

BYLAWS

OZARK NATURAL FOODS
1554 N COLLEGE AVE.
FAYETTEVILLE, ARKANSAS 72703

Amended at
Annual Owners Meeting
March 11, 2007

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TO

BYLAWS

OF

OZARK FOOD COOPERATIVE EXCHANGE

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**BYLAWS
OZARK FOOD COOPERATIVE**

**Article I
Name and Location**

Section 1. Name and Primary Office.

The name of this association is the Ozark Food Cooperative Exchange (AKA Ozark Natural Foods and herein as the Co-op or the Cooperative). The primary business office of the Co-op shall be located at such place as may be determined from time to time by the Board of Directors.

Section 2. Other Offices

The Cooperative may also have offices at such other places both within and without the State of Arkansas as the Board of Directors may from time to time determine."

**Article II
Purpose**

Section 1. Purposes

The members of the Ozark Food Cooperative Exchange have established and operate facilities for the production, purchase, processing, and distribution of food and other goods and services for the following purposes:

- (a) To provide foods of the highest quality at the lowest prices;
- (b) To support local, environmentally sound production and distribution of these products;
- (c) To educate the public about nutrition and cooperative enterprises;
- (d) To associate with other cooperatives for mutual benefit;
- (e) To share decision making and work in a cooperative manner.
- (f) To do all lawful acts and engage in all lawful business practices not prohibited by the Arkansas Cooperative Association Acts, Arkansas Statutes Annotated, Sections 641501 through 1525 (Repl. 1980).

Article III Ownership

Section 1. Qualifications.

Membership in the Cooperative shall be open, without restriction as to race, sex, nationality, political opinion, religious believe, sexual preference, physical or mental handicaps, or political or other affiliation, to any person who can make use of its services, is in agreement with its aims and purposes, agrees to abide by its Bylaws, and has complied with the requirements of Sections 2 and 3 of this Article.

Section 2. Application for Membership.

In order to become a member of the Cooperative, applicants must:

- (a) Prepare and submit to the Cooperative a written application for membership on a form prescribed by the Cooperative or its Board of Directors;
- (b) Apply for one (1) membership of the Cooperative and shall make an initial payment on such membership of at least Five and No/100 Dollars (\$5.00);
- (c) Agree to fully comply with the Annual Equity Contribution requirements prescribed by the Board of Directors and set forth in Article IX, Capital and Dividends Patronage Refunds, Section 3. Capital Annual Equity Contribution of these Bylaws;
- (d) Agree to abide by the decisions of the Board of Directors and the general membership meeting, and the provisions of the Articles of the Cooperative and these Bylaws, each as amended from time to time; and
- (e) Fully comply with all other membership requirements as determined by the Cooperative's Board of Directors.

Section 3. Action on Application.

Every application for membership shall be acted upon by the Board of Directors, which may, in its discretion, refuse to sell to or refuse to accept a membership application from any person, but such right shall not be exercised unreasonably or arbitrarily. If the Board of Directors rejects any application, it shall communicate the reason for rejection to the applicant. The applicant becomes a full member with voting privileges only after the Cooperative has received payment, in full, of Five and No/100 Dollars (\$5.00) for the purchase of the applicant's membership and the current payment of the Annual Equity Contribution amount as set forth in Article IX, Section 3 of these Bylaws.

Section 4. Rights of Heirs.

Because the membership is non-transferable, the personal representative of a deceased member may apply, in writing, to the Board of Directors for redemption of the deceased member's membership as set forth in these Bylaws.

Section 5. Membership Role.

A list of the members with their addresses and the other information called for on the membership application shall be kept by the Secretary of the Cooperative. Each member shall agree to notify the Secretary within thirty (30) days of any change of address.

Section 6. Presentation of Documents.

Upon meeting all requirements for membership and being accepted as a member of the Cooperative by the Board of Directors, a new member shall receive a copy of the Articles of Incorporation, as amended, the Bylaws of this Cooperative, as amended, and a membership certificate evidencing membership in the Cooperative.

Section 7. Rights and Duties of Members.

Every member agrees to obey the rules of the association as set down in these Bylaws, or elsewhere, and the decisions of the general membership meeting or the Board of Directors. No person shall be issued or entitled to own more than one membership. A member is entitled to only one vote, which may be exercised in accordance with the provisions of this Article.

