

**BYLAWS
OF
WAUNETA COOPERATIVE GROCERY STORE**
Wauneta, Nebraska

ARTICLE I
Standards of Operations

This Cooperative shall be a cooperative corporation instituted to promote and provide a medium for unity of effort by the stockholders and patrons of the Cooperative in purchasing and selling related food products for human consumption and related grocery store items.

This Cooperative shall have power to conduct all lawful business as allowed by applicable provisions of the Nebraska Model Business Corporation Act, *Neb. Rev. Stat. § 21-201 et seq.*, and *Neb. Rev. Stat. § 21-1301 et. seq.*, as such provisions are amended from time to time.

ARTICLE II
Stockholders

Section 1. Qualifications for Ownership of Capital Stock. Each stockholder of this Cooperative shall be the holder of one (1) fully paid share of its common stock.

Only those who patronize the Cooperative annually by adhering to the minimum business requirements and other rules, regulations, conditions and policies established by the Board of Directors, which may but is not required to include the payment of an annual membership fee as determined by the Board of Directors, may own the common stock of this Cooperative. The Board of Directors may establish different criteria of those members who may have become members with different terms of membership.

The shares of capital stock and Certificates of Participation of this Cooperative shall be nonassessable. The Cooperative shall have a first lien upon the shares of capital stock and other equities issued to a stockholder or other patron for any debts owed by the stockholder or patron to the Cooperative. No shares of capital stock or other equities shall be surrendered or redeemed while the holder thereof is indebted to the Cooperative.

Section 2. Application for Shares. All applications for shares of capital stock must be submitted to and approved by the Board of Directors before a share of stock may be issued. Every applicant who applies for shares who is qualified to become a stockholder shall be accepted unless the Board of Directors shall find for just and reasonable cause that acceptance of the applicant as a stockholder would prejudice the interests or otherwise obstruct the purposes of the Cooperative.

Section 3. Certification of Equity Ownership. In lieu of the issuance of certificates

representing shares of capital stock, the Cooperative shall notify each owner of capital stock and other equity interests of the Cooperative of the amount of the ownership interest. Such notification shall set forth the name of the Cooperative, that it is a Nebraska cooperative corporation, the name of the registered owner, and the par or face value of the equity owned. The certificates of ownership need not bear the signature of any officer of the Cooperative. When issued and delivered, such certificates shall be conclusive proof that the registered owner's interests are valid and outstanding, and shall be binding upon the Cooperative.

Section 4. Equity Interests NonTransferable. No ownership interests in the capital stock or other equity interests of the Cooperative may be assigned or transferred except to the Cooperative.

Section 5. Reserved.

Section 6. Failure to Patronize. If any stockholder: (a) ceases to patronize the Cooperative for a period of one (1) year, or (b) otherwise fails to maintain qualifications for ownership of stock as set forth in Section 1 above or the Articles of Incorporation, then said stockholder shall be ineligible to hold common stock of this Cooperative, and shall forfeit any rights or privileges on account of such stock and the right to participate in the management of the affairs of the Cooperative. The Board of Directors shall cancel all shares owned by such person, and shall either pay the par or book value of the stock, whichever is less, or issue to such former stockholder a Certificate of Participation or equity credits, or a combination of both, of equal face value. The Notice of Cancellation shall be sent to the stockholder by first-class mail at the last known post office address according to the records of the Cooperative. All Members' Equity Credits of such stockholder shall be considered for redemption as herein provided.

Section 7. Death of a Stockholder. When a stockholder dies or is dissolved, the Cooperative shall redeem the stockholder's capital stock by paying to the personal representative or liquidator, the par or book value of the stock, whichever is less or issue to such former stockholder Member's Equity Credits of equal value. If authorized by the Board of Directors, the redemption of the stock of a deceased stockholder shall be made not later than ninety (90) days after the close of the fiscal year in which an application for redemption by reason of such death is received. All Members' Equity Credits of such stockholder shall be considered for redemption as herein provided. The provisions of this Section are dependent upon the financial condition of the Cooperative, as determined in good faith by the Board of Directors, at the time that the application for redemption is received.

