



BYLAWS  
OF  
RAINBOW GROCERY COOPERATIVE, INC.

Revised: 052893  
BYLAWS05.93

BYLAWS

OF

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## ARTICLE I

### MEMBERSHIP

#### Section 1.01. Classification of Members.

The Corporation shall have one (1) class of Members.

#### Section 1.02. Membership Qualifications.

Any natural person may become and remain a member of this Corporation by:

(a) Complying with such uniform conditions as may be prescribed by the Board of Directors;

(b) Being employed by this corporation for one thousand (1,000) hours or nine (9) months, whichever occurs first, including hours and months accumulated by employees before this bylaw provision was adopted;

(c) Making full payment for one share; and

(d) Being a resident of California.

#### Section 1.03. Transfers Prohibited.

No Member may transfer his or her Membership or any right arising therefrom.

#### Section 1.04. Bylaws and Articles to Prospective Members.

Each prospective Member, upon application for Membership, shall receive a copy of the Articles of Incorporation, Bylaws and Disclosure Document of the Corporation.

#### Section 1.05. Shareholders and Members.

"Shareholder" and "Member" and their plurals shall be synonymous terms throughout these Bylaws.

## ARTICLE II

### SHARES

Section 2.01. Share Issuance.

Shares may be issued for money paid in the amount of ten dollars (\$10.00) per share and shares may be allocated to Members as share dividends, patronage refunds, or other changes affecting outstanding shares. Members may not purchase any shares beyond the initial share required to become a member of this Corporation.

Section 2.02. Share Ownership.

Share ownership entitles a Member to only one (1) vote in the affairs of the Corporation, irrespective of the total number of shares a Member owns, and to all the rights of the Membership as described by statute, the Articles, and these Bylaws. Pursuant to subsection (b) of Bylaw Section 8.03, the Directors may declare noncumulative dividends on shares.

Section 2.03. Share Receipt and Disclosure Document.

(a) Except as provided in subsection (b) of this Bylaw Section, prior to issuing a share, the Corporation shall provide the purchaser of a share with a Disclosure Document. The Disclosure Document may be a prospectus, offering circular, brochure, or similar document, a specimen copy of the share certificate, or a receipt which the Corporation proposes to issue. The Disclosure Document shall contain the information required by Section 12401 of the California Corporations Code.

(b) The Corporation shall issue a share receipt or written advice of purchase to anyone purchasing a share upon the Member's first purchase of a share. No Disclosure Document need be provided to an existing Member prior to the allocation of additional shares if that Member has previously been provided with a Disclosure Document which is accurate and correct as of the date of the allocation of additional shares.

Section 2.04. Prohibition on Transfer of Shares.

No shares of this Corporation may be assigned or transferred. Any attempted assignment or transfer shall be wholly void and shall confer no rights on the intended assignee or transferee.

Section 2.05. Partial Withdrawal.

A Member having a monetary amount in his or her share account in excess of a monetary amount to be determined from time to time by the Board may cause the Corporation to purchase his or her excess share amount upon written request to the Directors. Subject to Bylaw Section 2.06, the Directors must, within three (3) years of such request, pay the

amount the Member requests in cash or other property or both. The exact form of payment is within the discretion of the Directors.

Section 2.06. Insolvency Delay.

The Corporation shall delay the purchase of shares as described in Bylaw Sections 2.05 and 3.04 if the Corporation, in making such purchase is, or as a result thereof would be, likely to be unable to meet its liabilities (except those whose payment is otherwise adequately provided for) as they mature.

Section 2.07. Unclaimed Equity Interests.

Any share of a member, together with any accrued and unpaid dividends and patronage distributions related to that member, that would otherwise escheat to the State of California as unclaimed personal property shall instead become the property of the Corporation if the Corporation gives at least 60 days prior notice of the proposed transfer to the affected member by (1) first-class or second-class mail to the last address of the member shown on the Corporation's records, and (2) by publication in a newspaper of general circulation in the county in which the Corporation has its principal office. No shares or amounts shall become the property of the Corporation under this section if written notice objecting to the transfer is received by the Corporation from the affected member prior to the date of the proposed transfer.

