

ARTICLES OF INCORPORATION

OF

KEWEENAW COOPERATIVE, INC.

Keweenaw Cooperative, Inc., (the **Association**), intending to be a cooperative association organized under Chapter 1729 of the Ohio Revised Code adopts Articles of Incorporation as follows:

ARTICLE 1

NAME

The name of the Association is **Keweenaw Cooperative, Inc.**

ARTICLE 2

PRINCIPAL PLACE OF BUSINESS

The principal place of business of the Association is in the City of Hancock, Houghton County, Michigan.

ARTICLE 3

PURPOSE; POWERS

- 3.1 **PURPOSE.** The purpose of the Association is to associate consumers and commercial food businesses to provide them economic benefit through group purchasing and distribution of products, supplies, services and other inputs for consumption by its Members and others. Its primary business purpose is:
- (A) **Business Mission.** To conduct a commercial grocery business and to provide related services and supplies;
 - (B) **Affiliated Mission.** To promote the use and consumption of natural, organic, and environmentally friendly products, and to support cooperatives and other community-based businesses whether affiliated with the Association or not; and
 - (C) **Other Purposes.** To engage in any other lawful business or activity for which an association may be organized under Chapter 1729 of the Ohio Revised Code (the Ohio Cooperative Law), including marketing products of its Member and others.
- 3.2 **POWERS.** The Association is a corporation organized as a cooperative association under and subject to the Ohio Cooperative Law. The Association has all powers and rights conferred on associations by the Ohio Cooperative Law. The foregoing powers include the power to:

- (A) form, acquire or hold an interest in any corporation, cooperative association or other entity;
- (B) acquire, use and develop any interest in patents, trademarks, service marks, copyrights and other intellectual property; and
- (C) enter into partnerships, joint ventures and other business relationships.

ARTICLE 4

CAPITAL

4.1 **CAPITAL STOCK.** The Association is a cooperative with capital stock, divided into shares and classes as follows:

- (A) **Common** – Three Thousand (3,000) shares Common with par value of Two Hundred Dollars (\$200) per share.
- (B) **Preferred** – Ten Thousand (10,000) shares Preferred with par value of One Hundred Dollars (\$100) per share.

4.2 **COMMON STOCK.**

- (A) **Eligible Holders.** Common stock are the Membership Shares of the Association. Only Members of the Association are eligible to acquire and hold Common stock. Common stock may not be transferred, sold, or issued to a person who is not a Member of the Association and any attempt to do so is void and without effect.
- (B) **Disposition Of Common Stock Held By Ineligible Holders.** If Common stock comes into the possession of a person who is not a Member, or a holder of Common stock is ineligible for Membership, the holder has no vote in the Association. The Association may purchase this Common stock at the lesser of its par value or book value or convert the Common stock to Capital Credits with Stated Value equal to the par value of the Common Stock. If the holder does not deliver the certificate for the Common stock, the Association may cancel the certificate in its records and issue Capital Credits in replacement.

4.3 **PREFERRED STOCK.**

- (A) **Eligible Holders.** Shares of Preferred stock may be issued or transferred to any person, subject to the terms and conditions of these Articles of Incorporation.
- (B) **Preferred Stock In Series.** Preferred stock may be issued in separate series of one or more shares as designated by the Board of Directors.

- 4.4 **CAPITAL CREDITS.** The Association may allocate to a holder uncertificated Capital Credits representing ownership of a stated portion (**Stated Value**) of the Association's equity capital. Capital Credits may be issued in any capital pool or classification designated by the Board of Directors. Capital Credits have equal preference within this class of equity. Capital Credits must not be issued for less consideration than their Stated Value. Capital Credits may be paid for in cash or property, as the Board determines, or Capital Credits may be paid for by reinvestment/retention of Patronage Refunds. Capital Credits must not be issued when, in the aggregate, the par value of capital stock and the Stated Value of Capital Credits then issued and outstanding are equal to or exceed the Association's net worth. Capital Credits may be issued or transferred to any person, subject to the terms and conditions of these Articles of Incorporation.
- 4.5 **DIVIDENDS ON CAPITAL STOCK AND CAPITAL CREDITS.**
- (A) **Preferred.** When the Board of Directors designates a series of Preferred stock, the Board of Directors must establish dividend rights, if any, for the series. Dividends on any series of Preferred stock may be non-cumulative or cumulative and may not exceed eight percent (8%) of par value per annum. The right to payment of dividends on each series of Preferred stock must have equal priority and preference with the right to payment of dividends on any other series of Preferred stock.
 - (B) **Common.** There are no dividends on Common stock.
 - (C) **Capital Credits.** There are no dividends on Capital Credits.
 - (D) **Condition Of Payment Of Dividends.** It is a condition of all dividends declared and payable on the Association's capital stock that the Association can confirm the current address and status of the holder. If the current address and status of a holder cannot be confirmed, no dividend may be declared or paid on the capital stock held by that holder. No dividends may be paid unless there are sufficient unallocated amounts in the Association's Capital Reserve (defined in the Bylaws) from which dividends can be paid.
- 4.6 **PATRONAGE REFUNDS.** The Net Margins (savings) of the Association in excess of Association Net Margins (as this term is described in the Bylaws) is allocated and distributed annually to the Association's Patrons as Patronage Refunds. The calculation, allocation, and distribution of Patronage Refunds are further described and defined in the Bylaws.
- 4.7 **TRANSFER OF CAPITAL STOCK AND CAPITAL CREDITS.** Capital credits and shares of capital stock issued by the Association may not be transferred or encumbered without written consent of the Board of Directors.
- 4.8 **REDEMPTION OF CAPITAL STOCK AND CAPITAL CREDITS.** Capital Credits and shares of capital stock issued by the Association may be redeemed when and in a

