

**BYLAWS
OF
KEWEENAW COOPERATIVE, INC.**

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OF
KEWEENAW COOPERATIVE, INC.

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**BYLAWS
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ARTICLE I - DEFINITIONS

As used or referred to in these Bylaws, and in the Articles of Incorporation, the following terms have the meanings provided next to them:

“**Board**” means the Board of Directors of the Cooperative.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Cooperative**” means Keweenaw Cooperative, Inc.

“**Member**” or “**Members**” means the Members of the Cooperative who are eligible and admitted to Membership by the Board in accordance with the Articles of Incorporation and these Bylaws.

“**Nonpatronage Transactions**” shall refer to business done by the Cooperative that is not from “Patronage Transactions.”

“**Patron**” means any Member, any non-Member with whom the Cooperative has expressly agreed in a separate written agreement to do business on a patronage basis, and any non-Member who has not entered into a written patronage agreement but is required to be classified as a Patron pursuant to Section 1104(d) of the Michigan Consumer Cooperative Act, MCL §450.3104(d), in each case with respect to business conducted with the Cooperative on a patronage basis pursuant to Article VII.

“**Patronage Refund**” means the portion of Net Savings attributable to a Patron’s Patronage Transactions that is allocated and distributed to the Patron in accordance with Article 7. Patronage Refund has the same meaning as given to “patronage dividend” in Section 1388 of the Code.

“**Patronage Transaction**” means business that the Cooperative does on a cooperative basis with or for a Patron. Board policy will determine what business of the Cooperative is done on a cooperative basis.

“**Per Unit Retain**” means a fixed amount or percentage of transaction price per unit for services or supplies provided to its Patrons for the purpose of providing capital to the Cooperative. Per Unit Retain and the authority to assess Per Unit Retains is further described in Section 7.8. Per Unit Retain has the same meaning as given in § 1388 of the Code, and may be either a qualified Per Unit Retain or a non-qualified Per Unit Retain as determined by the Board.

ARTICLE II - NAME AND PURPOSE

2.1. Name. Pursuant to its Articles of Incorporation, the name of the Cooperative is Keweenaw Cooperative, Inc.

2.2. Organization. The Cooperative is organized under the Michigan Consumer Cooperative Act, MCL §450.3101, et seq. The Cooperative is organized on a non-stock, membership capital basis.

2.3. Purpose. The purposes of the Cooperative are specified in the Articles of Incorporation. The Cooperative may undertake any activities consistent with those purposes.

2.4. Ratification by Members. These Bylaws were initially adopted by the incorporators. Pursuant to MCL §450.3125, these Bylaws must be submitted to the Members for ratification or amendment at the first meeting of the Cooperative's Members.

ARTICLE III - MEMBERS

3.1. Qualifications and Eligibility; Nondiscrimination. Membership shall be open without regard to any characteristic that does not directly pertain to a person's eligibility. Accordingly, any natural person, trust, organization, or business entity (a "person") may apply for membership in the Cooperative. As a condition of initial and continuing membership in the Cooperative, each Member must:

a. meet all conditions and eligibility requirements set forth in the Uniform Conditions of Membership established by the Board, as amended from time to time;

b. apply for membership in the Cooperative, on forms established by the Board;

c. pay, or agree to pay on terms approved by the Cooperative, the capital contributions and special assessments established by the Board for the applicable class or category of membership, which may include an initial contribution of Member capital that does not appreciate in value; and

d. patronize the Cooperative by conducting the minimum level of business established by the Board and set forth in the Uniform Conditions of Membership for the applicable class or category of membership.

3.2. Classes and Categories of Membership. The Board may establish classes or categories of membership and specify the eligibility requirements, term of membership, required capital contributions, and other obligations and requirements for such class or category, from time to time. The classes or categories of membership and the corresponding eligibility requirements shall be set forth in the Uniform Conditions of Membership. Consistent with the foregoing, the Board may establish sub-categories of consumer membership, including for example, individual membership, joint membership, household membership, student membership, senior membership, or other categories as determined by the Board. At all times, a majority of the Cooperative's Members must be Consumers.

3.3. Application for Membership; Admission.

a. Each applicant who satisfies the qualifications and eligibility requirements for Members set forth in Section 3.1, as determined by the Board in its sole discretion, will be admitted as a Member of the Cooperative.

b. Before accepting an applicant as a Member or accepting any membership capital, the Cooperative must advise the applicant in writing of the matters set forth in Section 1138(a)-(g) of the Michigan Consumer Cooperative Act, MCL §450.3138(a)-(g).

c. By virtue of applying for and becoming a Member, each applicant agrees to abide by the Cooperative's Articles of Incorporation, Bylaws, policies, and rules and regulations, including without limitation the Uniform Conditions of Membership, as now in effect and as amended or adopted in the future.

3.4. Membership Certificates. The Cooperative shall issue to each Member a certificate or certificates setting forth the Members' initial capital contributed to the Cooperative. The certificates for membership capital of the Cooperative may be issued in physical or electronic format and will be in such form as approved by the Board and required by law. Without limiting the foregoing sentence, each certificate shall contain: (a) a statement that the Cooperative is organized under and subject to the Michigan Consumer Cooperative Act, (b) a statement of the qualifications for admission to and retention of membership and the right of the cooperative to terminate membership, if any; and (c) a statement of the restrictions, if any, on the transfer of membership. Membership certificates must be signed by the President or other officer designated by the Board.