ARTICLE III

TERMINATION OF MEMBERSHIP

Section 3.01. Voluntary Withdrawal.

A Member shall have the right to resign from the Corporation and terminate his or her Membership by filing with the Secretary of the Corporation a written notice of resignation. The resignation shall become effective immediately without any action on the part of the Corporation.

Section 3.02. Death or Termination of Employment.

A Membership shall immediately terminate upon the death of a Member or the termination of a Member's employment by the Corporation.

Section 3.03. Termination Procedures.

Any termination of a Member's employment and Membership must be done in good faith and in a fair and reasonable manner.

Section 3.04. Settlement of Share Interest.

If a Membership is terminated for any reason set forth in this Article of the Bylaws, the share interest held by the Member shall be purchased by the Corporation, subject to Section 2.06 of these Bylaws, within three (3) years of the date of termination to the extent of the paid-up value of the Member's shares on such date. The Board, in so settling the Member's share interest, shall have the right to set off any and all indebtedness of the Member to the Corporation. The paid-up value of the Member's share interest is the monetary amount of such interest (including fractional shares) that the Member has been issued in accordance with Bylaw Section 2.01.

ARTICLE IV. MEMBERSHIP MEETINGS AND MEMBERS

Section 4.01. Location.

Meetings of members shall be held at the principal office of the Corporation.

Section 4.02. Regular Meetings.

A regular annual meeting of members shall be held on the first Tuesday in October at 9:15 p.m. for the purpose of transacting any proper business, including the election of Directors, that may come before the meeting. Three other regular meetings of the Members shall be held, one in each of the three calendar quarters in which the regular annual meeting is not held. If the day fixed for any regular meeting falls on a legal holiday, the meeting shall be held at the same time and place on the next day.

Section 4.03. Special Meetings.

Special meetings of members for any lawful purpose may be called by the Board of Directors or by five percent or more of the members.



Section 4.04. Time for Notice of Meetings.

Whenever members are required or permitted to take action at a meeting, a written notice of the meeting shall be given not less than 10 nor more than 90 days before the date of the meeting to each member who is entitled to vote on the record date for notice of the meeting. In the case of a specially called meeting of members, within 20 days after receipt of a written request, the Secretary shall cause notice to be given to the members entitled to vote that a meeting will be held at a time fixed by the Board not less than 35 nor more than 90 days after receipt of the request.

Section 4.05. Method of Giving Notice.

Notice shall be given either personally, or by mail or other written communication to the address of a member appearing on the books of the corporation or provided by the member. If no address appears or is given, notice shall be given at the principal office of the Corporation.

Section 4.06. Record Date for Notice.

The record date for determining the members entitled to notice of any meeting of members is 30 days before the date of the meeting.

Section 4.07. Contents of Notice.

The notice shall state the place, date, and time of the meeting. The notice of a regular meeting shall state any matters that the board, at the time of giving notice, intends to present for action by the members. The notice of a special meeting shall state the general nature of the business to be transacted. The notice of any meeting at which Directors are to be elected shall include the names of all nominees at the time of giving notice.

Section 4.08. Waivers, Contents, and Approvals.

The transactions of a meeting, whether or not validly called and noticed, are valid if a quorum is present and each of the absent members who is entitled to vote, either before or after the meeting, signs a written waiver of notice, a consent to the holding of the meeting, or an approval of the minutes of the meeting. All waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

A member's attendance at a meeting shall constitute a waiver of notice of and presence at the meeting, unless the member objects at the beginning of the meeting. However, attendance at a meeting is not a waiver of any right to object to the consideration of matters required to be

included in the notice but not included, if an objection is made at the meeting.

Section 4.09. Quorum at Meeting.

Members or Members representing at least twenty percent (20%) of the voting power shall constitute a quorum at a meeting of members. Any bylaws amendment to increase the quorum may be adopted only by approval of the members. When a quorum is present, the affirmative vote of the majority of the voting power represented at the meeting and entitled to vote shall be the act of the members, unless provided otherwise by these bylaws or the law.

Section 4.10. Loss of Quorum at Meeting.

