

# BYLAWS OF THE COMMUNITY MERCANTILE, INC

As of September 13, 2010

[These bylaws were adopted July 15, 1992, with subsequent amendments noted. The most recent amendments were approved on September 13, 2010.]

## ARTICLE I: ORGANIZATION

**1.1 Name of the Corporation.** The name of the corporation is The Community Mercantile, Inc. (Corporation).

**1.2 Mission.** The mission of the Community Mercantile is to promote community ownership of a grocery store that encourages personal, community, and environmental health (revised 6/14/2002).

**1.3 Cooperative Principles.** The business of the Corporation shall be carried on in accordance with the seven internationally recognized Rochdale cooperative principles: (revised 4/4/2002)

- open, voluntary membership;
- one member, one vote;
- limited return on investment;
- distribution of surplus to members;
- continuing education;
- mutual aid and cooperation among cooperatives;
- concern for community.

**1.4 Purpose of the Corporation.** The purpose of the Corporation is set forth in Article III of the Articles of Incorporation, which is made part of this Bylaw by reference as if set forth fully herein. In furtherance of this purpose, the corporation may:

- set up and operate facilities for the benefit of members for production, purchase, warehousing, marketing, and distribution of goods and services;
- create a mechanism for education and communication;
- actively encourage and support local food production and food distribution that is environmentally sound and embodies the cooperative spirit;
- actively further the goals of the Mission Statement of the Corporation.

**1.5 Business of the Corporation.** In furtherance of these purposes, the Corporation shall conduct business:

- to operate a retail grocery store;
- to perform any other activity which is necessary or convenient to further any of its purposes.

**1.6 Principal Office** The principal office of the Corporation and address of its registered agent is 901 Iowa Street, Lawrence, Douglas County, Kansas, 66044. The Corporation may have such offices within the state of Kansas as the Board of Directors may determine from time to time. (Revised 6/14/2002)

## ARTICLE II: MEMBERSHIP

**2.1 Members.** There shall be one class of members of this Corporation. Except as otherwise provided in these Bylaws, the voting and other rights, privileges, and interests of membership shall be equal.

**2.2 Eligibility for Membership.** Any natural person shall be eligible for membership in the Corporation if he or she:

- executes a Shareholder/Membership Agreement and abides by the terms thereof;
- purchases a minimum of one equal redeemable share in the ownership of the Corporation at a cost of \$75.00 per share.

**2.3 Non-discrimination Policy.** No natural person shall be denied membership on the basis of race, religion, color, creed, gender, political affiliation, economic status, sexual orientation, national origin, age, marital/parental status, veterans status, or mental or physical disability.

**2.4 Rights of Members.** Each member of the Corporation shall be entitled to one vote on each matter submitted to a vote at the meeting of the members. Each member shall have an equal right to patronize the Corporation under terms generally available to members.

**2.5 Access to Information.** Reasonably adequate and timely information as to the organizational and financial affairs of the Corporation shall be provided or made available to all members. Members shall be provided access to the books and records of the Corporation for a proper purpose and at a reasonable time, by appointment with the Manager, subject to the approval of the Board of Directors in case of doubtful propriety.

**2.6 Responsibilities of Members.** Members shall abide by the Shareholder/Membership Agreement, the Articles of Incorporation, these Bylaws or any amendments thereto, and decisions and policies properly made at membership or Board meetings. Members are expected to participate by voting at meetings of members and to patronize the Corporation on at least an occasional basis. Members who have had no written contact or recorded transactions with the Corporation for five (5) years may have their membership share(s) terminated for abandonment. (Revised 1/6/2000)

**2.7 Termination of Membership.** Any member may terminate his or her membership in the Corporation at any time by giving written notice to the registered agent at the registered office of the corporation in accordance with 4.6 of the Articles of Incorporation. The Corporation may terminate the membership of any member for failure to fulfill the responsibilities of membership as set forth in 2.6 of these Bylaws or for the occurrence of any event specified in 4.5 of the Articles of Incorporation. Notice shall be sent to the last known address of any member whose membership the Corporation proposes to terminate. Shares of all members whose memberships are terminated shall be redeemed in accordance with 4.7 of the Articles of Incorporation. (Revised 1/6/2000)

**2.8 Carryover Members.** Notwithstanding other provisions herein, any person who was a member of the Corporation prior to the Special Membership Meeting held on November 10, 1991 shall retain all rights and privileges of membership until April 30, 1993. After that date, such membership shall expire unless the member complies with all current membership requirements of the Corporation.