There shall be both Active and Inactive members as defined below, with the rights and privileges set forth below:

- (a) **Active Members** - An active member is one who, in addition to owning a membership certificate, has paid the current period's Annual Equity Contribution, as defined in Article IX, Section 3 and determined by the Board of Directors, irrespective of any prior period's Annual Equity Contribution that may have been unpaid. An active member is a full member in every sense of the word and as such is entitled to all rights, privileges, duties and responsibilities of membership.
- (b) **Inactive Members** - An inactive member is one who remains an owner, as defined in these Bylaws, but who has failed to pay the current period's Annual Equity Contribution, as defined in Article IX, Section 3 and determined by the Board of Directors. Inactive members are not entitled to vote nor to receive member prices, and are only entitled to those rights and responsibilities which are specifically designated to an inactive member in these Bylaws, or hereafter set forth by the Board of Directors. An inactive member may become an active member at any time by simply paying the current period's Annual Equity Contribution.

Memberships are non-transferable. No person or member shall be allowed to own or have an interest in more than ten percent (10%) of the capital stock of this Cooperative. Each person who becomes or remains a member of this Cooperative, after the adoption of this Amendment to the Bylaws hereby consents to be governed hereby and to comply with all of the terms, conditions, requirements and provisions of this Article, as amended, and all other provisions of the Bylaws.

Section 8. Redemption of memberships.

At any time, the Board of Directors may redeem the membership of a member for any of the following:

- (a) failure of a member to meet the qualifications for membership; or
- (b) whenever the Board of Directors, by resolution, finds that a member has:
 - (i) intentionally or repeatedly violated any Bylaw of this Cooperative;
 - (ii) breached any contract with this Cooperative;
 - (iii) remained indebted to this Cooperative for ninety (90) days after such indebtedness first became payable; or
 - (iv) willfully obstructed any lawful purpose or activity of this Cooperative.

If the Board proposes to terminate such membership, the Board shall notify the member that the Board intends to do so by giving at least thirty (30) days written notice to the member. If the member objects to this action, in writing, within that period, the action shall be adjudicated by a neutral committee of three (3) members of the Cooperative as selected and agreed upon by the Board of Directors and the member. The committee shall report within thirty (30) days thereafter and their decision shall be binding. Voting rights of the member in question shall be suspended until the report of the committee is completed. Upon redemption of the membership, all voting rights shall automatically cease, but the member shall be entitled to receive Five Dollars (\$5.00) in cash upon termination of its membership, representing the repurchase of his membership of the Cooperative. The member may also be entitled to redemption of other member equity as provided in Article IX, Section 10. No action taken hereunder shall impair any obligations or liabilities of either party incurred prior to termination of the membership nor may any contract with the Cooperative, be terminated, except as provided therein, and the rights, liabilities and obligations referred to herein shall not impair or release either party from the obligations and liabilities separately set forth.

Section 9. Transition.

Upon the adoption of this amendment to the Bylaws, all of the current memberships of the Cooperative shall be changed over to the single type of membership as defined herein. In connection therewith, memberships will be converted as follows:

- (a) All existing "individual" memberships will be converted to the new type of membership as set forth in this Amendment to the Bylaws. From the date of conversion, each member will be entitled to one vote on all matters as set forth herein. The member further agrees to make the Annual Equity Contribution required by the Board of Directors and as set forth in Article IX,

Section 3, of these Bylaws, as amended from time to time. The new members voting privileges shall be subject to the provisions of Section 7 of this Article.

- (b) All existing active "family" memberships will be split into two new memberships. All of the current equity in the "family" membership shall be transferred to one of the newly created memberships (the "Primary membership") with no equity placed in the other membership (the "Secondary membership"). Both the Primary and Secondary membership shall each be entitled to one vote as a separate member as set forth in Section 7 of this Article, so long as the Primary membership meets the requirements set forth in Section 7 of this Article. Each of the newly created memberships shall be subject to all of the membership requirements set forth in this Article, however, the requirements of Section 2(b) and (c) shall be waived for the Secondary membership. The Secondary membership may be redeemed by the member, subject to approval of the Board of Directors. However, in the event that the Primary membership is redeemed by the member or the Board of Directors pursuant to Section 8 of this Article, then the Secondary membership shall automatically be redeemed as well.¹
- (c) All existing inactive "family" memberships will be split into two new memberships. All of the current equity in the inactive "family" membership shall be split equally between the two newly created memberships. The members will then have the option of proceeding as outlined in subsection (b) of this Section upon the Primary membership meeting the requirements of becoming an active member pursuant to Section 7 of this Article. In the event that the members do not so elect within one (1) year of the adoption of this Amendment to the Bylaws, then each of the newly created memberships shall be treated in the same manner as all new members following the adoption of this Amendment to the Bylaws, and each will be required to comply with the provisions of Sections 2 and 3 of this Article, with credit given to each for the existing equity.

