

THE LEROY COOPERATIVE ASSOCIATION, INC.
LeRoy, Kansas

ARTICLES OF INCORPORATION AND BYLAWS
AS AMENDED MARCH 31, 2008

ARTICLES OF INCORPORATION

This association is composed of patrons engaged in the production of agricultural products together to form a non-profit cooperative association under the provisions of the Cooperative Marketing Act, K. S. A. Chapter 17, Article 16, as originally incorporated March 24, 1960.

ARTICLE I

The name of this association is The LeRoy Cooperative Association, Inc.

ARTICLE II

The location of the registered office of the association is LeRoy, Coffey County, Kansas.

ARTICLE III

The name and address of the resident agent of this association in this State is The LeRoy Cooperative Association, Inc., LeRoy, Kansas.

ARTICLE IV

The purposes for which this association is formed are: (1) to engage in any activity in connection with the marketing or selling of the agricultural products of its members, or with the harvesting, threshing, milling, preserving, drying, processing, canning, packing, storing, handling, shipping, or utilization thereof, or the manufacturing or marketing of the by-products thereof; (2) to manufacture, sell, or supply to its members machinery, equipment, supplies, appliances, and services necessary and incidental to their farming operations, and to engage in any activity in connection therewith; (3) to do a public warehousing business and store agricultural products in interstate commerce; (4) to engage in the financing of the above-stated activities; (5) to handle the products of and render any of the foregoing services to non-members; provided that this association shall not market, handle, process, store, or deal in the products of non-members in an amount greater in value than such as are handled by it for members and shall not transact any other business with non-members in an amount greater in value than such as is transacted by it with members; and (6) to engage in any lawful activity that may be properly undertaken by a farmers' cooperative; PROVIDED HOWEVER, that it shall not engage in the banking business.

ARTICLE V

The place where the principal business of the association will be transacted is the City of LeRoy, County of Coffey, State of Kansas.

ARTICLE VI

The term of this association shall be perpetual.

ARTICLE VII

Section 1. The number of directors of this association shall be not less than five (5) nor more than eleven (11), as shall be provided in the Bylaws of this association, and directors shall serve terms of three (3) years, PROVIDED HOWEVER, that the terms of the directors for the purpose of changing the number of directors may be less than three (3) years, as conclusively established by the Bylaws of this association and any amendments thereto.

Section 2. From and after the effective date of this Article no member or stockholder of this association may threaten, make, or assert any claim for monetary damages for breach of fiduciary duty against any present or past director of this association for any act or omission occurring after such effective

date, provided however, that the foregoing limitation of director liability shall not eliminate or limit the liability of any such director (a) for any breach of the director's duty of loyalty to the corporation or its members or stockholders, (b) for any action or omission not in good faith or which involves intentional misconduct or a knowing violation of law, (c) for any unlawful payment of dividends or other violations of the provisions of K.S.A. 17-6424 and amendments thereto or (d) for any transaction from which such director derived an improper personal benefit.

ARTICLE VIII

Section 1. The capital stock of this association shall be \$2,500,000.00 and shall be divided into 20,000 shares of common stock, with a par value of \$100.00 per share; and 5,000 shares of participating stock, with a par value of \$100.00 per share.

Section 2. The common stock of this association may be purchased, owned or held only by producers of agricultural products and cooperative associations organized under the Kansas Cooperative Marketing Act, who shall patronize the association in accordance with uniform terms and conditions prescribed thereby, and only such persons shall be regarded as eligible members of the association. In the event the Board of Directors shall find, following a hearing, that any of the common stock of this association is held by or has come into the hands of any person who is not an eligible member such persons shall have no rights or privileges on account of such stock or vote or voice in the management or affairs of the association (other than to participate in accordance with law in the case of dissolution), and the association shall have the right to cancel any such stock on the books and records of the association and issue in lieu thereof participating stock with a par value equal to the par value of any stock so canceled. The common stock of this association may be transferred only with the consent of the Board of Directors and on the books of the association, and then only to persons eligible to hold the same, and no purported assignment or transfer shall pass to any person not eligible to hold the same rights or privileges on account of such stock or vote or voice in the management or affairs of the association. Each eligible holder of common stock shall be entitled to only one vote in any meeting of the stockholders, regardless of the number of share of stock owned. This association shall have a lien on all its issued common stock for all indebtedness of the holders thereof to the association, which lien may be exercised only at the discretion and direction of the Board of Directors. No dividends or interest shall be declared or paid on the common stock. Each certificate of common stock shall have the foregoing provisions of this section printed thereon.

