

# BYLAWS OF CO-OP POWER, INC.

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## ARTICLE I. NAME

The name of the Cooperative shall be “*Co-op Power, Inc.*” (referred to herein as the “*Cooperative*”).

## ARTICLE II. PURPOSES

This Corporation is a cooperative corporation organized pursuant to Chapter 157. The Corporation shall operate on a cooperative basis, and shall be empowered to operate for any and all lawful purposes and activities for which cooperative corporations may be organized under Massachusetts law, and to transact any and all such business incidental thereto, primarily for the benefit of its members. The Corporation shall have all powers provided by Massachusetts law. In addition to and without limiting this general purpose, the Corporation shall engage in the manufacture, purchase, sale and resale bio-diesel and other fuel products and related goods and services to both members and non-members.

## ARTICLE III. OFFICE

The registered office of the Cooperative shall be located at 277 Federal Street, Greenfield, MA 01301. The Cooperative may have offices in such other locations as may be deemed by the board of directors to be necessary or convenient to the transaction of business and service of Members.

## ARTICLE IV. MEMBERSHIP AND LOCAL ORGANIZING COUNCILS

*Section 1. Member.* Any applicant who meets all membership qualifications and who is approved by the board of directors, or its delegate, shall be a Member of this Cooperative. Only Members may hold Membership Shares and be entitled to vote. As used in these bylaws, “Member” shall refer to those meeting these requirements who are duly accepted for membership. Membership shall continue from year to year for as long as an individual or entity remains eligible for membership under these bylaws, unless that individual or entity is terminated or resigns.

*Section 2. Member Qualifications.* Membership is open and voluntary without gender, social, racial, political or religious discrimination. Any natural person or legal entity, who declares himself/ herself/ itself to be interested in the Cooperative’s objectives and purpose and the promotion of the same, who agrees to be a patron of the Co-op and to abide fully by its articles of incorporation, bylaws, rules and regulations, who executes a Membership Agreement in a form adopted by the Board of Directors from time to time, purchases a Membership Share on terms established by the Board of Directors, remits any required Membership Fee, and who meets such other qualifications as may be prescribed by the Board of Directors, is eligible to become a Member of the Co-op. For this purpose, the Board of Directors or the Members may establish one or more types of membership, and establish various purchase prices for a Membership Share for each type of membership (and, if authorized by the Members pursuant to Article IV, Section 5, establish varying levels of Membership Fees for each type of membership), but all Members who purchase Membership Shares shall have the same rights as Members specified in the Cooperative’s articles of incorporation and bylaws.

The board of directors or its delegate must approve all applications for membership, and any application for membership may be rejected in the sole and absolute discretion of the

board of directors or its delegate. Member status (“membership”) is effective as of the time the Membership Share is purchased.

*Section 3. Membership Fee.* From time to time the Members may, by majority vote at a regular or special meeting of Members, establish an annual or one-time membership fee, whether refundable or non-refundable, or adjust the amount of such fee, as is deemed appropriate for the benefit of the Cooperative. The membership fee charged may vary for various types of membership as established by the Board of Directors or the Members. The Members may also delegate authority to the Board of Directors to establish membership fees. All applicants for membership shall pay a membership fee at the time of application, if so required.

*Section 4. Membership Shares.* Each applicant for membership shall, at the time of acceptance of their membership application, purchase one Membership Share, which they shall hold for as long as he/she remains a Member.

*Section 5. Annual Dues.* From time to time the Members may, by majority vote at a regular or special meeting of Members, determine the need for and assess annual Member dues in an amount deemed appropriate for the benefit of the Cooperative. The annual dues may vary for various types of membership as established by the Board of Directors or the Members. The Members may also delegate authority to the Board of Directors to establish the amount of annual dues. Annual dues may also be assessed for non-member Patrons. Members and Patrons shall be obligated to pay Annual Member Dues promptly when due. Dues are non-refundable.

*Section 6. Transfer of Membership Prohibited.* Membership in the Cooperative is nontransferable. Any attempt by a Member to transfer, sell or assign membership or a Membership Share shall be void.

*Section 7. Suspension or Termination of Member.* The board of directors may either suspend a Member’s rights as a Member or terminate Member status if the Board shall find, after notice and an opportunity for the Member to be heard, that a Member has:

- Ceased to be an eligible Member under these bylaws or under policies established by the Board,
- Violated the Cooperative’s articles of incorporation, bylaws, policies, rules or regulations,
- Sold or otherwise transferred or attempted the transfer of membership or a Membership Share to any non-Member, or
- Violated the Membership Agreement or other agreement(s) made with the Cooperative, or for other good cause.

Upon a Member’s termination, the Cooperative shall redeem that terminated Member’s Membership Share for the consideration described in Article X. Termination or suspension shall not relieve that Member of the obligation to pay any dues, assessments, or other charges accrued and due but unpaid.

A suspended or terminated Member shall have no rights or privileges resulting from any previous membership held, nor shall a suspended or terminated Member be entitled to vote or to otherwise have a voice in the management or affairs of the Cooperative other than the right to participate in accord with the law if the Cooperative is dissolved.