### **ARTICLE III: MEETINGS OF MEMBERS**

**3.1 Annual Meeting of Members.** The annual meeting of the members of the Corporation shall be held during the second quarter after the close of the fiscal year of the Corporation. The time and place of the annual meeting shall be determined by the Board of Directors. The purpose of the annual meeting shall be for members to receive reports on operations and finances, to review important policy changes or other matters that vitally affect the Corporation, to elect or ratify the election of directors and to conduct other business as may properly come before the meeting.

**3.2 Special Meetings of Members.** Special meetings of the members of the Corporation may be called at any time by order of the Board of Directors, or by a petition signed by not less than fifty (50) members of the Corporation, setting forth the general nature of the business to be transacted at such meeting. Decisions on matters not included in the notice of special meeting shall be of an advisory nature only.

**3.3 Place and Time of Meetings of Members.** Each meeting of members of the Corporation shall be held at the place and time specified in the notice thereof.

**3.4 Record Date for Determining Membership.** The Board of Directors shall fix a record date for determining a list of members entitled to notice and entitled to vote at any membership meeting. The record date shall be not less than 10 days nor more than 60 days prior to the scheduled meeting, and the record date shall not precede the adoption of the resolution fixing the record date.

**3.5 Notice of Meetings of Members.** Written notice of each meeting of the members of the Corporation shall be given not less than ten or more than fifty days before the day on which such meeting is to be held, by posting a copy of the notice in a conspicuous place at the principal office of the Corporation, or by serving a copy personally or by mail upon each member. The notice shall state the place, day and hour of the meeting, and in the case of a special meeting, it shall also state the general nature of the business to be transacted and by whose request the meeting was called.

**3.6 Quorum.** The number of members present, in person or by proxy, following proper notice shall constitute a quorum, except in no event shall a quorum consist of less than one-third of all the members entitled to vote.

**3.7 Proxy Voting.** Members are encouraged to be present and vote at all meetings of members. In the event that a member is unable to be present at a meeting of the members, she or he may be present and vote by proxy. The following limitations shall apply to voting by proxy. The member wishing to vote by proxy shall designate a member of the Corporation to vote the proxy. Authorization to vote by proxy must be executed on a form approved by the Board of Directors. No person may hold and vote the proxies of more than 15 members, provided however, that the Board of Directors may authorize and designate a member or members to receive and hold an unlimited number of proxies with limited power of substitution, in order for the designated members to substitute other members in their stead to vote no more than 15 such proxies at the meeting of the members. Proxies must be voted in strict accordance with the instructions of the member giving the proxy. (Revised 3/30/1993)

**3.8 Voting and Decision Making.** Each member shall be entitled to cast one vote on all matters which come before any meeting of the members. All matters shall be decided by consensus if possible. In the event no consensus can be achieved, decisions shall be made by affirmative vote of a majority of the members of the Corporation present and voting at the meeting, except for those matters which expressly require other than majority approval. Election of directors is governed by 4.5 of these Bylaws.

#### **ARTICLE IV: BOARD OF DIRECTORS**

**4.1 Powers and Duties.** Except as to matters reserved to membership by law or by these Bylaws, the business, affairs and property of the Corporation shall be directed and controlled in the interests of members by a Board of Directors (sometimes referred to in these Bylaws as the Board). The powers and duties of the Board shall include, but not be limited to, engaging a manager and monitoring and evaluating his or her performance, overseeing the operations of the Corporation, establishing operating procedures, budgets and fiscal controls, securing good conditions of employment, and assuring that the purposes, mission and principles of the Corporation are properly carried out.

**4.2 Number of Directors.** The Board of Directors shall consist of seven directors who shall be members of the Corporation (revised 3/6/1997) and no more than two of whom shall be employees of the Corporation (revised 5/30/1997). The Directors may designate up to two owners to serve as non-voting directors. The non-voting directors shall be appointed to one-year terms (revised 9/13/2010).