Section 3. The participating stock of this association shall be nonvoting and may be purchased, owned or held by any person, firm, partnership, corporation or association who has been approved to participate in the savings of this association in accordance with the Bylaws of this association. No dividends or interest shall be declared or paid on participating stock. Participating stock may be transferred only upon the books of the association and may be redeemed or retired in whole or in part at book or par value, whichever is less, only as conclusively determined by the board of directors, and only at the discretion of the board of directors in accordance with the Bylaws of this association. This association shall have a lien on all its participating stock for all indebtedness of the holders thereof to the association, which lien may be exercised only at the discretion and direction of the board of directors. Upon the dissolution or distribution of the assets of this association, the holders thereof shall be entitled to receive the par or book value thereof, whichever is less. Each certificate of participating stock shall have the foregoing provisions of this section printed thereon.

Section 4. Notwithstanding any other provisions of this Article, the board of directors shall have the power to retire, in any manner approved by the board, the common, preferred, or participating stock of any deceased member or patron, or any patron who, at the determination of the board of directors, has

moved out of the trade area and/or ceased to do business with the association or has attained retirement age, as defined in, and pursuant to, a plan for the retirement of equities of stockholders and patrons, as adopted by the board of directors.

Section 5. The Bylaws of this association may provide for and establish such non-stock capital accounts or credits as shall be necessary or proper for the purpose of furnishing the cooperative character of this association and for the purpose of providing such additional capital as may be required for the continued effective operation of this association. Such non-stock capital accounts may include, but shall not be limited to, stock credits, ledger credits, per-unit retains, nonqualified allocation credits and such other book credits for which provision is made in the Bylaws, and such credits may be redeemed, retired, or repurchased only in accordance with the said Bylaws of this association. This association shall have a lien upon all such non-stock capital accounts or credits, which lien may be exercised only at the discretion and direction of the board of directors.

BYLAWS

ARTICLE I Membership

Section 1. **QUALIFICATIONS FOR MEMBERSHIP.** Any person, firm, partnership, corporation, or association, including both landlords and tenants in share tenancies, who is a bona fide producer of agricultural products in the territory in which this company is engaged in business, and who agrees to be a patron of this association, and to abide by the Bylaws of this association, may become a member by acquiring a share of common stock and meeting such conditions as may be prescribed by the board of directors. This cooperative shall admit to membership every applicant who (1) applies for admission for the purpose of participating in the activities of the cooperative, and (2) meets all the requirements for application and membership under these Bylaws, the statutes of the State of Kansas and policies established by the Board of Directors, EXCEPT, that the cooperative may refuse admission to an applicant if the Board of Directors finds that the applicant's admission would prejudice the interests, hinder or otherwise obstruct or conflict with any purpose or operation of this cooperative.

Section 2. **QUALIFICATIONS FOR PARTICIPATION.** Any person, firm, partnership, corporation or association who is not qualified for membership in this association, pursuant to Section 1 above, who agrees to be a patron of this association and to abide by the Bylaws of this association, may become a participating patron of this association by executing such individual consent form stating his/her social security number or identification number and consenting to the provisions of Article II, Section 4, hereof, and by acquiring a share of participating stock and meeting such conditions as may be imposed by the Board of Directors. This provision shall not prohibit the association from transacting business with persons who do not meet the qualifications of this or the foregoing section.