*Section 8. Resignation of Member.* Any Member may resign membership by filing a written resignation with the Secretary of the Cooperative, subject to acceptance by the board of directors or its delegate. Resignation shall not relieve the resigning Member of the obligation to pay any dues, assessments, or other charges accrued and due but unpaid.

Upon a Member's resignation, the Cooperative shall redeem that resigned Member's Membership Share for the consideration described in Article X.

*Section 9. Reinstatement of Member.* Upon a written request, signed by a suspended, terminated or former Member and filed with the Secretary of the Cooperative, the board of directors may, in its sole discretion, reinstate Member status on such terms as the Board may deem appropriate. Upon a Member's reinstatement, that Member shall purchase a Membership Share, if one is not already validly issued to him/her.

*Section 10. Patron.* Anyone who is a non-Member and who uses the services of this Cooperative is a Patron, unless otherwise specified in an agreement between the non-Member and the Cooperative.

*Section 11. Local Organizing Councils.* The Board of Directors is authorized to establish from time to time one or more Local Organizing Councils upon application by a group of Members organized by territory or to develop a community-scale sustainable energy project, and upon a determination by the Board of Directors and management of the cooperative that the proposed Local Organizing Council meets the criteria established by the Members at the July, 2007 annual meeting as such criteria may be modified from time to time by the Members (or if authorized by the Members, by the Board of Directors). Each Local Organizing Council established shall (1) enter into a "project agreement" with the Cooperative outlining the roles, responsibilities, action plans, timelines and budgets for the Local Organizing Council's activities, (2) elect a governing board from among its Members according to procedures established in the project agreement, and (3) have the right to appoint one of its Members to the Board of Directors pursuant to Article VI. The governing board for each Local Organizing Council shall have only such power and authority as is specified in the project agreement, and shall include at least one director designated from among the members of the Board of Directors (who shall not be a Member of the Local Organizing Council).

## **ARTICLE V. MEETINGS OF MEMBERS**

*Section 1. Annual Meeting.* The annual meeting of the Members of this Cooperative shall be held at such place, within or outside of the State of Massachusetts, day and time as the board of directors may determine from time to time. Unless the Board shall declare otherwise, the annual meeting shall be held in Greenfield, Massachusetts during the month of June. The purpose of the annual meeting shall be to elect directors, report to Members on the operations and fiscal affairs of the Cooperative, and to transact such other business as may come before the meeting.

*Section 2. Annual Report.* The Board shall cause to be issued a written annual report on the business, financial condition, operations and status of the Cooperative, and shall provide the same to Members and Patrons in advance of but no later than each annual meeting. The annual report shall include, but not be limited to: the name of the Cooperative, its principal place of business, a general statement of business operations during the fiscal year, the number of members, the amount of membership fees received, a report on the Capital Plan and the amount of its assets, liabilities and indebtedness.

*Section 3. Special Meetings.* Special meetings of the Members of the Cooperative may be called at any time by order of the board of directors, and shall be called upon the written request of at least fifty (50) percent of the number of Members in good standing who sign, date, and deliver to the Secretary one or more written demands for a special meeting describing the purpose(s) for which it is to be held. The board of directors may designate any time and place to hold any special meeting.

*Section 4. Notice of Meetings.* Written notice of every regular, annual and special meeting of Members shall be delivered to each Member and Patron by first class mail or electronic mail, whichever is more convenient, at least twenty (20) days in advance of said meeting. Such notice shall state the nature of the business expected to be conducted, any election to be held and the candidates for office, and the time and place of the meeting. No business shall be transacted at any special meeting other than that referred to in the notice of that meeting.

*Section 5. Voting.* Only a Member in good standing to whom a Membership Share has been validly issued may vote at any meeting of Members. Each Member shall be entitled to one vote on any issue. Voting shall be in person, by alternate or by proxy.

The Cooperative's list of holders of Membership Shares shall determine who is entitled to vote at any meeting.

*Section 6. Member Quorum.* The presence of at least fifty percent (50%) of the number of Members of the Cooperative, as shown on the books of the Cooperative, shall constitute a quorum at any properly called annual or special meeting of Members. Unless otherwise required by the articles of incorporation, these bylaws, or by applicable law, a vote of a majority of the Members present and voting thereon at a meeting at which a quorum is present shall determine the action of the Members.

*Section 7. Adjournment.* If less than a quorum of Members is present at any meeting, a majority of the Members there present may vote to adjourn the meeting until further notice. Following such adjournment, and under the condition that no earlier-present Member has departed the meeting and the meeting participants have not disbursed, if it is then determined that a quorum is now present, the meeting may be resumed and called to order. Thereafter, any business may be transacted that might have been transacted at the meeting before adjournment.

If the meeting participants have disbursed, no action may be taken until notice of a reconvened meeting has been given in accord with these bylaws, and a quorum is present at such reconvened meeting.