Section 10. Conformity of Remaining Bylaw Provisions.

All provisions of these Bylaws which are in conflict with this Amendment are hereby amended to conform with the purposes and intents of this Amendment to the Bylaws, effective immediately with the adoption hereof. All remaining provisions which are unaffected by this Amendment, shall remain unchanged in all other respects in full force and effect.

¹ Where there are more than two members in a family membership, there will be an equal number of new memberships created, one of which will contain all of the equity contribution from the previous "family" membership (the "Primary membership"), with the remaining newly created memberships (being designated as the "Second membership", the "Third membership", etc.) having the requirements Section 2(b), (c) and (d) waived.

Article IV Meetings of Members

Section 1. Annual Membership Meeting

The annual Membership Meeting of the Co-op shall be held each year at a time and location to be determined by the Board of Directors.

Section 2. Special meetings

Special meetings of the members as a whole shall be held at a place in or around Fayetteville, convenient to members, as specified in the notice for the meeting. Any such special meeting may be called by:

- (a) A petition signed: by five percent (5%) of the active members, or fifty (50) active members;
- (b) The Board of Directors;
- (c) The President, or;
- (d) The General Manager. The party calling the special meeting shall be responsible for issuing notices.

Section 3. Notice of meetings

Written notice of every meeting of the members shall be prepared and mailed, at the Co-op's expense, to the address of each active member or hand delivered at the Co-op by the General Manager or her/his appointee not less than fifteen (15) days, in the case of a special meeting, and not less than thirty (30) days, in the case of the general membership meeting, prior to the date of the meeting. Such notice shall state the time and place of the meeting and, in the case of a special meeting, the purpose for which the meeting is called. No business shall be transacted at special meetings other than that referred to in the notice.

Section 4. Quorum

Except as otherwise provided by law or by the Articles of the Cooperative, the lesser of: (a) four percent (4%) of the active membership, or (b) one hundred sixty (160) active members, must be present or represented by proxy, as provided herein, in order to constitute a quorum at all meetings of the membership for the transaction of business. However, the quorum requirement for any meeting of the membership considering the dissolution of the Co-op shall be at least ten percent (10%) of the active membership, with said members being present in person or represented by proxy, as provided herein. In the event that a quorum shall not be present or represented at any meeting of the members, the members entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting, at which a quorum shall be present or represented by proxy, any business may be transacted which might have been transacted at the meeting as originally noticed.

Section 5. Proxies

A(n) active member may cast his or her vote by proxy. The appointment of a proxy shall be in writing, filed with the Secretary of the Co-op, at or before the meeting. No proxy shall be voted or acted upon after ninety (90) days from the date evidenced thereon. Each attending active member shall vote no more than one proxy.

Section 6. Manner of acting

All decisions made by the active members shall be made by a simple majority of those voting, with the exception of amending either the Articles of Incorporation or the Bylaws of the Co-op, or dissolving the Co-op; these decisions will be made by a two-thirds (2/3) vote of those voting. The methods of voting may be in person, by proxy or by extended balloting, unless otherwise provided herein.

Section 7. Powers reserved to the active members

The following powers are reserved to the active members of the Co-op:

- (a) To elect the Board of Directors;
- (b) To amend the Articles of Incorporation or Bylaws of the Co-op; and
- (c) To set Board of Directors compensation, if any; and
- (d) To dissolve the Co-op.

Section 8. Extended balloting

“Extended balloting” is the voting process whereby particular items or matters are submitted to the active members for voting by means of ballots that are distributed to the active members in such manner as shall be determined by the Board of Directors. The ballots are to be completed by the duly qualified active member and submitted to the Co-op to be counted. The process shall follow a member meeting to discuss said items or matters prior to taking action by utilizing the extended balloting process.

In order to take action on the items or matters to be considered by the membership by the process of extended balloting: (a) there shall first be a member meeting to discuss said items or matters and to notify the active members that extended balloting shall be utilized; (b) ballots will be distributed to the active members in the manner determined by the Board of Directors; and (c) the number of ballots of the active members that are validly completed, returned and verified must meet the quorum requirements set forth in Section 4 of this Article. In the event that an insufficient number of ballots are returned, the action on the items or matters to be considered shall not be taken, but shall be deferred and may be re-submitted to the membership through another membership meeting to be called and held in accordance with these Bylaws. In such event, the action to be taken may be determined utilizing any method of voting provided in these Bylaws. If a sufficient number of ballots are returned, then the decision on the items or matters to be considered in this manner shall be in accordance with Section 6 of this Article.