Section 3. **APPLICATION FOR MEMBERSHIP AND PARTICIPATION.** Any person eligible and desiring to become a member, and any person ineligible to become a member but desiring to participate in the savings of the association shall execute and sign an application for membership or participation in such form as may be prescribed by the Board of Directors. No person shall become a member or be entitled to participate in the savings of the association until the Board of Directors has approved his/her application.

Section 4. **TRANSFER OF STOCK.** Common stock of the association shall not be transferred to anyone not engaged in the production of the agricultural products handled by the association or the user of farm supplies handled by the association, and any such purported transfer shall be void and of no effect; and PROVIDED FURTHER, that no transfer of stock will be effective without the consent of the association's Board of Directors, and any such transfer shall only be effective when made on the association's books and records.

Section 5. **ANNUAL MEETING.** The annual meeting of the members of the association shall be held within six months after the close of the fiscal year at such hour and date, within the association's operating area, State of Kansas, as may be determined by the Board of Directors.

Section 6. **SPECIAL MEETINGS.** Special meetings of the members of the association may be called and held at any time and place within the

association's operating area, State of Kansas, by order of the Board of Directors, and the Board shall call a special meeting of the members of the association upon written request of not less than ten percent (10%) of the members of the association entitled to vote, stating the time, place and purpose of the meeting.

Section 7. **NOTICE OF MEETING.** Notice of all meetings of the members of the association shall be mailed to each member of the association at his/her last known address, together with a statement of the purpose thereof, at least ten (10) days prior to the date of the meeting.

Section 8. **PROXY VOTING PROHIBITED AND VOTING BY MAIL.** Voting by proxy or by power of attorney shall not be permitted. At the discretion of the board of directors absent members may vote at any regular or special membership meetings on a ballot furnished to them by mail, PROVIDED that the ballot meets the following conditions: (1) the ballot must be mailed to the last known address of every voting member of the association; (2) the ballot must state the return mailing address of the association; (3) the ballot must state the full proposal being considered; (4) the ballot must contain a place for the member to indicate whether he favors or opposes the proposal; and (5) the ballot must be signed by the member. The mail ballot may be delivered to the association by any available means and must be received by the association prior to the meeting at which the said proposal will be considered. The mail ballot may be considered whenever the final vote is taken on the proposal, even if this final vote is taken at a subsequent meeting or continuation of the original meeting. Notwithstanding the prohibition of proxy voting, any member which is not a natural person may vote by and through its duly authorized representative.

Section 9. **QUORUM.** Five (5%) percent of the voting membership or twenty (20) of the members of the association entitled to vote, whichever is less, shall constitute a quorum for the transaction of business at any meeting of the association; but in the event a quorum is not present, such meeting may be adjourned from time to time by those present until a quorum is obtained. No notice of adjourned meetings shall be required.

Section 10. **VOTING POWER OF MEMBERS.** At all meetings of the stockholders, each holder of common stock shall be entitled to cast one, and only one, vote irrespective of the number of shares of common stock owned.

Section 11. **ORDER OF BUSINESS.** The order of business at the annual meetings, and so far as possible at all other meetings, shall be:

1. Proof of quorum
2. Proof of due notice of meeting
3. Reading and disposal of minutes
4. Report of manager, officers, and committees
5. Election of directors
6. Old business
7. New business
8. Adjournment

ARTICLE II

Allocation and Distribution of Net Savings

Section 1. **DETERMINATION AND ALLOCATION.** At the close of each fiscal year, the association shall determine its net savings (or loss), including the appropriate portions thereof constituting net savings for patronage allocations; net savings (loss) shall be first determined by generally accepted accounting principles increased or decreased in accordance with the applicable rules and regulations for computing income taxes in order to determine the overall net savings (loss) of the association available for patronage allocations; and the association shall then allocate and distribute said net savings as follows:

- (a) All savings from nonpatronage sources and all savings, accruing from patrons who are not voting members or participating patrons or approved applicants, shall be credited to the unallocated surplus.
- (b) No dividends shall be paid upon the outstanding stock.
- (c) The board of directors of this association shall have the authority, at its discretion, to establish and maintain a reasonable reserve for any necessary purpose including but not limited to provision for the erection and construction of buildings and facilities required in the business of the association, or for the purchase and installation of machinery and equipment, or to retire indebtedness incurred for such purposes, or for allowance for doubtful accounts receivable or

other indebtedness due the association, and funds contributed to the general reserve or surplus for such purposes shall not be available for allocation to patrons.

