

## **EXHIBIT 2**

AAS

# State of California



2000456

SECRETARY OF STATE

I, *BILL JONES*, Secretary of State of the State of California, hereby certify:

That the annexed transcript has been compared with the corporate record on file in this office, of which it purports to be a copy, and that same is full, true and correct.

*IN WITNESS WHEREOF*, I execute  
this certificate and affix the Great  
Seal of the State of California this

FEB 5 1997



*Bill Jones*

Secretary of State

2000456

RECORDED-FILED  
in the office of the Secretary of State  
of the State of California

FEB - 1 1997

DILL JONES, Secretary of State

ARTICLES OF INCORPORATION  
OF  
OCB COOPERATIVE INC.

Article 1. The name of this Corporation is: OCB Cooperative Inc.

Article 2. This Cooperative is a cooperative corporation organized under the California Consumer Cooperative Corporation Law. The purpose of this Cooperative is to engage in any lawful act or activity for which a Cooperative may be organized under such law.

Article 3. The name and address in the state of California of this Cooperative initial agent for service of process is Jeff W. Jones  
1755 Broadway, Oakland, CA 94612

Article 4. The voting rights of each Member of the Cooperative are equal, and each Member is entitled to one vote. The proprietary interests of each Member of the Corporation are unequal, and the rules by which the proprietary interests are determined shall be prescribed in the Bylaws of the Corporation.

Article 5. The names and post office addresses of Directors who shall serve until the first annual meeting are:

Name	Address
Jeff Jones	1755 Broadway, Oakland CA., 94612
Matt Quirk	P.O. Box 70401, Oakland CA., 94612
J. D. McClelland	P.O. Box 70401, Oakland CA., 94612
Tim Sidwell	375 Van Buren, Oakland CA., 94610
Helen Reading	P.O. Box 70401, Oakland CA., 94612
Barbara Johnson	P.O. Box 70401, Oakland CA., 94612
Paul Scott	P.O. Box 70401, Oakland CA., 94612

IN WITNESS WHEREOF, the undersigned, being the incorporators and the initial Directors of this Cooperative, have executed those Articles of Incorporation on February 4, 1997.

Tim Sidwell  
Director

Matt Quirk  
Director

J. D. McClelland  
Director

Paul Scott  
Director

Barbara Johnson  
Director

Helen Reading  
Director

Jeff W. Jones  
Director

### DECLARATION

We are the persons whose names are subscribed below. We collectively are all of the incorporators of this Cooperative and all of the initial Directors named in the Articles of Incorporation, and we have executed these Articles of Incorporation. The foregoing Articles of Incorporation are our act and deed, jointly and severally.

Executed February, 1997, at Oakland, California. We, and each of us, declare that the foregoing is true and correct.

Tim Sidwell  
Director

Sam D. McClellan  
Director

Barbara Johnson  
Director

Jeffrey W. Jones  
Director

Matthew T. Quinn  
Director

Paul Scott  
Director

Helen Reading  
Director

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OF  
OCB COOPERATIVE, INC. d/b/a  
OAKLAND CANNABIS BUYERS' COOPERATIVE**

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## ARTICLE L

### MEMBERSHIP

#### Section 1.01. Classification of Members.

The Cooperative shall have one (1) class of Members.

#### Section 1.02 Membership Qualifications.

Any individual, may become and remain a Member of this Cooperative by:

- (a) Complying with Protocols of the Oakland Cannabis Buyers' Cooperative;
- (b) Complying with such uniform conditions as may be prescribed by the Board of Directors; and
- (c) Making full payment of any non-refundable Membership fee as set forth in Section 1.06;

#### Section 1.03. Membership Application.

Any individual eligible for and desiring admission to Membership in the Cooperative shall file a written application for admission in whatever form and containing whatever information the Board of Directors shall prescribe.

#### Section 1.04. Acceptance of Members.

Applications for Membership shall be reviewed by the Membership Committee duly authorized by resolution to admit Members. The application shall be accepted unless rejected in writing within thirty (30) days for reasons satisfactory to the Committee. If accepted, the applicant shall be admitted to membership and shall be allowed to vote and hold office. If rejected, the applicant shall be entitled to a refund of any amounts paid for Membership fees. There shall be no discrimination of any kind.