3.5. Voting Power.

a. Each Member will be entitled to one vote in any matter submitted to a vote of the Members.

b. If two or more persons hold a Membership jointly (e.g., in partnership, joint tenancy, or otherwise) they will be collectively entitled to only one vote on each matter submitted to a vote of the Members. The vote may be cast by any one of these persons.

c. An individual shall not be permitted to cast more than one vote on any matter submitted for a vote of the Members, whether acting on behalf of such individual, as a voting representative of a Member which is not a natural person, or a combination of both.

3.6. Transfer of Membership and Capital. Neither membership nor Member capital may be transferred or assigned, except with the consent of the Board.

3.7. Transfer-on-Death Designations. The Board may permit a Member who is a natural person, to designate on forms approved by the Board, a natural person or trust to automatically assume ownership of the Member's membership or capital upon the Member's death, pursuant to Article VI (Nonprobate Transfers on Death) of the Estate and Protected Individuals Code, MCL §700.6301 et. seq. A transfer on death ("TOD") designation is not effective until approved by the

Board. At the time a TOD designation is approved by the Board, the TOD designation will be deemed to be registered in beneficiary form with the account initiated for the membership or membership capita to which the TOD designation relates. A TOD designation does not affect ownership of a membership or capital until the death of a designating Member. Membership and capital subject to a valid TOD designation will automatically transfer to the TOD beneficiary upon the death of the designating Member. A Member may cancel a TOD designation in writing submitted to the Cooperative at any time without the consent of the designated beneficiary or the Cooperative. A TOD designation pursuant to this Agreement is not testamentary. MCL §700.6309.

3.8. Voluntary Termination of Membership. A Member may voluntarily terminate membership in the Cooperative at any time by giving written notice in the manner or on forms established by the Board. Resignation does not relieve the resigning Member of the obligation to pay capital contributions, special assessments, or other charges that have then accrued and are due and payable. Upon voluntary termination, a Member's rights and privileges as a Member, including without limitation voting rights and rights to participate in management of the Cooperative, terminate.

3.9. Suspension or Termination of Membership. The Board may suspend or terminate a Member's rights and privileges as a Member, including without limitation voting rights and rights to participate in management of the Cooperative, and remove the person as a Member of the Cooperative, if the Member:

- a. fails to pay in or accumulate required Member capital, within the time or on the terms established by the Board as set forth in the Uniform Conditions of Membership;
- b. fails at any time to meet eligibility requirements for membership as set forth in the Uniform Conditions of Membership;
- c. fails to keeps the Cooperative informed of the Member's current mailing address;
- d. engages in conduct the Board reasonably determines materially and adversely affects the Cooperative or its operations;
- e. materially violates the Articles of Incorporation, Bylaws, rules, or regulations of the Cooperative;
- f. materially breaches any contract with the Cooperative;
- g. engages in conduct that is fraudulent; or
- h. commits a felony or crime of moral turpitude.

The Board may terminate a Member's rights and privileges under Section 3.9(a) or (b) at any time by giving written notice to the Member. The Board must give any Member subject to a removal vote for matters described in Sections 3.9(c) through (h) written notice of the alleged facts constituting cause for removal at least 10 and not more than 60 days before the meeting of the

Board at which a removal vote will be taken. The Member will have the right to be heard regarding the accusations at any meeting during which such a vote is taken; *provided however*, that Board of Director's determination with respect to alleged facts constituting cause for removal will be final, conclusive, and binding upon all parties. The Cooperative may redeem any Member capital owned by a terminated Member as provided in these Bylaws.

3.10. Member Representatives. Each Member that is not a natural person or holds a joint membership (e.g., certain trusts and household memberships) may, and if required by the Board, must, designate one individual to be its representative for purposes of (i) receiving notices and other information, (ii) communicating with the Cooperative on the Member's behalf, (iii) representing the Member at meetings, and (iv) voting the Member's interest.

ARTICLE IV - MEMBER MEETINGS

4.1. Annual Meeting. An annual meeting of the Members must be held on the third Thursday of April each year, at a time and place fixed by the Board.

4.2. Regular Meetings. The Board may schedule and call regular meetings of the Members, in addition to the annual meeting, at any time.

4.3. Special Meetings. A special meeting of the Members may be called at any time by the Board by majority vote, or by the Secretary upon the filing of a written petition stating the business to be brought before the meeting signed by at least 10% of the Members. No action may be taken at any Special Meeting on any matter not specified in the notice.

4.4. Notice of Meeting. Notice of the time, place if any, and purpose of any Member meeting shall be given to each Member in any of the following ways:

a. personally, by mail, or by electronic transmission, not less than 10 days nor more than 60 days before the meeting; provided that if mailed, notice shall be deemed given to a Member by depositing the same in a post office box, postage prepaid, and addressed to the last-known address of the Member; and further provided that if notice is given by electronic transmission, the notice is given when electronically transmitted to the Member entitled to the notice in a manner authorized by the Member;

b. by including the notice, prominently displayed, in a periodical that is regularly published at least semi-annually by or on behalf of the Cooperative and addressed and mailed, postage prepaid, to each Member entitled to vote at the meeting not less than 10 or more than 60 days before the meeting; and

c. for annual Member meetings only, by (1) posting written notice on the Cooperative's website or other publicly-accessible social media platform, or (2) posting written notice in conspicuous locations at the Cooperative's principal place of business, provided that the notice is made accessible to all Members at least 15 days before the meeting.