(d) The remaining net savings shall be allocated among all voting members, participating patrons and approved applicants upon an equitable patronage basis, according to the proportion of each of the aforementioned member's or patron's business to the entire amount of such business transacted by the association and set up as a patronage allocation.

Section 2. WRITTEN NOTICE OF ALLOCATION. Within eight and one-half (8 1/2) months after the close of the association's fiscal year, the Board of Directors shall make allocation of each member's and participating patron's share of the net savings, and within that period the association shall notify each such patron, in writing, in accordance with 26 USC 1388, of the amount of the allocation to each such patron.

Section 3. DISTRIBUTION OF ALLOCATION. The patronage allocation, described at Sections 1 and 2 above, may be distributed to members and participating patrons in cash, common or participating stock or stock credits, patronage ledger credits, or nonqualified notices of allocation, PROVIDED HOWEVER, that said distribution shall be in the form of cash and/or nonqualified notices of allocations, unless not less than the minimum amount of cash is paid to such persons to qualify such allocation for a taxable deduction from the income of the association in accordance with the federal income tax laws, 26 USC 1381 through 1388, inclusive.

(a) Qualified Allocations. Patronage allocations which are to be qualified, as described above, shall be paid partly in cash within the eight and one-half (8 1/2) month notification period described above. After the payment of the minimum cash payment required to qualify said allocation for tax purposes under federal income tax laws, the balance of the allocation shall first be applied toward the purchase of ten (10) shares of common stock. After the payment of the minimum in cash, as required by Federal Internal Revenue laws to qualify such allocation for tax purposes, the balance of the allocation due approved participating patrons ineligible to become voting members, shall be applied toward the purchase of ten (10) shares of participating stock. After a member patron becomes the owner of ten (10) shares of common stock and an approved nonmember becomes the owner of ten (10) shares of participating stock, the remaining balance of such patronage allocations due such members and participating patrons may be paid in cash, patronage ledger credits, stock or book credits or any combination thereof, at the discretion of the Board of Directors.

(b) Nonqualified Allocations. Patronage allocations which are not qualified, pursuant to subsection (a) above, need not be paid in cash in whole or in part. Each patron shall, within the notification period described above, receive notice of the allocation and notice that the allocation is not qualified for tax purposes. The association's books and records shall be maintained in such a manner that the capital contributed by each patron, in the form of nonqualified allocations, will be reflected by nonqualified allocation credits to his/her capital account. No interest will be paid on nonqualified allocations. Nonqualified allocation credits shall be transferable only upon the books of the association. In the event of any such transfer, the transferee shall obtain no greater right or interest therein than were possessed by the transferor. All of the debts of the association, both secured and unsecured, shall be entitled to priority over outstanding nonqualified allocation credits. Upon the dissolution, liquidation or winding up of the association in any manner, said nonqualified allocation credits shall be retired in whole or in part only on a pro rata basis. Said retirement of nonqualified allocations, upon the dissolution, liquidation or winding up of this association, shall be made only after the retirement of stock; PROVIDED HOWEVER, that nonqualified allocation credits shall not be retired at a value in excess of the stated book value thereof. At any time other than the dissolution, liquidation or winding up of this association, said nonqualified allocation credits may be retired or redeemed in whole or in part at the discretion and at the direction of the Board of Directors, by payment in cash or in kind to the patron, or for the benefit of the patron to whom such nonqualified allocation or allocations were credited.