manner and order determined by the Board of Directors. Capital stock and Capital Credits must be redeemed at the lesser of par value (Stated Value in the case of Capital Credits) or book value, unless otherwise provided in a written subscription for the stock or Capital Credits. If an affected stockholder is entitled under the Ohio Cooperative Law to receive fair cash value for any capital stock or Capital Credits, the fair cash value will be the lesser of par value (Stated Value in the case of Capital Credits) or book value of the stock or Capital Credits unless otherwise provided in a written subscription.

- 4.9 **LIEN AND RIGHT OF OFFSET.** The Association has a first lien and security interest in all capital stock, dividends on capital stock, Patronage Refunds, and Capital Credits that it issues or allocates to secure payment of the holder's or owner's indebtedness or other obligation to the Association. At the option of the Board of Directors, the Association may offset the amount of any dividends and the present value (based on the Association's history of equity redemption) of the holder's or owner's capital stock, Patronage Refunds, and Capital Credits against the indebtedness or obligation; but nothing in these Articles gives the holder or owner any right to require an offset.
- 4.10 **CONDITION OF FORFEITURE.** It is a condition of all capital stock, dividends on capital stock, Capital Credits, and Patronage Refunds declared, issued or allocated by the Association that the Association may effect forfeiture to the Association of the stock, dividends, Patronage Refunds and Capital Credits issued or allocated to a person whose current address and status cannot be confirmed by the Association, as provided in the Ohio Cooperative Law.

ARTICLE 5

MEMBERSHIP AND DISTRIBUTION OF EARNINGS

- 5.1 **MEMBER ELIGIBILITY.** The Association has Members. To be eligible for Membership in the Association a person must:
- (A) Be an active Patron of the Association;
 - (B) Be accepted to Membership by the Board of Directors; and
 - (C) Acquire a share of Common stock.

The Bylaws may further define and restrict Membership in the Association.

5.2 **VOTING.**

- (A) **Member Voting.** The Members are entitled to exercise all of the voting control of the Association. Each Member is entitled to one vote in the election of Directors and on every other matter submitted to a vote of the Members.

- (B) **Affected Stockholders.** Ownership of capital stock or other equity interests in the Association does not confer on the holder any voting rights in the Association except as may be available to an affected stockholder under the Ohio Cooperative Law.
- (C) **Voting Procedure.** Absentee Votes may be cast as provided in the Bylaws. Cumulative voting and proxy voting are not permitted.

ARTICLE 6

BOARD OF DIRECTORS

- 6.1 **MANAGEMENT BY BOARD OF DIRECTORS.** Government of the Association and the management of its affairs are vested in a Board of Directors. The Bylaws must prescribe the qualifications, number, classification, terms and manner of selection of Directors.
- 6.2 **INITIAL DIRECTORS.** Until the Association has Members and the Members first meet to elect a Board of Directors as provided in the Bylaws, the Association's Board of Directors will consist of nine (9) Initial Directors, who are:

Name

Address

ARTICLE 7

DISSOLUTION

If the Association dissolves, liquidates, or winds up its affairs, whether voluntarily or involuntarily, any property remaining after all creditors have been paid will belong and be distributed to the Members, shareholders and the Affiliated Mission as follows:

- 7.1 **PREFERRED STOCK.** First, to the holders of each series of Preferred stock, in equal preference, the par value of their shares;
- 7.2 **COMMON STOCK AND CAPITAL CREDITS.** Then, to the holders of Capital Credits, the Stated Value of their credits and to the holders of Common stock, the par value of their share(s) of Common stock, in equal preference;
- 7.3 **AFFILIATED MISSION.** Then, to or for the benefit of the Affiliated Mission, any portion of the Association's Capital Reserve that has been allocated and designated for that purpose.
- 7.4 **REMAINDER.** Then, any property remaining to the Members on the basis of their respective aggregate Patronage Transactions over the previous seven (7) years as shown by the records of the Association.

ARTICLE 8

AMENDMENT OF ARTICLES OF INCORPORATION

The Members may amend these Articles of Incorporation by an affirmative vote of sixty percent (60%) of the votes cast by the Members on the amendment. Notice of any proposal to amend the Articles of Incorporation must contain the text of the proposed amendment.