If a Member may be present and vote at the meeting by remote communication, the notice must describe the permitted means of remote communication. Notice pursuant to Section 4.4.c shall not

be used for any meeting or vote to approve an amendment of the articles of incorporation, amendment of the bylaws that alters Member voting rights or Member capital, merger, disposition of all or substantially all of the assets of the Cooperative, or dissolution.

4.5. Waiver of Notice. A Member may waive notice of a meeting. Attendance at a meeting, either in person or by casting a mail ballot if mail voting is authorized, constitutes a waiver of notice of the meeting, except where the Member attends for the express purpose of objecting because the meeting is not lawfully called or convened.

4.6. Quorum. At any Member meeting, a quorum shall be 10% of all Members or 50 Members, whichever is less. All Members present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

4.7. Voting. Except as otherwise provided by MCL §450.3145, other applicable law, the Articles of Incorporation, or these Bylaws, at any Member meeting at which a quorum is present, all corporate action shall be determined by a vote of a majority of the votes cast. Abstentions shall not be counted as votes cast. Any action or amendment that is subject to the vote requirement of MCL §450.1145 will not take effect for 60 days after adoption, and will be subject to a confirmation vote pursuant to, and to the extent required by, MCL §450.3146.

4.8. Participation by Remote Communication.

a. If authorized by the Board, Members may participate in a meeting of the Members by conference telephone or similar communications equipment through which all persons participating in the meeting can communicate with the other participants. All Members shall be advised of the means of remote communication.

b. The Board may hold a Member meeting solely by means of remote communication and may adopt guidelines and procedures governing participation in meetings by remote communication.

c. A Member participating in a meeting through remote communication may vote if the Cooperative: (i) implements reasonable measures to verify that each person permitted to vote by means of remote communication is a Member, (ii) implements reasonable measures to provide each Member a reasonable opportunity to participate and to vote on matters submitted to the Members, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with the proceedings, and (iii) maintains a record of any vote or other action taken by means of remote communication.

4.9. Proxies. Proxy voting is prohibited.

4.10. Voting by Mail or Electronic Ballot.

a. Ballot Voting Authorized. The Board may authorize voting by mail or electronic ballot on any action that the Members are required or permitted to take at an annual or special meeting, including the election of Directors. Ballot voting may be authorized in connection with any regular or special Member meeting, or in lieu of a meeting.

b. Procedures.

i. Subject to the provisions of this section, if the Board authorizes mail or electronic ballot voting on any matter, it must establish procedures for conducting the ballot voting, including procedures for authenticating ballots.

ii. Each ballot must provide an opportunity for the Member to vote for or against each action for which voting by mail or electronic ballot is authorized.

iii. The Cooperative must provide notice to each Member that is entitled to cast a mail or electronic ballot within the same time and in the same manner required for notice of Member meetings. The notice must describe each proposed action that is included on the ballot, the manner of voting, and the time period when the voting is open.

iv. If the Board authorized voting by mail or electronic ballot in lieu of a meeting, an action is considered approved by the Members under this section if the total number of Members that vote or the total number of ballots cast by Members equals or exceeds the quorum required to be present at a meeting to take that action, and the number of favorable votes equals or exceeds the number of votes that would be required to take the action at a meeting at which the number of votes cast by Members present was the same as the number of votes cast by ballot. An invalid ballot, an abstention, or the submission of a ballot marked "abstain" with respect to any action does not constitute a vote cast on that action. A Member may not revoke a ballot cast by mail or electronic transmission.

4.11. Referendum.

a. Referendum Authorized. The Board may authorize voting by referendum on any action that the Members are required or permitted to take at an annual or special meeting, including the election of Directors. This provision does not preclude the calling or holding of a regular annual or special meeting of Members.

b. Procedures.

i. Subject to the provisions of this section, if the Board authorizes a referendum on any matter, it must establish procedures for conducting the referendum.

ii. If the Board authorizes a referendum on any matter, action may be taken without a meeting if the Cooperative provides all Members that are entitled to vote on such matters with ballots that allow the Members to vote at a polling place or at polling places established by the Board. The polling places shall be reasonably accessible to the Members. Each referendum ballot must provide an opportunity for a Member to vote for or against the action.

iii. The Cooperative must provide notice to each Member that is entitled to cast a ballot in the referendum within the same time and in the same manner required for notice of Member meetings. The referendum notice must describe each proposed action that is included on the ballot, the location of the polling place or places, and the time periods when the polling places are open.

iv. An action is considered approved by the Members by referendum under this section if the total number of Members that vote or the total number of votes cast by Members at the polling place or polling places during the period when the polls were open equals or exceeds the quorum required to be present at a meeting to take that action, and the number of favorable votes equals or exceeds the number of votes that would be required to take the action at a meeting at which the number of votes cast by Members present was the same as the number of votes cast by in the referendum. An invalid ballot, an abstention, or the submission of a ballot marked "abstain" with respect to any action does not constitute a vote cast on that action. A Member may not revoke a ballot cast at a polling place.

