

CO-OP BYLAWS

BYLAWS OF THE ROGERS PARK FOOD CO-OP

Article I: Organization

Section 1.1 - Name and status. The name of the organization is the Rogers Park Food Co-op (“the Co-op”). The Co-op is a co-operative business organized under the laws of the State of Illinois.

Section 1.2 - Purpose. The purpose for which the Co-op is organized is to furnish groceries and other consumer goods to its owners and other patrons. The Co-op's mission includes providing access to affordable, healthy, locally-produced food, fostering sustainable agriculture and contributing to the economic and cultural vibrancy of the Rogers Park community. The Co-op shall conduct its operations exclusively on a co-operative basis.

Section 1.3 - Co-operative principles. The Co-op shall be operated in accordance with the co-operative principles adopted by the 1995 General Assembly of the International Co-operative Alliance, such principles being:

- Voluntary and Open ownership
- Democratic owner Control, One owner = One Vote
- owner Economic Participation
- Autonomy and Independence
- Education, Training, and Information
- Co-operation among Co-operatives
- Concern for Community

Consistent with the first principle, the Co-op shall be open to all persons able to use its services and willing to accept the responsibilities of Ownership. The Co-op shall not discriminate based on race, gender, social, political, religious, or any other arbitrary basis.

Section 1.4 - Principal office. The principal office of the Co-op shall be located on the northeast side of Chicago, Illinois.

Section 1.5 - Fiscal year. The fiscal year of the Co-op shall begin on the first day of January in each year and end on the last day of December of that year.

Article II: Ownership

Section 2.1 - Eligibility. Ownership in the Co-op shall be voluntary and open to any person age 18 years or older whose intent is to use the services of the Co-op and to accept the responsibilities of ownership.

Applicants will be admitted to ownership upon:

- a. Approval of a completed owner application under a procedure adopted by resolution of the Cooperative's Board of Directors (Board);
- b. Purchase of at least two-and-one-half and no more than five shares of common stock of this Cooperative, at its par value of one hundred dollars (\$100) per share; and each owner, upon the purchase of a minimum of two-and-one-half shares, shall thereafter be considered fully vested.
- c. Meeting other Ownership criteria as may be established from time to time by the Board.

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

Those on a payment plan shall be considered owners for all purposes upon receipt of the first payment. In case of doubtful eligibility, ownership shall be subject to approval by the Board, which must approve or disapprove within six months after the date of application. If the Board fails to issue a written disapproval within that time, the owner is accepted.

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.

Section 2.2 - Rights. Each owner shall be entitled to:

- a. Make purchases from the Co-op on terms generally available to owners; and
- b. Participate in the governance of the Co-op as set forth in these bylaws.

Rights of owners shall be personal rights and not property rights. The Board may develop a policy, which would allow co-owners to contribute labor or services and thereby be eligible to receive discounts as determined by the Board.

Section 2.3 - Responsibilities.

Each owner shall:

- a. Keep current in payment of the share purchase requirement described in Section 2.1 above;
- b. Shall patronize the Co-op on at least an occasional basis (at least once in ever 12 month period); and
- c. Shall notify the Co-op of any change to his or her name, mailing address, and/or email address.

An owner who becomes delinquent in meeting his or her share purchase obligation to an extent to be set out in a policy of the Board, or who fails to patronize the Co-op for a period of time to be set out in a policy of the Board, shall be placed into inactive status. His or her participation rights shall then be suspended. An owner in inactive status may attain good standing only upon full payment of all arrearages or reestablishment of a patronage relationship with the Co-op. References herein to the rights and entitlements of owners shall be understood to refer only to owners in good standing.

Section 2.4 - Access to information. Owners shall be provided reasonably adequate and timely information as to the operational and financial affairs of the Co-op. An owner shall, upon request, be provided any other information concerning the operational and financial affairs of the Co-op that is necessary for, and directly related to, a proper purpose, subject to such reasonable restrictions or conditions as are determined by the Board to be necessary to protect confidential or sensitive information. Any proper request for information from the Co-op's records may be accommodated by means other than direct access to such records.