Section 4. CONSENT. Each person who hereafter applies for and is accepted to membership in this association, and each member of this association on December 1, 1963, who continues as a member after such date shall, by such act alone, consents that the amount of any distribution, with respect to such person's patronage accruing after said date, which is made in a qualified written

notice of allocation (as defined in 26 USC 1388, and as described at subsection (a) above) and which is received by the patron from the association, will be taken into account by the patron at their stated dollar amounts in the manner provided in 26 USC 1385(a) in the year in which such written notices of qualified allocation are received by such patron.

Section 5. PARTICIPATING STOCK. The Board of Directors is hereby authorized and empowered to issue participating stock to all patrons ineligible to become voting members. In the event the holder of participating stock becomes eligible to hold common stock, such participating stock may be applied toward the purchase of common stock. The Board of Directors shall also have the power to retire, at its discretion, participating stock held by any person who removed his/her residence from the trade territory, or is in competition with the association, or has attained retirement age as defined in and pursuant to a plan for the retirement of patrons' equities as adopted by the Board of Directors.

Section 6. LEDGER CREDITS. In order to further the cooperative character of the association and provide a means whereby its current patrons will furnish its capital requirements, the association shall establish and maintain a patronage ledger credit fund. The crediting of such savings to the patronage ledger credit account shall, for all purposes, be deemed equivalent to the payment thereof in cash to the patron to whom they are credited and his/her contribution therefor to such fund as capital required for the continued operation of the association. Such fund shall be used for the purpose of building up such an amount of capital as may from time to time be deemed necessary by the Board of Directors. When, in the opinion of the Board of Directors, the amount of such fund exceeds the amount required for such purposes, the outstanding contributions to such fund may be repaid in whole or in part on a pro rata basis in cash or in kind to the patrons from whom such contributions were received; PROVIDED HOWEVER, that on any pro rata payment of the patronage ledger credit fund, members with credits to the fund of \$20.00 or less may be paid in full at the discretion of the Board of Directors. No interest or dividends shall be paid on contributions or credits held in the patronage ledger credit and per unit retain fund. A proper record of such fund shall be maintained at all times by the association, and the equity of any patron therein shall be transferable only upon the books of the association. In the event of any such transfer, the transferee shall obtain no greater right or interest therein than were possessed by the transferor. All of the debts of the association, both secured and unsecured, shall be entitled to priority over all outstanding patronage contributions to such fund. Upon the dissolution, liquidation or winding up of the association in any manner, after the payment of all other debts, all outstanding patronage ledger credit and per unit retain fund contributions shall be retired in full or in part on a pro rata basis, without priority, before any distribution is made on account of stock.

Section 7. SETTLEMENT OF ESTATES AND OTHER EQUITY RETIREMENTS. Notwithstanding any other provision of these Bylaws, the Board of Directors, at its discretion and direction, shall have the power at any time to pay off, or retire, or secure a release or satisfaction of any common stock, preferred stock, participating stock, patronage ledger credits, or stock and nonqualified allocation credits and other book credits, for the purpose of facilitating the settlement of an estate in case of death, or of any patron who is in competition with the association or has ceased to be a producer of agricultural products or has attained retirement age as defined in and pursuant to a plan for the retirement of patrons' equities as adopted by the Board of Directors.

Section 8. LOSSES. If, in any fiscal year, the association shall incur a net operating loss which is recognizable for tax purposes, the Board of Directors shall have full authority to charge off such loss either against the net savings of future years or against past reserves or other funds or credits, or in such other manner as will afford the association the maximum benefit for tax purposes. The balance of said net savings which remain after the foregoing deductions, shall be deemed to be "Net Savings for Allocation and Distribution", pursuant to Article II, Section 1.

Section 9. SETOFF. The association, at its option, shall be entitled to set off, against any claims which it may have against any member or participating patron, any amounts which the association may owe the patron. The association may exercise its lien upon the patron's capital investments in the association, as provided in the Articles of Incorporation, and it may set off against any claims which it may have against any member or participating nonmember any amounts which the patron has invested in the capital of the

association including, but not limited to, common stock, preferred stock, participation certificates, ledger credits, per unit retains and nonqualified allocation credits.