4.12. Member-Initiated Proposals. Upon submission to the Cooperative of a petition signed by at least 10% of all Members that sets forth a proposed action to be taken by the Members, the Board shall either present the proposed action to the Members at an annual or special membership meeting, or include the proposed action on a ballot and submit the ballot to the Members for approval by mail, electronic transmission, or referendum as provided in this Article. Submission of a petition pursuant to this Section is the exclusive means by which proposed action to be taken by the Members may be submitted by the Members.

4.13. Record Date. The Board may set a record date for (a) determining the Members entitled to notice of, or to vote at, any meeting, vote by ballot, or referendum of Members; (b) determining the Members entitled to receive payment of any dividend or the allotment of any rights; or (c) any other action. Except as otherwise provided in these Bylaws or the Act, the record date must be at least 10 days and not more than 60 days before the date of any meeting, and not more than 60 days before any other action. If the Board does not set a record date, the record date will be determined by applicable law. The record date for any Member meeting will also apply to any adjournment of the meeting, unless the Board fixes a new record date for the adjourned meeting.

4.14. Member List. The officer or agent that has charge of the Cooperative's membership records shall make and certify a complete list of Members entitled to vote at each Member meeting or any adjournment. The list must be arranged alphabetically and include each Member's address. The list must be produced at the time and place of the Member meeting and must be available for examination by any Member during the entire meeting. If a meeting is held solely by means of remote communication, then the list must be available during the entire meeting by posting the list on an electronic network reasonably accessible by the Members, and the meeting notice must include information required to access the list. The list shall be prima facie evidence of the Members entitled to examine the list or to vote at the meeting.

ARTICLE V - BOARD OF DIRECTORS

5.1. Duties and Powers. The Board shall have control and management of the business and affairs of the Cooperative, and may exercise all powers of the Cooperative and take all lawful actions that are not reserved to the Members by law, by the Articles of Incorporation, or by these Bylaws.

5.2. Number and Election. The Board will be comprised of 9 Directors elected by the Members, subject to the right of the Board to fill vacancies pursuant to Section 5.7, below.

5.3. Qualifications. To be qualified to be nominated, elected, and serve as a Director, an individual must: (i) be a Member or the duly-appointed designated representative of a Member that is not a natural person; (ii) not be an employee of the Cooperative; (iii) not be a former employee of the Cooperative whose last day of employment with the Cooperative was less than 6 months prior to the individual's nomination or election as a Director; (iv) meet the minimum qualifications established by the Board pursuant to the policies described in Section 5.4, below; and (v) execute a Director agreement in the form and containing such terms as are approved by the Board, including without limitation, agreeing to be bound by and comply with the Cooperative's Director code of conduct and other Cooperative policies. If any Director ceases to be a Member or the duly-appointed representative of a Member or breaches any material term of a Director agreement to which the Director is a party, then such person will be disqualified to serve as a Director and will be deemed to have tendered a resignation as a Director, which resignation may be accepted or rejected by the Board.

5.4. Nominations of Director Candidates. The Board must adopt policies and guidelines with respect to the nomination and election of Directors that permit and encourage fair representation of the Members. These policies and guidelines must take into consideration both democratic representation of the Members from throughout the Cooperative's trade area and representation of the diversity of the Members. Nominations of candidates for election to the Board may be made by the Board, consistent with the policies described above. The Board shall consider candidates recommended by any Member. If any nomination is not made in accordance with the foregoing procedures, the nomination shall be void and all votes cast in favor of a person so nominated shall be disregarded.

5.5. Term and Term Limits. The Board will be divided into 3 classes of 3 Directors each, with staggered terms. Except as initially necessary to stagger Directors' terms, each Director will hold office for a term of 3 years. An individual may serve as Director for up to 3 consecutive full 3-year terms. A Director will be ineligible to serve as Director for 1 year after serving the maximum number of consecutive full terms. Subject to such person's earlier death, resignation or removal as provided in these Bylaws, each Director shall hold office for the term to which the Director is elected and thereafter until the Director's successor is elected and shall have qualified.

5.6. Removal. A Director may be removed with or without cause by a vote of a majority of all Members. Notice will be given to all Members that a purpose of a regular or special meeting will be to vote upon the removal of the Director.

5.7. Vacancies. Vacancies on the Board may be filled by an affirmative majority vote of the Directors then in office, even if less than a quorum. Any Director so appointed will serve until the next election of the class of Directors for which the Director was chosen, and until such person's successor is duly elected and qualified, or until resignation or removal.

5.8. Regular Meetings. Regular meetings of the Board will be held at such times and such places as any majority of the Directors may by resolution from time to time determine. Each Director will be provided with the times and places of each regular meeting, but a separate notice need not be given for each regular meeting.

5.9. Special Meetings. Special meetings of the Board will be held whenever called by the President; or when the President is required to call a special meeting upon written request by at least 3 directors. Notice of any special meeting, which may be waived, will be given in writing not later than the day preceding the special meeting.

5.10. Waiver. Attendance of a Director at a meeting constitutes a waiver of notice of the meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

5.11. Quorum; Vote. A majority of the Directors then serving constitutes a quorum for the transaction of business. A vote of the majority of Directors present at a meeting at which a quorum is present constitutes the action of the Board.