*Section 8. Rules.* Meetings of the Members shall be governed by Robert's Rules of Order, as these rules may be changed or amended thereafter from time to time.

## **ARTICLE VI. DIRECTORS AND OFFICERS**

*Section 1. Number and Qualification of Directors.* The Cooperative shall have a board of directors ("Board") consisting of (a) one director appointed by each Local Organizing Council and (b) a number of at-large directors to be elected by the Members which shall be *not less than five (5) and not more than nine (9)* directors as determined by the Board of Directors (provided that, for each Local Organizing Council established pursuant to Article IV, Section 11, the number of at-large directors elected shall be reduced by one until the total number of at-large directors is reduced to five (5)). Each director appointed or elected shall be a Member in good standing of this Cooperative.

No person shall be eligible for directorship or remain as a director if that person is in competition with, or is affiliated with any enterprise that is in competition with, the Cooperative. A director shall not, during the term of his/her office, be a party to any contract for profit with the Cooperative differing in any way from the business relations accorded each Member of the Cooperative unless such contract has received the prior approval of a neutral majority of the Board. If a majority of the board of directors of the Cooperative finds at any time, after notice and an opportunity for the director to be heard,

that any director is so engaged or affiliated, that person shall resign or be removed promptly by a majority vote of the board of directors.

*Section 2. Nomination and Election of Directors.* Not less than sixty (60) calendar days prior to the annual meeting, the Secretary shall call upon the Members to nominate qualified candidates for any at-large director elections. A Member in good standing may nominate any other qualified Member in good standing for election to the board of directors as an at-large director. Said nomination must be made in writing and submitted to the Secretary no later than thirty (30) calendar days prior to the annual meeting. If there are insufficient candidate nominations to conduct any election, or if the Members so decide at any Member meeting, the Members may vote to suspend the nomination process in this bylaw and accept nominations from the floor at the annual meeting so that an election may be held.

The directors to be appointed by the Local Organizing Councils shall be appointed pursuant to policies and procedures established by the Board of Directors from time to time or as specified in the project agreement for the Local Organizing Council. At the first annual meeting of the Members of this Cooperative, directors shall be elected to succeed the incorporators.

All directors shall be elected or appointed to serve a term of three years each. The Cooperative will establish a Board with staggered terms according to election and appointment policies adopted by the Board of Directors to ensure that, as nearly as possible, one-third of the directors are elected or appointed each year.

All at-large directors will be elected by written, secret ballot, and the nominee(s) receiving the greatest number of votes shall be elected.

*Section 3. Election of Officers.* The board of directors shall meet within seven (7) days after each annual election and shall elect from their number a President, Vice President, Secretary, and Treasurer, each of whom shall hold office until the election and qualification of a successor, unless earlier removed by death, resignation, or by action of the board of directors. All officers shall be Members in good standing of the Cooperative. The same person may hold any two or more offices, except that the same person may not hold the offices of President and Secretary.

*Section 4. Removal of Officers.* Any officer may be removed at any time by a majority vote of the board of directors, when in its judgment the interests of the Cooperative would be served thereby.

*Section 5. Vacancies.* Whenever a vacancy occurs in the board of directors, other than from the expiration of a term of office, (a) in the case of an at-large director, the remaining directors shall appoint a qualified Member to fill the vacancy until the next regular annual meeting of the Members, at which time an election shall be held, and, (b) in the case of an appointed director, the Local Organizing Council who appointed the director shall appoint a qualified Member to fill the vacancy. The term of any director, elected or appointed for the purpose of replacing a vacating director, will be for the same year or years that were remaining in the vacating director's term.

*Section 6. Regular Board Meetings.* In addition to the meetings mentioned above, regular meetings of the board of directors shall be held monthly, whenever possible, or at such other times and at such places as the Board may determine. Unless closed pursuant to the Board's policy, all Board meetings shall be open to attendance by all Members and Patrons.

Board meetings and committee meetings may be conducted by telephone conference call or other electronic media provided that a reasonable attempt has been made to reach all directors, a quorum is present, and technical arrangements permit all persons participating to hear one another at the same time. Such participation shall constitute presence in person at a meeting.

Any action required or permitted to be taken at any meeting of the board of directors, or any committee thereof, may be taken without a meeting if all members of the board or committee consent thereto in writing, and such writing is filed with the minutes of the proceedings of such board or committee.

*Section 7. Special Board Meetings.* A special meeting of the board of directors shall be held whenever called by the President or by a majority of the number of directors. Only the business specified in the written notice shall be transacted at a special meeting. Each call for a special meeting shall: be in writing, outline the purpose of the meeting, be signed by the person or persons calling the meeting, be addressed and delivered to the Secretary, and state the time and place of such meeting.

*Section 8. Notice of Board Meetings.* Oral, written, or electronic notice of each regular meeting or special meeting of the board of directors shall be given to each director by, or under the supervision of, the Secretary of the Cooperative not less than *48 hours* prior to the time of the meeting. Any director may waive such notice in writing, and his/her appearance at said meeting, as evidenced by the minutes of the meeting, shall automatically constitute a waiver of notice. A meeting schedule for the year approved by the board of directors shall constitute sufficient advance notice of all such meetings.