Section 8. Withdrawal of a Stockholder. Any stockholder may withdraw from the Cooperative, and, upon due notice to the Board of Directors of such withdrawal, the Cooperative shall redeem the stockholder's capital stock at the par or book value thereof, whichever is less, or issue to such former stockholder Member's Equity Credits of equal value. All Members' Equity Credits of such former stockholder shall be considered for

redemption as herein provided.

Section 9. Participating Patron. Any, firm, partnership, corporation, association, individuals and other separate legal entities that are ineligible to become a stockholder, may apply to the Board of Directors to become a participating patron. Upon acceptance as a participating patron by the Cooperative, such entity shall invest _____ Dollars (\$____.00) for each Certificate of Participation issued by the Cooperative and shall sign an individual consent form, stating its security or identification number and stating that it will comply with the consent provisions of Section 11 of this Article. A participating patron may hold more than one Certificate of Participation and shall be eligible to receive patronage refunds on its patronage, provided however that the number of Certificates of Participation held by a patron shall be disregarded in determining such patron's patronage refunds. Holders of Certificates of Participation shall have no voting rights.

Section 10. Death of a Participating Patron. When a participating patron dies or is dissolved, the Cooperative shall redeem its Certificates of Participation by paying to its personal representative or liquidator, the face value or book value thereof, whichever is less, or issue to such former stockholder Member's Equity Credits of equal value. The Board of Directors shall redeem the Certificate of Participation of a deceased or dissolved Certificate of Participation holder not later than ninety (90) days after the close of the fiscal year in which an application for redemption by reason of such death or dissolution is received. All Member's Equity Credits of such patron shall be considered for redemption as herein provided. The provisions of this Section are dependent upon the financial condition of the Cooperative, as determined in good faith by the Board of Directors, at the time that the application for redemption is received.

Section 11. Consent. Each person who hereafter applies for and is accepted as a stockholder or participating patron of this Cooperative and each stockholder or participating patron of this Cooperative on the effective date of this ByLaw provision who continues as a patron after such date shall, by such act alone, consents that the amount of any distributions with respect to patronage occurring after _____, 202__ and which are made in written notices of allocation (as defined in 26 U.S.C. 1388), and which are received by such stockholder or patron from the Cooperative, will be taken into account by such stockholder or patron 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 the stockholder or patron.

Section 12. Voting Rights. In all matters of business, each stockholder shall be entitled to one (1) vote only, regardless of the number of shares held. Shares held by two (2) or more persons as joint tenants or tenants in common shall be entitled to one (1) vote only. The person designated to vote the share will be designated by the stockholder in writing to the Cooperative. Such designation shall continue in effect until revoked or changed by the stockholder.

Section 13. Member's Equity Credits. The Member's Equity Credits of this Cooperative shall be a permanent capital investment on the part of the patron subject to redemption only as herein provided. Upon the issuance of capital stock or a Certificate of Participation, all the remainder of each patron's equity in the Cooperative shall be represented by Member's Equity Credits.

Section 14. Redemption of Member's Equity Credits. It shall be the policy of the Cooperative, when other redemption priorities set forth herein have been met, and when funds are available, to redeem in cash, at the discretion of the Board of Directors a percentage of each stockholder's and patron's Member's Equity Credits, based upon the year in which the credit was granted. Such redemption may be either in full or in part for the specified year. The time and method of redemption shall be determined by the Board of Directors.

The Cooperative shall give priority to redemption of Member's Equity Credits held by deceased persons for the settlement of their estates. The Cooperative may thereafter grant priority of redemption to the Member's Equity Credits of those stockholders or patrons on any other basis, as determined and uniformly administered by the Board of Directors. The time and method of such redemption shall be determined solely by the Board of Directors, dependent upon the financial condition of the Cooperative and the conditions established.

The Board of Directors shall consider all requests for redemption of Member's Equity Credits not later than ninety (90) days after the close of the fiscal year in which the request is received. In all cases of priority redemption of Member's Equity Credits, the funds to be expended by the Cooperative shall be paid pro-rata as a percentage of each eligible equity holder's account or the Board of Directors may give a preference to the oldest equity.