Section 2.5 - Settlement of disputes. In any dispute between the Co-op and any of its owners or former owners which cannot be resolved through informal negotiation, it shall be the policy of the Co-op 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.

Section 2.6 - Nontransferability. Ownership rights and interests may not be transferred except to the Co-op. Following termination of ownership, or at any time as to shares held in excess of the minimum amount, the Co-op will, upon request of the

owner, transfer the carrying value of one or more shares or deferred patronage refunds to the credit of another person designated by the requesting owner, provided that the person so designated has acquired ownership status in the Co-op and the requesting owner certifies that s/he has not and will not receive consideration for the transaction in excess of the carrying value of the interests on the books of the Co-op. Any attempted transfer contrary to this section shall be void and shall confer no rights on the intended transferee.

Section 2.7 - Voluntary Termination of Ownership. A owner may terminate his or her Ownership voluntarily at any time by written notice to the Cooperative. The owner'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 when applicable under any policies adopted by the Board to govern share redemption.

Section 2.8 - 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 Co-op's Articles of Incorporation, these bylaws, or the Co-op's policies;
- taken actions that could reasonably be expected to impede the Co-op from accomplishing its purposes;
- taken or threatened actions that adversely affect the interests of the Co-op or its owners;
- willfully obstructed any lawful purpose or activity of the Co-op; or
- breached any contract with the Co-op.

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.

Upon termination of ownership, all rights and interests in the Co-op shall cease except for rights to redemption of capital pursuant to Articles VIII and IX of these bylaws.

Article III Meetings of Owners

Section 3.1 - Annual meeting. An annual meeting of owners shall be held within ninety

days after the close of each fiscal year to receive reports on the operations and finances of the Co-op, to elect directors, and to conduct such other business as may properly come before the meeting.

Section 3.2 - Special meetings. Special meetings of owners may be called by the Board and shall be called by the President as soon as possible after the receipt of any petition signed by at least ten percent of all owners, such petition stating any proper business to be brought before the meeting. Any business conducted at a special meeting other than that specified in the notice of the meeting shall be of an advisory nature only.

Section 3.3 - Time and place. The date, time and place of all meetings of owners shall be determined by the Board or, in the event that the Board fails to so act, by the Secretary. Meetings shall be held at a time and place convenient to owners.

Section 3.4 - Notice. Written notice of the time, place, and purpose of a meeting of owners shall be mailed to each owner either separately or in a Co-op publication. The notice must be mailed or published not less than fifteen nor more than forty-five days before the date of the meeting. Electronic mailing to individual owners will be the preferred method for these notices, with USPS mailing being used for Co-op owners without a valid email address in the Ownership roster.

Section 3.5 - Record dates. Unless otherwise determined by the Board, only persons who are owners at the close of business on the day immediately preceding the date of distribution of notices shall be entitled to notice of any meeting of owners and to vote at such meeting.

Section 3.6 - Quorum. The presence in person or by mail ballot at the opening of the meeting of fifty owners if the Co-op has more than five hundred owners, or ten percent of all owners if the Co-op has five hundred or fewer owners, shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of owners.

Section 3.7 - Voting. Unless otherwise required by these bylaws, each owner shall have one and only one vote on each matter submitted to a vote of owners 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 shall be considered approved. Meetings of owners shall be conducted generally in accordance with reasonable and accepted rules of parliamentary procedure. Any business conducted at a meeting other than that specified in the notice of the meeting shall be of an advisory nature only. The Board shall institute policies and procedures to reasonably assure the integrity of the voting process.

Section 3.8 - Balloting by mail. Owners may, as authorized by the Board, vote by electronic or USPS mail ballots in conjunction with a meeting of owners. Ballots, together with the exact text of an issue for decision shall be included in the notice of the meeting to which they relate. USPS mailed ballots shall be submitted in a sealed plain envelope inside another envelope bearing the owner's name and any other required identifying information and shall be submitted in conformity with instructions contained in the notice. Electronic ballots shall be submitted in conformity with instructions contained in the notice. Casting of a ballot by electronic or USPS mail shall be equivalent to presence in person at a meeting, and ballots shall be counted together with votes cast at the meeting.