The determination as to whether particular items or matters will be submitted to the active members utilizing extended balloting shall be made by the Board of Directors. In the event that the Board of Directors decides to utilize extended balloting on particular items or matters, it shall include said decision in the notice of the upcoming meeting at which said items or matters are to be considered. The notice shall be given in accordance with the provisions of Section 3 of this Article.

At said meeting, the quorum requirements set forth in Section 4 of this Article must be met, and then information regarding the items or matters to be considered as part of the extended balloting shall be provided to the active members. At such time, an explanation of the extended balloting process including deadlines and locations for submitting ballots shall be made to the members.

Upon the conclusion of the member meeting, an information packet shall be assembled and provided to the active members, along with the written or printed ballots specifying the items or matters to be considered and the actions to be taken. The information packet shall include the information from the meeting. The ballots and the voting by extended balloting shall be maintained as confidential. The period for voting by extended balloting shall be determined by the Board of Directors and shall be between fourteen (14) and thirty (30) days, commencing upon the date of mailing.

The Board of Directors shall establish a written "Extended Balloting Policy" for the extended balloting voting process that shall include the rules and regulations to govern the extended balloting process within the requirements established in these Bylaws, and the "Extended Balloting Policy" shall be made available to all active members. Extended balloting may be utilized for all of the matters and/or powers reserved to the members in Section 7 of this Article, with the exception of Section 7(d), the dissolution of the Co-op.

Section 9. Board of Director compensation proposals

All proposals regarding the setting or establishing of compensation to be paid to the Board of Directors may be submitted by either: (a) the Board of Directors, if approved by a majority vote of the Directors in accordance with Section 9 of Article V; or (b) by written petition of any active member, if said petition is supported and signed by no less than fifty (50) additional active members. The proposal shall be submitted in writing, and the submission may request that the proposal be considered at either the next annual Membership Meeting or at a special meeting of the members to be called specifically for said purpose. If no request is made as to when the proposal should be submitted to the members, then the Board of Directors may make such decision. The manner of acting on such submissions shall be as specified in Article IV, Section 6.

Article V Directors

Section 1. Number, tenure, and qualifications

The Co-op shall have a Board of Directors comprised of seven (7) persons. Directors shall be elected to serve three (3) year terms, beginning with the year 2002, and in the interim in the year 2000 and the year 2001, the terms shall be as specified in Section 2 of this Article. All Directors may succeed themselves. The seven (7) Directors shall be elected from among the active members of the Co-op. Beginning with the year 2002, Directors should be elected to staggered terms over a three (3) year period, such that in the first year two (2) Directors shall be elected to serve, in the second year two (2) Directors shall be elected to serve, and in the third year three (3) Directors shall be elected to serve. All Directors are elected to represent the good of the membership as a whole, and not the interest of a particular constituency. All Directors shall have one (1) vote at all meetings of the Board of Directors. Directors must be active members of the Co-op, in good standing, and agree to uphold the Articles of Incorporation, as amended, and the Bylaws, as amended, of this Co-op.

Section 2. Election of Directors

In order to implement the provisions of Section 1 of this Article, Directors shall be elected in the year specified below, at the annual meeting of the general membership, for the following terms:

- (a) In the annual membership meeting for the year 2000, a total of three (3) Directors shall be elected, with two (2) Directors serving a term of two (2) years each, and one (1) Director serving a term of three (3) years; and in the annual membership meeting for the year 2001, a total of four (4) Directors shall be elected, with one (1) Director serving for a term of two (2) years, and three (3) Directors serving terms of three (3) years.
- (b) At the annual general membership meeting for the years 2002 and following, Directors will be elected as follows: (i) Directors shall be elected by the active members utilizing any of the voting methods as provided herein; and (ii) each Director so elected shall serve a term of three (3) years.
- (c) Each Director elected hereunder shall continue to hold office until his or her successor is elected and qualified, or until removed.
- (d) All Directors elected hereunder shall be elected by simple majority of the votes cast, pursuant to the voting method utilized, as provided in these Bylaws.