**4.3 Nomination.** Candidates for directors shall be nominated in writing on a form approved by the Board of Directors. The Board shall set the deadline and any other requirements for nominations.

**4.4 Terms.** Directors shall be elected to serve for terms of three years or until election of their successors. The terms of directors shall be staggered so that approximately one-third of the directors are elected each year.

**4.5 Elections.** Each member of the Corporation shall be entitled to cast votes for as many candidates as there are positions to be elected to the Board of Directors. Those candidates receiving the highest numbers of votes shall be deemed as elected, whether by majority or plurality of the votes cast. The Board of Directors shall determine the method of election of directors from among the following options available in this Bylaw:

- a) An election may be conducted by written ballot at the annual meeting of members. Written ballots will be counted at the annual meeting of members by a counting committee with at least one member who is neither a candidate nor a sitting director. If authorized by the Board of Directors, proxy voting may be conducted at the corporation's principal place of business over the course of a designated period of days, commencing after the record date for determining membership and after the first delivery of notice of the annual meeting of members, and continuing until the day of the annual meeting of members. The designated period of days for proxy voting must be at least one week in duration. (Revised 3/30/1993)
- b) An election may be conducted by oral vote at the annual meeting of members. (Revised 3/30/1993)

**4.6 Termination.** The term of office of a director may be terminated prior to its expiration in the following ways:

- a) **Resignation.** Any director may resign at any time by delivering a written resignation to the President of the Board. The acceptance of any such resignation, unless required by the terms thereof, shall not be necessary to make the same effective. Termination of membership in the Corporation shall be deemed as resignation from the Board of Directors.
- b) **Removal.** Any director may be removed at any time by the affirmative vote of a majority of the members of the Corporation present at a meeting of the members, the notice of which shall have specified the proposed removal. Any director may also be removed at any time by the affirmative vote of all remaining board members of the Corporation present at a meeting of the board members, the notice of which shall have specified the proposed removal. This section may be amended or repealed only by a vote of the majority of all members of the Corporation at a meeting of the members.

**4.7 Vacancies.** Whenever a vacancy shall occur for any reason, the vacancy may be filled by a vote of the majority of the remaining directors or by a special election of the members, and each such director so appointed shall hold office for the remainder of the term of the directorship so vacated.

**4.8 Compensation of Directors.** Directors of the Corporation shall serve as such without salary, but the Board of Directors may authorize the payment by the Corporation of the reasonable expenses incurred by the directors in the performance of their duties and of reasonable compensation for special services rendered by any director.

**4.9 Loans to Directors.** No loan shall be made by the Corporation to its directors or officers.

**4.10 Contracts with Directors: Conflicts in Interest.** Article XIII of the Articles of Incorporation is made part of this Bylaw by reference, as if set forth fully herein.

## **ARTICLE V: MEETINGS OF THE BOARD OF DIRECTORS**

**5.1 Annual Meeting.** The annual meeting of the Board of Directors for the election of officers and for the transaction of such other business as may properly come before it, shall be held within thirty days after the annual meeting of the members.

**5.2 Regular and Special Meetings.** Regular meetings of the Board of Directors shall be held at least quarterly. Special meetings shall be held at any time when called by order of the President of the Board, the Executive Committee or a majority of the directors.

**5.3 Notice of Meetings.** Notice of each meeting of the Board of Directors shall be given to each director not less than two days before the date on which the meeting is held. The notice shall state the general nature of the business to be transacted, and the day, time, and place of such meeting. Notice of any meeting of the Board of Directors need not be given to any director who shall waive such notice in writing, whether before or after such meeting, or if she or he shall be present at the meeting.

**5.4 Open Meetings.** All meetings of the Board of Directors shall be open to the attendance of any member of the Corporation. The Board of Directors may meet privately in executive session only for the purposes of discussing or acting upon personnel or legal matters.

**5.5 Quorum.** The presence at any meeting of the Board of Directors in person of a majority of the number of directors thereof shall be necessary and sufficient to constitute a quorum.