*Section 9. Board Quorum / Board Action / Democratic Process.* A majority of the board of directors shall constitute a quorum at any meeting of the Board. Unless otherwise required by the articles of incorporation, these bylaws, or by applicable law, a vote of a majority of the directors present and voting thereon at a meeting at which a quorum is present shall determine the action of the Board.

*Section 10. Rules.* Meetings of the board of directors and committees shall be governed by Robert's Rules of Order, as these rules may be changed or amended thereafter from time to time.

*Section 11. Reimbursement and Compensation.* The Cooperative shall reimburse directors for all reasonable expenses incurred in carrying out their duties and responsibilities, subject to budget limitations and controls established by the board of directors. The Cooperative shall not financially compensate directors.

*Section 12. Removal of Directors.* Whenever any director fails to meet the qualifications as described in Section 1 of this Article, fails to satisfactorily perform his / her duties, fails to attend three (3) consecutive Board meetings, either regular or special, without just and reasonable cause, or for other just cause when removal is deemed by a majority of the Board (without counting the director under consideration for removal) to be in the best interests of the Cooperative, and provided that notice and an opportunity for the director to be heard has been given in accordance with these bylaws, then it shall be the duty of the Board to remove said director by a majority vote of the Board and to fill the vacancy in accord with Section 5 of this Article.

A director appointed by a Local Organizing Council may be removed at any time by the Local Organizing Council subject to any requirements or restrictions contained the project agreement for the Local Organizing Council.

Members, through a petition noting the charges and signed by at least fifty (50) percent of the number of Members, may request the removal of any member of the Board. Such director shall be notified in writing of the charges and be given an opportunity to be heard at a meeting of the Members. Removal of a director by Member petition shall require a vote of more than fifty (50) percent of the number of Members voting at a meeting called for this purpose.

*Section 13. Director Term Limit.* No member shall be eligible to serve on the board of directors if that individual has previously served two consecutive Board terms, unless at least one year has elapsed between his / her last service on the Board and the nomination for another term.

## **ARTICLE VII. DUTIES OF DIRECTORS**

*Section 1. General Powers and Management of Business.* The board of directors shall: have general supervision and control of the business and the affairs of the Cooperative, hire a manager, keep itself informed of and periodically review the operations of the Cooperative, provide for the payment of the reasonable and necessary expenses of the Cooperative, approve an annual budget, establish the future business and financial direction of the Cooperative through strategic planning and annually report on this to Members, and make all rules, policies, and regulations not inconsistent with applicable laws, the articles of incorporation or these bylaws for the management of the business, the mutual benefit of Members and Patrons and the guidance of Members, officers, employees and agents of the Cooperative.

*Section 2. Employment of Manager.* The board of directors shall have power to employ, define duties, fix compensation, supervise and dismiss a manager with or without cause at any time. The Board shall authorize the employment of such other employees, agents, and counsel as it deems necessary or advisable from time to time in the best interests of the Cooperative. The manager shall have charge of the ordinary and usual business of the Cooperative, under the supervision of the board of directors, and shall perform such other duties and exercise such authority as the Board may vest in the manger from time to time.

*Section 3. Bonds and Insurance.* The board of directors may require the manager and all other officers, agents, workers and employees charged by the Cooperative with the responsibility for the custody of any of its funds or negotiable instruments to give an adequate bond. Such bonds, unless cash security is given, shall be furnished by a responsible bonding company and approved by the board of directors, and the cost thereof shall be paid by the Cooperative. The board of directors shall provide for adequate insurance of Cooperative property, or property in the possession of or stored by the Cooperative and not otherwise adequately insured, and, in addition, adequate insurance covering general liability, liability for injury and accidents to workers or employees and the public, director and officer liability insurance and such other insurance as the Board shall deem necessary and prudent.

*Section 4. Accounting System and Audits.* The board of directors shall cause to be installed an accounting and records system which shall be adequate to meet the requirements of the business and shall require proper records to be kept of all business transactions.

The board of directors shall cause a review of the Cooperative's books and records to be performed annually, or at such other time interval as the Board may establish, by such person(s) as the Board shall vest with this responsibility. All review findings shall be reported to the Board, which shall ensure that any required actions are promptly taken. A summary of these review findings and any actions taken shall be reported to the Members.

*Section 5. Depository.* The board of directors shall: select one or more banks to act as depositories for the funds of the Cooperative, determine the manner of receiving, depositing, and disbursing the funds of the Cooperative, establish the form of checks, and authorize the person(s) by whom they shall be signed. The Board shall reserve the power to change at will such banks and the person(s) signing checks, and shall ensure that appropriate security procedures are established to safeguard access to depository funds.

