

BY-LAWS
of the
PHOENIX FOOD COOPERATIVE
A Multistakeholder Food Cooperative

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Approved by Core Group August 31, 2021
Ratified by Members September 13, 2021

Article I: Organization

1.1 Name. The name of the organization shall be **Phoenix Food Cooperative** (henceforth “the Cooperative”).

1.2 Ownership and Purpose. The Cooperative shall be owned by its Community Members and Employee Members (each defined below), and shall operate in a manner, as determined by the Board of Directors (henceforth “the Board”), which advances and is consistent with the cooperative identity as defined by the International Cooperative Alliance:

a) Definition. A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

b) Values. Cooperatives are based on the values of democracy, equality, equity, and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others. The Phoenix Food Cooperative gives special emphasis to accessibility, transparency, and sustainability, as well as community, inclusivity, and integrity.

c) Principles. The cooperative principles are guidelines by which cooperatives put their values into practice:

1) Voluntary and Open Membership. Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without discrimination on the basis of age, sex, race, color, religion, disability, marital status, national origin, immigration or refugee status sexual orientation, or gender identify or expression.

2) Democratic Member Control. Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. People serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organized in a democratic manner.

3) Member Economic Participation. Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions and

contributions to the cooperative; and supporting other activities approved by the membership.

4) Autonomy and Independence. Cooperatives are autonomous, self-sufficient organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

5) Education, Training, and Information. Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public — particularly young people and opinion leaders — about the nature and benefits of cooperation.

6) Cooperation among Cooperatives. Cooperatives serve their members most effectively and strengthen the Cooperative Movement by working together through local, national, regional and international structures.

7) Concern for Community. Cooperatives work for the sustainable development of their communities through policies approved by their members.

1.3 Fiscal Year. The fiscal year of the Cooperative shall end on June 30, unless changed by the Board.

Article II: Membership

2.1 Eligibility. Membership in the Cooperative shall be open to any individual or legal entity that is in accord with the Cooperative's purposes and is willing to accept the responsibilities of membership.

2.2 Classes of Membership. There are two classes of membership. The "Employee" class consists of all worker patrons of the Cooperative as defined herein who have purchased an "Employee Membership Share" (the "Employee Member"). The "Community" class consists of all individual consumer patrons and legal entity consumer members of the Cooperative as defined herein who have purchased a "Community Membership Share" (the "Community Member" and together with the Employee Member, the "Members"). Eligibility, responsibility and terms specific to the two classes of membership are outlined in Articles III and IV of these Bylaws.

2.3 Nondiscrimination. Membership shall be open without regard to any characteristic that does not directly pertain to a person's eligibility. The Cooperative shall not discriminate on the basis of discrimination by age, sex, race, color, religion, disability, marital status, national origin, immigration or refugee status sexual orientation, or gender identify or expression.

2.4 Rights. Members have the right to elect the Board, attend meetings of the Board, receive notice of and attend membership meetings, petition as described in these bylaws, and approve amendments to these bylaws.

Each Member shall have one vote on all matters submitted to Members. The rights of Members shall apply only to active Members in Good Standing (as defined below). All rights and responsibilities of Members are subject to applicable state law, the bylaws as they may be amended from time to time, and policies and decisions of the Cooperative or the Board.

Article III: Community Members

3.1 Admission. Any eligible person may be admitted to Community Membership upon submitting an application and investing equity, as purchased in the form of a Community Membership Share, in an amount and on such terms as determined by the Board. A Community Membership Share will function for all intents and purposes as an ownership certificate. Ownership shall be in the name of an individual as the primary owner, or, if a legal entity, the name of an individual selected as their designated representative, and not more than one designated secondary owner or representative. Equity payments may be made in installments or covered by third-party charitable or community organizations, as determined by the Board. A legal entity applying for membership must name a single individual as an authorized representative.

3.2 Responsibilities. Community Members shall keep current in equity investments due to the Cooperative, keep the Cooperative informed of any changes in name or current address, maintain an Arizona address, and abide by these bylaws and the policies and decisions of the Cooperative or the Board. Community Members shall also patronize or partake in volunteer opportunities with the Cooperative. A Community Member who upholds these responsibilities is considered an active member in good standing (“Good Standing”).