Section 3.9 - Proxies. Owners who are unable to attend a meeting may vote by written proxy executed in favor of another owner. A proxy shall be effective only with respect to one particular meeting of owners, and no owner may hold more than one such proxy at any one time.

Section 3.10 - Issues submitted by owners. Notices of a meeting of owners shall include any proper issue submitted by petition of at least seven percent of all owners. Petitions must be received by the Co-op not less than sixty days before the date of the meeting at which they are to be presented to a vote of owners.

Article IV Board of Directors

Section 4.1 - Powers and duties. Except as to matters reserved to owners by law or by these bylaws, the business and affairs of the Co-op shall be managed under the direction and supervision of the Board of Directors ("the Board"). Such powers shall reside exclusively in the Board as a deliberative body; they may reside in individual directors only to the extent explicitly so delegated by the Board. The duties of the Board shall include, but not be limited to, overseeing the operations and finances of the Co-op, 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, and assuring that the purpose and mission of the Co-op are properly carried out.

Section 4.2 - Number and qualifications. The Board shall consist of up to nine individuals. To be qualified as a director, a person shall be of the age of eighteen or more years, shall have been an owner for at least six months prior to the commencement of the election of directors, and shall not have any overriding conflict of interest with the Co-op. Employees who meet the qualifications are eligible for election as long as no more than two employees serve on the Board of Directors at any given time.

Section 4.3 - Nominations, election and terms. Directors may be nominated by the Board, by a nominating committee, or by petitions signed by at least twenty-five

owners and submitted to the Co-op at least sixty days before the date of the annual meeting. Directors shall be elected by owners at the annual meeting. At the first annual meeting after adoption of these bylaws and periodically thereafter as may be necessary, directors shall be elected for specific one, two, or three year terms in order to assure that no more than three terms expire in each year. At other times 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.

Section 4.4 - Compensation. Directors may be, but are not required to be, compensated for serving on the Board. Directors may be reimbursed for reasonable expenses incurred in connection with the performance of authorized business of the Co-op.

Section 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 interests of the Co-op and with the care that an ordinarily prudent person in a like position would use under similar circumstances.

Section 4.6 - Conflicts of interest. Directors shall be under 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 made a matter of record 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 other directors discuss the matter. A transaction in which a director has an interest shall be prohibited unless the transaction is fair to the Co-op and is approved by no less than a two-thirds majority of all disinterested directors.

Section 4.7 - Committees. The Board may appoint special or standing committees to advise the Board or to exercise such authority as the Board shall designate. Such committees shall include at least one director. The appointment of any committee shall not relieve the Board of its responsibilities in the oversight of the Co-op. The Board shall have at a minimum a Finance Committee and an Audit Committee.

Section 4.8 - Termination. The term of office of a director may be terminated prior to its expiration in any of the following ways: (i) voluntarily by a director upon notice to the Secretary; (ii) automatically upon termination of ownership in the Co-op; and (iii) for cause by the Board or by the owners, provided the director is accorded fair notice of the charges and an opportunity to respond in person or in writing. A director who is absent from three consecutive Board meetings or four meetings in any one-year period, unless excused by the Board for good cause, shall be presumed to have resigned.

Section 4.9 - Vacancies. Any vacancy among directors occurring between annual meetings may be filled by the Board for the remainder of the unexpired term.

Article V Meetings of the Board

Section 5.1 - Meetings. The Board of Directors may determine the times and places of its meetings. Special meetings may be called by the President and shall be called by the Secretary upon request of any three directors. Meetings of the Board shall be held no less frequently than once in each two-month period.

Section 5.2 - Notice. Meetings called by resolution of the Board shall require no notice, it being the responsibility of absent directors to inquire as to the time of further scheduled meetings. Special meetings shall require written or oral notice to all directors. Written notice shall be delivered at least five days before the date of the meeting and oral notices shall be given in person or by a telecommunications device at least forty-eight hours before the time of the meeting. Notices of meetings of the Board shall also be posted in a timely manner and in a conspicuous place in the Co-op's store (once the Co-op has a store), but the inadvertent failure to do so shall not affect the validity of the meeting.