**5.6 Voting.** At all meetings of the Board of Directors, except as otherwise expressly required by the Articles of Incorporation, these Bylaws, or the laws of the State of Kansas, all matters shall be decided by consensus, if possible; in the event that a consensus cannot be reached, then matters will be decided by the vote of a majority of the directors present at the meeting. (Revised 3/30/1993)

**5.7 Action by the Board of Directors Without a Meeting.** Any action required or permitted to be taken by the Board of Directors may be taken without a meeting only if all directors shall individually or collectively consent to the action, pursuant to the unanimous consent provisions of K.S.A. 17-6301 (f). Written consent of all directors shall be filed with the minutes of the proceedings of the Board, and the action taken shall have the same force and effect as a regular action of the directors. (Revised 3/30/1993)

## **ARTICLE VI: COMMITTEES**

**6.1 Board Authority to Appoint; Denial of Authority; Meetings.** 14.1, 14.2 and 14.3 of the Articles of Incorporation are made a part of this Bylaw, by reference, as if set forth fully herein.

**6.2 Executive Committee.** The Board of Directors may, by resolution adopted by a majority of the whole Board, designate an Executive Committee.

- The Executive Committee shall consist of two or more directors or officers, one of whom shall be the President of the Board.
- The Executive Committee shall serve at the pleasure of the Board of Directors.
- The number of Executive committee members may be increased or decreased from time to time by resolution adopted by a majority of the whole Board of Directors.
- Any member of the Executive Committee may be removed by the Board of Directors by the affirmative vote of a majority of the whole Board, whenever in its judgment the best interest of the Corporation will be served thereby.
- The function of the Executive Committee shall be to act on urgent business when it is impractical to assemble the whole Board. Actions of the Executive Committee shall be reported to, and subject to the approval of, the Board at its next following meeting. Such Committee shall not operate to relieve the Board of its legal responsibilities in the oversight of the corporation.

The Executive Committee shall not have the authority of the Board in reference to:

- amending the Articles of Incorporation;
- recommending to the members the sale, lease, or exchange of all or substantially all the property and assets of the Corporation otherwise than in the usual and regular course of the business;
- recommending to the members a voluntary dissolution of the Corporation or revocation thereof;
- amending, altering, or repealing these Bylaws or adopting new Bylaws;
- filling vacancies in or removing members of the Board of Directors or of any committee appointed by the Board of Directors;
- fixing the compensation of any member of such committee;
- exercising any power reserved by statute to the whole Board.

**6.3 Other Committees.** The Board of Directors from time to time may establish other committees, which shall have such duties as the Board of Directors may determine. The rules of procedure of such committees shall be determined from time to time by the Board of Directors, or, if authorized by the Board of Directors, by the respective committees. Any such committee may be abolished or any member thereof removed at any time by the Board of Directors.

**6.4 Term of Office.** Each member of any committee established pursuant to these Bylaws shall serve until the next annual meeting of the Board of Directors and until a successor is appointed, unless the committee shall be abolished, or unless such member shall be removed, or unless such member shall cease to qualify as a member thereof.

**6.6 Notice of Meetings.** Notice of all committee meetings shall be given to the members thereof at least two days prior to such meeting. Each committee shall report briefly on its activities at each Board of Directors meeting.

**6.7 Quorum.** The presence, in person, of a majority of the members of a committee shall constitute a quorum for the transaction of business.

**6.8 Voting.** At all meetings of committees, except as otherwise expressly required by these Bylaws, all matters shall be decided by consensus if possible; in the event that consensus cannot be reached, then matters may be decided by vote of a majority of the members present at any committee meeting at which there is a quorum to conduct business.

## **ARTICLE VII: OFFICERS**

**7.1 Titles and Qualifications.** The officers of the Corporation shall consist of the President of the Board, a Secretary, a Treasurer, and such other officers as the Board may from time to time designate.

**7.2 Election and Term of Office.** Each officer shall be elected by the Board of Directors at its first meeting and shall be elected annually thereafter by the Board of Directors at its annual meeting. Unless an officer resigns, dies, or is removed prior thereto, he or she shall hold office until his or her successor has been chosen and qualified.

**7.3 Resignations.** Any officer may resign at any time by delivering a written resignation to the President of the Board or Secretary. The acceptance of such resignation, unless required by the terms thereof, shall not be necessary to make the same effective.