5.12. Action Without a Meeting. Action may be taken by the Board without a meeting if, before or after the action, all Directors consent in writing. The written consent will be filed with the minutes of the proceedings of the Board.

5.13. Meetings by Electronic Communication. Where permitted by Board policy, a Director may participate in a meeting by means of conference telephone or other means of remote communication by means of which all persons participating in the meeting can communicate with the other participants. Participation in a meeting by this method constitutes presence in person at the meeting.

5.14. Notice by Electronic Communication. A Director may consent to receiving electronic notice of any regular or special meeting of the Board by providing written notice to the Secretary that such person consents to receiving electronic notice and that identifies the manner in which such notice may be given electronically. Any such notice will be effective unless and until consent is withdrawn in writing.

5.15. Compensation. The Board by affirmative vote of a majority of the Directors then in office, and irrespective of any personal interest of any of its Members, may establish reasonable per-diem compensation for Directors for their services to the Cooperative as Directors, officers or otherwise, or may delegate such authority to any appropriate committee. Directors will be reimbursed for their reasonable expenses incurred when engaged in the business of the Cooperative, subject to any reimbursement policy adopted by the Board.

5.16. Audits. The Board must have the financial statements of the Association reviewed by an independent certified public accountant at least once each fiscal year. The Board must have the financial statements of the Association audited by an independent certified public accountant at least once every three fiscal years. A report regarding the reviewed financial statements or a report of the audit, as applicable, must be made available to Members upon completion of each audit or review.

5.17. Committees. The Board may appoint committees as necessary and delegate authority and responsibility to these committees as the Board determines. The decision or act of any committee is subject to review and ratification by the Board, and may be amended or repealed by the Board in accordance with any condition imposed by the Board in its delegation or charge

to the committee. As defined in Board policy, each committee must make timely reports of their activities and recommendations to the Board.

ARTICLE VI - OFFICERS

6.1. Election of Officers.

a. The Board must elect officers of the Cooperative at each organizational meeting, which shall be held at or before the next regular Board meeting following the annual membership meeting.

b. The officers of the Cooperative will consist of a President, Vice President, Secretary, and Treasurer. In addition, the officers may include other officers who the Board considers necessary or desirable. The President and Vice President must be Directors of the Cooperative.

c. All officers, other than the General Manager, will hold office for a term of 1 year, and until their successors are qualified and chosen. The General Manager will serve for the term to which such person is appointed.

d. Two or more offices may be held by the same person, but an officer shall not execute, acknowledge or verify an instrument in more than one capacity, if the instrument is required by law, or the Articles of Incorporation, or these Bylaws, to be executed and acknowledged or verified by two or more officers.

6.2. Removal. Officers serve at the pleasure of the Board, and the Board may remove and replace any officer with or without cause.

6.3. Vacancies. A vacancy in any office may be filled by the Board for the unexpired portion of the term.

6.4. Responsibilities and Authority of Officers. Each officer shall have the responsibilities established and authority delegated by the Board pursuant to written resolution or policy.

6.5. Compensation. The Board will determine the compensation of all officers.

6.6. Fidelity Bonds. The Board may, by resolution, require any or all of the officers to provide bonds to the Cooperative to secure the faithful performance of the duties of their respective offices. Any bond shall be placed with a surety or sureties satisfactory to the Board, and may be conditioned upon other conditions established by the Board.

6.7. General Manager. The Board must appoint and employ a General Manager. The Board may terminate this employment at its discretion. The General Manager must actively supervise the business of the Cooperative; control the employment, compensation, supervision, discipline and discharge of the Cooperative's employees; and perform other duties and have authority as the Board requires or delegates. The General Manager may appoint and delegate

authority to assistant managers as the General Manager considers necessary for efficient and effective management of the Cooperative's business.

ARTICLE VII - COOPERATIVE PLAN

7.1. Cooperative Operation.

a. The Cooperative shall operate on a Member capital basis, as described in the Michigan Consumer Cooperative Act, and not on a membership fee basis.

b. The Cooperative will operate on a cooperative basis for the mutual benefit of its Patrons as purchasers of goods and services from the Cooperative. Accordingly, the Cooperative's Net Savings shall be accounted for, allocated and distributed annually as provided in this Article.

c. Each transaction between the Cooperative and a Patron shall be subject to and shall include as a part of its terms each provision of the Articles of Incorporation and Bylaws, whether referred to in the transaction or not. Each Patron shall be entitled to Patronage Refunds as provided in these Bylaws.

d. In furnishing goods and services to Patrons, the Cooperative will operate so that all Patrons will, through capital contributions (including without limitation special assessments), retained patronage, or otherwise, furnish capital to the Cooperative. Except as provided in Article VIII, no dividends shall accrue or be payable on Member capital.

e. The Board may assess special assessments, which Members must contribute as a condition of continued membership in the Cooperative. Special assessments constitute Member capital contributions and will be credited to each Member's capital account. The Board may, but shall not be required to, submit proposed special assessments to the Members for approval.