3.3 Termination of Membership. A Community Member may terminate their membership voluntarily at any time by written notice to the Cooperative. Membership may be terminated involuntarily by the Board for cause after the Community Member is provided fair notice of the reasons for proposed termination and has an opportunity to respond in person or in writing. Cause may include intentional or repeated violation of any provision of the Cooperative’s bylaws or policies, actions that will impede the Cooperative from accomplishing its purposes, actions or threats that adversely affect the interests of the Cooperative or its Members, willful obstruction of any lawful purpose or activity of the Cooperative, breach of any contract with the Cooperative, or failure to patronize the business for more than 3 years.

3.4 Return of Equity. Equity may be returned upon termination of membership in the Cooperative, under terms determined by the Board, provided that the Board has determined that the equity is no longer needed by the Cooperative.

3.5 Unclaimed Equity. If a Community Member voluntarily or involuntarily terminates membership in the Cooperative and fails to inform the Cooperative of his or her mailing address, then the equity and patronage dividend amount allocated to that Community Member will be retained by the Cooperative or donated to a non-profit to the extent authorized by state law.

3.6 Non-transferability. Membership rights and member equity may not be transferred in any manner.

Article IV: Employee Members

4.1 Eligibility. All employees of the Cooperative are eligible for Employee Membership after a suitable vesting period, as determined from time to time by the Board. Any person eligible for Employee Membership shall be ineligible for Community Membership, and vice versa, such that each individual, Employee or Community Member, never has more than one vote. Equity and any appreciation of value can be counted towards transfer of membership from Employee to Community Member and vice versa.

4.2 Price. The price of an Employee Membership Share shall be established by the Board of Directors. An Employee Membership Share will function for all intents and purposes as an ownership certificate. Workers who have begun paying for an Employee Membership Share as part of a payroll deduction plan and are in good standing with regard to periodic payments are entitled to all the rights and privileges of Membership, including voting and dividend rights.

4.3 Qualification and Transfer of Shares. Upon accepting a permanent position with the Cooperative, an employee enters a vesting period. A “permanent position” shall be defined as a specific paid role for which there is a job description and the intention by the Cooperative to maintain the position over time. The vesting period shall be six months. Employee Membership Shares in the Cooperative may be purchased, owned, and/or held only by Employee Members of the Cooperative who have completed the vesting period. Each Employee Member may own no more than one Share of Membership Stock, which will entitle its holder to vote in any meeting of the Members. No Employee Member may sell, assign any interest in, or otherwise transfer their Membership Share during the period of his or her employment with and membership in the Cooperative. All certificates representing Employee Membership Shares shall, in accordance with the law, have a notation thereon referring to the restrictions governing the transfer of these Shares.

4.4 Termination of Membership. An Employee Member may terminate his or her membership voluntarily at any time by written notice to the Cooperative. Employee Membership may be terminated involuntarily by the Board for cause after the Employee Member is provided fair notice of the reasons for proposed termination and has an opportunity to respond in person or in writing. Cause may include intentional or repeated violation of any provision of the Cooperative’s bylaws or policies, actions that will impede the Cooperative from accomplishing its purposes, actions or threats that adversely affect the interests of the Cooperative or its Members, willful obstruction of any lawful purpose or activity of the Cooperative, or breach of

any contract with the Cooperative. When an Employee Member voluntarily or involuntarily ends their employment in the Cooperative, their Membership automatically ends and their Employee Membership Share shall be deemed transferred back to the Cooperative. The Cooperative shall redeem the Member's Share at its original price, after offsetting against the Share price any debts that the Member owes to the Cooperative unless such redemption would impair the Cooperative's finances as determined by the Board of Directors. If at the time of termination of Employee Membership said Employee Member is deemed by the Board of Directors to be in good standing, he or she is then free to purchase a Community Membership, if so desired, in keeping with the provisions elsewhere.

Article V: Member Meetings and Decision Making

5.1 Annual Meeting. A membership meeting (henceforth "Annual Meeting") shall be held each year at a time and place to be determined by the Board. The purpose of such meetings shall be to hear reports on governance, operations and finances, to review issues that vitally affect the Cooperative, and transact such other business as may properly come before the meeting.

5.2 Special Meetings. The Board may call special meetings of the membership. The Board shall call a special meeting if presented with a written petition stating a proper purpose and signed by 15% of Community Members and 15% of Employee Members, or minimum of 3 Members of each membership Class, Community and Worker, whichever number is greater. Notice of special meetings shall be issued to Members. In the case of a petition, notice of the special meeting will be issued within ten (10) days after a presentation of the petition to the Board. No business shall be conducted at that special meeting except that specified in the notice of meeting.