ARTICLE III Pooling and Per-Unit Retains

Section 1. **DEFINITIONAL.** The term "per-unit retain certificate" means any capital stock, ledger credit, retain certificate, certificate of indebtedness, letter of advice or other written notice:

- (1) Which is issued to a patron with respect to products marketed for such patron;
- (2) Which discloses to the patron the stated dollar amount allocated to him/her on the books of the cooperative association; and
- (3) The stated dollar amount of which is fixed without reference to net earnings.

Section 2. **AUTHORIZATION FOR POOLING.** The association may, at the discretion of its Board of Directors, make and execute marketing contracts. Such contracts may, when voluntarily executed by a member, require such member to sell for any period of time, not over ten (10) years, all or any specified part of their agricultural or specified commodities exclusively to or through the association or any facilities created by the association, including any central agency of which the association or any other similar associations are or may become members and providing for the marketing of such products upon a pool or pooling basis. The association, within the discretion of its Board of Directors, is authorized from time to time to establish daily, weekly, monthly or seasonal pools of wheat or other commodities to be marketed by it on a pooling basis under contracts with members or approved applicants for membership; such pools to be of the same variety, grade and quality of products, and as to which all producers having wheat or other commodities in a particular pool shall share ratably in the net proceeds thereof.

Section 3. **POOL PAYMENTS - DISTRIBUTION OF POOL PROCEEDS - PER-UNIT RETAINS.** The association may make advances to pool participants for commodities delivered to the association on a pooling basis and may make progress payments for commodities delivered before final settlement therefor.

Net proceeds arising from pooling activities shall be allocated to each pool participant. Settlement of closed pools shall be made not later than sixty (60) days after the close of the association's fiscal year in which such pool or pools are closed. Final settlement shall be made after deduction of all advances, expenses and per-unit retains from the gross proceeds of each pool.

In order to provide permanent and operating capital for the association's corporate and capital purposes, the Board of Directors may, at their discretion, provide for such capital through per-unit retains from members participating in the pooled marketing of commodities. Per-unit retain contributions shall be in proportion to the participant's respective use of the facilities and services furnished by the association. The proportionate share of such amounts to be contributed by each pool participant shall be based upon:

- (1) The capital requirements for the particular products or commodities marketed by the individual pool participant;
- (2) The established volume and/or value of such products marketed by said pool participant through the association, all as determined by the association's Board of Directors.
- (3) In no event may the per-unit retains exceed ten percent (10%) of the gross proceeds of the commodities delivered by such member or patron as part of any given pool.

Any person desiring to participate in a commodity pool must be a member or an approved applicant for membership, and such pool participant shall first apply all per-unit retains toward the permanent capital requirements of Article II of these Bylaws. After such capital requirements are met, such per-unit retains shall be applied and subject to the conditions of Article II, Sections 3, 5 and 6 of the Bylaws.

Section 4. **NOTIFICATION.** As soon after the conclusion of each fiscal year

as may be conveniently done, but within eight and one-half (8 1/2) months after the close of the fiscal year of the association, the Board of Directors shall cause to be mailed or otherwise delivered to each pool participant a per-unit retain certificate, as defined in Section 1 of this Article, which shall show the dollar amount of such participant's capital contribution derived from per-unit retain retention.

Section 5. **PER-UNIT RETAIN FUND.** Funds arising from per-unit retains, as defined in Section 1 of this Article, shall be used for the purpose of building such an amount of capital as may be determined necessary by the Board of Directors from time to time and for acquiring such capital within the limits prescribed by Article II hereof. When so credited, such per-unit retain credits shall be regarded, for all purposes, as contributions to the capital of the association.

Section 6. **CONSENT TO PER-UNIT RETAIN CREDITS.** Each person who hereafter 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, consents and agrees to treat the stated dollar amount of all qualified per-unit retain credit received by such patron, in connection with products marketed through the cooperative on and after January 31, 1976, as representing cash distributions, which such patron has constructively received then reinvested in the capital of the cooperative.