*Section 6. Executive Committee; Other Committees.* The Board may, at its discretion, appoint from its own number an Executive Committee of no more than 5 members, and determine their tenure of office, powers and duties. The Board may delegate to the Executive Committee all or any stated portion of the functions and powers of the Board, subject to the general direction, approval, and control of the Board. Copies of the minutes of any Executive Committee meeting shall be mailed or otherwise delivered to all directors within seven (7) days following such meeting and shall be posted in a conspicuous place for the information of Members

The board of directors may, at its discretion, establish such other committees and vest them with such powers and duties, as the Board deems appropriate.

*Section 7. Signatory Authority.* Unless otherwise stated in these bylaws, the President shall have all general signatory power and authority to execute all instruments and writings of whatever kind on behalf of the Cooperative, including but not limited to all: checks and drafts, negotiable instruments, contracts and agreements, deeds and leases, tax returns, applications for loan or grant and all related documentation, loan agreements, promissory notes and mortgages and other documents granting security therefor.

In addition, the board of directors may authorize in writing any officer(s), the manager, employees, agents or others to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Cooperative, and such authority may be general or confined to specific business.

*Section 8. Loans.* No loans shall be contracted on behalf of the Cooperative and no evidence of indebtedness or pledge or mortgage of Cooperative property shall be issued in its name unless approved by a resolution of the board of directors. Such authority may be general or confined to specific instances.

## **ARTICLE VIII. DUTIES OF OFFICERS**

*Section 1. Duties of President.* The President shall (1) preside over all Board meetings and Member meetings of the Cooperative, unless another is designated by the Board; (2) call special meetings of the board of directors; (3) appoint such committees as the board of directors may deem advisable for the proper conduct of the Cooperative; (4) ensure that all orders and resolutions of the Board are put into effect, (5) perform all acts and duties usually performed by a presiding officer, and (6) have such authority and perform such acts and duties as may be prescribed by the Board from time to time.

*Section 2. Duties of Vice President.* In the absence or disability of the President, the Vice President shall perform the duties of the President, provided, however, that in case of the death, resignation, or disability of the President, the board of directors shall have the prerogative to declare the office vacant and elect any eligible person as President. The Vice President shall have such authority and perform such other acts and duties as may be prescribed by the President or the Board from time to time.

*Section 3. Duties of Secretary.* The Secretary shall be the Clerk of the Cooperative corporation, and shall keep a complete record of all meetings of the Cooperative and of the board of directors, and shall have general charge and supervision of the books and records of the Cooperative.

The Secretary shall sign papers pertaining to the Cooperative as authorized or directed by the board of directors. The Secretary shall serve all notices required by law and by these bylaws, and shall make a full report of all matters and business pertaining to the office and operation of the business to the Members at the annual meeting. The Secretary shall keep the corporate seal and all books of blank Membership Certificates, complete and countersign all certificates and Membership Certificates issued and affix the corporate seal to all papers requiring a seal; shall keep all Member records; shall make all reports required by law; and shall have such authority and perform such other duties as may be required by the Cooperative or prescribed by the President or the board of directors.

Upon the election of a successor, the Secretary shall promptly turn over to the successor all books, records and other property belonging to the Cooperative.

*Section 4. Duties of the Treasurer.* The Treasurer shall be responsible for the custody, keeping and disbursing of all monies, funds, accounts, bank accounts and other financial assets of the Cooperative, and shall keep full and accurate records and books of account for Members and for all transactions of the Cooperative. The Treasurer shall make such reports as may be required, and shall make a full report of all financial matters and the financial condition of the Cooperative to the Members at the annual meeting. The Treasurer shall have such authority and perform such duties with respect to the finances of the Cooperative as may be prescribed by the President or the board of directors.

Upon the election of a successor, the Treasurer shall promptly turn over to the successor all monies, financial assets, property, books, records and documents pertaining to his/her office or belonging to the Cooperative.

## **ARTICLE IX. OPERATION AT COST AND MEMBERS' CAPITAL**

*Section 1. Operation at Cost.* The Cooperative shall at all times be operated on a cooperative, service-at-cost basis for the mutual benefit of its Members. The Cooperative may accumulate only such capital, reserves and other financial assets as are determined by the Board to be necessary and prudent to the ongoing operation of the Cooperative's business.

Within a reasonable time after the end of each fiscal year, the Board shall determine the net earnings of the Cooperative for said fiscal year, which determination shall be made in accord with generally accepted business principles and practices, or otherwise as the Board may direct upon the advice of the Cooperative's accountant or other professional advisor.

The net earnings of the Cooperative for said year from all the business of the Cooperative other than business done with or for Members or Patrons may be retained by the Cooperative as unallocated reserves or surplus. In setting aside funds for reasonable reserves for necessary purposes of the Cooperative, the Board must first set aside such net earnings.

If there are no net earnings on such business, or if such net earnings are insufficient to provide for reasonable reserves for necessary purposes of the Cooperative, as determined by the Board, then reasonable reserves may be set aside by the Board from the net earnings on business done with or for Members or Patrons.