**Section 1.05. Transfers Prohibited.**

No Member may transfer his or her Membership or any right arising therefrom.

**Section 1.06. Membership Fee**

A one time non-refundable Membership card fee, in an amount set from time to time by the Committee, may be charged to and collected from each Member upon qualifying for the Cooperative. This fee may be waived in case of financial need and on approval from the Membership Committee.

**Section 1.07. Bylaws and Articles to Prospective Members.**

Each prospective member, upon request for membership, shall upon request receive a copy of the Articles of Incorporation, Bylaws and Disclosure Document of the Cooperative.

**Section 1.08 Shareholders and Members.**

"Shareholder" and "Member" and their plurals shall be synonymous terms throughout these Bylaws.

**ARTICLE II**

**SHARES**

**Section 2.01. Share Issuance.**

Shares may be issued for money paid in an amount as is determined from time to time by the Board and as share dividends, patronage refunds, or other changes affecting outstanding shares.

**Section 2.02. Share Ownership**

Share ownership entitles a Member to only one (1) vote in the affairs of the Cooperative, irrespective of the total number of shares a Member owns, and to all the rights of the Membership as described by statute, the Articles, and these Bylaws. Pursuant to subsection (b) of Bylaw Section 9.03, the Directors may declare noncumulative dividends on shares not to exceed any maximum rate established by statute.

**Section 2.03. Share Certificates and Disclosure Document.**

- (a) The Cooperative may issue, but is not required to issue, share certificates. In the event that share certificates are issued, the certificates shall state the information required to be contained in the Disclosure Document described in subsection (b). Nothing in this section shall restrict the Cooperative from issuing identity cards or similar devices to Members which serve to identify Members qualifying to use facilities or services of the Cooperative
- (b) Except as provided in subsection (e), prior to issuing a share, the Cooperative shall provide the purchaser of a share with a Disclosure Document. The Disclosure Document may be a prospectus, offering circular, brochure, or similar document, a specimen copy of the share certificate, or a receipt which the Cooperative proposes to issue. The Disclosure Document shall contain the information required by Section 12401 of the California Corporations Code.
- (c) If the Articles of Incorporation or Bylaws are amended so that any statement required by subsection



(a) of this Bylaws Section on outstanding share certificates is no longer accurate, the Board may cancel the outstanding certificates and issue in their place new certificates conforming to the Articles of Incorporation or Bylaws amendments.

- (d) When new share certificates are issued in accordance with subsection (c ) of this Bylaw Section, the Board may order holders of outstanding certificates within a reasonable time fixed by the Board. The Board may further provide that the holder of the certificate to be surrendered shall not be entitled to exercise any of the rights of Membership until the certificate is surrendered, but such rights shall be suspended only after notice of the order is given to the holder of the certificate and only until the certificate is surrendered.
- (e) The Cooperative shall issue a share certificate, receipt, or written advice of purchase to anyone purchasing a share upon the Member's first purchase of a share. No Disclosure Document need be provided to an existing Member prior to the purchase of additional shares if the Member has previously been provided with a Disclosure Document which is accurate and correct as of the date of the purchase of additional shares

**Section 2.04. Prohibition on Transfer of Shares**

No shares of this Cooperative may be assigned or transferred. Any attempted assignment or transfer shall be wholly void and shall confer no rights on the intended assignee of transferee.

**Section 2.05 Partial Withdrawal**

A Member having a monetary amount in his or her share account in excess of a monetary amount to be determined from time to time by the board may cause the Cooperative to purchase his or her excess share amount upon written request to the Directors. Subject to Bylaw Section 2.06, the Directors must, within one (1) year of such request, pay the amount the Member requests in cash or other property or both. The exact form of payment is within the discretion of the Directors.

**Section 2.06 Insolvency Delay**

The Cooperative shall delay the purchase of shares as described in Bylaw Sections 2.05 and 3.04 if the Cooperative, in making such purchase is, or as a result thereof would be, likely to be unable to meet its liabilities (except those whose payment is otherwise adequately provided for) as they mature.

