. Termination of Ownership. Ownership in this cooperative will be terminated automatically without the need for action by the Board of Directors if the owner has:

- (a) become ineligible for ownership for any reason; or
- (b) died or ceased to exist as a legal entity.

Ownership in this cooperative may be terminated by the Board of Directors at their discretion if the Board of Directors determines that a owner has

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- (a) intentionally or repeatedly violated any provision of the Articles, the Bylaws, or Board of Director policies of this cooperative;
- (b) taken actions that will impede this cooperative from accomplishing its purposes;
- (c) taken or threatened actions that adversely affect the interests of this cooperative or its owners;
- (d) willfully obstructed any lawful purpose or activity of this cooperative; or
- (e) breached any contract with this cooperative.

¹ Board last approved June 14, 2022

The Board of Directors may terminate the ownership of an owner only at a meeting of the Board of Directors. An owner will be given reasonable notice of the basis for termination and will have an opportunity to respond to the Board of Directors in person or in writing.

Section 1.03. Consequences of Ownership Termination.

(a) The Board of Directors may elect to return equity upon the termination of ownership, upon such terms, as decided by the Board, provided payment would not impair the cooperative's ability to meet its other obligations.

(b) Other than as provided in Section 1.03(a), the termination of ownership or other action taken by this cooperative with respect to an owner or the owner's shares (both common or preferred) 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.

(c) A non-voting ownership interest may be terminated without prior notice, and the Board shall have the same options for the financial interest, if any, associated with the non-voting ownership.

(d) When the Articles of Incorporation and/or Bylaws refer to an "owner" or "ownership", the reference is exclusively to "voting" owners.

Section 1.04 Settlement of Disputes. In any dispute between the cooperative and any of its owners or former owners which cannot be resolved through informal negotiation, it shall be the policy of the cooperative to prefer the use of mediation whereby an impartial mediator may facilitate negotiations between the parties and assist them in developing a mutually acceptable settlement. No party with a grievance against the other arising under the cooperative's articles of incorporation or these Bylaws shall have recourse to litigation until the matter is submitted to mediation and attempted to be resolved in good faith.

BYLAW II: MEETINGS OF OWNERS

Section 2.01. Annual Meetings. The annual meeting of the owners 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 Secretary shall give notice of annual owners' meetings in the manner prescribed herein. The officers of this cooperative must submit reports to the owners 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 owners 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. Parliamentary procedure shall be governed by the then-current edition of Robert's Rules of Order.

Section 2.02. Special Meetings. Special meetings of the owners 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 owners' meeting. A special meeting of the owners may be called by a majority vote of the Board of Directors, or upon the written petition of at least 20% of the owners submitted to the Chair of this cooperative. A written petition for a special meeting must be dated and include the names and signatures of all requesting owners. The Chair shall give notice of a special owners' meeting in the manner prescribed herein. In the event a special owners' meeting is called by the written petition of owners, the notice of the special owners' meeting shall be given within thirty (30) days from and after the date of the presentation of the owners' petition, and the special owners' meeting must be held within sixty (60) days after the date of the presentation of the owners' petition. The notice of a special meeting must be given no fewer than ten (10) nor more than sixty (60) days before the meeting date. No business shall be considered at a special owners' meeting except as covered in the notice of the meeting.

Section 2.03. Notice. Notice of all annual and special owners' meetings shall be given by at least one of the following methods: mail, electronic transmission (email), or posting on an electronic network, and only if such methods are impracticable, by notice in the newspaper. Owners consent to receiving notices by email and are required to update their email address with the cooperative when it changes. If an email sent to an owner is returned two consecutive times, such consent is deemed revoked, and the cooperative will send a notice to such owner by other permitted means. Failure of an owner to receive notice of an annual or special owners' meeting shall not invalidate an action that is taken by the owners at an owners' meeting. The Secretary 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 in accordance with applicable law. The certificate shall be made a part of the record of the meeting.

