BYLAWS OF THE XYZ COOPERATIVE, INC.

ARTICLE I - PURPOSES AND POWERS

These shall be as permitted by law and as set forth in the Articles of Incorporation of the XYZ Cooperative, Inc., hereinafter to be referred to as the cooperative.

ARTICLE II - DIRECTORS

Section 1. Number. The cooperative shall be governed by a board consisting of nine directors, each of whom shall be a member of the cooperative. No employee of the cooperative shall be eligible to election to the board of directors.

Section 2. Election. At the first annual membership meeting, to be held within one year following the creation of the cooperative, all directorate positions shall be declared vacant, and the members shall vote in the election of directors. Upon election, the directors shall determine by lot which three shall serve for one-year terms, which three for two-year terms and which three for three-year terms, in order to establish the staggering of terms so that not all directorate positions are to be filled in any following year. After this, directors shall be elected for three-year terms of office, with no restrictions as to the number of times any director may succeed himself in office if elected by the members.

Section 3. Voting. Members, in voting in the election of directors, shall be permitted to cast one vote each, and one vote only, for each directorate vacancy. Such voting shall be by secret written ballot. Proxy voting shall not be permitted, but absentee written ballots may be cast, and opened and counted at the time of counting other votes for directors at the annual meeting.

Section 4. Unexpired Term. Upon the death or withdrawal of any director, the remaining directors shall appoint a director to serve on the board until the next regular meeting of the members, at which time the members shall elect a director; to serve the remaining portion of the unexpired term.

ARTICLE III - DUTIES OF DIRECTORS

Section 1. Management of Business. The board of directors shall have general supervision and control of the business and the affairs of the cooperative and shall make all rules and regulations not inconsistent with law or with these bylaws for the management of the business and the guidance of the members, officers, employees and agents of the cooperative. It shall have installed an accounting system.
which shall be adequate to the requirements of the business and it shall be its duty to require proper records to be kept of all business transactions.

Section 2. Employment of Manager. The board of directors shall have power to employ a manager, define his/her duties, fix his/her compensation, and to dismiss him/her with or without cause at any time. The board shall employ or authorize the employment of such employees, agents and counsel as it from time to time deems necessary or advisable in the interest of the cooperative, prescribe their duties, and fix their compensation. The manager shall have charge of the business of the cooperative under the direction of the board of directors.

Section 3. Bonds and Insurance. The board of directors shall require the manager and all other officers, agents and employees charged by the cooperative with responsibility for the custody of any of its funds or negotiable instruments to give adequate bonds. Such bonds, unless cash security is given, shall be furnished by a responsible bonding company and approved by the board of directors and the cost thereof shall be paid by the cooperative. The board of directors shall provide for the adequate insurance of the property of the cooperative, or property which may be in the possession of the cooperative, or stored by it, and not otherwise adequately insured, and in addition, adequate liability insurance for accidents to all employees and the public.

Section 4. Audits. At least once in each year the board of directors shall secure the services of a competent and disinterested public auditor or accountant, who shall make a careful audit of the books and accounts of the cooperative and render a report in writing thereon, which report shall be submitted to the board and then to the members at their annual meeting. This report shall include at least (1) one balance sheet showing the true assets and liabilities of the cooperative; (2) an operating statement for the fiscal period under review which shall show the cost of, and receipts from, sales and the gross margins or losses from each of the major products and services of the cooperative handled during the period; and (3) a statement of all expenses for the period under review.

Section 5. Depository. The board of directors shall select one or more banks to act as depositories of the funds of the cooperative and determine the manner of receiving, depositing and disbursing the funds of the cooperative and the form of checks and the person or persons by whom they shall be signed, with the power to change such banks and the person or persons signing such checks and the form thereof at will.

ARTICLE IV - BOARD MEETINGS

Section 1. Election of Officers. The board of directors shall meet within ten days after the annual membership meeting each year and shall elect by ballot a president, vice-president and a secretary-treasurer, each of whom shall hold office until the election and qualification of his/her successor unless earlier removed by death, resignation or for cause.

Section 2. Regular Board Meetings. In addition to the meetings mentioned above, regular meetings of the board of directors shall be held monthly or at such other times and at such places as the board may determine.
Section 3. Special Meetings. A special meeting of the board of directors shall be held whenever called by the president or by a majority of the directors. The only business which may be transacted in such special meeting is that specified in the call for the meeting. Each call for a special meeting shall be in writing, signed by the person or persons making the same, addressed and delivered to the secretary, and shall state the purpose, the time and the place of such meeting. On the signing of a waiver of notice of a meeting, a meeting of the board of directors may be held at any time.

Section 4. Compensation. The compensation, if any, of the members of the board of directors and of the executive committee shall be determined by the membership of the cooperative at any annual or special meeting of the cooperative.

Section 5. Quorum. A majority of the board of directors shall constitute a quorum at any meeting of the board.