**Section 2.07 Unclaimed Equity Interests**

Any share of a Member, together with any accrued and unpaid dividends and patronage distributions related to that Member, that would otherwise escheat to the State of California as unclaimed personal property shall instead become property of the Cooperative if the Cooperative gives at least 60 days prior notice of the proposed transfer to the affected Member by (1) first-class or second-class mail to the last address of the Member shown on the Corporation's records, and (2) by publication in a newsletter of general circulation in the county in which the Cooperative has its principal office. No shares or amounts shall become the property of the Cooperative under this section if written notice objecting to the transfer is received by the Cooperative from the affected Member prior to the date of the proposed transfer.

## ARTICLE III

### TERMINATION OF MEMBERSHIP

#### Section 3.01    Voluntary Withdrawal

A member shall have the right to resign from the Cooperative and terminate his or her Membership by filing with the Secretary of the Cooperative a written notice of resignation. The resignation shall become effective immediately without any action on the part of the Cooperative.

#### Section 3.02    Death or Dissolution

A Membership shall immediately terminate upon the death of a Member or the dissolution of a Member which is an organization.

#### Section 3.03    Expulsion

(a) A Member may for failure to comply with the Bylaws, rules or regulations of the Cooperative, for failure to patronize the Cooperative during the immediately preceding fiscal year of the Cooperative in the amount of at least \$1.00, or for any other justifiable reason, be expelled from the Cooperative by resolution adopted by a two-thirds (2/3) vote of all the Directors. Expulsion shall become effective immediately unless the Board shall, in the resolution, fix another time. On expulsion, the name of the Member expelled shall be stricken from the Membership register and all of his or her rights shall cease except as provided in Section 3.04.

(b) Prior to expulsion of a Member, the Board shall give such Member at least fifteen (15) days notice prior thereto and the reasons therefor. Such Member shall have the opportunity to be heard, orally or in writing, not less than five (5) days before the effective date of expulsion by the Board.

(c) The notice required pursuant to subsection (b) of this Bylaw Section may be given by any method reasonably calculated to provide actual notice. Any notice given by mail must be given by first-class or registered mail sent to the last known address of the Member shown on the Cooperative's records.

#### Section 3.04    Settlement of Share Interest

If a Membership is terminated for any reason set forth in this Article of the Bylaws, the share interest held by the Member shall be purchased by the Cooperative, subject to Section 2.06 of these Bylaws, within one (1) year of the date of termination of the extent of the paid-up value of the Member's shares on such date. The Board, in so settling the Member's share interest, shall have the right to set off any and all indebtedness of the Member to the Cooperative. The paid-up value of the Member's share interest is the monetary amount of such interest (including fractional shares) that the Member has been issued in accordance with Bylaw Section 2.01.

## ARTICLE IV.

### MEMBERSHIP MEETINGS AND MEMBERS

#### Section 4.01. Location.

Meetings of Members shall be held at the principal office of the Cooperative, or at such other place that may be designated by the Board of Directors, with notice as provided in this article.

#### Section 4.02. Regular Annual Meetings.

A regular meeting of Members shall be held annually on the first Saturday in June at 1:00 p.m. for the purpose of transacting any proper business, including the election of Directors, that may come before the meeting.

#### Section 4.03. Special Meetings.

Special meetings of Members for any purpose may be called by the Board of Directors, Executive Director, Coordinator, Chief of Finance, Financial Secretary, Secretary, the or by five percent or more of the Members.

#### Section 4.04. Time for Notice of Meetings.

Whenever members are required or permitted to take action at a meeting, a written notice of the meeting shall be given not less than 10 nor more than 90 days before the date of the meeting to each member who is entitled to vote on the record date for notice of the meeting. In the case of a specially called meeting of members, within 20 days after receipt of a written request, the Secretary shall cause notice to be given to the members entitled to vote that a meeting will be held at a time fixed by the Committee not less than 15 nor more than 90 days after receipt of the request.

#### Section 4.05. Method of Giving Notice.

Notice shall be given either personally, or by mail or other written communication to the address of a member appearing on the books of the Cooperative or provided by the member. If no address appears or is given, notice shall be given at the principal office of the Cooperative.

#### Section 4.06. Record Date for Notice.

The record date for determining the members entitled to notice of any meeting of Members is 30 days before the date of the meeting.

#### Section 4.07. Contents of Notice.

The notice shall state the place, date, and time of the meeting. The notice of a regular meeting shall state any matters that the Board, at the time of giving notice, intends to present for action by the Members. The notice of a special meeting shall state the general nature of the business to be transacted. The notice of any meeting at which Directors are to be elected shall include the names of all nominees at the time of giving notice.