*Section 2. Annual Budget and Capital Plan.* The Board shall adopt an annual budget for the operation of the business, and shall monitor and review spending performance on this budget on at least a quarterly basis. The Board shall also adopt Capital Plan, which shall be reviewed at least annually thereafter, to establish and provide for the capital needs of the Cooperative. The Capital Plan shall provide for establishing and maintaining capital in an amount sufficient to maintain the Cooperative's facilities and real property owned by the Cooperative and to secure access to products and services for members. Each Member shall contribute capital in such amount(s) as may be required by the Capital Plan, as it may be amended from time to time, when so notified by the Board.

The Cooperative shall record all capital contributions made by each Member to that Member's Individual Capital Account. If capital is accumulated in excess of the amount provided for in the Capital Plan, such excess shall be returned to Members on an equitable basis as provided for in Article X

*Section 3. Patronage Refunds.* If available, patronage refunds (patronage dividends) shall be declared and paid from net earnings (net margin) at the end of each fiscal year, as required in these bylaws. Each year, the Cooperative shall be obligated to account for and pay on a patronage basis to all Members all of the Cooperative's net earnings (net margin) over and above the cost of providing services to Members, after paying all costs and making reasonable additions to capital and reserves and redeeming capital credits.

All Members shall be treated equitably, and patronage refunds shall be paid in proportion to and based on the volume or value of products and services purchased by each Member from the Cooperative during the year in question or based on such other equitable method as is established by the Board. Patronage refunds to Members shall be paid in cash or the equivalent or by an appropriate credit to a Member's capital account or in both forms of distribution, as may be determined by the Board from time to time.

*Section 4. Declaration and Notice of Patronage.* The Cooperative shall, within eight and one-half (8½) months after the close of each fiscal year, declare and pay any available patronage refund as required by these bylaws and shall notify each Member thereof.

The patronage notice shall be in the form of a written notice of allocation or a per-unit retains certificate (as those terms are used in Sub chapter T of the Internal Revenue Code) or other appropriate document. The Board shall have full discretion to issue such notices and certificates in either "qualified" or "nonqualified" form, as permitted by the Internal Revenue Code and other applicable law.

*Section 5. Capital Contributions.* Each Member of the Cooperative shall provide capital in such amount(s) as shall be established by the board of directors from time to time according to the Capital Plan adopted by the Board. Capital requirements of Members shall be determined equitably and based on the volume or value of units of products and services purchased from the Cooperative or based on such other equitable method as is established in the Base Capital Plan. Such amounts shall be allocated to the Member's capital account. Patronage refunds may be credited to Members' capital accounts, when the Board so directs.

*Section 6. Dividends.* No dividends or interest shall be paid on capital accounts.

*Section 7. Records and Documentation.* The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year, the amount of capital, if any, furnished by each Member is clearly reflected and credited in an appropriate record to the capital account of each Member.

*Section 8. Lien for Sums Owed.* The Cooperative shall have a first priority lien on each Member's capital account and any other assets held for the Member by the Cooperative for any sums owed to the Cooperative by such Member. The Board may authorize the Cooperative to set off any amount owed by the Member against such assets at any time after the Member has been so notified and the obligation remains due and unpaid for more than 30 days. Any debt to the Cooperative shall be satisfied first before retiring any sums from a Member's capital account or other Member asset.

*Section 9. Fiscal Year.* The fiscal year of this Cooperative shall commence on the first day of January and end on the last day of December.

*Section 10. Allocation Units.* The Board of Directors may from time to time establish allocation units to reflect the projects or activities of a Local Organizing Council or on any other reasonable and equitable basis, and such allocation units may be functional, divisional, departmental, geographic or otherwise. If more than one allocation unit is established, the Board of Directors shall adopt such reasonable and equitable accounting procedures as will, in the Board's judgment, equitably allocate among the various allocation units the Cooperative's income, gains, expenses and losses.

## **ARTICLE X. MEMBER EQUITY AND EQUITY REDEMPTION**

*Section 1. Class A Voting Common Stock.* Members who meet membership requirements shall purchase one (1) share of Class A Voting Common Stock, also called **Membership Shares**, having no par value. The board of directors shall establish the number of Class A shares authorized to be outstanding at any one time and the value of such shares. The record owner of Class A Voting Stock shall be as it appears on the books and records of the Cooperative, and such record owner shall be entitled to one vote on any matter before Members for a vote regardless of the number of shares held. Ownership of Class A Voting Stock is restricted to Members of the Cooperative, and such shares may not be assigned, sold or otherwise transferred by the record owner, whether voluntarily or involuntarily or by operation of law or otherwise, except by action of the Cooperative, which shall act as the transfer agent for all transfers of shares. Upon the termination or withdrawal from Membership of the record owner, his/her Class A Voting Stock shall be retired immediately at par value by the Cooperative's board of directors. No dividends shall be paid on shares of Class A Voting Stock. All Class A Voting Shares shall be valued equally and shall have equal benefits and rights except as provided (a) in Article II with respect to the purchase price for Membership Shares, annual dues and membership fees, (b) in Article VI with respect to appointment of directors by Local Organizing Councils, and (c) in Article IX with respect to patronage determinations in allocation units.