Section 3. Nomination of Directors

The Board of Directors shall appoint a nominating committee to seek candidates for the positions on the Board of Directors. The Board of Directors shall establish qualifications for Directors, which will be distributed to the active members. The nominating committee shall publish a list of

candidates for Director positions at least thirty (30) days prior to the date of the general membership meeting, with brief statements of qualifications, in a publication generally distributed to all active members. Additional nominations may be made by written petition to the Secretary of the Co-op, by twenty five (25) active members, at least sixty (60) days prior to the general membership meeting. Following a resolution from the floor passed by a 2/3 vote of the active members present, nominations for positions on the Board of Directors may be accepted from the floor.

Section 4. Removal of Directors

The Board of Directors, or any individual Director, may be removed from office, with or without cause, by a majority vote of the votes cast by active members, utilizing any voting method provided in these Bylaws; provided, that the Director (or Directors) has been given at least thirty (30) days notice, and an opportunity to speak at the membership meeting before the removal vote is taken. The motion to remove shall be included in the notice of the meeting relating thereto.

Section 5. Resignation of Directors

A resignation takes effect when the Secretary receives a written notice of resignation from a Director. Absence, unexcused by the Board, from three (3) successive Board meetings in any twelve (12) month period shall constitute a resignation. The Secretary shall note all unexcused absences in the minutes of the Board meetings.

Section 6. Vacancies

Whenever a vacancy occurs in a Director position, other than from expiration of a term of office, a majority of the remaining Directors may appoint a new Director to fill the vacancy until the next annual meeting of the members (or a special meeting called for that purpose), at which time the active members as a whole shall elect a new Director to fill the vacancy for the remainder of the term of the vacant Director.

Section 7. Annual Board meeting

An annual meeting of the Board of Directors shall be held within the later of: (a) fourteen (14) days following the annual general membership meeting each year; or (b) fourteen (14) days following the election of new directors, if extended balloting is utilized for said election. The purposes of the meeting shall be the election of officers of the Co-op for the ensuing year, and to transact such other business as may properly come before the Board.

Section 8. Regular Board meetings

A regular meeting of the Board of Directors shall be held at least every other month at such time and place as the Board may, from time to time, determine.

Section 9. Quorum and manner of acting

A majority of the Board shall constitute a quorum for the transaction of business, but if there is not a quorum, those who are present may adjourn the meeting to such a time and place as they may determine. The Board will strive to decide all questions by reaching consensus; however, questions may be decided by a simple majority.

Section 10. Executive Committee

The Board of Directors may designate four (4) or more Directors, one of whom shall be the President of the Co-op, to constitute an executive committee. The Board may elect other Directors as alternative members of the executive committee. To the extent determined by the Board, such committee shall exercise the authority of the Board in overseeing the management and business of the Co-op; provided, however, that such committee shall not have power or authority in reference to amending the Articles of Incorporation, adopting an agreement of merger or consolidation, recommending to the members the sale, lease, or exchange of all, or substantially all, of the Co-op's property and assets, recommending to the members a dissolution of the Co-op or a revocation of a dissolution or amending the Bylaws of the Co-op.

Section 11. Compensation

If authorized by a resolution of the members, individual Directors may be reimbursed for reasonable expenses required to attend Board meetings, and/or receive an honorarium, as determined by the active members.

Section 12. Noncompetition

No Director may compete in business with this Co-op to a material degree, or be employed by a competitor of this Co-op. No dependent or member of the immediate family or household of any Director may earn more than Five Hundred Dollars (\$500.00) per year as an employee of this Co-op.

Article VI Duties of Directors

Section 1. General Powers

The Board of Directors shall direct the business and affairs of the Co-op, and shall exercise all of the powers of the Co-op, except such as are by law, the Articles of Incorporation, or these Bylaws conferred upon or reserved to the membership as a whole. The Board shall adopt such policies, rules, regulations, and actions not inconsistent with the law, the Articles of Incorporation, or these Bylaws, as it may deem advisable.