**Section 4.08.      Waivers, Consents, and Approvals.**

The transactions of a meeting, whether or not validly called and noticed, are valid if a quorum is present and each of the absent Members who is entitled to vote, either before or after the meeting, signs a written waiver of notice, a consent to the holding of the meeting, or an approval of the minutes of the meeting. All waivers, consents, and approvals shall be filed with the Cooperative records or made a part of the minutes of the meeting.

A Member's attendance at a meeting shall constitute a waiver of notice of and presence at the meeting, unless the member objects at the beginning of the meeting. However, attendance at a meeting is not a waiver of any right to object to the consideration of matters required to be included in the notice but not included, if an objection is made at the meeting.

**Section 4.09.      Quorum at Meeting.**

The lesser of 250 Members or members representing 5 percent of the voting power shall constitute a quorum at a meeting of members. Any Bylaws amendment to increase the quorum may be adopted only by approval of the Members. When a quorum is present, the affirmative vote of the majority of the voting power represented at the meeting and entitled to vote shall be the act of the Members, unless provided otherwise by these Bylaws or the law. The only matters that may be voted upon at any regular meeting actually attended by less than one-third of the voting power are matters notice of the general nature of which was given pursuant to Section 4.04 of these Bylaws.

**Section 4.10.      Loss of Quorum at Meeting.**

The Members present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, if the action taken, other than adjournment, is approved by at least a majority of the Members required to constitute a quorum.

**Section 4.11.      Adjournment for Lack of Quorum.**

In the absence of a quorum, any meeting of Members may be adjourned by the vote of a majority of the votes represented in person, but no other business may be transacted except as provided in Section 4.10 of these Bylaws.

**Section 4.12.      Adjourned Meetings.**

The Cooperative may, transact any business at an adjourned meeting that could have been transacted at the original meeting. When a meeting is adjourned to another time or place, no notice is required if the time and place are announced at the original

meeting. If the adjournment is for more than 45 days or if a new record date is fixed, a notice of the adjourned meeting shall be given to each Member of record entitled to vote at the meeting.

**Section 4.13. Voting of Memberships.**

- (a) Each member of the Cooperative is entitled to one vote on each matter submitted to a vote of the Members.
- (b) If a Membership stands of record in the names of two or more persons, whether fiduciaries, Members of a partnership, joint tenants, tenants in common, husband and wife as community property, tenants by the entirety, persons entitled to vote under a agreement, or otherwise, or if two or more persons have the same fiduciary relationship respecting the same Membership, unless the Secretary is given written notice to the contrary and furnished with a copy of the instrument or order appointing them or creating the relationship, the vote of one joint holder will bind all, when only one votes, and the vote of the majority will bind all, when more than one joint holder votes
- (c) The record date for determining the Members entitled to vote at a meeting or cast written ballots is 20 days before the date of the meeting or the day on which the first ballot is mailed or solicited.
- (d) Cumulative voting shall not be permitted for any purpose
- (e) Voting by proxy shall not be permitted for any purpose.

**Section 4.14. Use of Written Ballots at Meetings.**

A combination of written ballot and personal voting may be used at any regular or special meeting of Members, and may be used for the election of Directors. Prior to the meeting, the Board may authorize distribution of a written ballot to every Member entitled to vote. The ballots shall be distributed in a manner consistent with the provisions of Section 4.05, 4.17(b), and 4.19 of these Bylaws. When ballots are distributed, the number of Members voting at the meeting by written ballot shall be deemed present at the meeting for purposes of determining a quorum but only with respect to the proposed actions referred to in the ballots.

**Section 4.15. Contents of Written Ballot Used at Meeting.**

Any written ballot used at a meeting shall set forth the proposed action to be taken, provide an opportunity to specify approval or disapproval of the proposed action, and state that unless revoked by the Member voting in person, the ballot will be counted if received by the Cooperative on or before the time of the meeting.

**Section 4.16. Action by Ballot Without Meeting.**

Any action that may be taken at any regular or special meeting, including election of Directors, may be taken without a meeting through distribution of a written ballot to every member entitled to vote on the matter. The Secretary shall cause a vote to be taken by written ballot on any action or recommendation so requested in writing by at least 5% of the Members.