In the case of a corporation, partnership or other business entity holder of Member's Equity Credits, the amount of any redemption of Member's Equity Credits will be made to the corporation, partnership or other business entity, and not to the individual stockholder, partner or owner thereof. Each corporation, partnership or business entity shall report annually the percentage of ownership interest in the corporation, partnership or other entity of each of its stockholders, partners or owners. Failure to report the percentage of individual ownership interest will disqualify any allocations made to the corporation, partnership or other entity by this Cooperative from redemption priority. If a corporation, partnership or other entity should dissolve, its Member's Equity Credits in this Cooperative shall be prorated among and transferred to the individual stockholders or partners and considered for redemption on an individual ownership basis.

When two (2) or more persons are holders of Member's Equity Credits of this Cooperative as tenants in common, without a designation of rights of survivorship, they shall be deemed by this Cooperative to be acting as partners and shall be subject to the same requirements as a partnership. If the equity holder is a trustee, it shall be deemed by this Cooperative to be acting for the benefit of the beneficiaries of the trust, and the trustee and beneficiaries

shall be subject to the same requirements as a corporate stockholder.

Member's Equity Credits in this Cooperative held in joint tenancy with rights of survivorship shall be considered for priority of redemption according to the qualification of the youngest member of the joint tenancy or of the survivor, in the event of death of one of the joint tenants.

The Board of Directors may establish separate standards for the redemption of Member's Equity Credits held by patrons whose business activity with the Cooperative has caused the Cooperative to sustain a loss because of nonpayment or uncollectibility of amounts owed to the Cooperative.

Any person given priority for redemption of Member's Equity Credits under any of the provisions hereof, shall not receive another priority on any subsequent date, except for the settlement of the estate of such person.

In all cases, it shall be the policy of this Cooperative to redeem a minimum of Ten Dollars (\$10.00) or the total, whichever is less.

Section 15. Source of Allocated Savings. The annual net savings of the Cooperative which may be apportioned among the patrons result primarily from (a) local operations and (b) patronage from supplier cooperatives. The redemption of deferred patronage by the issuing supplier cooperatives is beyond the control of the Board of Directors. Therefore, the Board of Directors may establish policies and practices for the allocation and redemption of Member's Equity Credits in order to recognize the difference in the character of the assets held by the Cooperative and the resulting impact on availability of current funds for equity redemption purposes.

To enable the Cooperative to fairly and consistently deal with the different sources of savings, the records for Member's Equity Credits maintained by the Cooperative and reports to the equity holders may state what portion of such Member's Equity Credits resulted from the allocation of net savings from local operations and what portion resulted from the allocation of patronage from supplier cooperatives.

Section 16. Abandoned Equity Interests. The capital stock, Certificates of Participation, Member's Equity Credits or other equity or ownership interests in the Cooperative, regardless of how titled, held by an equity holder in the Cooperative resulting from the allocation of net savings shall automatically and without notice revert to the Cooperative or its successor in interest if (a) the equity holder or its heirs cannot be found after reasonable diligence is exercised by the Cooperative or (b) the equity holder or its heirs have not responded in writing to communications from the Cooperative concerning such ownership interests for a period of two (2) years. The Cooperative shall, annually, include in its records evidence of the efforts made by it to contact such equity holder.

ARTICLE III
Meetings of Stockholders

Section 1. Annual Meeting. The annual meeting of the stockholders shall be held in the State of Nebraska within the Cooperative's trade territory at such time and place as determined by the Board of Directors.

Section 2. Special Meetings. A special meeting of the stockholders may be held at any time or place upon the call of the Board of Directors. The Board of Directors shall be required to call a special meeting upon the written request of twenty-five percent (25%) of the stockholders of this Cooperative.

Section 3. Notice of Meetings. Notice of all meetings of stockholders shall be mailed to each stockholder at its last known post office address according to the records of the Cooperative, at least ten (10) days, but not more than sixty (60) days, prior to the meeting, unless otherwise required by law; provided, however, that the Board of Directors may authorize and direct the Secretary or its designee to: (a) notify stockholders of any meeting by publication in a legal newspaper of general circulation in the county where the Cooperative's principal place of business is located with such publication occurring not more than ten (10) days nor more than sixty (60) days prior to the meeting; or (b) by any other method allowed under applicable laws at least ten (10) days, but not more than sixty (60) days, prior to the meeting.