ARTICLE V - DUTIES OF OFFICERS

Section 1. Duties of President. The president shall

1) preside over all meetings of the cooperative and of the board of directors,
2) call special meetings of the board of directors,
3) perform all acts and duties usually performed by an executive and presiding officer, and
4) sign all stock certificates and other papers of the cooperative as he/she may be authorized or directed to sign by the board of directors provided, however, that the board of directors may authorize any person to sign any or all checks, contracts and other instruments in writing on behalf of the cooperative.

The president shall perform such other duties as may be prescribed by the board of directors.

Section 2. Duties of the Vice-President. In the absence or disability of the president, the vice-president shall perform the duties of the president.

Section 3. Duties of the Secretary. The secretary shall

1) keep a complete record of all meetings of the cooperative, of the board of directors and of the executive committee and shall have general charge and supervision of the books and records of the cooperative.
2) shall co-sign all stock certificates with the president and shall sign such other papers pertaining to the cooperative as he/she may be authorized or directed to sign by the board of directors.
3) shall serve all notices required by law and by these bylaws and shall make a full report of all matters and business pertaining to his/her office to the membership at the annual meeting.
4) shall keep the corporate seal and all books of blank stock certificates, complete and countersign all stock certificates issued, and affix the corporate seal to all papers requiring a seal.
5) shall keep complete membership and stockholder records.
6) shall act as secretary to the executive committee.
7) shall make all reports required by law and shall perform such other duties as may be required by the cooperative or the board of directors.
Upon the election of his/her successor, the secretary shall turn over to him/her all books and other property belonging to the cooperative that he/she may have in his/her possession.

Section 4. Duties of the Treasurer. The treasurer shall perform such duties with respect to the finances of the cooperative as may be prescribed by the board of directors.

ARTICLE VI - EXECUTIVE COMMITTEE

The board of directors may, at its discretion, appoint from its own membership an executive committee of three (3) members, determine their tenure of office and their powers and duties. Both the president and the vice-president shall be members of the executive committee, and the board of directors may allot to such executive committee all or any stated portion of the functions and powers of the board of directors, subject to the general direction, approval and control of the board. Copies of the minutes of any meeting of the executive committee shall be mailed to all directors within seven (7) days following such meeting, and reported at the next regular board meeting.

ARTICLE VII - DUTIES OF MANAGER

Section 1. In General. Under the direction of the board of directors, the manager shall have general charge of the ordinary and usual business operations of the cooperative. He/she shall deposit all money belonging to the cooperative which comes into his/her possession in the name of the cooperative in a bank selected by the board of directors, and shall make all disbursements by check therefrom for the ordinary and necessary expenses of the business in the manner and form prescribed by the board of directors. Upon the appointment of his/her successor, the manager shall deliver to him/her all money and property belonging to the cooperative which he/she has in his/her possession or over which he/she has control.

Section 2. Duty to Account. The manager shall be required to maintain his/her records and accounts in such a manner that the true and correct condition of the business may be ascertained therefrom at any time. He/she shall render annual and periodic statements in the form and in the manner prescribed by the board of directors. He/she shall carefully preserve all books, documents, correspondence and records of whatever kind pertaining to the business which may come into his/her possession.

Section 3. Control of Employees. The manager shall employ, supervise and dismiss any or all employees of the cooperative, but not agents or counsel specifically employed by the board of directors.

ARTICLE VIII - STOCK CERTIFICATES

Section 1. Common Stock. Each certificate of common stock shall show on its face its designation by class and the privileges, voting rights or restrictions and qualifications applicable to shares of such class as specified in the Articles of Incorporation.

Section 2. Preferred Stock. Each certificate of preferred stock shall show on its face the preferences, privileges, voting rights or restrictions and qualifications of such stock as specified in the Articles of Incorporation.
ARTICLE IX - FISCAL YEAR

The fiscal year of this cooperative shall commence on the first day of January of each year and shall end on the last day of December of the same year.

ARTICLE X - MEMBERSHIP MEETINGS

Section 1. Annual Meeting. The annual meeting of the membership of this cooperative shall be held in the town of Louisville, County of Jefferson, State of Kentucky, at 2:00 p.m., on the second Friday of June of each year, or on any date which the board of directors shall designate not less than thirty (30) days in advance of the selected date.

Section 2. Special Meetings. Special meetings of the membership of this cooperative may be called at any time by order of the board of directors. Ten percent of the members may file a petition stating the specific business to be brought before the cooperative and require the directors to call a special meeting at any time. No business other than that specified in the call may be transacted at any such special meeting of the membership.

Section 3. Notice of Meetings. Written or printed notice of every regular and special meeting of the membership shall be prepared and mailed to the last known post office address of each member not less than ten (10) days before such meeting. Such notice shall state the objective or objects thereof and the time and place of meeting.