5.3 Notice of Meetings. Notice of the date, time, place, and purpose of each meeting of the membership shall be posted in a conspicuous place at the Cooperative and on the Cooperative's website and communicated to members via email not less than 15 days prior to the date of the meeting.

5.4 Voting. Voting on all matters that Members are entitled to vote upon will be accomplished through paper or electronic ballots, or both, as authorized by the Board. Unless otherwise specified in these bylaws, notice of the vote shall be posted in a conspicuous place at the Cooperative and on the Cooperative website and communicated by written notice delivered to Members' postal or electronic address not less than 15 days prior to the end of the election period. Unless otherwise stated in the articles of incorporation, or these bylaws, or required by law, all questions shall be decided by a vote of a majority of the Members voting thereon. Proxy voting is not allowed.

Unless otherwise required by these bylaws, each Member shall have one and only one vote on each matter submitted to a vote of Members irrespective of the number of shares held. Unless otherwise required by law or by these bylaws, issues shall be decided by a simple majority of votes cast except where one or more choices are to be made from several alternatives, in which case the alternative(s) receiving the most votes selected through a ranked-choice voting system

shall be considered approved. Meetings of Members shall be conducted generally in accordance with reasonable and accepted rules of parliamentary procedure.

5.5 Quorum. At any meeting of the Members, or for any vote of the Members, a quorum necessary for decision-making shall be 10% of the total number of Community Members and 10% of Employee Members, or 20 Community Members and 5 Employee Members, whichever is fewer, with a minimum number of five Members in total, Community or Employee.

5.6 Petitions by Members. Notices of a meeting of Members shall include any proper issues submitted by petition of at least 5% of Community Members or 5% of Employee Members or five Members in total, of either membership Class, whichever is greater according to membership totals. Petitions must be received not less than 30 days before the date of the meeting at which or in connection with which they are to be presented to a vote of Members.

Article VI: Board of Directors

6.1 General Powers. The Board shall be composed of no more than eleven Directors and maintain an odd number of Directors. Except for matters for which Member voting is required, the Board shall have full power to govern the Cooperative, including, but not limited to:

- a) assure that the vision, mission, and purpose of the Cooperative is articulated and carried out;
- b) create policies to ensure ethical operations, legal and financial accountability, tax and accounting compliance, and effective management of resources given their fiduciary responsibility;
- c) consider the annual budget presented by the General Manager, the Audit Committee, or another person or committee as the Board shall designate, and after any revisions it deems advisable, adopt the same;
- d) assessing organizational performance;
- e) hire, support, and evaluate the General Manager;
- f) establishing compensation, if any, for the Board;
- g) recruit and educate Directors and Members; and,
- h) create the policies, structure, and process for its own work.

6.2 Eligibility. Elected Directors must be Members of the Cooperative in good standing of at least six months, except for the founding board members. A person with a conflict of interest so continuing and pervasive that he or she is unable to effectively fulfill the responsibilities of a Director with the Cooperative shall not be qualified to serve as a Director.

The Directors shall accept any Community Member or Employee Member in good standing as a candidate for election to the appropriate class of the Board of Directors.

6.3 Number and Composition.

The Board shall be composed of the following:

- a) **Employee Members of the Board (“Employee Directors”).** There shall be up to two members of the Board of Directors elected by the Employee Members. If the Cooperative has more than ten workers other than the General Manager, there shall be two members of the board elected by the Employee Members. If the Cooperative has more than one but not more than ten workers other than the General Manager, there shall be one member of the board elected by Employee Members. The number of Employee Members on the board cannot be decreased. Employee Directors shall be elected by the Employee Members through a ranked choice method and serve one-year terms; other election logistics shall be determined by the Employees through a method of their choosing. An Employee Director who is also employed by the Cooperative whose employment ends is automatically removed from the Board.
- b) **Community Members of the Board (“Community Directors”).** There shall be a minimum of three and a maximum of six Community Directors on the Board elected by the Community Members in conjunction with the Annual Meeting. The Board may specify the number of Community Directors to be elects by the Community Members from time to time.
- c) **Appointed Members of the Board.** At least one and no more than three Directors may be appointed through unanimous agreement of the Community Directors and Employee Directors. Appointed Members of the Board need not be Members of the Cooperative.
- d) **Ex Officio Director.** The General Manager serves as an Ex Officio Member of the Board if not elected as an Employee Director. As Ex Officio Director, the General Manager does not have the same duties or powers as other Directors and only serves in an advisory capacity.