Section 4. Quorum. A quorum at all meetings of stockholders shall consist of ten percent (10%) of the stockholders, but not more than fifty (50) stockholders, nor less than five (5) stockholders. If less than a quorum is present at any meeting, a majority of those present may adjourn the meeting from time to time without further notice.

Section 5. Order of Business. The order of business insofar as possible at the annual meeting and at special meetings shall include:

- (a) Verification of quorum.
- (b) Proof of notice of meeting.
- (c) Reading and disposal of minutes.
- (d) Reports of officers and committees.
- (e) Unfinished business.
- (f) New business.
- (g) Election of directors.
- (h) Adjournment.

Section 6. Voting. All questions shall be decided by a vote of a majority of the stockholders voting thereon, except as otherwise specifically provided by the Articles of Incorporation or applicable law. There shall be no voting by proxy or power of attorney. Mail ballots may be used on specific issues, provided that the ballots are received by the Secretary and counted

at the same time as all other ballots are received.

Section 7. Waiver of Notice. Any stockholder may waive in writing any notice of a meeting required to be given by these ByLaws. The attendance of a stockholder at any meeting shall constitute a waiver of notice of such meeting by such stockholder, except when the stockholder attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

ARTICLE IV Directors

Section 1. Election of Directors. The Board of Directors of this Cooperative shall consist of not less than three (3) nor more than eleven (11) members. Members of the Board of Directors shall be elected for three (3) year terms. Annually, not less than ninety (90) days prior to the next following annual meeting of stockholders, the Board of Directors shall establish the number of directors to serve for the next following year, provide for nominating districts, if any, and for the manner in which the election of Directors shall be held. In order to preserve continuity of governance and the transition of the Board of Directors, the terms of Directors shall be staggered such that one-third of the Directors (or as nearly as possible) shall be elected at each annual meeting.

The members of the Board of Directors must be qualified stockholders and be actively patronizing the Cooperative on an annual basis. Any person designated a holder of capital stock held by joint tenants or tenants in common and the duly authorized representative of a corporation, partnership or other entity stockholder shall be eligible to serve as a director. No stockholder shall be eligible for the Board of Directors if such stockholder is in competition with, or is affiliated with an enterprise that is in competition with, this Cooperative.

Section 2. Vacancies. In the event a member of the Board of Directors shall become ineligible to hold office, such office shall be declared vacant. Vacancies occurring on the Board of Directors by such declaration, resignation or death, shall be filled by appointment by the remaining members of the Board of Directors by a majority vote and for a term expiring at the next annual meeting, at which time the stockholders shall elect a director for the balance of the vacated term.

Section 3. Officers. The Board of Directors shall meet following each annual stockholders' meeting to elect a President, VicePresident, Secretary, and Treasurer. Each officer shall hold office for one (1) year and until the election of a successor. Nominations for officers may be made by any member of the Board of Directors present. Election shall be by secret, written ballot and it shall require a simple plurality of votes cast for election. Such officers shall be deemed the officers of the Board of Directors and not executive officers of the Cooperative. No person shall lose status as a director covered by the provisions of Article VI, Section 2 of the Articles of Incorporation by reason of service as President,

VicePresident, Secretary, or Treasurer.

Section 4. Directors' Meetings. Regular meetings of the Board of Directors shall be held at such place and time as the Directors may determine. At the annual organizational meeting, the Board of Directors may establish regular meeting dates for the year on which meetings shall be held without further notice.

Special meetings of the Board of Directors shall be held whenever called by the President or by a majority of the directors. Any and all business may be transacted at any special meeting.

Oral or written notice of each regular or special meeting of the Board of Directors shall be given each director at least twentyfour (24) hours prior to the time of the meeting. Such notice may be waived by the directors, and the appearance of a director at a meeting shall constitute a waiver of notice.

Section 5. Quorum. A majority of the Board of Directors shall constitute a quorum at any meeting of the Board of Directors.

Section 6. Compensation. At the annual meeting, the Board of Directors may establish reasonable compensation for, and provide reimbursement for expenses of, the members of the Board of Directors.