Section 2.04. Quorum. At any annual or special owners' meeting, a quorum necessary for the transaction of business shall be 10% of the ownership entitled to vote. In determining a quorum at a meeting at which a vote will be taken regarding a question also submitted to a vote by ballot pursuant to Section 2.06 of these bylaws, owners that submit a ballot shall be considered present at the meeting for purposes of the quorum requirement. The attendance of a sufficient number of owners to constitute a quorum shall be established by a registration of the owners present in person, mail, or virtual ballot at the meeting.

Section 2.05. Voting. Each owner, who is in good standing and current in all obligations to the cooperative, shall be entitled to only one vote. A owner's vote at a owners' meeting must be in person or made by absentee ballot if absentee vote is authorized by the Board of Directors. Voting by proxy and cumulative voting is not permitted. Owners that are not individual persons must designate a representative (and may also designate an alternate representative) authorized to cast their vote in the affairs of this cooperative. The designation must be in writing, must be signed by an authorized representative of the owner, and must be provided to the Secretary of this cooperative at or before the owner meeting. The written designation will remain effective until it is superseded by a more recent written designation meeting the same criteria. Except where a higher percentage is specified in the Bylaws or required by applicable law, owners shall take action on all matters submitted to them by the affirmative vote of a

majority of the votes cast at a duly held meeting, either in person or by absentee vote if an absentee ballot has been authorized by the Board of Directors.

Section 2.06. Absentee Vote. An owner who is absent from a owners' meeting may vote on the ballot prescribed hereunder on any motion, resolution, or amendment that the Board of Directors submits for vote to the owners. The vote must be cast on a ballot that is in the form prescribed by the Board of Directors, that contains the exact text of the proposed motion, resolution or amendment to be acted upon at the meeting, that contains spaces in which the owner may indicate an affirmative or negative vote thereon, and that otherwise meets the requirements of Georgia law. The ballot, when completed by an absent owner and received by this cooperative in the manner prescribed by the Board of Directors, shall be counted as the vote of the owner at the meeting.

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 at least five (5) and no more than fifteen (15) directors. Each director must be an owner of this cooperative, provided, however, that the Board of Directors may, in its discretion, specify that up to one (1) director at any time may be a non-owner. Except as otherwise provided herein, all directors shall serve three-year terms or until their successors are duly elected and qualified. 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 owners' meeting following the date on which the Board of Directors determines that the initial ownership 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. Cooperative employees and their spouses or significant others are not eligible to serve as directors. Relatives of cooperative employees, such as parents, children, or grandchildren are not eligible to serve as directors.

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 owners 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 Chair of this cooperative, 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 and by applicable law. The Board of Directors may establish such other committees from time to time as it deems advisable, with such committees 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 Manager of this cooperative is permitted but not required to serve in a nonvoting advisory role to the Board of Directors. For purposes of clarification, this section is neither intended to burden the Manager with the additional fiduciary obligations borne by directors nor benefit the Manager with such rights afforded to Directors as voting, 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 elected by ballot at the annual meetings or at a special owner's meeting (if a director's position opens unexpectedly and needs to be filled). Nominations for director may be made by the board or by petition signed by at least twenty-five (25) owners entitled to vote. Candidates who seek election to the board must fill out an application. The application asks candidates about their experience, vision, conflicts of interest, and other information. The application is due to the Secretary sixty (60) days before the annual meeting or special owners meeting. A list of candidates will be made available to the owners thirty (30) days before the annual meeting or special owners meeting. Candidate statements are made available in the office of the cooperative and on the cooperative's website. Owners may vote by mail and/or electronic ballot for the election of directors, provided the use of a ballot is specifically authorized by the Board of Directors. The nominees receiving the highest number of votes cast shall be elected and shall take office at the adjournment of the annual or special owners meeting.