The members present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum, if the action taken, other than adjournment, is approved by at least a majority of the members required to constitute a quorum.

Section 4.11. Adjournment for Lack of Quorum.

In the absence of a quorum, any meeting of members may be adjourned by the vote of a majority of the votes represented in person, but no other business may be transacted except as provided in Section 4.10 of these bylaws.

Section 4.12. Adjourned Meetings.

The Corporation may transact any business at an adjourned meeting that could have been transacted at the original meeting. When a meeting is adjourned to another time or place, no notice is required if the time and place are announced at the original meeting. If the adjournment is for more than 45 days or if a new record date is fixed, a notice of the adjourned meeting shall be given to each member of record entitled to vote at the meeting.

Section 4.13. Voting of Memberships.

(a) Each member of the Corporation is entitled to one vote on each matter submitted to a vote of the members.

(b) The record date for determining the members entitled to vote at a meeting or cast written ballots is the day of the meeting or the day on which the first ballot is mailed or solicited.

(c) Cumulative voting shall not be permitted for any purpose.

(d) Voting by proxy shall not be permitted for any purpose.

Section 4.14. Use of Written Ballots at Meetings.

A combination of written ballot and personal voting may be used at any regular or special meeting of members, and may be used for the election of Directors. Prior to the meeting, the Board may authorize distribution of a written ballot to every member entitled to vote. The ballots shall be distributed in a manner consistent with the provisions of Section 4.05, 4.19, and 4.17(b) of these Bylaws. When ballots are distributed, the number of members voting at the meeting by written ballot shall be deemed present at the meeting for purposes of determining a quorum but only with respect to the proposed actions referred to in the ballots.

Section 4.15. Contents of Written Ballot Used at Meeting.

Any written ballot used at a meeting shall set forth the proposed action to be taken, provide an opportunity to specify approval or disapproval of the proposed action, and state that unless revoked by the member voting in person, the ballot will be counted if received by the corporation on or before the time of the meeting.

Section 4.16. Action by Ballot Without Meeting.

Any action that may be taken at any regular or special meeting, including election of Directors, may be taken without a meeting through distribution of a written ballot to every member entitled to vote on the matter. The Secretary shall cause a vote to be taken by written ballot on any action or recommendation proposed in writing by 20 percent of the members.

Section 4.17. Contents of Written Ballot Used Without Meeting.

(a) Any ballot used without a meeting shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide a reasonable time within which to return the ballot to the Corporation.

(b) The form of written ballot distributed to 10 or more members shall afford an opportunity to specify a choice between approval and disapproval of each matter or group of related matters intended, at the time of distribution, to be acted on by the ballot. The form must also provide that whenever the person solicited specifies a choice with respect to any matter, the vote will be cast in accordance with that choice.

(c) A written ballot cannot be revoked. Approval by written ballot shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

Section 4.18. Solicitation of Written Ballots.

Ballots shall be solicited in a manner consistent with Sections 4.05, 4.19, and 4.17(b) of these Bylaws. The solicitations shall indicate the number of responses needed to meet the quorum requirement and specify the time by which the ballot must be received to be counted. Ballots other than for the election of Directors shall state the percentage of approvals necessary to pass the measure.

Section 4.19. Withholding Vote.

In an election of Directors, any form of written ballot which names the candidates for director and which the member has marked "withhold" (or otherwise indicated that the authority to vote in the election of directors is withheld) shall not be used for voting in that election.

Section 4.20. Appointment of Inspectors of Election.

In advance of any meeting of members the Board may appoint inspectors of election to act at the meeting and any adjournment. If inspectors are not appointed or if any appointed persons fail to appear or refuse to act, the chairperson of the meeting may, and, on the request of any member, shall, appoint inspectors at the meeting.

Section 4.21. Duties of Inspectors of Election.

The inspectors shall determine the number of memberships outstanding and the voting power of each, the number represented at the meeting, and the existence of a quorum. They shall receive votes, ballots, and consents, hear and determine all challenges and questions regarding the right to vote, count and tabulate all votes and consents, determine when the polls will close, and determine the result. They may do those acts which are proper to conduct the election or vote with fairness to all members. The inspectors shall perform these duties impartially, in good faith, to the best of their ability, and as expeditiously as is practical.