Section 4. Voting. Each member shall have one vote in the election of directors and one vote only for each directorate vacancy, regardless of the number of shares of voting stock owned, and shall have one vote only in each other matter submitted to membership vote.

Section 5. Quorum. Those members present shall constitute a quorum for the transaction of business at any meeting of the cooperative except for the transaction of business concerning which a different quorum is specifically provided by law or by these bylaws.

Section 6. Order of Business. The order of business at the annual meeting shall be:

1. Roll call
2. Proof of due notice of meeting
3. Reading and disposal of minutes
4. Annual reports of officers and committees
5. Unfinished business
6. New business
7. Election of directors
8. Adjournment
ARTICLE XI - PATRONS AND NET MARGINS

Section 1. Patrons. Each patronage transaction between this cooperative and each patron shall be subject to and shall include as part of its terms each provision of this Article XI, whether it be expressly referred to in said transaction or not and no person shall have any authority to transact any business for this cooperative with any patron on any terms inconsistent with this Article XI. Upon selling or consigning or otherwise delivering any agricultural product to this cooperative or contracting to do so, and upon buying or otherwise receiving any farm supplies or equipment from this cooperative or contracting to do so, each patron, with or without then executing any writing or doing any other act, thereby:

(a) Shall, as further consideration due him/her from this cooperative on account of such transaction, become entitled to have paid him/her such proportion of the Patrons’ Net Margins received by this cooperative as his/her patronage bears to the aggregate patronage of all patrons, and

(b) Shall, in consideration of similar agreements by others in the same fiscal year, promise and agree to invest in the capital of this cooperative, as requested by the board of directors, such sums of money as the board of directors may specify, provided, however, that his/her obligation to invest in said capital in any fiscal year of this cooperative shall be limited to an amount equal to his/her share of the Patrons’ Net Margins for the fiscal year next preceding the fiscal year in which such investment is required of him/her and shall be proportionate to the investments required of other patrons; it being the intention and agreement of this cooperative and each patron and of its several patrons with each other that as the board of directors shall deem the capital of this cooperative to be inadequate, or deem additional capital to be necessary to repurchase or retire previously issued stock certificates, then its several patrons shall, subject to the foregoing limitations, furnish such additional capital as may be required, and shall do so substantially in proportion to their respective patronage in the preceding fiscal year.

Section 2. Patrons’ Net Margins. At the end of each fiscal year the cooperative shall deduct from gross receipts all costs and expenses and other charges which are lawfully excludable or deductible from such gross receipts for the purpose of determining the amount of any net margins realized by the cooperative. From this amount shall then be deducted any payments of dividends on preferred or common stock as declared by the board of directors, and any amount set aside by the board as reserves. For the remaining amount of the net margins, a determination shall be made of each patron’s share of such net margins, based on his/her pro rata share of the dollar volume of business transacted through the cooperative. Such amount shall belong to the patron and shall be returned to him/her either in cash or in the form of stock or other evidence of equity in the cooperative, at the direction of the board of directors, within eight months following the end of the fiscal year in which realized by the cooperative.

Each person who applies for and is accepted to membership in this cooperative and each member of this cooperative on the effective date of this bylaw who continues as a member after such date shall, by such act alone, consent that the amount of any distributions with respect to his/her patronage which are made in written notice of allocation (as defined in 26 U.S.C. 1388) and which are received by him/her from the cooperative, will be taken into account by him/her at their stated
dollar amounts in the manner provided in 26 U.S.C. 1385(a), in the taxable year in which such written notices of allocation are received by him/her.

**Section 3. Losses, if any, Sustained by the Cooperative.** If in any fiscal year the cooperative shall incur a net operating loss, the board of directors shall have authority to charge off such loss in the manner that will be in the best interest of the cooperative and its patrons in the judgment of the board of directors.

**ARTICLE XII - MISCELLANEOUS PROVISIONS**

**Section 1. Bylaws Printed.** After adoption, these bylaws shall be printed and a copy thereof shall be delivered to each member of the cooperative.

**Section 2. Seal.** The corporate seal of this cooperative shall have inscribed on it the name of the cooperative, XYZ COOPERATIVE, INC., and the year of the incorporation, 1966.

**ARTICLE XIII - AMENDMENTS**

These bylaws may be amended at any regular meeting of the board of directors of the cooperative or at any special meeting called for the specific purpose by the affirmative vote of a majority of the total number of directors.

We, the undersigned, being all of the incorporators and members of the XYZ cooperative, INC., do hereby assent to the foregoing bylaws and do adopt the same as the bylaws of said cooperative, and in witness whereof, we have hereunto subscribed our names, this 28th day of October, 1966.

James Brown, Route 1, Louisville, Ky
Homer Jones, Route 2, Louisville, Ky
Richard R. Smith, Route 3, Louisville, Ky
Evelyn J. Hertz, Route 4, Louisville, Ky
David B. Reed, Route 5, Louisville, Ky.