**Section 4.17.      Written Ballot Used Without Meeting.**

- (a) Any ballot used without a meeting shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide a reasonable time within which to return the ballot to the Cooperative.
- (b) The form of written ballot distributed shall afford an opportunity to specify a choice between approval and disapproval of each matter or group of related matters intended, at the time of distribution, to be acted on by the ballot. The form must also provide that whenever the person solicited specifies choice with respect to any matter, the vote will be cast in accordance with that choice.
- (c) Approval by written ballot shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

**Section 4.18.      Solicitation of Written Ballots.**

Ballots shall be solicited in a manner consistent with Sections 4.05, 4.17(b), and 4.19 of these Bylaws. The solicitations shall indicate the number of responses needed to meet the quorum requirement and specify the time by which the ballot must be received to be counted. Ballots other than for the election of Directors shall state the percentage of approvals necessary to pass the measure.

**Section 4.19.      Withholding Vote.**

Any written ballot on which the Member has marked "withhold" (or otherwise indicated that the authority to vote in the Directors is withheld) shall not be used for voting in that election.

**Section 4.20.      Appointment of Inspectors of Election.**

In advance of any meeting of Members, the Board may appoint inspectors of election to act at the meeting and any adjournment. If inspectors are not appointed or if any appointed persons fail to appear or refuse to act, the chairperson of the meeting may, and, on the request of any Member, shall, appoint inspectors at the meeting.

**Section 4.21.      Duties of Inspectors of Election.**

The inspectors shall determine the number of Memberships outstanding and the voting power of each, the number represented at the meeting, and the existence of a quorum. They shall receive votes, ballots, and consents, hear and determine all challenges and questions regarding the right to vote, count and tabulate all votes and consents, determine when the polls will close, and determine the result. They may do those acts which are proper to conduct the election or vote with fairness to all Members. The inspectors shall perform these duties impartially in good faith, to the best of their ability; and as expeditiously as is practical.

## ARTICLE V.

### DIRECTORS

#### Section 5.01.     Number.

The Cooperative shall have Seven (7) Directors, collectively known as the Board of Directors.

#### Section 5.02     Qualification

The Directors of the Cooperative shall be shall be Members of the Cooperative and residents of California.

#### Section 5.03.     Nomination

- (a) The Board of Directors shall prescribe reasonable nomination and election procedures for the election procedures for the election of Directors given the nature, size, and operations of the Cooperative. The procedures shall include: (1) a reasonable means of nominating persons for election as Directors, (2) a reasonable opportunity for a nominee to communicate the nominee's qualifications and the reasons for the nominee's candidacy to the Members, (3) a reasonable opportunity for all nominees to solicit votes, (4) a reasonable opportunity for all the Members to choose among the nominees.
- (b) When the Cooperative distributes any material soliciting a vote for any nominee for director in any publication owned or controlled by the Cooperative, it shall make available to each other nominee, in the same material, an equal amount of space with equal prominence to be used by the nominee for a purpose reasonably related to the election

#### Section 5.04.     Election.

The Directors shall be elected at the annual meetings or by written ballot in accordance with Sections 4.16-4.19 of these Bylaws. The candidates receiving the highest number of votes up to the number of Directors to be elected shall be elected.

#### Section 5.05.     Terms of Office.

The terms of office for Directors shall be one (1) year. Each Director shall hold office until the expiration of the term for which elected and until the election and qualification of a successor.

#### Section 5.06.     Compensation.

The Directors shall serve without compensation except that they shall be paid their actual and necessary expenses incurred in serving the Cooperative.

#### Section 5.07.     Call of Meetings.

Meetings of the Board may be called by the any officer, or any two Directors.

**Section 5.08.**      **Place of Meetings.**

Meetings of the Board may be held at any place designated in the notice of the meeting, or, if not stated in a notice, by resolution of the Board.

**Section 5.09.**      **Presence at Meetings.**

Directors may participate at meetings of the Board through the use of conference telephone or other communications equipment, as long as all participating Directors can hear one another. Participation by communications equipment constitutes presence at the meeting.

**Section 5.10.**      **Regular Meetings.**

Regular meetings of the Board shall be held, without call or notice, immediately following the annual meeting of Members, as set forth in Section 4.02 of these Bylaws, and one regular meeting shall be held during each calendar quarter of the year.