**7.4 Removal.** Any officer may be removed at any time by absolute majority vote of the directors at a duly held meeting of the Board, a quorum being assembled. Proper notice specifying the proposed removal shall be given prior to any meeting of the Board of Directors at which such removal shall be considered.

**7.5 Vacancies.** Any vacancy in an office may be filled for the unexpired portion of the term by the Board of Directors.

**7.6 President.** The President shall sign formal documents on behalf of the Corporation as authorized by the Board and shall have such powers and duties as may be assigned from time to time by the Board which are not inconsistent with these Bylaws, the Corporation Articles or the law generally.

**7.7 Secretary.** The Secretary shall be responsible for the custody and safekeeping of the records and documents of the Corporation, including, but not limited to: the records of the notice for and minutes of all meetings of the membership, the Board of Directors, the Executive Committee and other committees; a record of the name and mailing address of each member of the Corporation; all other corporate records and documents than those under the control of the Treasurer. The Secretary shall oversee the issuance of required notices of all Board and membership meetings and shall, as authorized by the Board, sign or attest to formal documents on behalf of the Corporation. The secretary shall perform all other duties, not inconsistent with these Bylaws, the Corporation=s Articles or the law generally, as are incident to the office of Secretary or as may be assigned from time to time by the Board of Directors. Although the Secretary has primary responsibility for the performance and oversight of these duties, nothing herein shall prohibit the Secretary from delegating certain of these tasks and functions to other Board members and/or store employees, subject to the approval of the Board of Directors.

**7.8 Secretary.** The Secretary shall be responsible for the custody and safekeeping of the records and documents of the Corporation, including, but not limited to:

- the records of the notice for and minutes of all meetings of owners, the Board of Directors, the Executive Committee and other committees;
- a record of the name and mailing address of each owner of the Corporation;
- all other corporate records and documents than those under the control of the Treasurer.

The Secretary shall oversee the issuance of required notices of all Board and membership meetings and shall, as authorized by the Board, sign or attest to formal documents on behalf of the Corporation. The Secretary shall perform all other duties, not inconsistent with these Bylaws, the Corporation's Articles or the law generally, as are incident to the office of Secretary or as may be assigned from time to time by the Board of Directors. Although the Secretary has primary responsibility for the performance and oversight of these duties, nothing herein shall prohibit the Secretary from delegating any and all of these tasks and functions to other Board members and/or the General Manager, subject to the approval of the Board of Directors.

**7.9 Treasurer.** The Treasurer shall oversee the maintenance of financial records, control of receipts and disbursements and safeguarding of the property of the Corporation, shall make periodic reports to the Board and a report to the Annual Co-op Meeting of owners on the financial condition of the corporation and shall, as authorized by the Board, sign formal documents on behalf of the Corporation; and in general, have such other powers and perform such other duties, not inconsistent with these Bylaws, the Corporation's Articles or the law generally, as are incident to the office of Treasurer or may be assigned to him or her from time to time by the Board of Directors. Although the Treasurer has primary responsibility for the performance and oversight of these duties, nothing herein shall prohibit the Treasurer from delegating any and all of these tasks and functions to other Board members and/or the General Manager, subject to the approval of the Board of Directors.

The Board of Directors may require the Treasurer to oversee a third party audit of the corporation's financials.

## **ARTICLE VIII: THE MANAGER**

**8.1 Manager.** The Manager shall be a person employed by the Board of Directors and shall perform such duties and exercise such authority as the Board of Directors or the members by consensus or majority vote may from time to time vest in her or him. Under the general supervision of the Board, the Manager shall have general charge of the ordinary and usual business operations of the Corporation. The Manager shall render annual and other statements in the form and in the manner prescribed by the Board and shall employ, supervise, and dismiss all employees, if any, of the Corporation, pursuant to personnel policies approved by the Board of Directors. The Manager shall have full authority to regulate the activities of members of the Corporation while said members are engaged in the business of the Corporation. The Manager shall be a member of the Corporation. (Revised in 3/3/1993 and 3/6/1997)

## **ARTICLE IX: FISCAL MATTERS**

**9.1 Fiscal Year.** The fiscal year of the Corporation shall begin on the first day of January and shall end on the last day of December of each year.