Section 5.3 - Waiver of notice. Any notice of a meeting required under these bylaws may be waived in writing at any time before or after the meeting for which notice is required. A person who attends a meeting other than for the sole purpose of objecting to the adequacy of the notice shall be deemed to have waived any objection to the notice.

Section 5.4 - Quorum. The presence in person of a majority of directors shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the Board.

Section 5.5 - Decision making. Decisions at meetings of the Board shall be made by majority voting unless a higher percentage is required by law or by these bylaws.

Section 5.6 - Action without a meeting. Any urgent action required or permitted to be taken at a meeting of the Board may be taken without a meeting only if a written consent to the action is signed by all directors and filed with the minutes of meetings.

Section 5.7 - Open meetings. Meetings of the Board and all committees shall be open to owners, except that sessions of a meeting may be closed for discussion only as to matters of a confidential or sensitive nature.

Article VI Officers

Section 6.1 - Designation and qualifications. The principal officers of the Co-op shall consist of President, Vice President, Secretary, Treasurer, and General Manager.

The Board may designate other officers or assistant officers. Principal officers shall be directors, except the General Manager who shall not be a director.

Section 6.2 - 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 Co-op would thereby be served.

Section 6.3 - Duties. In addition to signing or attesting to formal documents on behalf of the Co-op as authorized by the Board, officers shall have the following duties and such additional duties as are determined by the Board:

- 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 general manager, and shall present a report of operations at the annual meeting of owners.
- b. The Vice President 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 the recording and keeping of adequate minutes of all meetings of the Board and of owners, issuing notices required except as otherwise provided under these bylaws, and authenticating records of the Co-op.
- 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 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 Co-op under the direction and control of the Board.

Article VII Indemnification and Insurance

Section 7.1 - Indemnification. The Co-op shall indemnify each person who is or was a director, officer, manager, employee, volunteer, or agent of the Co-op, and any person serving at the request of the Co-op as a trustee, director, officer, manager, employee, owner, volunteer, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses, including attorneys' fees, actually and reasonably incurred in the 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, to the extent that the person succeeds on the merits. The Board of Directors in its discretion may indemnify any such 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 his or her position with respect to the Co-op. Unless indemnification is ordered by a court of competent jurisdiction, any indemnification under this paragraph shall be made only after the Board determines in each specific case that the person to be indemnified acted in good faith, in a manner that the person reasonably believed to be in or not opposed to the best interests of the Co-op, and, with respect to any alleged criminal activity, that the person either committed no illegal conduct or had no reason to believe that the conduct was illegal.

Section 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 VIII Capital Shares

Section 8.1 - Issuance and terms. To evidence capital funds provided by owners, the Co-op shall issue shares of common stock. Shares may be issued only to persons eligible for, and admitted to ownership in, the Co-op. Shares shall be issued only at their par value upon full payment in cash or cash equivalent. Shares shall be entitled to no dividend. The minimum share purchase requirement may be increased generally, provided that such increase applies equally to newly-admitted owners.

Section 8.2 - Certificates or Uncertificated Shares. The Board may determine, by resolution, whether the shares of common stock issued by the Cooperative will be represented by certificates or will be uncertificated shares. All sales of stock shall be numbered and recorded in a stock register maintained by the Cooperative.

a. If the Cooperative will represent its shares by certificates, each certificate shall state 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 one share and not more than five (5) shares of common stock. Each certificate shall be signed by the officers designated by the Board. Each certificate shall contain a prominent notation that, in accordance with these bylaws, it is transferable only to the Cooperative and that the right to vote attaches to the status of ownership on a one-owner-one-vote basis.

b. If the Cooperative's stock will be uncertificated, 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-and-one-half 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-owner-one-vote basis.

Section 8.3 - Redemption. Upon request following termination of ownership, shares shall be redeemed when replacement capital is provided by other owners. Shares shall be redeemable at their par value. Redemption proceeds shall be subject to offset by amounts due and payable to the Co-op by the owner. No redemption shall be made when such payment would impair the ability of the Co-op to meet its other obligations as they become due. Reapplications for ownership after full or partial redemption shall be subject to full repayment of redemption proceeds.