Section 4.22. Powers Reserved By the Members.

The following actions shall be approved by both Members and Board of Directors: (1) adoption of any wage policy and hiring and termination of employment policies and worker benefits; (2) significant changes in business operations; (3) any termination of members by the Board of Directors, subject to section 3.03 of these bylaws.

ARTICLE V. DIRECTORS

Section 5.01. Number.

The Corporation shall have seven (7) Directors, collectively known as the Board of Directors.

Section 5.02. Qualifications.

The Directors of the Corporation shall be members of the Corporation and residents of California.

Section 5.03. Nomination.

(a) The Board of Directors shall prescribe reasonable nomination and election procedures for the election of Directors given the nature, size, and operations of the corporation. The procedures shall include: (1) a reasonable means of nominating persons for election as directors, (2) a reasonable opportunity for a nominee to communicate the nominee's qualifications and the reasons for the nominee's candidacy to the members, (3) a reasonable opportunity for all nominees to solicit votes, (4) a reasonable opportunity for all the members to choose among the nominees.

(b) When the Corporation distributes any material soliciting a vote for any nominee for director in any publication owned or controlled by the Corporation, it shall make available to each other nominee, in the same material, an equal amount of space with equal prominence to be used by the nominee for a purpose reasonably related to the election. The Corporation shall mail to all members any material related to the election which a nominee for Director has furnished, upon written request and payment of mailing costs by the nominee or allow the nominee to obtain the names, addresses and voting rights of members within five business days after the request.

Section 5.04. Election.

The Directors shall be elected by written ballot in accordance with Section 4.06 of these Bylaws. The candidates receiving the highest number of votes up to the number of Directors to be elected shall be elected.

Section 5.05. Terms of Office.

The terms of office for Directors shall be one (1) year. Each Director shall hold office until the expiration of the term for which elected and until the election and qualification of a successor.

Section 5.06. Call of Meetings.

Meetings of the Board may be called by the Chairperson the Board, the President, any Vice President, the Secretary, or any two Directors.

Section 5.07. Place of Meetings.

Meetings of the Board may be held at any place designated in the notice of the meeting, or, if not stated in a notice, by resolution of the Board.

Section 5.08. Presence at Meetings.

Directors may participate at meetings of the Board through the use of conference telephone or other communications equipment, as long as all participating Directors can hear one another. Participation by communications equipment constitutes presence at the meeting.

Section 5.09. Regular Meetings.

Regular meetings of the Board shall be held, without call or notice at the principal office of the Corporation immediately following the annual meeting of members as set forth in Section 4.02 of these Bylaws.

Section 5.10. Special Meetings.

Special meetings shall be held on four days notice by first class mail or 48 hours notice delivered personally or by telephone or telegraph. Notice of special meetings need not be given to any director who signs a waiver of notice, a written consent to holding the meeting, or an approval of the minutes (either before or after the meeting), or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to that Director. All waiver, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 5.11. Quorum at Meetings.

A majority of the authorized number of Directors constitutes a quorum for the transaction of business.

Section 5.12. Acts of Board at Meetings.

Unless provided otherwise in the Articles, these Bylaws, or by law, every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present is the act of the Board. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, if any action taken is approved by at least a majority of the required quorum for the meeting or a greater number required by the articles, bylaws, or by law.

Section 5.13. Adjournment of Meetings.

A majority of the Directors present, whether or not a quorum is present, may adjourn to another time and place. If the meeting is adjourned for more than 24 hours, notice of the adjournment shall be given prior to the time of the adjourned meeting to the Directors who were not present at the time of adjournment.

Section 5.14. Action Without Meeting.

Any action required or permitted to be taken by the Board may be taken without a meeting, if all Directors individually or collectively consent in writing to the action. The consents shall be filed with the minutes of the proceedings of the board. Action by written consent has the same force and effect as a unanimous vote of the Directors.

Section 5.15. Executive Committees.