7.2. Reserves.

a. The Cooperative may establish reasonable reserves for any business purposes or contingencies the Board deems necessary or appropriate ("**Reserves**"), including without limitation reserves for depreciation and obsolescence of property, doubtful accounts, other valuation or operating reserves, and reserves for capital investment. Reserves must be consistent with the Cooperative's intended federal tax status and the Michigan Consumer Cooperative Act.

b. Reserves will include an amount not to exceed 20% of the Cooperative's net income from Patronage Transactions to be held as an operating reserve and allocated to the Cooperative's unallocated reserve (i.e. its unallocated retained earnings), provided that the Board determines the specific percentage before the first day of any fiscal year.

7.3. Net Savings. The Cooperative must calculate Net Savings for each fiscal year by deducting from the Cooperative's gross income: (i) all operating costs and expenses, (ii) all Reserves pursuant to Section 7.2, and (iii) dividends paid on nonvoting investment certificates or bonds.

7.4. Patronage Refunds. The Cooperative obligates itself to account on a patronage basis to Patrons for Net Savings attributable to Patronage Transactions, as follows:

a. Refunds Required. Net Savings attributable to Patronage Transactions will be apportioned to and allocated among Patrons as patronage refunds for the respective fiscal year, in proportion to the value of their respective Patronage Transactions during the fiscal year for which the refunds are declared.

b. Form of Payment. Patronage refunds must be paid in cash, merchandise credits, qualified written notices of allocation, non-qualified written notices of allocation, other credits to a capital account for each Patron, or any combination of the foregoing. The Board will annually determine the manner of making patronage refunds and any related matters. Written notices of allocation may be issued in non-certificated form.

c. Notice. The Cooperative's books and records will clearly reflect the amount of capital furnished by each Patron and the credit of capital to the Patron's capital account. No later than the fifteenth (15th) day of the ninth (9th) month after the end of each fiscal year, the Cooperative must provide each Patron a written notice of allocation (as defined in 26 USC §1388), disclosing the amount of capital credited to the Patron's capital account.

d. De Minimis Exceptions. The Cooperative is not required to make a patronage refund payment of less than a de minimis amount not to exceed \$10.00, as established by Board policy. The Cooperative may, but is not required to, make a patronage refund of less than a de minimis amount not to exceed \$100.00, as established by Board policy, entirely in cash.

e. Allocation Units. The Board may establish separate allocation units or pools for specified goods, services, departments, or functions, and apportion to and allocate Net Savings attributable to Patronage Transactions on the basis of the value of business done with respect to those units or pools.

f. Manner of Computation of Patronage Refunds. At the election of the Board, the Cooperative's patronage refunds shall be computed either: (i) on the basis of the Cooperative's taxable income, adjusted for permanent timing differences where appropriate and with consideration of Internal Revenue Service positions on the handling of such timing differences; or (ii) on the basis of the Cooperative's book income.

g. Classification of Certain Transactions. Except as otherwise provided by law, the Board may classify the disposition of capital assets as either Patronage Transactions or Nonpatronage Transactions. The Board may make that determination on a case-by-case basis, considering the nature of the assets, the Cooperative's records, applicable law, and other relevant factors. Further, the Board may classify certain transactions (such as the sale of designated goods and services, including for example, zero-margin or clearance-priced items) as Nonpatronage Transactions.

7.5. Non-Patronage Income. The Cooperative's Net Savings attributable to Nonpatronage Transactions may be assigned to the Cooperative's unallocated reserve (i.e. its

unallocated retained earnings) or allocated to Patrons in whole or in part, as determined by the Board.

7.6. Redemption of Capital. The Board may establish policies regarding the redemption of Member capital to ensure fair and uniform treatment for all holders. Subject to, and as set forth in such policies:

a. Redemption; Revolving Fund. The Cooperative may redeem capital allocated to Patrons' accounts, in whole or in part, if the Board determines that the financial condition of the Cooperative would not be impaired by doing so. Except as otherwise required by applicable law, no Patron has a legal or equitable right to payment for its capital other than through such a redemption. The Board may determine, in its sole discretion, all matters related to paying, redeeming, or revolving capital allocated to Patrons' accounts, including without limitation, the discretion to determine the order or priority for redemption and the form of payment. The Cooperative shall give each Patron that is entitled to payment in redemption of its capital reasonable notice of the redemption. That notice may be given by mail to the Patron's last known address.

b. Discretionary Special Redemptions. The Board, in its sole discretion, has the power to redeem capital credited to any Patron's account before the applicable order of retirement in Section 7.6.a (e.g., in cases such as death or bankruptcy), if the Board determines that the financial condition of the Cooperative would not be impaired by doing so and the Board and the Patron agree on the terms of redemption, which may include discounts.

c. Redemption upon Termination of Membership. Notwithstanding Section 7.6.a, upon termination of a Patron's membership in the Cooperative, the Cooperative shall redeem the Patron's capital by paying to the Patron in cash or other property the lesser of the Patron's capital or the Patron's pro rata share of the total Member capital of the cooperative determined according to the ratio each Patron's capital bears to total Member capital. Subject to Section 7.6.d, below, payment shall be offered in redemption of the Patron's capital within 10 years from the date of termination.

d. Unclaimed Redemptions. Pursuant to MCL §450.3139(5), if a Patron is given reasonable notice that it is entitled to redemption of its Patron capital, and fails to respond to the notice and claim payment within 5 years from the date of notice, that Patron shall have no further rights in the capital, and the capital may be added to the general funds of the Cooperative.

