

Bylaws of McHenry County Food Cooperative, dba Food Shed Co-op

Article 1: Organization

1.1 Name. The name of the organization shall be McHenry County Food Cooperative ("the Cooperative"). The Cooperative is a cooperative business organized under the laws of the State of Illinois.

1.2 Purpose. The Cooperative's purpose is to operate a cooperatively-owned grocery store that provides groceries and other consumer goods and services to its member owners and other patrons. The Cooperative's mission includes providing access to affordable, healthy, locally-produced food, fostering sustainable agriculture, and contributing to the economic and cultural vibrancy of the McHenry County, Illinois community.

As stated in its articles of incorporation, the Cooperative is organized and shall be operated for the primary and mutual benefit of its owners as patrons. The Cooperative is organized and shall be operated exclusively on a cooperative basis.

1.3 Cooperative Principles. The Cooperative shall be operated in accordance with the cooperative principles adopted by the 1995 General Assembly of the International Cooperative Alliance:

1. Voluntary and open ownership
2. Democratic member control, i.e. One Member = One Vote
3. Member economic participation
4. Autonomy and independence
5. Education, training, and information
6. Cooperation among Cooperatives
7. Concern for community

1.4 Location. The principal office of the Cooperative shall be located in McHenry County, Illinois.

1.5 Nondiscrimination. The Cooperative shall not discriminate on the basis of race, nationality, religion, age, gender, sexual orientation, or political affiliation.

1.6 Cooperative Management. The Cooperative supports participatory management. To that end, management of the Cooperative shall be conducted in a manner that enables employees to be involved in the decision-making process, via direct input or representation by an Employee Council, which shall adhere to the Cooperative's purpose and make decisions on personnel issues that affect all employees.

Article 2: Owners

2.1 Eligibility. Ownership in the Cooperative is voluntary and open to anyone who is able to benefit from the Cooperative and willing to accept the responsibilities of ownership. Any natural person age 18 years or older will become a member upon:

A. Approval of a completed member application under a procedure adopted by resolution of the Cooperative's Board of Directors (Board);

B. Purchase of at least two and no more than five shares of common stock of this Cooperative, at its par value of one hundred dollars (\$100) per share;
and

C. Meeting other ownership criteria as may be established from time to time by the Board.

The Board may make provisions allowing new owners to pay for their shares of common stock in installments over time and may allocate a portion of each payment as a non-refundable administrative fee.

If the Board has denied ownership to any natural person, that person may appeal to the owners of the Cooperative at the first regular or special owners' meeting thereafter, and ask that he or she be admitted to the Cooperative as an owner, and the action of the owners on the question of whether to admit such person as an owner shall be final.

When a new owner is admitted, the Cooperative will provide the new owner with a copy of the current Bylaws, including an explanation of patronage refunds.

One ownership may be shared by two or more adults sharing a household, and in the case of a shared ownership, the Cooperative will record the names and contact information of all adults sharing the

ownership in the Cooperative's records.

2.2 Non-Owner Patrons. The Board may establish categories of non-owner patrons (seniors or low-income people, for example) who may from time to time be offered certain Owner benefits, such as being able to make purchases at Owner prices, without having purchased shares of common stock. Any such designation will not bestow any right to vote or to be elected to the Board.

2.3 Owner Rights. Each owner shall be entitled to:

- A. Make purchases from the Cooperative on terms available to all owners;
- B. Vote in elections of the Cooperative's Directors and on all issues to be decided by the Cooperative's owners. The right to vote is personal and is not connected to the ownership of stock in the Cooperative. Each owner shall have one and only one vote;
- C. Attend meetings of the Board, except for such portions of meetings that the Board determines to close for discussion (but not decision) on matters of a confidential or sensitive nature;
- D. Receive notice of and attend owner meetings;
- E. Approve amendments to these bylaws; and
- F. Receive reasonably adequate and timely information about the Cooperative's operations and finances. The Board may limit an owner's access to information to protect confidential or sensitive information. Any owner's request for information may be accommodated by means other than direct access to the Cooperative's records.

Rights of owners shall be personal rights and not property rights.

2.4 Responsibilities. Owners shall:

- A. Remain current in equity investments due to the Cooperative;
- B. Inform the Cooperative of any changes in name or current address;
- C. Abide by these bylaws and the policies of the Cooperative and the Board;
- D. Make a purchase with the Cooperative (after the Cooperative has opened a business) at least once in every 12-month period.