Section 3.07. Annual Meeting. Within thirty (30) days after each annual owners' 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 Chair or 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. Owners Attendance at Board Meetings. Owners can attend and observe board meetings, but cannot participate (such as by asking questions or making remarks) unless invited or permitted by the Chair. If the board goes into a closed session, those invited or permitted by the Chair may be present.

Section 3.11. Notice of Meetings. Notice of each annual, regular, or special meeting of the Board of Directors, shall be given by the Chair or Secretary who shall give at least five days prior notice of the meeting to each director by mail, electronic transmission, or posting on an electronic network.

Section 3.12. 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 3.13. Quorum; Board Action. A majority of the directors on the Board of Directors shall constitute a quorum for the transaction of business except that, when a vacancy or vacancies exist, a majority of the remaining directors shall constitute a quorum. The Board of Directors shall take action by the affirmative vote of a majority of the directors present at a duly held meeting at which a quorum is present.

Section 3.14. 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 the majority of the directors. The written action is effective when signed by the majority of the directors, unless a different effective time is provided in the written action.

Section 3.15. 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 3.16. Vacancies. If a director's position is vacant, the Board of Directors may appoint any eligible owner of this cooperative to fill the directors' position, as a voting member, until the next annual or special owners' meeting. Owners will be notified within 2 weeks of the filled vacancy following board approval. At the next annual or special owners' meeting, the owners shall elect a director to fill the unexpired term of the vacant director's position.

Section 3.17. Removal. Any individual director may be removed from office for cause or if no longer eligible to serve by a vote of a majority of the owners entitled to vote at any annual or special meeting at which said removal of directors is considered. For purposes of this Section, "for cause" shall include misfeasance or malfeasance. In case any director is so removed at an annual or special meeting, a successor director shall be elected at the same meeting. Any director may also be removed from office by the Board of Directors for cause if a two-thirds majority of the other directors affirmatively vote in favor of removal. The director who is the subject of removal must be notified thirty (30) days before such action is taken. A Director who is absent from three (3) consecutive Board meetings or four (4) meetings in any one-year period, unless excused by the Board for good cause or excused by a Board approved leave of absence, shall be deemed to have resigned.

Section 3.18. Removal of Directors by Board. Each director shall fully comply with the Board of Director's policy manual established by the Board of Directors. The Board of Directors, not including a director thought to be in violation of the manual, may remove a director who is disqualified by the policies in that manual. The director who is the subject of removal must be notified thirty (30) days before such action is taken. The remaining directors may also fill any vacancy caused by such removal until the next annual meeting of the owners. This removal power shall be in addition to the power of the owners under Section 3.17 above, but the process for removal under this Section 3.18 shall be governed exclusively by the policy manual.

Section 3.19. Compensation. Directors shall not receive compensation for meetings or activities. Directors may be reimbursed for expenses at conferences or in performing activities on behalf of the board, as authorized by the Board of Directors.

Section 3.20. Conflicts of interest. Directors shall be under an affirmative duty to disclose their actual or potential conflicts of interest, either direct or indirect, in any matter under consideration by the Board or by a committee exercising any authority of the Board, and such interest shall be made a matter of record in the minutes of the meeting. A director or owner of a committee having such an interest shall be permitted to make a statement with regard to the matter but shall not be permitted to participate in the discussion or decision of the matter.

BYLAW IV: OFFICERS

Section 4.01. Officers. The officers of this cooperative shall be a Chair, a Vice-Chair, a Secretary, and a Treasurer, who shall be elected in the manner as provided in Section 4.09 of these Bylaws. The offices of the Secretary and Treasurer may be combined and when so combined shall be termed "Secretary-Treasurer." Except for the Secretary-Treasurer, no offices may be held concurrently by the same person. The Chair, Vice-Chair, Secretary and Treasurer must be directors and owners 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. The General Manager is an officer of the cooperative but is not a Director; the General Manager shall serve in a non-voting advisory role to the Board of Directors. This provision does not add or subtract from the General Manager's fiduciary duties. The General Manager does not count towards quorum for Board meetings.