Section 2. Specific duties

Major duties of the Board of Directors of this Co-op are to:

- (a) Establish corporate policy;
- (b) Employ, determine the compensation and employee benefits of, and evaluate the performance of the General Manager. The Board of Directors may review written evaluations of the General Manager from staff members who work more than 20 hours per week and have six months seniority;
- (c) Select officers and fill Board vacancies as needed;
- (d) Determine the total capital requirements of this Co-op and the proportion that should be provided by the members;
- (e) Approve any intermediate or long-term loans, including issues of debentures to members or to the general public;
- (f) Approve, after recommendation from management, of an operating budget for the current year and projections for succeeding years;
- (g) Review complete financial statements at least quarterly, and operating reports at more frequent intervals;
- (h) Apportion the net savings as provided in these Bylaws;
- (i) Adopt significant and realistic plans for future developments and growth, and review and modify them at regular intervals;
- (j) Determine basic policies for cooperation with other cooperatives;
- (k) Determine the basic policies for consumer and cooperative information programs, as well as guidelines for appropriate political action;
- (l) Review and make recommendations on any proposed changes in the Articles of Incorporation or Bylaws;
- (m) Appoint standing committees, including executive and nominating committees, as required by these Bylaws;
- (n) Authorize appropriate officers or agents to sign contracts, leases, or other obligations on behalf of this Co-op;
- (o) Approve purchase and disposal of large capital items; and
- (p) Authorize investment of any surplus funds; and
- (q) Remain informed about the affairs and operations of the Cooperative;
- (r) Carry out all legal proposals and resolutions, allowed by these Bylaws, and passed by the active members;
- (s) The Board shall set membership policy as regards dues, discounts, and other membership requirements and benefits. (Moved from Article II, Section 2);
- (t) Determine whether "extended balloting" will be utilized as a voting method in connection with matters to be brought before the membership; and,
- (u) Set and establish election policy, including without limitation the establishment of a written "extended balloting policy" for the "extended balloting" voting process, as well as all rules and regulations relating to all election policies.

Section 3. Specific Responsibilities

Major responsibilities of the Board of Directors of this Co-op are to see that:

- (a) Comprehensive financial statements are presented to the Board or to an appropriate committee at least quarterly, with operating reports at more frequent intervals;
- (b) Adequate accounting records are kept in accord with generally accepted accounting principles;
- (c) Accurate Co-op records are maintained, including copies of the Articles of Incorporation, Bylaws, Board minutes, General Membership meeting minutes, and copies of all required reports;
- (d) Accurate and up to date lists of names and addresses of intermediate and long-term creditors, including debenture holders, are maintained;
- (e) Accurate and up-to-date lists of member names and addresses are maintained;
- (f) Equitable and progressive personnel policies and employee benefits are maintained, reviewed and updated regularly. Hear employee grievances within adopted grievance procedure in an unbiased manner;
- (g) All legally required reports are accurately maintained and filed when due;
- (h) Notice of membership meetings are provided as required by these Bylaws;
- (i) Appropriate internal control procedures are in force and periodic audits made as needed;
- (j) Adequate channels are provided for member's suggestions, commendations, and complaints, and that response is reasonably prompt and courteous;
- (k) Effective programs for consumer and cooperative information are designed and then implemented consistently;
- (l) Communication between management, Board, committees, staff and members is reasonably free flowing and open in all directions; and
- (m) All activities are carried out within the law, the Articles of Incorporation, and these Bylaws.

Article VII Officers

Section 1. Election of officers

At each annual meeting of the Board of Directors, the Board shall elect from the Board the Principal officers of this Co-op, which principal officers shall be a President, a Vice President, a Secretary, and a Treasurer or a Secretary-Treasurer. In addition, the Board shall elect or confirm a General Manager, who need not be a member of the Board of Directors. The Board of Directors may elect one (1) or more assistant Vice Presidents, Assistant Secretaries, and Assistant Treasures as and when it may deem necessary. The President, Vice President, Secretary, and Treasurer or Secretary-Treasurer, must be Directors of the Co-op. An officer may be removed by the Board whenever, in its judgment, the best interests of the Co-op will be served thereby. If any vacancy shall occur among the principal officers of the Co-op, it shall be filled by the Board of Directors.

Section 2. Duties of President

The President shall (a) preside over all meetings of the Board and of the members as a whole; (b) call special meetings of the Board; (c) perform all acts and duties usually performed by a presiding officer; and (d) sign all membership certificates and such other papers of this Co-op as he or she may be authorized or directed to sign by the Board; provided, however, that the Board may authorize any person to sign any and all checks, contracts, and other documents in writing on behalf of the Co-op. The President shall perform such other duties as may be prescribed by these Bylaws or by the Board of Directors.

Section 3. Duties of Vice President

In the absence or disability of the President, the Vice President shall perform the duties of the President. The Vice President shall perform such other duties prescribed by these Bylaws or by the Board of Directors.