An owner must fulfill these responsibilities to remain in good standing.

All rights and responsibilities of owners are subject to the bylaws as they may be amended from time to time, and to the policies and decisions of the Cooperative and the Board.

2.5 Inactive Status. An owner who becomes delinquent by one month in meeting the share purchase requirement, or who fails to patronize the Cooperative for a 12-month period (after the Cooperative has opened a business) shall be placed into Inactive Status. His or her participation rights, including the right to vote, shall then be suspended. An owner in inactive status may attain good standing upon fulfilling the duties of ownership, by recommending current payment of financial obligations and/or reestablishing a patronage relationship with the Cooperative. References in these bylaws to the rights and entitlements of owners shall be understood to refer only to owners in good standing.

2.6 Voluntary Termination of Ownership. A member may terminate his or her ownership voluntarily at any time by written notice to the Cooperative. The member's right to vote in the affairs of the Cooperative will terminate immediately. Within sixty (60) days of receiving a notice of voluntary termination, the Board shall pay any amounts due to the owner for redemption of the owner's shares under any policies adopted by the Board to govern share redemption.

2.7 Involuntary Termination of Ownership. Any owner's ownership may be terminated involuntarily by the Board for cause if the Board determines that the owner has:

- become ineligible for ownership for any reason;
- intentionally or repeatedly violated any provision of the Articles, these bylaws, or Cooperative policies;
- taken actions that could reasonably be expected to impede this Cooperative from accomplishing its purposes;
- taken or threatened any action that would adversely affect the interests of this Cooperative or its owners;
- willfully obstructed any lawful purpose or activity of this Cooperative; or
- breached any contract with this Cooperative.

Ownership may only be terminated after the owner has been provided fair notice of the reasons for the proposed termination and has had an opportunity to respond in person or in writing.

2.8 Death of a Member. In the case of an ownership that is shared by two or more adults in a household, upon the death of any of them, the ownership will be held only by the survivor(s), and the Cooperative will remove the name of the deceased from its member records. The surviving member(s) will be entitled to all equity and payments owned by and due to the ownership. The estate of the deceased shall remain liable for any debts or liabilities to the Cooperative.

In the event of the death of a member whose ownership was not shared with any other adult, the Cooperative shall interpret the notice of the member's death as a notice of voluntary termination of ownership. The Cooperative shall make any distributions payable to the deceased member's estate.

2.9 Return of equity. Equity shall be returned upon termination of ownership in the Cooperative, under terms determined by the Board, provided that the Board has determined that the equity is no longer necessary for the Cooperative's business needs.

2.10 Non-transferability. Owners' rights and interests may not be transferred except to the Cooperative.

2.11 Unclaimed property. If any owner moves and fails to notify the Cooperative of his or her new address, and if the Cooperative cannot contact the owner using reasonable efforts, then the Cooperative has no obligation to redeem the owner's common stock or to make any other distributions to that owner, and any amount owed to the owner and any balance in the owner's capital account will be transferred to the Cooperative.

2.12 Settlement of disputes. In any dispute between the Cooperative and any of its owners or former owners which cannot be resolved through informal negotiations, it shall be the policy of the Cooperative to prefer the use of mediation whereby an impartial mediator may facilitate negotiations between the parties and assist them in developing a mutually acceptable settlement. Neither party with a grievance against the other shall have recourse to litigation until the matter is submitted to mediation and attempted to be resolved in good faith.

Article 3: Owner Meetings

3.1 Annual meeting. An owner meeting shall be held each year at a time and place to be determined by resolution of the Board, which shall be within 100 days after the end of the Cooperative's fiscal year. At the annual meeting, the owners shall elect directors of this Cooperative for the terms of office and in the manner prescribed by these bylaws and shall transact such other business as may properly come before the meeting. Meetings of owners shall be conducted generally in accordance with reasonable and accepted rules of parliamentary procedure. The Board shall ensure that reports on the Cooperative's operations and finances and any other important issues are presented to the owners at the annual meeting.

3.2 Special meetings. Special meetings of the owners may be called by the Board, and shall be called by the President after receipt of a written petition signed by fifteen percent (15%) of the owners in good standing. 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 President. No business shall be conducted at the special meeting except that specified in the notice of the meeting.