ARTICLE IV Directors

Section 1. **QUALIFICATION.** The general supervision, management and control of the association shall be vested in a Board of Directors, each of whom shall be an active member of the association.

No person shall be eligible for the office of director if he/she is in competition with or is affiliated with any enterprise (other than a cooperative) that is in competition with the association; and if a majority of the Board finds, at any time following a hearing, that any director is so engaged or affiliated, he/she shall thereupon cease to be a director.

Section 2. **ELECTION AND TERM OF OFFICE.** The number of directors of this association shall be seven (7).

(a) Directors shall serve for terms of three (3) years and until their successors are duly elected and qualified.

(b) Directors shall be elected by the active members of the association at the annual meeting. Nominations for directors may be made by a nominating committee, petition of members or balloting, provided that nominations shall be requested of the membership from the floor in session at the annual meeting. All elections shall be by secret ballot, except where there is only one nominee for an expiring term or vacancy, and the nominee receiving the greatest number of votes shall be elected. The terms of directors shall be staggered so that the terms of not more than three (3) directors shall expire in any one year.

(c) No director shall be eligible to serve on the board of directors for more than three (3) consecutive three (3) year terms; but after the lapse of one year, such member shall again be eligible to the board of directors.

Section 3. **VACANCY.** Whenever a vacancy occurs in the Board of Directors, other than by the expiration of a term of office, the remaining directors shall appoint a member to fill the vacancy until the next annual meeting of the members of the association, whereupon a successor shall be elected to fill the unexpired term.

Section 4. **ORGANIZATION MEETING AND ELECTION OF OFFICERS.** The organization meeting of the Board of Directors shall be held as soon as practicable following the annual meeting of the members of the association, at which time the Board of Directors shall elect, by secret ballot (except when there is only one nominee for an officer position), a chairperson, vice-chairperson, secretary, treasurer, or a secretary-treasurer and such other officers as the Board of Directors may consider necessary, each of whom shall hold office for one year or until the election and qualification of a successor. Only the chairperson and vice-chairperson need be directors. Nominations for officers of the corporation may be made from the floor by any director serving on the Board of Directors as of the date of such organizational meeting.

Section 5. **MEETINGS.** Regular meetings of the Board of Directors shall be held monthly or at such other times and such places as the Board may determine. Special meetings shall be held whenever called by the chairperson or by a majority of the directors. Notice of all meetings of the directors shall be mailed to each director at least three (3) days prior to the day of the meeting, or given in person or by telephone at least twenty-four (24) hours prior to the time of the meeting, PROVIDED that notice of all meetings may be waived in writing by all the directors. A majority of the directors shall constitute a quorum at any meeting of the Board.

Section 6. **COMPENSATION.** The directors shall receive such compensation for attendance at each regular or special meeting of the Board, or for such other service as may be performed in the conduct of the business of the corporation, as the Board of Directors shall from time to time determine. The directors shall also be reimbursed for any personal expense incurred in connection with the business of the corporation.

Section 7. **REMOVAL OF DIRECTOR OR OFFICER.** Any member of the association may bring charges against an officer or director by filing them, in writing, with the secretary of the association, together with a petition signed by at least ten percent (10%) of the members, requesting the removal of the officer or director in question. Within sixty (60) days after the receipt of such petition, at the annual meeting or at a special meeting of members called for such purpose, and by a vote of the majority of all members, the association may remove the officer or director and fill the vacancy. The director or officer against whom charges have been brought shall be informed, in writing, of the charges prior to the meeting and shall have an opportunity at the meeting to be heard in person or by counsel and to present witnesses, and the person or persons bringing the charges shall have the same opportunity.

Section 8. **BONDS AND INSURANCE.** The Board of Directors shall require the manager and all officers, agents and employees, charged by the association with the responsibility for the custody of any of its funds or negotiable instruments, to give adequate bonds. Such bonds shall be furnished by a responsible bonding company and approved by the Board of Directors, and the cost thereof shall be paid by the association. The Board of Directors shall provide for the adequate insurance of the property of the association or property which may be in the possession of the association or stored by it, and not otherwise adequately insured; and, in addition, adequate insurance covering liability for accidents to all employees and the public.