6.4 Terms and Elections of Community Directors. Elections shall occur annually, in a manner prescribed by the Board. Directors shall serve a term of three years and shall serve staggered terms so that approximately one-third (1/3) of the Board is elected each year.

Community Directors shall be elected at the first Annual Meeting by a simple majority using automatic runoff ranked-choice voting wherein members rank their top candidates in the same number of Directors to be elected.

At the first Annual Meeting of the Cooperative, all Community Director positions shall be elected. The Director seats shall be randomly assigned the following so as to stagger future elections:

- a) two Directors to serve a one-year term;
- b) two Directors to serve a two-year term;
- c) two directors to serve a three-year term; unless,
- d) a Director who expresses a preference for a term shorter than three years.

6.5 Vacancies. Any vacancy among Community Directors may be filled by appointment by the Board. A Community Director so appointed shall be appointed until the next Annual Meeting, when an election shall be held for who shall serve the remainder of the pertinent term, if not yet expired, notwithstanding aforementioned requirements of eligibility.

A vacancy among Employee Directors shall be filled by election by the Employee Members. An Employee Director shall serve the remainder of the pertinent term until expired, notwithstanding aforementioned requirements of eligibility.

6.6 Removal. A Director may be removed by decision of 2/3 of the remaining Directors for conduct contrary to the Cooperative or failure to follow Board policies. A Director may be removed by decision of the Members in accordance with the petition and voting provisions of these bylaws.

6.7 Meetings. The Board shall hold regular and special meetings at such time and place as it shall determine, and all Directors shall be notified in writing of said meeting at least five (5) business days in advance unless the Board agrees to a shorter notice.

The Board will provide reasonable notice of all board meetings to Members. Attendance at any meeting constitutes a waiver of notice of that meeting. Meetings shall be open to all Members unless the Board decides to go into executive session regarding confidential or proprietary matters such as labor relations or personnel issues; negotiation of a contract; discussion of strategic goals or business plans, the disclosure of which would adversely impact the Cooperative's position in the marketplace; and/or discussion of a matter that may, by law or contract, be considered confidential

6.8 Action Without a Meeting. Any action required or permitted to be taken at a meeting of the Board may be taken by written action affirmed by all of the Directors. The action is effective when affirmed by all of the Directors, unless a different effective time is provided in the action.

6.9 Quorum. A majority of the current Directors shall constitute a quorum and no decisions shall be made without a quorum.

6.10 Conflicts of Interest. Directors shall be under an obligation to disclose their actual or potential conflicts of interest. Directors having such a conflict shall absent themselves from discussion and decision of any related matter under consideration by the Board unless otherwise determined by the Board. Directors may not do business with the Cooperative except in the same manner as other Members generally do business with the Cooperative or under other conditions that are procedurally defined to avoid preferential treatment. Employee Directors may vote on matters concerning employee compensation, dividends, and other direct benefits to Employee Members.

6.11 Officers. The Board will designate officers as necessary for the effective conduct of Board business, consistent with any requirements of state law, as detailed in Article VII (“Officers of the Board”).

6.12 Indemnification. The Cooperative shall indemnify and reimburse each present, past, and future Director for any claim or liability (including expenses and attorneys’ fees actually and reasonably incurred in connection therewith) to which such person may become subject by reason of being a Director, to the full extent allowed by law, except to the extent the Director acted in bad faith.

6.13 Committees. The Board may designate one or more committees, each committee to consist of two (2) or more of the Directors of the Cooperative. The Board of Directors may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee, to the extent provided in the resolution of the Board, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Cooperative, but no such committee shall have the power or authority in reference to:

- a) adopting, amending, or repealing the Bylaws of the Cooperative; or
- b) approving, adopting, or recommending to the Members any action or matter expressly required by law to be submitted to Members for approval.

Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board. Each committee shall keep regular minutes of its meetings and make such reports to the Board as the Board may request. Except as the Board may otherwise determine, any committee may make rules for the conduct of its business, but unless otherwise provided by the Directors or in such rules, its business shall be conducted as nearly as possible in the same manner as is provided in these Bylaws for the conduct of its business by the.

The Cooperative shall have a standing committee dedicated to Inclusion, Accessibility, and Outreach.

Article VII. Officers of the Board.

7.1 Designation and Qualifications. The principal officers of the Cooperative shall consist of President, Vice President, Secretary and Treasurer. The Board may designate other officers or assistant officers.