*Section 2. Class B Non-voting Preferred Stock.* Holders of Class B Preferred Stock are designated as "Class B Stockholders." The Cooperative may issue Class B Non-voting Preferred stock, under a plan to be adopted by the board of directors, which plan shall include; (a) determining a suitable book value and share price prior to issuance, and (b) compliance with applicable securities laws in the method of offering and selling such shares. Class B Non-voting stock shall have no par value, and may be owned by any Member or non-Member wishing to provide capital to the Cooperative. The board of directors shall establish the number of shares of Class B stock authorized to be outstanding at any one time. The record owner of Class B Non-voting Stock shall be as it appears on the books and records of the Cooperative, and such record owner shall not be entitled to vote on any matter before Members for a vote. Ownership of Class B Non-voting Stock is restricted to record owners as it appears on the books and records of the Cooperative, and such shares may not be assigned, sold or otherwise transferred by the

record owner, whether voluntarily or involuntarily or by operation of law or otherwise, except by action of the Cooperative, which shall act as the transfer agent for all transfers of shares. Class B Non-voting Preferred Stock may be retired upon request of the record holder at the discretion of Cooperative's board of directors, provided that the board determines that such retirement shall not have a material adverse financial affect on the fiscal soundness of the Cooperative. Dividends paid on shares of Class B Non-voting Stock shall be non-cumulative, and may be declared solely at the discretion of the Board. Dividends shall be paid in accordance with the terms by which the shares were issued, and the amount of such dividends shall not exceed eight percent (8%) per year based on the book value of the shares. All Class B shares will be offered for sale and sold in accord with applicable securities laws under a plan approved by legal counsel.

*Section 3. Individual Capital Account and Internal Capital Accounts.* The Cooperative shall have a system of Internal Capital Accounts as equity accounts to reflect its net worth, to reflect the allocation of net worth among the Members and Class B Shareholders, and to determine the redemption value of Membership Shares, Class B Shares, and Patronage Refunds. Internal Capital Accounts shall consist of Individual Capital Accounts, a Retained Earnings Account, and any Class B Shareholder Accounts. The sum of the balances of the Internal Capital Accounts is the net worth of the Cooperative.

The Cooperative shall maintain an Individual Capital Account for each Member, and shall record each capital contribution and credit all other payments and sums due to or from the Member to this account, as provided for in these bylaws. No dividends or interest shall be paid on Individual Capital Accounts.

*Section 4. Regular Redemption.* If at any time the board of directors determines that the sound financial condition and prudent operation of the Cooperative and the Capital Plan will not be impaired thereby, the capital credited to Members' Individual Capital Accounts may be redeemed in whole or in part and may be paid to Members in any manner allowed by law. Any redemption of equity to Members is the sole and exclusive prerogative of the Board. A Member whose membership is terminated, whether voluntarily or involuntarily, shall not be entitled to any special redemption of equity beyond any regular redemption of equity that may be determined by the Board from time to time.

*Section 5. Discretionary Special Redemptions.* Notwithstanding any other provision of these bylaws, the Board, in its sole and absolute discretion, shall have the power to retire any capital credited to Members' Individual Capital Accounts on such terms and conditions as may be agreed upon by the parties in any instance, provided that the interests of the Cooperative and its Members are deemed to be furthered thereby and funds are determined by the Board to be available for such purposes.

## **ARTICLE XI. CONSENT TO PATRONAGE DISTRIBUTIONS**

Each person who applies for and is accepted as a Member in the Cooperative, and each Member of this Cooperative on and after the effective date of this bylaw who continues as a Member after that effective date, by such act alone:

- (a) Gives a continuing consent to the amount of any distributions with respect to his/her/its patronage occurring after the effective date of this bylaw, which are:
  - (i) made in qualified written notices of allocation or qualified per-unit retain certificates (as defined in 26 U.S.C. 1388), and
  - (ii) received by him/her/it from the Cooperative; and

(b) Makes a continuing agreement to take into account such distributions with respect to his/her/its patronage received from the Cooperative:

- (i) at their stated dollar amounts,
- (ii) in the manner provided in 26 U.S.C. 1385(a), and
- (iii) in the taxable year in which such written notices of allocation and per-unit retain certificates are received by him/her/it.

Written notification of the adoption of this Article, a statement of its significance, and a copy of the provision shall be given separately to each Member and prospective Member before accepting membership in the Cooperative.

## **ARTICLE XII. NON-MEMBER BUSINESS**

This Cooperative may conduct business with non-Member Patrons. However, this Cooperative shall not provide products/services to non-Member Patrons in an amount the total or aggregate value of which exceeds the total or aggregate value of the products/services provided to Members.