Section 9. **AUDITS.** At the close of each fiscal year, the Board of Directors shall secure the services of a competent and disinterested public accountant, who shall make a careful audit of the books and accounts of the association and render a report in writing thereon to the Board of Directors of the association. This report shall include at least (1) a balance sheet showing the true assets and liabilities of the association, (2) an operating statement for the fiscal period under review, and (3) an itemized statement of all expenses for the period under review. Each member of the association shall be given each year, a summary financial statement based on the annual audit of the books and accounts of the association.

Section 10. **INDEMNIFICATION OF DIRECTORS, OFFICERS AND EMPLOYEES.** Directors, officers, employees and agents of the association may be entitled to indemnification as provided in K.S.A. 17-6305.

Section 11. **REFERENDUM.** Upon demand of not less than one third (1/3) of the members of the entire Board of Directors, any matter that has been approved or passed by the Board of Directors shall be referred to the membership for decision at the next special or regular meeting of the membership.

ARTICLE V Duties of Officers

Section 1. **DUTIES OF CHAIRPERSON.** The chairperson shall (1) preside over all meetings of the association and of the Board of Directors; (2) call special meetings of the Board of Directors, and (3) perform all acts and duties usually performed by an executive and presiding officer and such other duties as may be prescribed by the Board of Directors.

Section 2. **DUTIES OF VICE-CHAIRPERSON.** In the absence or disability of the chairperson, the vice-chairperson shall perform the duties of the

chairperson; PROVIDED HOWEVER, that in case of the death, resignation or disability of the chairperson, the Board of Directors may declare the office vacant and elect a successor.

Section 3. **DUTIES OF SECRETARY.** The secretary shall keep, or cause to be kept, a complete record of all meetings of the association and of the Board of Directors and shall perform such duties with respect to the office as may be prescribed by the Board of Directors.

Section 4. **DUTIES OF TREASURER.** The treasurer shall perform such duties with respect to the finances of the association as may be prescribed by the Board of Directors.

ARTICLE VI Management

Section 1. **POWER AND DUTIES.** The Board of Directors shall provide for the management of the association and for the compensation of such management which shall have charge of the business of the association under the general control, supervision and direction of the Board of Directors. The chief operations officer of the association may be given the title of "General Manager" and/or "President", as determined by the Board of Directors, who shall employ, supervise and dismiss all agents and employees of the association and fix their compensation; conduct the business on a cooperative basis in accordance with the Kansas Cooperative Marketing Act, the Articles of Incorporation and these bylaws; deposit in the name of the association, in a bank or banks selected by the Board, all money belonging to the association which comes into his/her possession, and if authorized to do so by the Board, make disbursements therefrom by check for the ordinary and necessary expenses of the association; maintain records and accounts in such a manner that the true and correct condition of the business may be ascertained therefrom at any time; furnish the Board a current statement of the business and affairs of the association at each monthly meeting of the Board and at the end of each fiscal year and at such other times and in such form as the Board may direct; carefully preserve and turn over to his/her successor all books, records, documents and correspondence pertaining to the business of the association which may come into his/her possession; and perform such other duties as may be prescribed by the Board. No Director shall serve as General Manager/President.

ARTICLE VII Miscellaneous

Section 1. **FISCAL YEAR.** The fiscal year of the association shall end on the last day of January.

Section 2. **SEAL.** The corporate seal of the association shall be circular in form and shall contain the name and post office address of the association, surrounding the word "SEAL".

Section 3. **PRINTING.** After adoption, these Bylaws shall be prepared in printed form, and a copy thereof shall be made available to each member.

Section 4. **AMENDMENT.** These Bylaws may be altered, amended or repealed by a majority vote of the members present and voting in person at any regular or special meeting of the members of the association; PROVIDED HOWEVER, that notice of such meeting contains a statement of the purpose thereof.