3.3 Notice of meetings. Unless the owner has waived the right to notice, written notice of the time, place, and purpose of a meeting of owners shall be 1) mailed to each owner either separately or in a cooperative publication, or 2) personally delivered to the owner. The notice must be mailed or delivered not less than four (4) weeks nor more than eight (8) weeks prior to the date of the meeting. Owners may discuss, but may not make any decision on an issue that was not included in the notice of the meeting.

3.4 Waiver of Notice. Any owner may waive his or her right to receive notice of meetings by signing a written notice of such waiver and delivering it or mailing it to the Secretary of this Cooperative. The Cooperative will keep all such waivers signed by current owners in its files. Owners who have waived their right to notice will receive notice of all meetings by email not less than two weeks before the meeting.

3.5 Voting. Each owner shall have one and only one vote on each matter submitted to a vote of owners irrespective of the number of shares of common stock held. If one membership is shared by more than one adult in a household, the adults sharing the membership must determine how to cast their single vote; fractional voting is not allowed. Unless otherwise required by law or by these bylaws, issues shall be decided by a simple majority of votes cast, except where a choice is to be made from more than two alternatives, in which case the alternative receiving the most votes (a plurality) shall be considered approved. The Board shall institute policies and procedures to reasonably assure the integrity of the voting process. Owners may vote in person or by written proxy.

3.6 Quorum. The presence in person or by proxy ballot at the opening of the meeting of ten percent of all owners in good standing if the Cooperative has fewer than 500 owners, or 50 owners in good standing if the Cooperative has 500 or more owners, shall constitute a quorum for the transaction of business at any meeting of owners.

3.7 Proxy Voting. Owners who are absent from an owner meeting may vote by electronic or postal mail ballot in any matter submitted to a vote by owners. Ballots, together with the exact text of an issue for decision shall be included in the notice of the meeting at which the vote will be taken. A vote by written proxy must include the exact text of the proposed motion, resolution, or amendment to be acted upon at the meeting; a space for an affirmative vote and a space for a negative vote, one of which must be selected by the owner; and the owner's signature. An owner's properly executed proxy vote will be counted as that owner's vote at the meeting.

3.8. Decisions Reserved to Owners. A proposal to sell the Cooperative, to merge the Cooperative with another entity, to dissolve the Cooperative, or to establish a class of stock in the Cooperative other than common stock, may be approved only by the affirmative vote of two thirds (2/3) of the owners in good standing. In no case may the patrons' interest in governance rights be reduced below eighty percent (80%) of the governance rights of all patron and non-patron shareholders.

3.9. Issues Submitted by Owners. The agenda of a meeting of owners shall include any proper issue submitted by petition of at least seven percent (7%) of all owners. Petitions must be received by the Cooperative not less than sixty (60) days before the date of the meeting at which they are to be presented to a vote of owners.

Article 4: Board of Directors

4.1 Powers and duties. Except for matters reserved to the owners by law or by these bylaws, the affairs of the Cooperative will be governed by the Board of Directors.

The duties of the Board shall include, but not be limited to, overseeing the operations and finances of the Cooperative; establishing policies to guide operational decisions; engaging a general manager and monitoring and evaluating his or her performance; securing good conditions of employment and reasonable employee benefits for the Cooperative's employees; and making sure that the purpose and mission of the Cooperative are properly carried out.

Specifically, the Board shall have the power to select one or more credit unions, banks, or other financial institutions at which to deposit the Cooperative's money, and to determine the person or persons who shall have authority to sign checks and otherwise spend the Cooperative's money.

4.2 Number and qualifications. The Board shall be composed of nine (9) Directors, elected from among owners of the Cooperative. To be qualified as a Director, a person must:

A. be at least 18 years old;

B. have been an owner for at least six (6) months prior to the commencement of the Director's term, except for Directors who were also Incorporators of the Cooperative;

C. not have any significant conflict of interest with the Cooperative.

4.3 Nominations, election and terms. Directors may be nominated by the Board, by a nominating committee, or by petition signed by at least fifteen (15) owners and submitted to the Cooperative at least sixty (60) days before the date of the annual meeting. Directors shall be elected by owners at the annual meeting, and owners may elect a Director to fill the unexpired term of a vacant Director position at any special or annual meeting. At the first annual meeting after adoption of these bylaws and periodically thereafter as necessary to create staggered terms, Directors shall be elected for specific one-, two-, or three-year terms so that no more than three Directors' terms expire in each year. In general, Directors shall be elected for terms of three years. Candidates receiving the highest number of votes shall be given the longest available terms. Directors shall hold office until their successors are elected or until their offices are sooner terminated in accordance with these bylaws.