7.2. Election, Terms, and Removal. Officers shall be elected by the Board at its first meeting following the annual meeting of owners. Officers shall serve for terms of one year or until election of their successors. Officers may be removed and replaced by the Board at any time whenever the best interests of the Cooperative would thereby be served.

7.3 Duties. In addition to signing or attesting to formal documents on behalf of the Cooperative as authorized by the Board, officers shall have the following duties and such additional duties as are determined by the Board:

- a) **President.** The President shall oversee the orderly conduct of all meetings, coordinating the activities of the Board, and maintaining effective communication with the general manager, and shall present a report of operations at the annual meeting of owners.
- b) **Vice President.** The Vice President shall perform the duties of the President in his or her absence or disability and assisting the President in the performance of his or her duties.
- c) **Secretary.** The Secretary shall oversee the keeping of adequate minutes of all meetings of the Board and of owners, overseeing the issuance of notices required under these bylaws, and authenticating records of the Cooperative.
- d) **Treasurer.** The Treasurer shall oversee the maintenance of financial records, issuance of financial reports and the filing of all required reports and returns, and shall present a financial report at the annual meeting of owners

Article VIII: Dividends

8.1 Patronage Dividend. The surplus earnings of the Cooperative from revenue generated from business with Members after paying taxes, interest on loans, and allocations to the Reserve Fund (see Article XI “Financial Practices” below) shall be allocated to Members as a Dividend, in relation to their membership class, Employee or Community Member. The Dividend shall be determined by the Board and shall be paid in cash, property, or written notices of allocations as consistent with cooperative principles, and applicable state and federal laws, including Subchapter T of the Internal Revenue Code. The Board shall determine when and how Dividend allocations and distributions will be made.

The Patronage Dividend may be credited to the Members’ Internal Accounts, should such accounts be created by the Board. At least 20% of each year's Patronage dividend, if any, must be paid out in cash/check to Members.

- a) **Community Member Patronage.** Fifty percent (50%) of any Dividend declared shall be allocated to Community Members in proportion to an individual Community Member’s purchases as a proportion of total Community Member purchases in a given fiscal year (exclusive of non-Member purchases).
- b) **Employer Member Patronage.** Fifty percent (50%) of any Dividend declared shall be allocated to Employee Members in proportion to an individual Employee Member’s hours worked as a proportion of total Employee Member hours worked in a given fiscal year (exclusive of non-Member hours worked).

- c) **Extraordinary Gains.** Margins produced by a transaction (such as income from the lease of premises, investment in securities, or from the sale or exchange of capital assets) which is directly related to the Cooperative's business will be deemed to be patronage sourced margins and may be distributed to members in proportion, insofar as is practicable, to their patronage during any period to which such margins are attributable, as determined by the Board.
- d) **Allocation of Losses.**
- 1) **Operating Losses.** An operating loss will be apportioned among the members and eligible patrons during the year of loss so that the loss will, to the extent practicable, be borne by those member – owners with respect to the loss year on an equitable basis, including charging the loss against allocated reserves, unallocated surplus, or the patronage equity. Members may not be directly assessed for any loss. The Board may also direct that all or part of any loss be carried forward or back so long as any carryforward or carryback will not place an inequitable burden upon past or future members.
 - 2) **Other Losses.** If, in any fiscal year, the Cooperative incurs a loss other than an operating loss, the Board may determine the basis on which patronage capital furnished by the members may be reduced or such loss is to be otherwise equitably apportioned among the members.

8.2 Consent of Members. By obtaining or retaining membership in the Cooperative, each Member consents to take into account, in the manner and to the extent required by federal and state tax law, any Dividend received from the Cooperative. Each Member also agrees that if his or her Dividend is not cashed within 90 days of the date on which it was issued by the Cooperative, the Cooperative shall have the right to make a contribution in the name of that Member to support other organizations aligned with the Cooperative's purpose in a manner as may be directed by the Board from time to time.

Article IX: Non-Voting Preferred Shares

9.1. Preferred Shares. The Board may by resolution establish and issue to any person or entity (whether member, nonmember patron, or other person or entity) one or more classes or series of non-voting Preferred Shares, may set forth the designation of classes or series of such Preferred Shares, and may fix the relative rights, preferences, privileges and limitations of each class or series of Preferred Shares.