**9.2 Accountability.** Financial statements of the Corporation for each fiscal year shall be audited or reviewed by an independent public accountant selected by the Board of Directors. If financial statements are reviewed, such engagement shall include a management review and report to the Board concerning management performance, adherence to governing policy, adequacy of operating controls and procedures and such other matters as are determined by the Board.

**9.3 Deposit of Funds.** All funds of the Corporation not otherwise employed shall be deposited in such banks, trust companies, or other reliable depositories as the Board of Directors may from time to time determine.

**9.4 Checks.** All checks, drafts, endorsements, notes and evidence of indebtedness of the Corporation shall be signed by such officers or agents of the Corporation including the Manager, and in such manner as the Board of Directors may determine. Endorsements for deposits to the credit of the Corporation shall be made in such a manner as the Board of Directors may from time to time determine.

**9.5 Loans.** No loans or advances shall be contacted on behalf of the Corporation, and no note or other evidence of indebtedness shall be issued in its name, unless and except as authorized by the Board of Directors. Any such

authorization shall relate to specific transaction, and may include authorization to pledge, as security for loans or advances so authorized, any and all securities and other personal property at any time held by the Corporation.

**9.6 Contracts.** The President or any other officers or agents, including the Manager, specifically authorized by the Board of Directors, may, in the name of and on behalf of the Corporation, enter into those contracts or execute and deliver those instruments that are specifically authorized by the Board of Directors. Without the express and specific authorization of the Board of Directors, no officer or other agent may enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation.

**9.7 Bonding of Officers and Employees.** The Treasurer, and such other officers and employees handling funds for the Corporation, shall be bonded in such amounts as are determined by the Board of Directors at the expense of the Corporation.

## **ARTICLE X: INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS**

**10.1 Indemnification by the Corporation.** 15.1 of the Articles of Incorporation is made part of this Bylaw by reference, as if set forth fully herein.

**10.2 Insurance and Other Indemnification.** 15.2 of the Articles of Incorporation is made part of this Bylaw by reference, as if set forth herein.

## **ARTICLE XI: MEMBERSHIP SHARES**

**11.1 Authorized Shares.** 4.1 of the Articles of Incorporation is made part of this Bylaw by reference, as if set forth fully herein.

**11.2 Issuance and Terms of Membership.** 4.2 of the Articles of Incorporation is made part of this Bylaw by reference, as if set forth fully herein.

**11.3 Certificates.** Every holder of fully paid shares shall be entitled to receive a certificate evidencing such holding. Certificates shall be signed by the President and the Secretary and shall be numbered and registered by the Corporation. Each certificate shall contain a prominent notation that it is not transferable and cannot be pledged or hypothecated.

**11.4 Facsimile Signatures.** Any or all of the signatures on certificate of Membership Shares may be facsimile. In case any officer who has signed or whose facsimile signature has been placed on the certificate shall have ceased to be such officer before the certificate is issued, it may be issued by the Corporation with the same effect as if such person were an officer at the date of issue.

**11.5 Lost Certificates.** The Corporation may require a surety bond indemnifying the Corporation against financial loss before issuing a replacement certificate or redeeming stock evidenced by a certificate alleged to have been lost, stolen or destroyed.

**11.6 Limitation on Sale or Transfer of Stock.** 4.4 of the Articles of Incorporation is made part of this Bylaw by reference, as if set forth fully herein.

**11.7 Mandatory Redemption of Shares.** Share redemption shall be mandatory in the instance of any occurrence of the events specified in 4.5 of the Articles of Incorporation, or for any noncompliance with 2.6 of these Bylaws, both of which are made part of this Bylaw by reference as if set forth fully herein.

**11.8 Voluntary Redemption of Shares.** 4.6 of the Articles of Incorporation is made part of this Bylaw by reference as if set forth fully herein.

**11.9 Mechanics of Share Redemption.** 4.7 of the Articles of Incorporation is made part of this Bylaw by reference as if set forth fully herein.