**Section 5.11.**      **Special Meetings; Notice.**

Special meetings shall be held on four day's notice by first-class mail or 48 hours notice delivered personally or by telephone or telegraph. Notice of regular or special meetings need not be given to any Director who signs a waiver of notice, a written consent to holding the meeting, or an approval of the minutes (either before or after the meeting), or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to that Director. All waivers consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

**Section 5.12.**      **Quorum at Meetings.**

A majority of the authorized number of Directors constitutes a quorum for the transaction of business.

**Section 5.13.**      **Acts of Board at Meetings.**

Unless provided otherwise in the Articles of Incorporation, these Bylaws, or by law every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present is the act of the Board. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, if any action taken is approved by at least a majority of the required quorum for the meeting or a greater number required by the Articles, Bylaws, or by-law.

**Section 5.14.**      **Adjournment of Meetings.**

A majority of the Directors present, whether or not a quorum is present, may adjourn to another time and place. If the meeting is adjourned for more than 24 hours, notice of the adjournment shall be given prior to the time of the adjourned meeting to the Directors who were not present at the time of adjournment.



**Section 5.15. Action Without Meeting.**

Any action required or permitted to be taken by the Board may be taken without a meeting if all Directors individually or collectively consent in writing to the action. The consents shall be filed with the minutes of the proceedings of the Board Action by written consent has the same force and effect as a unanimous vote of the Directors.

**Section 5.16. Executive Committee.**

- (a) The Board may create one or more committees to serve at its pleasure by resolution adopted by a majority of the number of Directors then in office when a quorum is present. Each committee shall consist of two or more Directors, appointed by a majority vote of the Directors then in office.
- (b) Any committee, to the extent provided in the resolution of the Board, shall have all the authority of the Board, except with respect to the following actions:
- (1) The approval of any action for which the approval of the Members or a majority of all Members is required by law;
  - (2) The filling of vacancies on the Board or in any committee that has the authority of the Board;
  - (3) The amendment or repeal of Bylaws or the adoption of new Bylaws;
  - (4) The amendment or repeal of any resolution of the Board;
  - (5) The appointment of committees of the Board or their Members;
  - (6) The expenditure of corporate funds to support a nominee for Director after there are more people nominated for Director than can be elected.

**Section 5.17. Resignation of Directors.**

Any Director may resign effective upon written notice to the Executive Director, the Secretary, or the Board of Directors, unless the notice specifies a later time for the effectiveness of the resignation. If a resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

**Section 5.18. Removal of Directors.**

Any or all Directors may be removed without cause by the Members. The removal shall be approved or ratified by the affirmative vote of a majority of all the votes represented and voting at a duly held meeting at which a quorum is present or by written ballot, or by the affirmative vote or written ballot of any greater proportion of the votes as required in these Bylaws or by law.

**Section 5.19. Cause of Vacancies on Board.**

Vacancies on the Board of Directors shall exist on the death, resignation, or removal of any Director, whenever the authorized number of Directors is increased; whenever the Board declares an office vacant pursuant to Section 5.20 of these Bylaws; and on the failure of the Members to elect the full number of Directors authorized.

Section 5.20.      Declaration of Vacancies.

The Board may declare vacant the office of any Director whose eligibility for election has ceased, who has been declared of unsound mind by a final order of court, or who has not attended 2 or more consecutive regular or special meetings of the Board.

Section 5.21.      Filling Vacancies on Board.

Except for vacancies created by removal of a Director pursuant to Section 5.18 of these Bylaws, vacancies may be filled by a majority of the Directors then in office, whether or not less than a quorum, or by a sole remaining Director. Vacancies created by the removal of a Director may be approved only by approval of the Members pursuant to Section 12224 of the Corporations Code. The Members may elect a Director at any time to fill any vacancy not filled by the Directors.

ARTICLE VI

OFFICERS

Section 6.01.      Titles.

The officers of the Cooperative shall be a Executive Director, Coordinator, a Secretary, Chief Operating Officer, a Chief Financial Officer, and any other officer with the titles and duties as determined by the Board and as may be necessary to enable it to sign instruments. The same person may hold any number of offices.

Section 6.02.      Appointment and Resignation.

The officers shall be chosen by the Board and serve at the pleasure of the Board. Any officer may resign at any time on written notice to the Cooperative.