4.4 Compensation. Directors may be, but are not required to be, compensated for serving on the Board. Compensation of Directors may be set by resolution of the Board, except that a decision of the owners on the issue of Director compensation

will override the Board's resolution. Directors may be reimbursed for reasonable expenses incurred in carrying out the Cooperative's business.

4.5 Standards of conduct. Directors shall be responsible at all times for discharging their duties in good faith, in a manner that they reasonably believe to be in the best interest of the Cooperative, and with the care that an ordinarily prudent person in a like position would use under similar circumstances.

4.6 Conflicts of interest. Directors have an affirmative duty to disclose their actual or potential conflicts of interest in any matter under consideration by the Board, and such interest shall be recorded in the minutes of the meeting. Directors having such an interest shall be permitted to make a statement with regard to the matter and shall then be required to leave the meeting room while the

disinterested Directors discuss the issue. A transaction in which a Director has an interest shall be prohibited unless the transaction is fair to the Cooperative and is approved by a majority of all disinterested Directors.

4.7 Committees. The Board may appoint special or standing committees to advise the Board or to exercise such authority as the Board designates. Such committees shall include at least one Director. Committees are subject at all times to the oversight and control of the Board. The appointment of any committee shall not relieve the Board of its responsibilities of oversight of the Cooperative. The Board shall have at least a Finance Committee and an Audit Committee.

4.8 Termination. A Director's term of office may be terminated prior to its natural expiration in any of the following ways:

- A. Voluntarily when a Director gives notice of resignation to the Secretary;
- B. Automatically upon termination of the Director's ownership interest in the Cooperative;
- C. By decision of two-thirds (2/3) of the other Directors for conduct contrary to the Cooperative's purpose or policies, provided that the Director is given fair notice of the reason for the proposed termination and an opportunity to respond in person or in writing.
- D. A Director who is absent from three (3) consecutive Board meetings or four (4) meetings in any one-year period, unless excused by the Board for good cause, shall be deemed to have resigned.

4.9 Vacancies. Any vacancy among Directors may be filled by appointment by the Board. A Director so appointed shall serve until the next annual or special owner meeting at which Directors are to be elected, and at that meeting, the owners shall elect a Director to fill the unexpired term of the vacant Director's position.

Article 5: Officers of the Board

5.1 Officers. At the annual meeting of the Board of Directors, the Board shall elect from its members a President; one or more Vice-Presidents; and a Treasurer and a Secretary, or a Secretary-Treasurer. The Board may designate other officers as the Board deems necessary or helpful. The General Manager is an officer of the Board but is not a Director; the General Manager shall serve in a non-voting advisory role to the Board of Directors. This provision does not add or subtract from the General Manager's fiduciary duties. The General Manager does not count towards quorum for Board meetings.

5.2 Officers' 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:

- A. The President shall be responsible for assuring the orderly conduct of all meetings, coordinating the activities of the Board, and maintaining effective communication with the Manager, and shall present a report of operations at the annual meeting of owners.
 - B. The Vice President(s) shall be responsible for performing 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. The Secretary shall be responsible for recording and keeping minutes of all Board and owner meetings; giving notices when required; and authenticating records of the Cooperative.
 - D. 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 quarterly financial reports to the Board, and a financial report at the annual meeting of owners.
 - E. The General Manager shall be responsible for administering the day-to-day activities of the Cooperative under the direction and control of the Board.
- The Board may assign additional duties to any of the officers.

5.3 Removal of Officers. The owners may remove an officer (other than the Manager) at an owners' meeting for cause related to the duties of the position, and may choose another Director to fill the resulting vacancy. Any officer (other than the Manager) may be removed by the Board of Directors if the Board determines that doing so would serve the best interests of the Cooperative. Any vacancy among the officers caused by such removal shall be filled by the Board of Directors. No election or appointment to an office of this Cooperative shall itself create any contract rights.