Section 7. Indemnification. Each person, now or hereafter a director, officer or agent of this Cooperative, shall be indemnified by the Cooperative against all costs and expenses, including counsel fees, reasonably incurred by or imposed upon such person in connection with or resulting from any action, suit, or proceeding, or the settlement thereof prior to final adjudication, to which such person is or may be a party by reason of being or having been a director, officer or agent of the Cooperative (whether or not a director, officer or agent at the time such costs or expenses are incurred by or imposed), if such person acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Cooperative, and with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The right of indemnification herein provided shall be in addition to all other rights to which any such person may be entitled as a matter of law.

Section 8. Advisory Members. The Board of Directors may appoint one (1) or more stockholders to serve as advisory members of the Board of Directors. Such persons shall have no voting rights. Their terms of office shall be stated at the time of their appointment.

ARTICLE V
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 patrons, officers, employees and agents of the Cooperative. They shall require an accounting system which shall be adequate for the requirements of the business, and shall require proper records to be kept of all business transactions. The Board shall have the authority to obtain loans for financing the Cooperative's operations and pledging the assets of the Cooperative as collateral for such loans, all under terms as approved in the reasonable discretion of the Board.

Section 2. Employment of Manager. The Board of Directors shall employ a general manager, define its duties, fix the compensation, and may dismiss such person with or without cause at any time. The Board of Directors may authorize the employment of such agents and counsel as it from time to time deems necessary.

Section 3. Reports of Business. The Board of Directors shall present at each annual meeting of the stockholders a detailed report of the business of the preceding year. Such report shall show the financial condition of the Cooperative at the end of the fiscal year in such form as shall fully exhibit to the stockholders the assets and liabilities of the Cooperative and other facts and figures required to understand the Cooperative's financial results for the period.

Section 4. Bonds and Insurance. The Board of Directors may require the general 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 be adequately bonded; provided, however, that the Cooperative may address such risks by procuring adequate insurance. The cost thereof shall be paid by the Cooperative. The Board of Directors shall provide for the adequate insurance of the property owned by the Cooperative or stored by it, and liability insurance in the form and amounts customary for the activities of the Cooperative. With respect to all insurance procured, the respective coverage amounts shall be determined in the discretion of the Board of Directors.

Section 5. Reports of Cash and Inventory. Prior to the close of every annual fiscal period for which an audit is made of the books and accounts of the Cooperative, the Board of Directors shall cause a complete inventory report to be prepared for use in the audit. Said report shall be certified as true and correct by those responsible for its preparation and made available to the auditor and maintained as a part of the permanent records of the Cooperative.

Section 6. Audits. The Board of Directors shall have an audit of the Cooperative made as frequently as the Board deems appropriate, provided that an independent review of the

financial records of the Cooperative shall be conducted annually, and at other times as the Board of Directors deems necessary. The audit shall meet these requirements:

- (a) The audit shall be performed by a competent, certified and licensed, independent public auditing and accounting firm employed by the Board of Directors of the Cooperative.
- (b) The audit shall be made in accordance with generally accepted auditing standards.
- (c) The auditor shall express an independent opinion as to the fairness of the financial statements taken as a whole, or clearly state why an opinion cannot be rendered.

The audit report or independent review report shall be in written form and shall be presented to the Board of Directors and reviewed by them at a regular or special meeting. Each year, each stockholder shall be given a summary financial statement based upon the audit or annual independent review of the Cooperative's financial records, as the case may be.

Section 7. Depository. The Board of Directors shall select one or more banks 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 the same shall be signed.

Section 8. Marketing Agreements. The Cooperative may make marketing agreements with its stockholders and participating patrons requiring them to sell specified products through the Cooperative, or buy specified supplies through the Cooperative. Such agreements shall contain the terms and conditions required by *Neb. Rev. Stat. § 211304*.

Section 9. Nepotism. No director or the immediate relative of the manager or of any director shall be regularly employed by the Cooperative, except by a unanimous approval of the Board of Directors.

Section 10. Credit Policy. The Board of Directors may establish and enforce a credit policy and fully inform the patrons of such credit policy.

Section 11. Committees. The Board of Directors may appoint such committees as may be necessary.