Section 4. Duties of Secretary

The Secretary shall attend all meetings of the Board of Directors and all general membership meetings, and shall assure that minutes be kept of all proceedings, which will be typed and distributed to all Directors. He or she shall assure that a complete record of all meetings of the Co-op and of the Board be kept and shall have general charge and supervision of the books and records of the Co-op. He or she shall sign all membership books and records of the Co-op. He or she shall sign all membership certificates with the President and such other papers pertaining to the Co-op as authorized or directed to be signed by the Board. The Secretary shall serve all notices required by law and by these Bylaws, including notices of meetings, and shall make a full report of all matters and business pertaining to the office to the members at the annual meeting. He or she shall make all reports required by the law and shall perform other such duties as may be required by the Co-op or the Board. An Assistant Secretary, if any shall perform the duties of the Secretary during his or her absence or disability, or when otherwise deemed necessary by the Board.

Section 5. Duties of Treasurer

The Treasurer shall perform such duties, with respect to the finances of this Co-op, as may be prescribed by the Board. An Assistant Treasurer, if any, shall perform the duties of the Treasurer during his or her absence or disability, or as the Board may deem necessary.

Section 6. Duties of General Manager

The General Manager (or Manager) shall be directly responsible for the day to day operation of the Co-op, and ongoing maintenance of its books, records, and accounting. He or she shall answer directly to the President and Board of Directors, and shall be entitled to receive a salary, benefits, and reimbursement for expenses as agreed upon from time to time by the Board of Directors. The General Manager will recruit, hire, evaluate, place on probation, and, as necessary, fire any and all employees of the Cooperative. Staff evaluations may incorporate peer review. Peer review will include written evaluations by all staff members who work more than 20 hours per week and have

six months seniority. The General Manager shall have a commitment to share decision making and work in a cooperative manner as stated in the purpose of the Cooperative. The General Manager is, however, ultimately responsible to the Board for the actions and results of all of the Cooperative's employees. The General Manager will be evaluated annually at a regularly scheduled meeting of the Board of Directors. The General Manager will submit to the Board timely financial statements, budgets and business plans and all other relevant and reasonable information required by the Board.

Article VIII Indemnification and Insurance

Section 1. Indemnification and Insurance

The Co-op shall indemnify, as allowed by Arkansas law, any employee, agent, officer, or Director of the Co-op, for any costs incurred in defending, settling, or paying out judgments on any action or proceeding brought against him or her for any act in such capacity, provided that act did not contravene any statute imposing specific liability for that act, and so long as he or she is not adjudged liable for negligence, fraud, or criminal act. The Co-op may carry appropriate liability insurance to protect both such employees, agents, officers, and Directors, and the Co-op itself against the costs of such indemnification.

Article IX Capital and Dividends Patronage Refunds

Section 1. Equity Accounts

Individual members shall have individual equity accounts. Members becoming active through household Annual Equity Contributions shall have joint equity accounts including all those in the household owning memberships. Except for the initial purchase of a membership, all allocated member equity will be accounted for in individual or household equity accounts, accordingly.

Section 2. Dividends

The Co-op shall not pay dividends upon its membership certificates, but shall pay patronage refunds to its active and inactive members as provided herein. Each transaction between this Co-op and each member shall be subject to, and shall include as a part of its terms, each provision of the Articles of Incorporation and Bylaws of this Co-op whether the same be expressly referred to in said transaction or not. Each member who has purchased goods and services in the given fiscal year from this Co-op shall be entitled to any and all patronage refunds as defined in this Article IX of the Bylaws arising out of said patronage.

Section 3. Capital Annual Equity Contribution

The Board shall set an Annual Equity Contribution for both individuals and households. Such contributions may be set for a full year or for a portion thereof. The Annual Equity Contributions are nonassignable and nontransferable, and shall be reflected in the accounts of the Co-op as member equity and credited to the member's equity account, as defined in Section 1 of this Article.

Member contributions shall accrue no profit, interest, or dividends. Redemption of Annual Equity Contributions shall be in accordance with Section 10 of this Article.

Section 4. Gross receipts

All receipts shall be deemed to be "gross receipts."

Section 5. Annual Savings

- (a) The Co-op shall deduct from said gross receipts:
 - i. All operating expenses and costs;
 - ii. The costs of goods sold to members;
 - iii. The cost of services performed for members;
 - iv. All taxes and all other necessary expenses; and
 - v. Reasonable and necessary reserves for depreciation, depletion, and obsolescence of physical property, doubtful accounts, and other valuation reserves, all of which shall be established in accordance with usual and customary accounting practices.
- (b) The Board of Directors may choose to establish and add to a general reserve, any reasonable portion of the figure remaining after the deductions in Section 4(a) for any lawful and reasonable purpose designated by the Board.
- (c) The remainder of said gross receipts, after all above deductions have been calculated upon a fiscal year basis, shall be deemed to be net proceeds or "annual savings."
- (d) Annual savings from business with or for members shall be calculated, allocated, and distributed as patronage refunds to the Co-op members based upon the quantity or value of business done with or for such members, as determined by the Board of Directors.

