

MOPCoop Bylaws

BYLAWS OF

Montana Organic Producers Co-op

ARTICLE 1 – Membership

Section 1.1. Eligibility for Membership. Producers of certified organic agricultural products who reside in the territory served by the Cooperative may become members of the cooperative by:

- (1) applying for membership;
- (2) being approved for membership by the Cooperative's Board of Directors;
- (3) becoming the holder of at least one (1) share of the Cooperative's membership stock (hereafter referred to as "Membership Stock") and holding a minimum number of shares of equity stock (hereinafter referred to as "Equity Stock"), if required, by the Board of Directors pursuant to reasonable policies of uniform application; and
- (4) entering into a Uniform Marketing Agreement with the Cooperative, if required by the Board of Directors.

Section 1.2. Termination of Membership. Membership in this Cooperative may be terminated by the Board of Directors if any of the following events occur:

- (1) a member ceases to be a certified organic agricultural producer or has become ineligible for membership for any reason;
- (2) a member has failed to patronize this Cooperative for a period of one year or more;
- (3) a member ceases to have a Uniform Marketing Agreement, if required, in effect with this Cooperative;
- (4) a member that is an individual dies, or a member that is not an individual ceases to exist as a legal entity and leaves no successor; or
- (5) the Board of Directors by resolution finds that a member has:
 - (i) intentionally or repeatedly violated any provision of the Cooperative's Articles of Incorporation, its Bylaws, or its rules and regulations;

(ii) breached any contract with or obligation to the Cooperative or any of its members including, but not limited to, the obligation to make timely payments on the member's account with the Cooperative; or

(iii) willfully obstructed any lawful purpose or activity of the Cooperative.

Section 1.3. Consequences of Membership Termination. Upon termination of membership, voting rights and other rights of membership shall cease. Termination of membership alone shall not affect the rights or liabilities of either the member or the Cooperative under any individual contract. Termination of membership alone does not affect the member's patronage capital or entitle the member to a redemption of his Membership Share or Equity Stock or to retirement of accumulated patronage capital. Upon membership termination for reasons other than breach of the Uniform Marketing Agreement, the Cooperative shall, at its option:

(1) purchase the terminated member's Membership Share and the member's Equity Stock at the lesser of their issuance price or book value; or

(2) convert the terminated member's Membership Share and the member's Equity Stock into nonvoting preferred stock or a nonvoting certificate of interest or equity credits representing the lesser of the issuance price or book value of such Membership Share and Equity Stock.

A terminated member's nonvoting preferred stock, certificates of interest, equity credits, and unit retains shall be revolved or retired in the same manner as the patronage credits or equities of active members. In the event that a member breaches the member's obligations under the Uniform Marketing Agreement (respecting delivery of commodities to the Cooperative), the member's membership shall be terminated and the member's Equity Stock and Membership Stock shall be deemed forfeited to the Cooperative as liquidated damages for such breach.

Section 1.4. Stock Ownership. All of the Membership Stock and Equity Stock, if required, of the Cooperative shall be held by certified organic producers who market agricultural products through the Cooperative.

Section 1.5. Evidence of Membership. Membership in the Cooperative shall be evidenced by the records of the Cooperative. Stock certificates may be issued as determined by the Board of Directors.

Section 1.6. Replacement of Stock Certificates. When existing stock certificates are to be replaced, they must be surrendered before new certificates are issued. Each surrendered certificate shall be canceled, with the date of cancellation noted on the certificate. In the event that any stock certificate has been lost or destroyed, the registered owner of the certificate shall be required to deliver appropriate indemnification commitments to the Cooperative before the Cooperative issues a replacement certificate for the lost or destroyed certificate.

Section 1.7. Non Liability of Members. Members, stockholders, and patrons of the Cooperative are neither obligated to pay nor liable upon any Cooperative obligations.

ARTICLE 2 – Meetings of Members

Section 2.1. Annual Meetings. The Annual Meeting of the members of this Cooperative shall be held annually at the principal place of business of the Cooperative, or at any other place conveniently located within the area served by it, as may be determined by the Board of Directors. The Annual Meeting shall be held on such date, place and hour as determined by the Board of Directors. The notice of the meeting shall state the date, place and hour of the meeting. At the Annual Meeting, the members shall transact business as may properly come before the meeting.

The officers of the Cooperative must submit reports to the members at the Annual Meeting which cover the business of the Cooperative for the previous fiscal year, and which show the condition of the Cooperative at the close of the fiscal year.

Section 2.2. Special Meetings. The President shall cause notice of a Special Meeting of members to be given upon a written petition by at least twenty percent (20%) of the members, or upon a majority vote of the Board of Directors. The notice shall state the time, place and purpose of the Special Meeting. If a Special Meeting is called by virtue of a member petition, the notice of such meeting shall be issued with ten (10) days of presentation of such petition and the Special Meeting shall be held within thirty (30) days from the date of presentation of such petition. No business shall be transacted at a Special Meeting except that stated in the notice of the meeting.

Section 2.3. Notice. Notice shall be given by the Secretary of all Annual Meetings and Special Meetings of the members by mailing a notice of the meeting to each member at the member's last known address not less than ten (10) nor more than thirty (30) days prior to the date of the meeting. The failure of any member to receive the notice shall not invalidate any action which may be taken by the members at the meeting.