(a) The Board may create one or more committees to serve at its pleasure by resolution adopted by a majority of the number of Directors then in office when a quorum is present. Each committee shall consist of two or more Directors, appointed by a majority vote of the Directors then in office.

(b) Any executive committee, to the extent provided in the resolution of the Board, shall have all the authority of the Board, except with respect to the following actions:

- (1) The approval of any action for which the approval of the members or a majority of all members is required by law;
- (2) The filling of vacancies on the Board or in any committee that has the authority of the Board;
- (3) The fixing of compensation of the Directors for serving on the Board or on any committee;
- (4) The amendment or repeal of bylaws or the adoption of new bylaws;
- (5) The amendment or repeal of any resolution of the Board which by its express terms is not amendable or repealable;
- (6) The appointment of committees of the Board or their members;



- (7) The expenditure of corporate funds to support a nominee for Director after there are more people nominated for Director than can be elected.

Section 5.16. Resignation of Directors.

Any Director may resign effective upon written notice to the President, the Secretary, or the Board of Directors, unless the notice specifies a later time for the effectiveness of the resignation. If a resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

Section 5.17. Removal of Directors.

Any or all Directors may be removed without cause. If the Corporation has fewer than 50 members, the removal shall be approved by an affirmative vote or written ballot of a majority of the votes entitled to be cast. If the Corporation has 50 or more members, the removal shall be approved or ratified by the affirmative vote of a majority of the votes represented and voting at a duly held meeting at which a quorum is present or by written ballot, or by the affirmative vote or written ballot of any greater proportion of the votes as required in these Bylaws or by law.

Section 5.18. Cause of Vacancies of Board.

Vacancies on the Board of Directors shall exist on the death, resignation, or removal of any Director; whenever the authorized number of Directors is increased; whenever the Board declares an office vacant pursuant to Section 5.19 of these Bylaws; and on the failure of the members to elect the full number of Directors authorized.

Section 5.19. Declaration of Vacancies.

The Board may declare vacant the office of any Director whose eligibility for election has ceased, who has been declared of unsound mind by a final order of court, who is convicted of a felony, or who has not attended seven (7) or more consecutive regular or special meetings of the Board.

Section 5.20. Filling Vacancies on Board.

All vacancies on the Board of Directors shall be filled by approval of the members.

Section 5.21. Powers of the Board

Subject to Section 4.22 and 9.01 of the Bylaws and any other limitations imposed by law, the activities and affairs of this Corporation shall be conducted and all corporate powers shall be exercised by or under the direction of the Board of Directors.

## ARTICLE VI. OFFICERS

### Section 6.01. Titles.

The officers of the Corporation shall be a Chairperson of the Board, a President, a Secretary, a Chief Financial Officer, and any other officer with the titles and duties as determined by the Board and as may be necessary to enable it to sign instruments. The President is the Chief Executive Officer of the Corporation. The same person may not hold more than one office simultaneously. The Chairperson shall be chosen from among the Board members.

### Section 6.02. Appointment and Resignation.

The officers shall be chosen by the Board and serve at the pleasure of the Board, subject to the rights, if any, of an officer under any contract of employment. Any officer may resign at any time on written notice to the Corporation without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

## ARTICLE VII. CORPORATE RECORDS AND REPORTS

### Section 7.01. Required Records.

The Corporation shall keep adequate and correct books and records of account and minutes of the proceedings of its members, Board, and committees of the Board. It shall also keep a record of the members, including the names, addresses, and number of shares held by each. The minutes shall be kept in written form. Other books and records shall be kept either in written form or in any other form capable of being converted into written form.

Section 7.02. Annual Report.

(a) For fiscal years in which the Corporation has, at any time, more than 25 members, the Corporation shall notify each member yearly of the member's right to receive an annual financial report. The Board shall promptly cause the most recent annual report to be sent to a member on written request. The annual report shall be prepared no later than 120 days after the close of the Corporation's fiscal year.

(b) The annual report shall contain in appropriate detail all of the following: (1) a balance sheet as of the end of the fiscal year, an income statement, and statement of changes in financial position for the fiscal year; (2) a statement of the place where the names and addresses of the current members are located; and (3) the statement required by Section 7.03 of these Bylaws.