Article IX Patronage Dividends

Section 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, 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. The Board of Directors will make every reasonable attempt to locate each owner entitled to a patronage dividend. If the Board of Directors makes a reasonable and prudent attempt to locate equity holders but is unable, equity will be returned to the Co-op.

Section 9.2 - Exceptions. The amount to be distributed to owners may be reduced by such reasonable reserves for business purposes that would serve the Co-op's mission as determined by the Board.

Section 9.3 – Consent of Owners. By obtaining or retaining ownership in the Co-op, each owner shall thereby consent to take into account, in the manner and to the extent required by Section 1385 of the Internal Revenue Code, the stated dollar amount of any patronage refund, including any qualified written notice of allocation, in the taxable year in which such notice is received.

Section 9.4 - Deferred amounts. Payment of a portion of patronage refunds, not to exceed eighty percent of the allocation, may be deferred for the reasonable capital needs of the Co-op, as determined by the Board. Such amounts shall be credited to revolving capital accounts in the names of recipient owners and shall accrue no monetary return on investment. They shall be redeemed when determined by the Board to be no longer needed for 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, except that redemptions shall be made payable only to owners who are then in good standing or become so within a six-month period of time. Deferred amounts may also be redeemed under compelling circumstances as determined by the Board. They shall be subject at all times to being offset by amounts otherwise due and payable to the Co-op.

Section 9.5 - Net loss. In the event the Co-op shall incur a net loss in any fiscal year, such loss shall be allocated to owners in the same manner as for net savings, subject to the exclusion of nominal amounts as described in section 8.2. Any such allocated net loss shall be charged first against deferred patronage refunds of prior fiscal years and then against patronage refund allocations of subsequent fiscal years. Allocated net losses which are not so offset may be charged against the carrying value of shares only upon termination of ownership. Allocated net losses shall not otherwise be assessed to or collected from owners.

Article X Interpretation and Amendment of Bylaws

Section 10.1 - 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.

Section 10.2 - 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 such extent and shall be deemed modified to conform with such statute or rule of law without affecting the validity or enforceability of any other provision of these bylaws.

Section 10.3 - Amendment. These bylaws may be amended or repealed by a majority vote of owners at a meeting of owners, provided that the proposed amendments are stated or fully described in the notice of the meeting at which the amendments are to be adopted. 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 owners not less than four (4) weeks prior to any meeting at which the proposal is to be put to a vote. If, in the Board's discretion, a change to any bylaw during the time after a meeting of owners and more than four (4) weeks prior to the next meeting of owners would serve the best

interests of the Co-op. The Board may make and amend any bylaws, which amendment is effective immediately. Any bylaw adopted or amended by the Board shall be reported to the owners in writing immediately. Any Bylaw adopted or amended by the Board shall be at any time subject to amendment or repeal by the owners, and for one year after such action by owners, the bylaw is not subject to amendment by the Board.

Article 11: Dissolution

Section 11.1 – Asset distribution. The Co-op 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 Co-op, its assets shall be distributed in the following manner and order:

- by paying or making provision for payment of all liabilities and expenses of liquidation;
- by redeeming any equity accounts which, if they cannot be paid in full, shall be paid pro rata to all owners;
- by distributing any remaining assets in a way that furthers the Cooperative's mission, as determined by the Board.

Appendix:

EXPLANATION OF PATRONAGE REFUND AND CONSENT PROVISION.

The Internal Revenue Code generally requires each person receiving a patronage refund to include the amount of such distribution in his or her gross income in the taxable year in which it is received. Under bylaw section 8.3, mere acceptance or retention of ownership in the Co-op constitutes consent to such inclusion in taxable income, including the portion of the patronage refunds that is deferred by the Co-op for its capital needs. The Co-op has been advised by legal counsel, however, that the general rule for inclusion in income of patronage refunds is subject to an exception that is applicable to consumer cooperatives. Under that exception, a patronage refund is not required to be included in gross income if the owner's purchases from the Co-op related to "personal, living or family items." The patronage refund would thus be taxable to an owner only if his or her purchases related to the operation of a trade or business or other income-producing activities. In effect, the consent provision is of no significance to owners of the Co-op, except as to organizational owners and except where the purchases of owners who are natural persons are for business or income-producing purposes.