Article 6: Meetings of the Board

6.1 Annual Meeting. Within thirty (30) days after each annual owners' meeting, the Board of Directors shall meet for the purpose of electing officers of the Board and for the transaction of such other business as shall come before the meeting. The annual meeting of the Board of Directors shall

be held at such time and place as may be fixed by the Board.

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

6.3 Special Meetings. Special meetings of the Board of Directors may be called by the President, and must be called upon request by any three (3) Directors. Any special meeting of the Board shall be held at the time and place designated in the notice of the meeting.

6.4 Notice of Meetings. Notice of each annual, regular, and special meeting of the Board of Directors shall be given by the President or Secretary at least five (5) days in advance of the meeting to each director by telephone, email, or in person, unless a shorter time period is agreed to. Notices of meetings of the Board shall also be posted in a timely manner and in a conspicuous place on the Cooperative's website and in the Cooperative's store, but an inadvertent failure to post such notice shall not affect the validity of any business transacted at the meeting.

6.5 Waiver of notice. Notice of any meeting of the Board of Directors may be waived either before, at, or after the meeting, in writing signed by each Director. A Director, by attending any meeting of the Board of Directors, shall be deemed to have waived notice of such meeting, except when a Director attends the meeting solely for the purpose of objecting to the transaction of business because the meeting was not lawfully convened.

6.6 Quorum. The presence in person of a majority of Directors shall constitute a quorum for the transaction of business at any meeting of the Board.

6.7 Decision Making. Decisions of the Board shall be made by consensus, whereby all expressed concerns are resolved or those having unresolved concerns agree to approve the proposal despite the concern. The Board shall take action only by the affirmative vote of all Directors participating in the decision. A director who votes to approve a proposal despite concerns or reservations shall make those concerns or reservations known to the board, and the secretary shall record them in the minutes. A director may abstain from voting when she/he has a conflict of interest or for some other reason feels that she/he should not participate in the vote. If diligent efforts have failed to produce a decision by consensus, and the issue requires immediate action, the Board may opt to make the decision by consensus minus one, and the decision to change from consensus to consensus-minus-one decision making may be made by consensus minus one.

6.8 Action Without a Meeting. Any action required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting only if a written consent to the action is signed by all of the Directors and filed with the minutes of meetings. The written action is effective when signed by all of the Directors, unless a different effective time is provided in the written action.

6.9 Open Meetings. Meetings of the Board and all committees shall be open to owners, except that portions of a meeting may be closed for discussion only as to matters of a confidential or sensitive nature.

Article 7: Indemnification and Insurance

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

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

Article 8: Capital Shares

8.1 Issuance and terms. To evidence capital funds provided by owners, the Cooperative shall issue shares of common stock. Shares may be issued only to persons eligible for, and admitted to ownership in, the Cooperative. Shares shall be issued only at their par value upon full payment. Shares shall not be entitled to any dividend or right to vote. (Rather, voting is a personal right of all owners of the Cooperative.) The minimum share purchase requirement may be increased generally, provided that such increase applies equally to all owners who join after the date of the increase.

8.2 Uncertificated Shares. The Cooperative's shares of common stock shall be uncertificated. All sales of stock shall be numbered and recorded in a stock register maintained by the Cooperative. The Cooperative shall send to each new owner, within a reasonable time after the owner has purchased shares, a written notice stating that the Cooperative is organized under the laws of the State of Illinois; the name of the owner to whom the stock is issued; and the number and class of shares issued, which shall be at least two shares and not more than five (5) shares of common stock. The notice shall prominently state that, in accordance with these bylaws, the shares are transferable only to the Cooperative and that the right to vote attaches to the status of ownership on a one-member-one-vote basis.

8.3 Redemption. Upon request following termination of ownership, shares shall be redeemed [re-purchased by the Cooperative] when replacement capital is provided by other owners. Shares shall be redeemable at their par value, less a reasonable processing fee, if any, as determined by the Board. Redemption proceeds shall be subject to offset by amounts due to the Cooperative by the member. The Cooperative will not redeem shares when doing so would impair the ability of the Cooperative to meet its other obligations as they become due. Reapplication for ownership after full or partial redemption shall be subject to full repayment of redemption proceeds.