ARTICLE VI
Duties of Officers

Section 1. Duties of President. The President shall preside over all meetings of the Cooperative and of the Board of Directors, call meetings of the Board of Directors, perform all acts and duties usually performed by an executive and presiding officer, and sign such documents of the Cooperative as the President may be authorized or directed to sign by the Board of Directors. The President shall perform such other duties as may be prescribed by the Board of Directors.

Section 2. Duties of VicePresident. In the absence or disability of the President, the VicePresident shall perform the duties of the President.

Section 3. Duties of the Secretary. The Secretary shall keep a complete record of all meetings of the stockholders and of the Board of Directors and shall have general charge and supervision of the records of the Cooperative. The Secretary shall sign such documents pertaining to the Cooperative as the Secretary may be authorized or directed to sign by the Board of Directors. The Secretary shall serve all notices required by law and by the ByLaws and shall make a full report of all matters pertaining to the office to the stockholders at the annual meeting. The Secretary shall make such corporate reports required by law and shall perform such other duties as may be directed by the Board of Directors. Upon the election of a successor, the Secretary shall turn over all books and other property belonging to the Cooperative that such person may have in its possession.

Section 4. Duties of the Treasurer. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of the Treasurer's duties in such sum and with such surety or sureties as the Board of Directors shall determine. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the Cooperative; (b) receive and give receipts for monies due and payable to the Cooperative from any source whatsoever, and deposit all such monies in the name of the Cooperative in such banks, trust companies or other depositories as shall be selected in accordance with provisions of these By-Laws; and (c) in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to the Treasurer by the Board of Directors.

ARTICLE VII
Management

Section 1. Duties of Manager in General. The manager shall be the Chief Executive Officer and administrator of the Cooperative's business affairs. Under the direction of the Board of Directors, the manager shall have general charge of the ordinary and usual business operations of the Cooperative, including the purchasing, marketing, and handling of all products, supplies and equipment handled by the Cooperative. The manager shall be authorized to execute in the name of the Cooperative all contracts and documents required

to be made in the ordinary course of business. The manager shall conduct the business in such a manner that the patrons will receive just and fair treatment. The manager shall deposit all money belonging to the Cooperative in a bank or other institution selected by the Board of Directors and, if authorized to do so by the Board of Directors, shall make all disbursements by check or other means therefrom for the ordinary and necessary expenses of the Cooperative in the manner and form prescribed by the Board of Directors.

Upon the appointment of a successor, the manager shall deliver all money and property belonging to the Cooperative which such manager has in its possession or over which it has control.

Section 2. Duties of Manager to Account. The manager shall maintain the records and accounts of the Cooperative in the form determined by the Board of Directors so that a true and correct condition of the Cooperative may be ascertained therefrom at any time. The manager shall render monthly and annual reports and statements in the form and manner prescribed by the Board of Directors. The manager shall carefully preserve all books, documents, correspondence, and records relating to the Cooperative's affairs which come into its possession.

Section 3. Duties of Manager Concerning Employees. The manager shall employ, supervise, and fix the compensation of all employees of the Cooperative, subject to the policies adopted by the Board of Directors. The manager may dismiss any employee when the manager deems such dismissal to be in the best interests of the Cooperative.

ARTICLE VIII Distribution of Earnings

Section 1. Net Margins. The gross receipts of this Cooperative shall include all proceeds from goods sold to patrons, plus all sums received for supplies, equipment, and services procured for patrons, plus all income from all other sources. From the gross receipts shall be deducted all costs and expenses and other charges which are lawfully excludable or deductible from this Cooperative's gross income for the purpose of determining the amount of the net margins.

Section 2. Dividends. No dividends shall be paid on common stock, and should the Board of Directors issue preferred stock, no dividend on such preferred stock shall exceed eight percent (8%) per annum.

Section 3. Deductions. The Cooperative shall deduct from said net margins as determined in Section 1 of this article (a) reasonable reserves for depreciation, bad debts, obsolescence, contingent losses, or for any necessary business purposes, and (b) the net margins attributable to business done with or for persons who are not stockholders or participating patrons, the U.S. Government, or from other nonpatron sources, if not distributed to the patrons, which shall be added to retained savings; to the extent that the

net margins deducted pursuant to this subsection are sufficient, the retention for retained savings provided under subsection (a) herein shall be deducted from the nonpatronage sources rather than from the net margins from transactions with stockholders or participating patrons.