Section 6. Manner of distribution of patronage

- (a) The annual savings, excluding annual savings from nonmembers, shall be distributed annually as follows: twenty percent (20%) or more in cash and the remainder in qualified written notices of allocation and credited to the member's equity accounts as defined in Section 1 of this Article.
- (b) Annual net savings derived from sources other than business with or for members shall be credited to the general earned surplus: expenditure of which shall be for any purpose, including, but not limited to, income taxes, as determined by the Board of Directors in accordance with the law, the Articles of Incorporation, and these Bylaws.
- (c) Distribution of annual savings shall be made as soon as practicable after the close of each fiscal year, and written notice shall be sent to each member showing the total distribution, and the exact amount distributed in cash and in written notices of allocation. Said notice

shall be given not more than eight and one-half (8½) months after the close of the fiscal year.

Section 7. Loss or losses

In the event this Co-op shall incur a net loss in any fiscal year, the net loss may be charged against any one or more of the several equity accounts of the Co-op as the Board of Directors in its discretion may deem appropriate for the business needs of the Co-op. In any event, treatment of members similarly situated shall be equivalent. This section shall not be construed or administered in such a way as to deprive this Co-op of the right to carry back or carry forward net operating losses to past or future years, in accordance with the applicable provisions of the Internal Revenue Code or any applicable state taxing statutes.

Section 8. Revolving capital

When, in the sole opinion of the Board of Directors, the Co-op has sufficient working capital, then member equity in the form of either Annual Equity Contributions or written notices of allocation may be called for payment at the lesser of the state value or book value thereof. Such equity may be paid or redeemed in whole or in part at such time, in such manner, and in such order as shall be determined by the Board of Directors, so long as all members similarly situated are treated equally.

Section 9. Transfer

No member may transfer its equity, whether in the form of a membership, Annual Equity Contribution, or written notices of allocation except in the case of members with a joint account who choose to have their equity transferred either to their individual accounts or to another joint account which includes said member or members. Such transfers will only be made upon the written request of all parties to the original joint account.

Section 10. No dividends or interest

No dividends or interest shall be paid on any member interests or notices of allocation.

Section 11. Redemption of Member equity

Member equity in the form of either accumulated Annual Equity Contributions or written notices of allocation, upon redemption of a membership as otherwise provided herein, shall likewise be redeemed for cash or deferred payment evidenced by a promissory note, as the Board of Directors, in its sole discretion, deems to be in the best interest of the Co-op. In the event redemption is by deferred payment and evidenced by a promissory note, said note shall be payable over a period not to exceed seven (7) years and shall not bear interest.

Article X Fiscal Year

The fiscal year of this Co-op shall commence on the first day of January each year and shall end on the last day of December of each year.

Article XI Amendment

Section 1. Manner of acting

The Articles of Incorporation of the Co-op may be amended, and these Bylaws may be amended or repealed and new Bylaws adopted, at any annual or special meeting of the members as a whole, by the vote of a two-thirds (2/3) majority of the votes cast by the active members present at such meeting, or utilizing any other voting method provided in these Bylaws. The notice of such meeting must contain the full text of the proposed amendment. Proper notification of pending amendments must be submitted to the members as stated in Article IV, Section 3.

Section 2. Submission of amendments

Proposed amendments to the Articles of Incorporation or to these Bylaws may be submitted by either: (a) the Board of Directors, if approved by a majority vote of the directors in accordance with Section 9 of Article V; or (b) by written petition of any active member, if said petition is supported and signed by no less than fifty (50) additional active members. The proposed amendment shall be submitted in writing, and the submission may request that the proposed amendment be considered at either the next annual Membership Meeting or at a special meeting of the members to be called specifically for said purposes. If no request is made as to when the proposed amendment should be submitted to the members, then the Board of Directors may make such decision.

Article XII Dissolution

Upon dissolution of this Co-op, the assets of the Co-op, after all debts have been paid or adequate reserve for the payment thereof made, shall be distributed among the members of the Co-op in the proportion to their accumulated equity.