7.7. Allocation of Losses.

a. Operating Losses. An operating loss will be apportioned among the Patrons during the year of loss so that the loss will, to the extent practicable, be borne by those Patrons with respect to the loss year on an equitable basis, including charging the loss against allocated reserves, unallocated reserves, or the capital accounts of said Patrons. Patrons may not be directly assessed for any loss. The Board may, in its discretion, direct that all or part of any loss be carried forward or back so long as any carryforward or carryback will not place an inequitable burden upon past or future Patrons.

b. Other Losses. If, in any fiscal year, the Cooperative incurs a loss other than an operating loss, the Board will have full authority to prescribe the basis on which capital furnished by Members may be reduced or such loss is to be otherwise equitably apportioned among the Members.

c. Allocation Units. The Board may direct patronage losses (including patronage losses carried to any year) that are attributable to any allocation unit (whether the unit is functional, divisional, departmental, geographic, or otherwise) be netted, in whole or in part, against patronage earnings of other allocation units. That allocation and netting must be done in accordance with the provisions of Subchapter T of the Internal Revenue Code (26 USC §1382 and 26 USC §1388(j)).

7.8. Per Unit Retains. The Cooperative may charge a fixed amount or percentage of transaction price per unit for services or supplies provided to its Patrons for the purpose of providing capital to the Cooperative. These amounts are capital contributions to the Cooperative and are referred to in these Bylaws and in the Articles of Incorporation as Per Unit Retains. A Per Unit Retain may be established for all Patrons or for Patrons of a department or allocation unit of the Cooperative. Per Unit Retains must be established with reference to capital requirements or costs reasonably related to the Patronage Transactions with which they are associated. Per Unit Retains remain the property of the Patrons so charged and will be evidenced by Member capital issued for the account of these Patrons.

7.9. Transfers. Patron capital and other equities may be transferred only with the consent of the Board and will not be binding until recorded in the records of the Cooperative.

ARTICLE VIII - NON-MEMBER BUSINESS

The Cooperative may conduct business with non-Members on either a patronage or non-patronage basis. A non-Member with whom the Cooperative intends to conduct business on a patronage basis must enter into a written patronage agreement in the form approved by the Board. Each agreement will include, without limitation, the non-Member patron's consent agreement required for patronage distributions under 26 USC §1385(a).

The Board shall adopt reasonable policies to establish whether the business conducted by the Cooperative with a non-Member who has not entered into a written patronage agreement constitutes a regular economic exchange that requires the non-Member to be classified as a Patron pursuant to Section 1104(d) of the Michigan Consumer Cooperative Act, MCL §450.3104(d). If any non-Member must be classified as a Patron, the Cooperative shall (i) require the non-Member to apply for membership, (ii) cease conducting business with the non-Member, or (iii) credit to the Cooperative's unallocated reserve amounts that would have been allocated to the non-Member if a Member, subject to future redistribution to the extent required by MCL §450.3135(3)(a)(iii). The Board may by policy require that amounts so redistributed first be credited towards payment of Member capital.

ARTICLE IX - NON-VOTING INVESTMENT CERTIFICATES

Subject to other provisions of these Bylaws and applicable law, including without limitation the Michigan Uniform Securities Act, MCL §451.501 et. seq., and the federal Securities Act of 1933, 15 U.S.C. §77a, et. seq., the Cooperative may offer to Members or non-Members any form of nonvoting investment certificate or bond that bears interest or dividends as authorized by the Board.

ARTICLE X - FIRST LIEN; RIGHT OF SETOFF

Each holder of membership capital, other property shown or recorded in the name of the holder, and other amounts owed by the Cooperative to such person, including proceeds and after-acquired property (collectively “collateral”), grants the Cooperative a continuing first lien in and right of setoff against that collateral to secure the holder's debts, liabilities and obligations owing to the Cooperative, whether matured or unmatured.

Each such holder agrees to take any action reasonably requested by the Cooperative from time to time to permit the Cooperative to perfect or exercise its first lien and right of setoff, and irrevocably appoints the Cooperative as its attorney in fact to take such action on its behalf. This appointment is coupled with an interest.

The Cooperative may discount the value of any collateral that the Cooperative elects to set off against to reflect reasonable discounts for lack of marketability and the time value of money. The Board may establish the applicable discount rate from time to time. If the value of collateral (including discounts) is less than the holder’s obligations to be offset, the Cooperative's lien will continue against any collateral acquired in the future.

At any time during which the holder is not in default upon obligations to the Cooperative, the holder will retain all beneficial interests in the collateral, including in the case of a Member, voting rights. At any time the holder is in default, the holder will be deemed not to be in good standing, and may not exercise voting rights or other beneficial interests in the collateral.

ARTICLE XI - CONSENT

11.1. Patronage Refunds to a Consumer Patron. Section 1385(b)(2) of the Code provides that Patronage Refunds and Per Unit Retains need not be included in the gross income of a Patron (for federal income tax purposes) to the extent they are attributable to purchases of personal, living, or family items.