ARTICLE VII

CORPORATE RECORDS AND REPORTS

Section 7.01.      Required Records.

The Cooperative shall keep adequate and correct books and records of account and minutes of the proceedings of its members, Board, and committees of the Board. It shall also keep a record of the members, including the names, addresses. The minutes shall be kept in written form. Other books and records shall be kept either in written form or in any other form capable of being converted into written form.

**Section 7.02. Annual Report**

- (a) For fiscal years in which the Cooperative has, at any time, more than 25 Members, the Cooperative shall notify each Member yearly of the Member right to inspect the annual financial report. The annual report shall be prepared no later than 120 days after the close of the Cooperative fiscal year.
- (b) The annual report shall contain in appropriate detail all of the following: (1) a balance sheet as of the end of the fiscal year, an income statement, and statement of changes in financial position for the fiscal year; and (2) the statement required by Section 7.03 of these Bylaws.
- (c) The annual report shall be accompanied by any pertinent report by independent accountants, or, if there is no such report, by the certificate of an authorized officer of the Cooperative that the statements were prepared without audit from the books and records of the Cooperative.

**Section 7.03. Annual Statement of Transactions and Indemnifications.**

In addition to the annual report described in Section 7.02, the Cooperative shall furnish annually to its Members and Directors a statement of the transactions and indemnifications to interested persons as required by law. If the Cooperative does not issue an annual report pursuant to Section 7.02 of these Bylaws, the statement shall be mailed or delivered to Members within 120 days after the close of the fiscal year.

**ARTICLE VIII**

**INSPECTION RIGHTS**

**Section 8.01. Articles and Bylaws.**

The Cooperative shall keep at its principal office the original or a copy of its Articles and Bylaws as amended to date, which shall be open to inspection by the Members at all reasonable times during office hours.

**Section 8.02. Books and Records.**

The accounting books and records and minutes of proceedings of the Members, the Board, and committees of the Board shall be open to inspection on the written demand of any Member at any reasonable time, for a purpose reasonably related to that person's interests as a Member.

Every Director has the absolute right at any reasonable time to inspect and copy all books, records, and documents of every kind, and to inspect the physical properties of the Cooperative.

**Section 8.03. Inspection of Membership List.**

- (a) The Cooperative's Membership list shall remain confidential.
- (b) Subject to the Cooperative's right to set aside a Member's demand for inspection pursuant to Section 12601 of the Corporations Code and the power of the court

to limit inspection rights pursuant to Section 12602 of the Corporations code, and unless the Corporation provides a reasonable alternative pursuant to Section 8.03 (d) of these Bylaws, a Member may do either or both of the following:

- (1) Inspect and copy the record of all the Members' names, addresses, and voting rights, at reasonable times, on making a written demand five business days in advance which states the purpose for which the inspection rights are requested;
  - (2) Obtain from the Secretary, upon written demand and tender of a reasonable charge, a list of names, addresses, and voting rights of those Members entitled to vote for the election of Directors, as of the most recent record date for which it has been compiled, or as of a date specified by the member subsequent to the date of demand. The demand shall state the purpose for which the list is requested. The Member list shall be made available on or before the later of 10 business days after the demand is received or after the date specified as the date as of which the list is to be compile.
- (c) Any Member or Members possessing 5 percent or more of the voting power may demand the list for a purpose reasonably related to the Members interests as Members. The Cooperative may deny access if it reasonably believes that the information shall be used for another purpose or if it provides a reasonable alternative to Section 8.03(d) of these Bylaws.
- (d) The Cooperative may within ten days after receiving a demand, deliver a written offer of an alternative method of achieving the purpose identified in the demand without providing access to or a copy of the membership list. An alternative method which reasonably and in a timely manner accomplishes the proper purpose set forth in a demand made pursuant to Section 8.03(b) of these Bylaws shall be a reasonable alternative, unless the Cooperative fails to do the things which it offered to do within a reasonable time after acceptance of the offer. Any rejection of the offer shall be in writing and indicate the reasons the purposed alternative does not meet the proper purpose of the demand

## ARTICLE IX.

### SURPLUS ALLOCATIONS AND DISTRIBUTIONS

#### Section 9.01.      Fiscal Year.

The fiscal year of the Cooperative shall end at the close of the business day on the last day of December of each year.