Section 4.02. Chair. The Chair shall see that all orders and resolutions of the Board of Directors are carried into effect and shall preside at all meetings of the owners and directors. The Chair shall be the official representative of this cooperative to all outside associations or organizations of which this cooperative is an owner, unless another person is appointed by the Chair or other action is taken by the Board of Directors. The Chair 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 Chair shall have such other duties as may, from time to time, be assigned by the Board of Directors.

Section 4.03. Vice-Chair. The Vice-Chair shall have powers and perform duties as may be specified in the Bylaws or prescribed by the Board of Directors or by the Chair. In the event of

the absence or disability of the Chair, the Vice-Chair shall perform the duties and exercise the powers of the Chair.

Section 4.04. Secretary. Subject to the discretion of the Board of Directors, the Secretary shall attend all meetings of the owners and Board of Directors; record all votes at and keep minutes of all the meetings; and record all proceedings of the meetings in the minute book of this cooperative. The Secretary shall give proper notice of meetings of the owners and of the Board of Directors. The Secretary shall perform such other duties as may, from time to time, be prescribed by the Board of Directors or by the Chair.

Section 4.05. 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 Chair. This function may be delegated by the board to management with oversight by the treasurer or the board.

Section 4.06. General Manager. The General Manager shall be responsible for administering the day-to-day activities of the Cooperative under the direction and control of the Board. The Board may assign additional duties to any of the officers.

Section 4.07. Compensation of Officers. The officers of this cooperative shall not receive compensation for meetings or activities. Officers may be reimbursed for expenses at conferences or in performing activities on behalf of the board, as authorized by the Board of Directors. No officer who is a director may take part in the vote on his or her salary for services rendered to the cooperative.

Section 4.08. Conflicts of interest. Officers shall be under an affirmative duty to disclose their actual or potential conflicts of interest, either direct or indirect, in any matter under consideration by the Board or by a committee exercising any authority of the Board, and such interest shall be made a matter of record in the minutes of the meeting. An officer having such an interest shall be permitted to make a statement with regard to the matter but shall not be permitted to participate in the discussion or decision of the matter.

Section 4.09. Election of Officers. On an annual basis, the Board of Directors shall elect from its members a Chair and Vice-Chair. Election for persons to fill any other offices established by these Bylaws or by the Board of Directors pursuant to Section 4.01 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 been qualified, subject to any removal provisions of these Bylaws.

Section 4.10. Removal of Officers. The owners may remove an officer at an owners' 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 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.

BYLAW V: INDEMNIFICATION AND INSURANCE

Section 5.01. 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, reasonably incurred in the successful defense of a lawsuit or legal proceeding to which that person is or was a party by reason of his or her position with respect to the Cooperative. The Board of Directors in its discretion may indemnify any person against expenses, including attorneys' fees, judgments, fines, and amounts paid in settlement, actually and reasonably incurred in the unsuccessful defense of any lawsuit or legal proceeding to which the person is or was a party by reason of being a director, officer, manager, employee, or agent of this Cooperative, or serving at the request of the Cooperative as a director, officer, manager, employee, or agent of another business enterprise, if the Board determines that the person was acting in good faith and reasonably believed that his or her actions that gave rise to the legal proceeding were in the best interests of the Cooperative.

Section 5.02. 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 VI: OWNERSHIP SHARES

Section 6.01. Issuance and terms: To evidence capital funds provided by owners, the Cooperative shall issue ownership shares. Shares may be issued only to persons eligible for and admitted to ownership in the Cooperative. Each owner that satisfies the requirements for ownership set forth in these Bylaws shall receive one (1) share of common stock. Shareholders shall be entitled to no dividend or other monetary return on investment. There shall be issued and outstanding not more than the number of shares authorized by the Articles of Incorporation of the Cooperative.