The Preferred Share shall not be subject to any lien created in favor of the Cooperative in the Cooperative's bylaws. Dividends on Preferred Shares shall be at a rate per annum established by the Board and shall be non-cumulative, except that Dividends on any series or class of Preferred Shares may be cumulative if so specified by the Board at the time the issuance of the Preferred Shares is approved. Dividends payable on any series or class of Preferred Shares shall be

deducted in determining annual net earnings if and to the extent specified by the Board at the time the issuance of the Preferred Share is approved.

Subject to any restrictions approved by the Board at the time the issuance of the Preferred Shares is approved, any series or class of Preferred Shares may be retired in whole or in part at any time as determined by the Board upon payment of the par value thereof, which shall be the original share price designated for the preferred stock plus any unpaid Dividends declared thereon. In case of dissolution or liquidation, the owners of Preferred Shares shall be entitled and limited to receive the par value of their stock, which shall be the original share price designated for the Preferred Share plus any unpaid Dividends declared thereon before any payment is made to the holders of common stock Community Membership Shares and Employee Membership Shares.

Article X: Financial Practices

10.1 Equity Capital. The Board shall manage the Cooperative's equity capital in a way to preserve and build upon the Cooperative's financial position while also allowing for redemptions of equity as and when the Cooperative has the financial strength to redeem equity.

The Board may, from time to time, establish policies for redeeming equities, stock, or other forms of equity used for qualified or non-qualified notices of allocation, or the Board may eliminate equity redemption policies in favor of a capital management policy. Any of these policies may contain offers of discounts or required retentions of capital as part of any redemption of allocated equity.

The Board retains the power to amend, modify or repeal these policies and may do so retroactively, all in the sole discretion of the Board. For example, if the application of a policy to a specific circumstance suggests that the equity of a deceased Member should be paid to the Member's estate, the Board retains the right and power to determine whether to approve the expenditure. In each case, the Board may refuse any expenditure(s) if the Board determines that such expenditure(s) is (are) not in the interest of the Cooperative. Therefore, no equity redemption policy shall be interpreted to require any expenditure of capital and the Board retains all right and power to the final review and approval of each expenditure of capital for any redemption of equity. No person shall have any right whatsoever to require the retirement or redemption of their membership equities except in accordance with their term, or of any allocated capital reserve. Any redemption or retirement is solely within the discretion and on such terms as determined from time to time by the Board of this Cooperative.

10.2 Reserve Fund. A portion of the Cooperative's net income from patronage business may be maintained as a reserve fund (the "Reserve Fund") that will serve to protect Members and creditors from any operating losses that the Cooperative might incur. The Board will prior to any given fiscal year determine the proportion of the Cooperative's surplus or deficit from patronage business that will be allocated to the Reserve Fund, with the remainder of the surplus or loss to be allocated to the Members. The allocation of annual patronage earnings that can be placed into

an unallocated Reserve Fund shall be capped at 30% of patronage earnings for any given year, unless otherwise determined by the Board . The proportion of Dividends to be paid in cash and the proportion to be paid as a non-cash allocation to internal accounts shall be as periodically set by the Board.

Article XI: Dissolution and Liquidation

11.1 Asset Distribution. The Cooperative may be dissolved or liquidated upon a decision of the Board and a two-thirds (2/3) vote of the Members who participate in the vote. Upon dissolution of the Cooperative, its assets shall be distributed in the following manner and order:

- a) by paying or making provision for payment of all liabilities and expenses of liquidation;
- b) by redeeming any outstanding shares of preferred stock which, if they cannot be paid in full, shall be paid on a pro-rata basis, as provided in Article X; -
- c) by redeeming any equity accounts which, if they cannot be paid in full, shall be paid on a pro-rata basis, with initial capital contribution for Membership Shares paid prior to non-cash patronage equity;
- d) by distributing any remaining assets on the basis of patronage of members over a reasonable historical period determined by the Board or in a way that furthers the Cooperative's mission, as determined by the Board.

Article XII: Amendments to Bylaws

12.1 Amendment Process. These bylaws may be amended or repealed in whole or in part by a majority of the Members who participate in the vote. An amendment may be proposed by decision of the Board or by petition of at least fifteen percent (15%) of active Members. The proposed amendment shall be publicized to the membership not less than four (4) weeks prior to the voting process, which shall be held at a time and in a manner determined by the Board.

12.2 Amendment to Patronage Dividend Allocation. Provision in Article VIII, Section 1, pertaining to the 50 percent Dividend allocation to Community Members and 50% to Employee Members can only be changed with approval by majority vote of both groups voting separately.