#### Section 9.02.      Surplus Defined.

"Surplus" shall be defined as the excess of revenues and gains over expenses and losses for a fiscal year. Such surplus shall be determined in accordance with generally accepted accounting principles and shall be computed without regard to any patronage refunds, capital allocations, or income taxes. All surplus shall be reinvested in the Cooperative.

**Section 9.03**      **Allocations and Distributions of Surplus.**

- (a) Before any dividends or patronage refunds are distributed, any surplus should first be allocated to any deficit in Retained Earnings
- (b) After any deficit in Retained Earnings has been eliminated, the Directors may declare a dividend upon shares at a yearly rate not to exceed any maximum rate established by statute. No such dividends shall be cumulated.
- (c) The Directors may then uniformly distribute all the remaining surplus attributed to patronage of the Members of the Cooperative to such Members as described in the following paragraphs of this subsection of the Bylaws. For the purposes of this subsection of the Bylaws, the remaining patronage surplus shall be computed without regard to any gains or losses on the sale or other disposition of assets
  - 1) Any remaining patronage surplus attributed to the Members and to be distributed to them shall be distributed to them shall be the total remaining patronage surplus attributed to both Member and non-Member business (but reduced by dividends on shares and any allocations to eliminate a deficit in Retained Earnings) multiplied by the ratio of member patronage to total patronage.
  - 2) A member is entitled to patronage refund, if such is distributed, in the amount of the remaining patronage surplus, as determined by paragraph (1) of this subsection of the Bylaws, multiplied by the ratio of such Member's patronage with the Cooperative to the patronage of all Members.
- (d) Any dividends or patronage refunds declared under this bylaw Section may be in the form of shares, in whole or in part, subject to subsections (e) and (f) of the Bylaw Section.
- (e) If a member owns \$300.00 or more in shares as of the end of the fiscal year for which a distribution is made, such Member shall receive all of his or her dividends and patronage refunds in cash. The \$300.00 amount shall be known as a Member's "Fair Share".
- (f) If the cash payment to a Member for such Member's dividends and patronage refunds together would total less than one dollar (\$1.00), the Directors shall distribute such dividends and patronage refunds wholly in shares.
- (g) Each person who becomes a Member of this Cooperative consents to include in his or her gross income for federal income tax purposes the amount of any patronage refund paid to him or her by this Cooperative in money or by written notice of allocation (as defined in the Internal Revenue Code), except to the extent that such a patronage refund is not income to the Member because (i) it is attributable to the purchase of personal, living, or family items, or (ii) it should properly be treated as an adjustment to the tax basis of property previously purchased. The term "patronage refund," as used herein, shall have the same meaning as the term "patronage dividend," as used in the Internal Revenue Code.
- (h) For the purpose of allocating and distributing the surplus, the entire operations of the Cooperative shall be considered as a unit; provided that by resolution of the Board of Directors, the Cooperative may distribute patronage refunds on the basis of the business transacted by each of the departments or divisions into which the operations of the Cooperative shall be divided by the Board for the purpose of such allocations.

## ARTICLE X.

### BYLAW CHANGES

#### Section 10.01. Bylaw Changes by the Board.

These Bylaws shall initially be adopted by the Board. Thereafter, these Bylaws may be amended, or repealed by the Board unless the action would:

- (a) Materially and adversely affect the rights or obligations of Members as to voting, dissolution, distributions, property rights, or rights to repayment of contributed capital;
- (b) Increase or decrease the number of Members authorized in total or for any class;
- (c) Effect an exchange, reclassification or cancellation of all or part of the Memberships;
- (d) Authorize a new class of Memberships;
- (e) Change the number of Directors or establish a variable number of Directors;
- (f) Extend the term of a Director beyond that for which the Director was elected or increase the terms of the Directors;
- (g) Allow up to one-third (1/3) of the Directors to hold office by virtue of designation or selection rather than by election by the Members; and
- (h) Allow the Board to fill vacancies occurring in the Board by reason of the removal of Directors.

#### Section 10.02. Bylaw Changes by the Members.

Where the Board is denied the right to, amend or repeal the Bylaws pursuant to subsections (a) through (h) of Section 10.01 of these Bylaws, the Bylaws shall be amended or repealed by approval of the Members.