Section 6.02. Certificates: Every holder of a fully paid share shall be entitled to receive a certificate evidencing such holding. All certificates shall be signed personally or by facsimile by the Chair and the Secretary and shall be numbered and recorded in a stock register maintained by the Cooperative. Each certificate shall contain a prominent notation that, in accordance with these bylaws, it is transferable only to the Cooperative, which shall be obligated to purchase such share or shares, and that the voting rights pertain only to ownership status. The Cooperative may issue a replacement certificate for any certificate alleged to have been lost, stolen or destroyed without requiring the giving of a bond or other security against related losses. The Board of Directors may elect to issue ownership cards in lieu of certificates for shares of common stock, provided that the owners' membership of stock is reflected in the stock ledger of the Cooperative.

Section 6.03. Redemption: Upon request following termination of ownership, common shares shall be redeemed when replacement capital is provided by other owners. Shares shall be redeemable at the lesser of their carrying value on the books of the Cooperative or their net book value, less a reasonable processing fee, if any, as determined by the Board. Redemption proceeds shall be subject to offset by amounts due and payable to the Cooperative by the owner. No redemption shall be made when such payment would impair the ability of the Cooperative to meet its other obligations as they become due. Reapplications for ownership after full or partial redemption shall be subject to full repayment of redemption proceeds.

Section 6.04. Preferred Stock: There shall be issued and outstanding not more than the number of shares of preferred stock of the Cooperative as authorized by the Cooperative's Articles of Incorporation, with each share having a par value of one hundred dollars (\$100.00). Preferred Stock carries no voting rights. The rate of dividend upon said preferred stock shall be set by the Board of Directors, provided that the rate of dividend shall not exceed eight percent (8%) of the par value of said preferred stock for any year. Preferred stock may be transferred only on the books of the Cooperative.

Section 6.05. Redemption and retirement: The Board of Directors may, at any time, redeem in whole or in part the shares of preferred stock. The consideration paid by the Cooperative for any such preferred stock shall be its par value and accrued unpaid dividends. The order of priority of retirement of preferred stock in the event of a partial redemption shall, subject to any limitations or restrictions imposed be a matter of uncontrolled discretion of the Board of Directors and may be set in any resolution or plan contemplating such redemption.

Section 6.06. Transfer: No owner shall sell, assign, transfer, dispose of or encumber any share of preferred stock except to the Cooperative except (a) by operation of law or (b) with the consent of the Board of Directors.

Section 6.07. Holdings: Preferred stock held by non-owners shall not exceed the amount held by owners.

BYLAW VII: FINANCE

Section 7.01. Financial Operation. This Cooperative shall at all times be operated on a cooperative basis for the mutual benefit of its owners. The Cooperative shall allocate earnings and losses to owners on the basis of their patronage, that is, the amount of their purchases of goods and services from the Cooperative. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by owners, except as to preferred stock purchased by owners.

Section 7.02. Patronage Capital and Distributions. Subject to the requirements of this Section, this Cooperative shall declare a patronage dividend to be distributed among the owners. The surplus earnings of the Cooperative, to the extent attributable to the patronage of owners, and after making payments due to creditors and allocations to the reserve fund, shall be allocated to the owners as patronage dividends in proportion to the total value of purchases made by each such owner during the preceding fiscal year. The patronage dividend will be allocated and distributed in cash, or as credit toward Owner purchases from the Cooperative, or through another appropriate mechanism, as determined by the Board of Directors, and at such a time as to constitute patronage dividends within the meaning of federal income tax law. Any allocations of such a nominal amount as not to justify the expenses of distribution may, as determined by the Board, be excluded from distribution provided that they are not then or later distributed to other owners. Owners shall retain the right to waive in whole or in part, by action at a meeting of owners, any patronage refunds to which they may be entitled.