(c) The annual report shall be accompanied by any pertinent report by independent accountants, or, if there is no such report, by the certificate of an authorized officer of the Corporation that the statements were prepared without audit from the books and records of the corporation.

Section 7.03. Annual Statement of Transactions and Indemnifications.

In addition to the annual report described in Section 7.02, the Corporation shall furnish annually to its members and Directors a statement of the transactions and indemnifications to interested persons as required by law. If the Corporation does not issue an annual report pursuant to Section 7.02 of these Bylaws, the statement shall be mailed or delivered to members within 120 days after the close of the fiscal year.

## ARTICLE VIII

### SURPLUS ALLOCATIONS AND DISTRIBUTIONS

Section 8.01. Fiscal Year.

The fiscal year of the Corporation shall end at the close of the business day on the last day of June of each year.

Section 8.02. Surplus Defined.

"Surplus" shall be defined as the excess of revenues and gains over expenses and losses for a fiscal year. Such surplus shall be determined in accordance with generally accepted accounting principles and shall be

computed without regard to any patronage refunds, capital allocations, dividends, or income taxes.

Section 8.03. Allocations and Distributions of Surplus.

(a) Before any dividends or patronage refunds are distributed, any surplus should first be allocated to any deficit in Retained Earnings.

(b) After any deficit in Retained Earnings has been eliminated, the Directors may declare a dividend upon shares at a yearly rate not to exceed any maximum rate established by statute, but in no event to exceed twenty-five percent (25%) of the surplus for the fiscal year. No such dividends shall be cumulative.

(c) The Directors shall then uniformly distribute all the remaining surplus attributed to patronage of the Members of the Corporation to such Members as described in the following paragraphs of this subsection of the Bylaws. For the purposes of this subsection of the Bylaws, the remaining patronage surplus shall be computed without regard to any gains or losses on the sale or other disposition of assets. "Patronage" is defined as the hours worked and gross wages earned by each employee during the fiscal year. Gross wages and hours worked shall be given equal weight in determining the total patronage activity and the patronage of each employee.

(1) Any remaining patronage surplus attributed to the Members and to be distributed to them shall be the total remaining patronage surplus attributed to both Member and non-Member business (but reduced by dividends on shares and any allocations to eliminate a deficit in Retained Earnings) multiplied by the ratio of member patronage to total patronage.

(2) A member is entitled to a patronage refund, if such is distributed, in the amount of the remaining patronage surplus, as determined by paragraph (1) of this subsection of the Bylaws, multiplied by the ratio of such Member's patronage with the Corporation to the patronage of all Members.

(d) Any dividends or patronage refunds declared under this Bylaw Section may be in the form of shares, in whole or in part, subject to subsections (e) and (f) of this Bylaw Section.

(e) If the cash payment to a Member for such Member's dividends and patronage refunds together would total less than one dollar (\$1.00), the Directors shall distribute such dividends and patronage refunds wholly in shares.

(f) Each person who becomes a Member of this Corporation consents to include in his or her gross income for federal income tax purposes the amount of any patronage refund paid to him or her by this Corporation in money or by written notice of allocation (as defined in the Internal Revenue Code), except to the extent that such a patronage refund is not income to the Member because (i) it is attributable to the purchase of personal, living, or family items, or (ii) it should properly be treated as an adjustment to the tax basis of property previously purchased. The term "patronage refund," as used herein, shall have the same meaning as the term "patronage dividend," as used in the Internal Revenue Code.

(g) For the purpose of allocating and distributing the surplus, the entire operations of the Corporation shall be considered as a unit; provided that by resolution of the Board of Directors, the Corporation may distribute patronage refunds on the basis of the business transacted by each of the departments or divisions into which the operations of the Corporation shall be divided by the Board for the purpose of such allocation.

## ARTICLE IX

### BYLAW CHANGES

#### Section 9.01. Procedures.

The Bylaws shall be adopted, amended, or repealed only by the approval of at least two-thirds (2/3) of the Members. Amendments may be proposed by the president, the Board of Directors, or twenty percent (20%) of the members.