11.2. Other Patronage Refunds. Except as provided in Bylaw 11.1, each person who becomes a Member and each Member on the effective date of this Bylaw who continues as a Member consents, by this act alone, to include in the Member’s gross income for federal income tax purposes the stated dollar amount of any qualified written notice of allocation and qualified notice of Per Unit Retain (as defined in §1388 of the Code) received from the Cooperative with respect to Patronage Transactions, to the extent required in §1385 of the Code.

ARTICLE XII - INDEMNIFICATION

12.1. Right of Indemnification.

a. Each person who is or was or had agreed to become a Director or officer of the Cooperative, and each such person who is or was serving or who had agreed to serve at the request of the Board as an employee or agent of the Cooperative, or as a Director, officer, employee, or agent of another Cooperative (whether for profit or not), partnership, joint venture, trust or other enterprise (including the heirs, executors, administrators or estate of such person) at the request of the Cooperative (an “**Eligible Indemnified Party**”), shall be indemnified by the Cooperative to the full extent permitted by the Michigan Nonprofit Corporation Act or any other applicable laws as presently or hereafter in effect.

b. An Eligible Indemnified Party will be entitled to indemnification for matters arising from or related to the person's conduct if the Eligible Indemnified Party acted (i) in the case of service for the Cooperative, in good faith and in a manner the Eligible Indemnified Party reasonably believed to be in the best interest of the Cooperative or its Members, (ii) in the case of service for any other Cooperative or any partnership, joint venture, trust, employee benefit plan or other enterprise at the request of the Cooperative, in good faith and in a manner the Eligible Indemnified Party reasonably believed to be not opposed to the best interests of the Cooperative, and (iii) with respect to a criminal action or proceeding, if the Eligible Indemnified Party had no reasonable cause to believe the person's own conduct was unlawful. The termination of an action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, does not, of itself, create a presumption that an Eligible Indemnified Party did not act in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Cooperative, or its Members and, with respect to a criminal action or proceeding, had reasonable cause to believe that the Eligible Indemnified Party's conduct was unlawful.

12.2. Non-Exclusivity of Rights. The right to indemnification conferred in this Article shall not be exclusive of any right that any person may have or acquire under any statute, provision of the Articles of Incorporation, Bylaw, agreement, vote of Members or disinterested Directors, or otherwise.

12.3. Advance Expenses.

a. The Cooperative may pay or reimburse the reasonable expenses incurred by a Director, officer, employee, or agent who is a party or threatened to be made a party to an action, suit, or proceeding (a “**Reimbursable Party**”) before final disposition of the proceeding if all of the following apply: (i) the Reimbursable Party furnishes to the Cooperative a written affirmation of good faith belief that such Reimbursable Party has met the applicable standard of conduct set forth in Section 12.1.b; (ii) such Reimbursable Party furnishes to the Cooperative a written undertaking, executed personally or on such Reimbursable Party's behalf, to repay the advance if it is ultimately determined that the Reimbursable Party did not meet the standard of conduct; and (iii) a determination is made pursuant to Section 12.3.b that the facts then known to those making the determination would not preclude indemnification under these Bylaws, the Michigan Business Cooperative Act or any successor act. The undertaking required by subsection (ii), above, must be an unlimited general obligation of the person, but need not be secured.

b. The determination required by Section 12.3.a(iii) may be made in any of the following ways: (i) by a majority vote of a quorum of the Board consisting of Directors who are not parties or threatened to be made parties to the action, suit, or proceeding; (ii) if a quorum cannot be obtained under subsection (i), by majority vote of a committee duly designated by the Board and consisting of at least two (2) Directors not at the time parties or threatened to be made parties to the action, suit, or proceeding, or (iii) by independent legal counsel in a written opinion, which counsel shall be selected by a majority of the Directors who are not parties or threatened to be made parties to the action, suit, or proceeding, provided that if all Directors are parties or threatened to be made parties, then all Directors may participate in the selection of counsel.

12.4. Insurance. The Cooperative may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Cooperative or is or was serving at the request of the Cooperative as a Director, officer, partner, trustee, employee, or agent of another foreign or domestic Cooperative, partnership, joint venture, trust or other enterprise, whether for profit or not, against any liability asserted against that person and incurred by said person in any such capacity or arising out of their status as such, whether or not the Cooperative would have the power to indemnify said person against such liability under the provisions of this Article.

12.5. Amendment. If the Cooperative repeals, amends or modifies this Article, it shall not affect any right or protection existing at the time of such repeal, amendment or modification.

ARTICLE XIII - FISCAL YEAR

The fiscal year of the Cooperative will be established by the Board.

ARTICLE XIV - BOOKS AND RECORDS

The Cooperative will keep correct and complete books and records of account and will also keep minutes of the proceedings of its Members, if any, Board and committees having any of the authority of the Board, and will keep at its registered or principal office a record giving the names and addresses of the Members of the Board. All books and records of the Cooperative may be inspected by any Director, or a Director's agent or attorney, for any proper purpose at any reasonable time.

ARTICLE XV - DISSOLUTION

Upon dissolution, the assets of the Cooperative shall be distributed in the manner and order set forth in MCL §450.3183.

ARTICLE XVI - AMENDMENTS

These Bylaws may be altered or amended by the Members, by the affirmative vote of a majority of the votes cast. The notice of any regular or special meeting of the Members will include notice of any proposed amendment to these Bylaws that will be considered at the meeting. These Bylaws may not be amended by the Board.