## **ARTICLE XIII. NON-PATRONAGE INCOME**

Non-patronage income is income coming from non-Member Patrons or other sources. The non-patronage income of the Cooperative shall be its gross receipts derived from all sources which under law do not qualify as patronage income, less all expenses properly attributable to the production of such non-patronage sourced income and all income taxes payable on such receipts by the Cooperative. Non-patronage income shall be used on behalf of the Cooperative and its Members in accord with such lawful purposes as may be determined by the board of directors from time to time, including assignment to an unallocated reserve account or allocation in whole or in part to Members.

## **ARTICLE XIV. LOSSES**

*Section 1. Patronage Losses.* If the Cooperative suffers a loss during any year on business conducted with or for Members (“patronage loss”), such loss may be apportioned among the Members during the year of loss so that such loss will, to the extent practicable, be borne by the Members of the allocation units giving rise to the loss and by those who are Members in the loss year on an equitable basis.

The Board shall have full authority to prescribe the basis on which capital furnished by Members may be reduced, or how such patronage loss will otherwise be equitably apportioned among the Members. In the event of a patronage loss in one or more allocation units, but not so much as to cause an overall loss for the fiscal year, such loss or losses may be prorated against each of the remaining profitable allocation units on the basis of their respective percentage of the net earnings (net margin) during the fiscal year.

*Section 2. Non-patronage Losses.* If in any fiscal year the Cooperative shall incur a loss other than on patronage operations (“non-patronage loss”), such loss shall be charged first against any reserve accumulated from non-patronage earnings in prior years.

*Section 3. No Member Liability or Assessment.* No Member or Patron of this Cooperative shall be liable for any debt or loss of the Cooperative. The board of directors shall have no authority to make assessments against Members for operating money or to cover losses incurred by the Cooperative. This section shall not be construed to deprive the Cooperative of the right to carry backward or forward losses from any

source whatsoever in accordance with the Internal Revenue Code, state tax statutes or other applicable laws.

## **ARTICLE XV. DISSOLUTION AND PROPERTY INTEREST OF MEMBERS**

A two-thirds vote of the number of Members of the Cooperative shall be required to dissolve the Cooperative. In the event of the liquidation, dissolution or winding up of the affairs of the Cooperative, whether voluntary or involuntary, after paying or providing for the payment of all debts as provided by law, the holders of written notices of allocation will be entitled to receive an amount in cash equal to the stated amount of such written notices of allocation. The holders of written notices of allocation shall not be entitled to receive any further distributions with respect to such interests.

Thereafter, each Member will be entitled to receive an amount in cash equal to each of the following in this order: a) the payment of any unpaid sums in their Individual Capital Account; b) the return of the amount paid for their Membership Fee, not to include any annual membership dues or other fees; and c) the return of any capital contributions actually made. All of the remaining balance of the assets of the Cooperative will be distributed among Members on an equitable basis based on the value of business done with the Cooperative during the ten fiscal years immediately preceding dissolution, as shown by the books and records of the Cooperative, or by such other equitable method as the Board may determine at that time. No distribution need be made to any person who fails to acknowledge the receipt of notice of liquidation in a timely manner. Said notice shall be deemed sufficient if sent by certified mail, at least 30 days before distribution of any residual assets, to the person's last known business or residence address.

## **ARTICLE XVI. INDEMNIFICATION**

*Section 1. Indemnification.* The Cooperative shall indemnify to the fullest extent possible permitted by applicable law any director, officer, member of a governing board for any Local Organizing Council, or agent who was or is a party to any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she was a director, officer, governing board member, or agent of this Cooperative. Indemnification shall be for expenses (including attorney fees), judgments, fines, penalties and amounts paid in settlement of suits or claims that are actually and reasonably incurred by him or her in connection with such action, suit or proceeding, PROVIDED THAT he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Cooperative, and with respect to any criminal action, had no reasonable cause to believe his or her conduct was unlawful.

*Section 2. Advance for Expenses.* Upon a finding by the Board that there is a reasonable likelihood of indemnification, the Board may advance to a person to be indemnified the amount of his or her reasonable expenses incurred in defending any then pending action, suit or proceeding, PROVIDED THAT such person to be indemnified submits a written application for the advance of expenses which certifies therein, including the factual basis for such certification, that their conduct is reasonably likely to be indemnifiable hereunder and agrees to repay such sums advanced if their conduct is not indemnifiable hereunder, and PROVIDED FURTHER that legal counsel for the Cooperative concurs in the Board's finding of a reasonable likelihood of indemnification for such person.

*Section 3. Non-exclusive.* This indemnification bylaw shall not be deemed to exclude any other rights to indemnification to which those seeking indemnification may be entitled under any applicable law, insurance or other agreement.

*Section 4. Insurance.* The Cooperative shall purchase indemnification insurance coverage consistent with this bylaw, except to the extent that the cost thereof may be deemed by the Board to be fiscally prohibitive.

## **ARTICLE XVII. AMENDMENTS**

*Section 1. Bylaw Amendment.* If notice and the text of the bylaw change has been given in the notice of meeting, these bylaws may be altered, amended, repealed or new bylaws adopted at any regular or special meeting of the Members by the affirmative vote of the majority of the Members present.