Section 7.03. Reserves. The Board may set aside in an undivided reserve account any part of the Cooperative's earnings that the Board determines would be prudent to reserve for the Cooperative's business purposes.

Section 7.04. Consent of Owners. By obtaining or retaining ownership in the Cooperative, each owner consents to take into account, in the manner and to the extent required by Section 1385 of the Internal Revenue Code, the stated dollar amount of any patronage refund, including any qualified written notice of allocation in the taxable year in which such notice is received.

Section 7.05. Deferred Amounts. Payment of a portion of patronage refunds, not to exceed 80 percent of the allocation, may be deferred for the reasonable capital needs of the Cooperative, as determined by the Board in its sole discretion. Such amounts shall be credited to revolving capital accounts in the names of recipient owners. They shall be redeemed when the Board determines that they are no longer needed for the Cooperative's capital purposes. At that time they shall be redeemed in the order of the oldest outstanding amounts and on a pro rata basis among such amounts. Deferred amounts may also be redeemed under compelling circumstances as determined by the Board in its sole discretion. Owner capital accounts shall be subject at all times to being offset by amounts otherwise due and payable to the Cooperative.

Section 7.06. Net Loss. In the event the Cooperative incurs a net loss in any fiscal year, such loss shall be allocated to owners in the same manner as for net income, subject to the exclusion of nominal amounts as described in section 7.02. Any net loss shall be first charged against any deferred patronage refunds of prior fiscal years, and then from patronage refunds of subsequent fiscal years. Allocated net losses which are not offset by patronage refunds may be charged against the value of an owner's stock only upon termination of ownership. Allocated net losses shall not otherwise be assessed to or collected from owners.

Section 7.07. Fiscal year. The fiscal year shall begin on July 1 and end on June 30 of the following year. The Cooperative will audit the financial books annually.

BYLAW VIII: DISSOLUTION

Section 8.01. Dissolution. In the event of dissolution or liquidation of the Cooperative, after all its outstanding indebtedness shall have been paid: (i) all outstanding preferred stock shall first be retired at par value in full or on a pro rata basis without priority, plus all accrued and unpaid dividends; (ii) owners' outstanding capital accounts shall be retired in full or on a pro rata basis in a manner determined by the Board of Directors; (iii) all outstanding common stock shall then be retired at par value in full or on a pro rata priority; and (iv) the remaining assets and funds, if any, shall then be distributed ratably to Owners in proportion to their individual patronage for the past five (5) years as shown by the records of the Cooperative on as equitable a basis as the Board of Directors finds practicable.

BYLAW IX: RESTRICTIONS ON SALES AND TRANSFERS

Section 9.01. 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 shares of this Cooperative are transferable only with the consent and approval of the Board of Directors in accordance with the requirements of these Bylaws 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 X: AMENDMENTS

Section 10.01. Interpretation. The Board of Directors shall have the power to interpret these bylaws, apply them to particular circumstances, and adopt policies in furtherance of them, provided that all such actions are reasonable and consistent with these bylaws.

Section 10.02. Severability. 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 inoperative to the extent required by law and 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.

Section 10.03. Amendment. These bylaws may be amended or repealed in whole or in part by a majority of the owners who participate in the vote. An amendment may be proposed by resolution of the Board or by petition of at least five percent (5%) of owners in good standing. The proposed amendment shall be publicized to the ownership not less than four (4) weeks prior to any meeting at which the proposal is to be put to a vote. A proposed amendment may not be further amended at the meeting at which it is being considered. The Board of Directors

may make and amend any bylaws, which amendment is effective immediately, provided that such amendments are not in conflict with the Articles of Incorporation or applicable law. Any bylaw adopted or amended by the Board shall be reported at the next regular owners' meeting. Any Bylaw adopted or amended by the Board shall be at any time subject to amendment or repeal by the Owners upon prior notice, and for one year after such action by owners, the bylaw is not subject to amendment by the Board.