Article 9: Patronage Refunds

9.1 Patronage Dividend. This Cooperative corporation operates on a cooperative basis and allocates earnings and losses to patron-owners on the basis of the business done with or for such patrons. Thus, in accordance with Section 1381 of the Internal Revenue Code of 1954 or its successor, this Cooperative shall declare a patronage dividend to be distributed among the owners. The surplus earnings of the cooperative, to the extent attributable to the patronage of owners, and after making payments due to creditors and allocations to the reserve fund, shall be allocated to the owners as patronage dividends in proportion to the total value of purchases made by each such owner during the preceding fiscal year. The patronage dividend will be allocated and distributed in such a manner and at such a time as to constitute patronage dividends within the meaning of federal income tax law. Any allocations of such a nominal amount as not to justify the expenses of distribution may, as determined by the Board, be excluded from distribution provided that they are not then or later distributed to other owners. Owners shall retain the right to waive in whole or in part, by action at a meeting of owners, any patronage refunds to which they may be entitled.

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

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

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

9.5 Net loss. In the event the Cooperative incurs a net loss in any fiscal year, such loss shall be allocated to owners in the same manner as for net income, subject to the exclusion of nominal

amounts as described in section 9.1. Any net loss shall be first charged against any deferred patronage refunds of prior fiscal years, and then from patronage refunds of subsequent fiscal years. Allocated net losses which are not offset by patronage refunds may be charged against the value of an owner's stock only upon termination of ownership. Allocated net losses shall not otherwise be assessed to or collected from owners.

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

Article 10: Dissolution

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

- (i) by paying or making provision for payment of all liabilities and expenses of liquidation;
- (ii) by redeeming any equity accounts which, if they cannot be paid in full, shall be paid in the order of the oldest outstanding amounts;
- (iii) by distributing any remaining assets in a way that furthers the Cooperative's mission, as determined by the Board.

The obligation to distribute shall be construed as a preexisting duty to distribute any patronage-sourced net gain realized in the winding up process to the maximum extent allowable by law.

Article 11: Interpretation and Amendment of Bylaws

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

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

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

The Board of Directors may make and amend any bylaws, which amendment is effective immediately. Any bylaw adopted or amended by the Board shall be reported at the next regular owners' meeting. Any Bylaw adopted or amended by the Board shall be at any time subject to amendment or repeal by the Owners upon prior notice, and for one year after such action by owners, the bylaw is not subject to amendment by the Board.

Appendix: EXPLANATION OF PATRONAGE DIVIDEND CONSENT PROVISION

Section 9.3 of the Cooperative's bylaws relates to when and how patronage dividends are required to be included in the taxable incomes of recipient owners. Section 1385(b) of the Internal Revenue Code provides that a patronage dividend shall not be included in the taxable income of a recipient to the extent that such amount "is attributable to personal, living, or family items." This exclusion from taxable income would apply to owners whose purchases from the Cooperative were for such personal use. To such persons, section 9.3 is therefore of no effect. To all other owners, section 9.3 represents their consent to include the total amount of their patronage dividend in their taxable incomes for the year in which they receive their patronage dividend notice and check, although the total patronage dividend may not be distributed to the owner in cash. This consent would apply to owners whose purchases from the Cooperative were for business or income-producing purposes.

Approved: March 26, 2014

Amendment #1

Article 4.2, Section B will be waived for the first annual owner Board of Directors election.

Approved: September 9, 2014

Amendment #2

Article 2.1, Purchases of common stock is increased to "no more than ten shares"

Article 8.2, Purchases of stock is increased to "not more than ten (10) shares"

Approved: August 31, 2015

Amendment #3

Article 10.1, Section (ii) is replaced with "by redeeming the equity of shareholders in good standing, and if the Cooperative's assets are not sufficient to redeem all equity in full, the shareholders in good standing will be paid in proportion to the number of shares owned;

Approved: September 28, 2015

Amendment #4

Section 2.1

The following paragraph is updated to

The Board may make provisions allowing new owners to pay for their shares of common stock in installments over time (so long as new owners pay for their shares within one year) , and may allocate a portion of each payment as a non-refundable administrative fee.

Note: 805 ILCS 310/18 requires stock in cooperatives to be paid for within a year.

Approved: November 2, 2015