**11.10 Abandonment Charge.** The Corporation may assess a seventy-five dollar (\$75.00) charge against each share of any membership terminated due to abandonment. (Added 1/6/2000)

## **ARTICLE XII: DISTRIBUTIONS OF NET SAVINGS**

**12.1 Patronage Rebates.** Article XI of the Articles of Incorporation is made part of this Bylaw by reference as if set forth fully herein. Revenues derived from sales to non-members may not be placed into any pool of money which shall be used for patronage rebates to members.

**12.2 Patronage Rebate Payment Management.** Payment of patronage rebates shall be managed so as to permit the Corporation to qualify for tax treatment of such rebates under Sections 1381-1388 of the Internal Revenue Code of 1986, as amended. (Added 1/6/2000)

**12.3 Payment of Patronage Rebates for Terminated Memberships.** For any terminated membership in the Corporation under Section 2.7 of these Bylaws, payment of any patronage rebates accrued to said membership shall be paid in the manner and contemporaneous with payments of patronage rebates to continuing members. (Added 1/6/2000)

**12.4. Consent for Inclusion of Allocation in Taxable Income.** By acceptance of membership in the Corporation, and for the duration of said membership, each member agrees to include in his or her taxable income the entire amount of patronage rebates allocated to the member to the extent required under the Internal Revenue Code of 1986, as amended. (Added 1/6/2000)



### **ARTICLE XIII: AMENDMENT OF BYLAWS**

**13.1 Amendment of Bylaws.** Existing Bylaws may be amended or repealed, or new Bylaws may be enacted either by the members of the Corporation or by the Board of Directors. Notice of proposed changes to the Bylaws must be provided to members as specified in 3.5 of these Bylaws if the proposed changes are to be voted upon by the membership. Notice of proposed changes to the Bylaws must be provided to the Board of Directors as specified in 5.3 of these Bylaws if the proposed changes are to be voted upon by the Board of Directors. If the proposed changes are to be voted upon by the Board of Directors, notice must also be given to the membership by posting the same conspicuously at the principal office of the Corporation at least seven days prior to any vote on changing the Bylaws by the Board of Directors. An affirmative vote by two-thirds of those present and eligible to vote is necessary for any amendment, repeal, or new Bylaw to be enacted.

### **ARTICLE XIV: DISSOLUTION**

**14.1 Procedures.** 16.1 and 16.2 of the Articles of Incorporation are made part of this Bylaw by reference as if set forth fully herein.

#### **14.2 Distribution of Assets.**

Upon dissolution of the Corporation, after paying or making provision for the payment of all liabilities and expenses of liquidation, any remaining assets shall be used to redeem Membership Shares which, if they cannot be redeemed in full, shall be redeemed on a pro rata basis among all such outstanding amounts. Any further remaining assets shall be distributed in accordance with a plan of distribution adopted at a membership meeting called in part for the purpose.

### **ARTICLE XV: MISCELLANEOUS**

**15.1 Records.** There shall be maintained by the officers of the Corporation all financial books and records of account, all minutes of the Board of Directors= meetings, membership meetings, and the executive committee and other committee meetings of the Corporation, the list of members, and copies of all other material corporate records, books, documents, and contracts. All such books, records, minutes, lists, documents, and contracts should be made available for inspection for legitimate purposes by any member of the Corporation, or duly authorized representative thereof, and by any director of the Corporation, or duly authorized representative thereof. Upon leaving office, each officer or agent of the Corporation shall turn over to his or her successor in good order such monies, books, records, documents, and other property of the Corporation as have been in her or his custody during her or his term of office.

**15.2 Conduct of Meetings.** The conduct of all meetings shall be facilitated by a member designated to encourage participation and consensus and to help determine the necessity of a vote should consensus not be reached within a reasonable amount of time.

**15.3 Consent Meetings.** Article VIII of the Articles of Incorporation is made part of this Bylaw by reference, as if set forth fully herein.

**15.4 Construction; 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 modified to conform with such statute or rule of law as well as the intent manifested by the original Bylaw. The fact that any portion or provision of these Bylaws has been deemed invalid, unenforceable, inoperative or modified shall not affect the validity, enforceability or operation of other Bylaws.

**15.5 Relation to Articles of Incorporation.** These Bylaws are subject to, and governed by, the Articles of Incorporation.

**15.6 Vacancies.** Vacancies on committees shall be filled by the Board of Directors in the manner provided for in these Bylaws.