Section 4. Apportionment to Patrons. The balance of said net margins, which remain after the deductions set forth in Section 3, shall be deemed to be the patrons' net margins. All of the patrons' net margins shall, as received by this Cooperative, belong to and be held for them and shall be apportioned among them on a patronage basis at the close of each fiscal year; provided, however, that except as may be required under the U.S. Internal Revenue Code or other applicable laws, no distribution or allocation need be made for amounts otherwise to be distributed or allocated to a patron is less than a de minimis amount as established from time to time by the Board of Directors. In addition, the Board of Directors, at its discretion, may allocate and distribute all or a portion of the net margins attributable to business done with or for the U.S. Government, or from other nonpatron sources.

Section 5. Computation. This allocation or appropriation shall be made on the basis of or in proportion to the amount or value of the products, supplies, equipment and services marketed for or sold to the stockholders and participating patrons. Different rates may be declared upon different classes of patronage. The stockholders and participating patrons of this Cooperative have full knowledge of the method of allocating the earnings of the Cooperative.

Section 6. Provision for Equity Capital. The Board of Directors shall have the power to establish equitable procedures for acquiring and maintaining adequate equity capital to finance the business of the Cooperative. The share of each patron in the net margins of the Cooperative shall be payable at the close of each fiscal year, but the payment may be made by retention of a portion of the patrons' net margins in the equity capital of the Cooperative as determined by the Board of Directors.

Section 7. Special Provisions for Losses and Extraordinary Items. In the event that the Cooperative suffers a loss in any year, the Board of Directors, in its discretion, may charge such loss against the retained savings contributed by those patrons whose patronage gave rise to such loss, or against the Member's Equity Credits and other equities held by those patrons whose patronage gave rise to such loss or assess such patrons the amount of such loss. If income or expense is attributable to extraordinary items, including gain or loss from business assets owned or investments held: (a) the amount thereof shall be allocated, insofar as is practicable, to the patrons of the Cooperative during the period to which such gain or loss is attributable, and (b) if such income or expense attributable to business done with or for patrons is includable in gross income for a fiscal year after the fiscal year during which such patronage occurred, the patronage may be deemed to have occurred during the Cooperative's fiscal year during which such income or expense is includable in gross income; provided that the Board of Directors may allocate or treat such extraordinary income or expense in such other manner as it, in its discretion, determines will provide

equitable treatment to all patrons of the Cooperative.

ARTICLE IX
Dissolution

Upon the dissolution of this Cooperative, all debts and liabilities shall first be paid according to their respective priorities. Any property remaining after discharging the debts and liabilities shall be distributed to the stockholders and participating patrons. If there is any capital accumulated as the result of deferred patronage, the holders thereof shall be paid before the holders of the capital stock and Certificates of Participation are paid. If funds are not sufficient to pay the holders of all equity capital in full, it shall be distributed in the following priorities: (a) to the holders of preferred stock without regard to time of investment, and on a on a prorata basis if funds are insufficient to pay all preferred stock; then (b) to the holders of common stock without regard to time of investment, and on a on a prorata basis if funds are insufficient to pay all common stock. The remainder of the property shall be distributed among the patrons on the basis of their respective patronage as shown on the records of the Cooperative insofar as practicable, as determined in the discretion of the Board of Directors.

ARTICLE XII
Amendments

Section 1. These ByLaws may be altered by a majority vote of the stockholders present and voting at any regular or special meeting, provided that notice of the intention to propose amendments shall have been given in the notice of a special meeting.

Section 2. The Board of Directors may amend the Bylaws at any time, subject to ratification by the stockholders at the next regular or special meeting of the stockholders. An amendment made by the Board of Directors shall have full force and effect from the time the Board of Directors approves such amendment until acted upon by the stockholders, even though such amendment may be later rejected.

ARTICLE XIII
Bylaws Distribution

These Bylaws shall be duplicated and a copy thereof shall be delivered to each stockholder and participating patron.

Dated: _____, 202__.

WAUNETA COOPERATIVE GROCERY STORE

By: _____

Secretary