Section 2.4. Quorum. At any meeting of the members, a quorum necessary for the transaction of business shall be ten (10) percent of the first one hundred (100) members plus five percent (5%) of additional members; provided, however, that a quorum shall never be more than 50 members nor less than five (5) members, or a majority of all members, whichever is smaller. Members represented by signed votes may be counted in computing a quorum only on those questions as to which a signed vote is taken. If less than a quorum is present at any meeting, a majority of votes present in person may adjourn the meeting from time to time without further notice.

The attendance of a sufficient number of members to constitute a quorum shall be established by a registration of members of the Cooperative who are present at the meeting, which registration shall be verified by the President and Secretary, and shall be reported in the minutes of the meeting.

Section 2.5. Voting.

(a) Each member shall be entitled to one vote and no more upon each matter submitted to a vote at a meeting of the members.

(b) All questions shall be decided by a vote of a majority of the members voting thereon in person, except as otherwise provided by law, the Articles of Incorporation, or these Bylaws.

(c) Voting by proxy and cumulative voting shall not be allowed, but signed votes may be used when specifically authorized by resolution of the Board of Directors. When so authorized, signed votes shall be valid and entitled to the same force and effect as a vote in person if the member has been previously notified in writing of the exact motion or resolution upon which the vote is taken.

(d) A member that is not a natural person must designate an authorized representative to cast its vote in the affairs of the Cooperative. The designation must be in writing, must be properly authorized by the member, and must be provided to the Secretary of the Cooperative. Such a written designation will remain effective until it is superseded by a more recent written designation meeting the same criteria. In the absence of written notice that

some person has been designated to represent a member who is other than a natural person, such member may be represented by any of its principal officers. No individual may be authorized to cast more than two votes for a non person member entity in addition to his or her own membership vote at a membership meeting.

Section 2.6. Order of Business. Insofar as practical, the order of business at the Annual Meeting and, where applicable, at all other meetings of the members shall be:

1. Registration of Members;
2. Call of Meeting to Order;
3. Proof of Notice of Meeting and the Report as to the Members Present in Order to Determine the Existence of a Quorum;
4. Reading of Minutes of Prior Meeting;
5. Reports of Officers and Committees;
6. Election of Directors;
7. Unfinished Business;
8. New Business; and
9. Adjournment.

Section 2.7. Action Without a Meeting. Any action which may be taken at a member meeting may be taken without a meeting if a writing setting forth and approving the action shall be signed by a majority of the members entitled to vote on such action.

Section 2.8. Procedure. The rules of parliamentary practice as set forth in Robert's Rules of Order, most recent edition, shall govern member meetings of this Cooperative in all situations in which they are applicable and are not inconsistent with the Articles of Incorporation of this Cooperative or these Bylaws.

ARTICLE 3 – Directors

Section 3.1. General Powers. The Board of Directors shall govern the business and affairs of the Cooperative and shall be empowered to adopt all necessary rules and regulations not inconsistent with the Articles of Incorporation or Bylaws. The rules and regulations may be established for the operation of the business, the guidance of the officers and other employees, and the management of the Cooperative. The Board of Directors, or the officer or officers to whom the power is delegated, shall hire and fire employees of the Cooperative, and determine duties, salaries, and other conditions of employment.

Section 3.2. Number, Qualifications and Terms of Office. The government of this Cooperative and the management of its affairs shall be vested in a Board of Directors composed of not less than five (5) qualified members (certified organic agricultural producers) elected from the Cooperative's membership. The terms of office shall be for three (3) years except for the initial staggered terms under Section 3.3. All directors shall hold office until their successors are elected and qualified. Any vacancy in the Board, other than by expiration of a term of office, shall be filled by a majority vote of the remaining directors. If a vacancy in the Board of Directors extends beyond the next annual meeting, such vacancy shall be filled until such meeting at which meeting a director shall be chosen by the members for the unexpired term of such vacancy; otherwise the vacancy shall be filled by the directors for the unexpired term. No director after having served for

two (2) consecutive full terms shall be eligible to succeed himself or herself, but after a lapse of two (2) years shall again be eligible.

Section 3.3. Director Elections. At the first meeting following the adoption of these Bylaws, two (2) directors shall be elected/appointed to serve for a term of one (1) year, three (3) directors shall be elected/appointed to serve for a term of two (2) years, and two (2) directors shall be elected/appointed to serve for a term of three (3) years. Annually thereafter as many directors shall be elected/appointed to serve for a three (3) year term as there are regular vacancies in the number of directors. The Board of Directors may establish a Nominating Committee which shall be responsible for placing into nomination the names of qualified candidates. Moreover each member present at the Annual Meeting and eligible to vote may place into nomination at the meeting the names of eligible candidates. Voting shall be by ballot and each member may vote for one (1) candidate for each vacant director position. The candidates receiving the highest numbers of votes for the vacant positions shall be elected to the Board.

Section 3.4. Annual Meeting. Within thirty (30) days after each Annual Meeting of members, the Board of Directors shall meet for the purpose of electing officers of the Cooperative and for the transaction of such other business as shall come before the meeting. The Annual Meeting of the Board of Directors shall be held at such time and place as may be fixed by resolution adopted by a majority of the whole Board of Directors.

Section 3.5. Regular Meeting. Regular Meetings of the Board of Directors shall be held from time to time at such time and place as may be fixed by resolution by a majority of the whole Board of Directors.

Section 3.6. Special Meetings. Special Meetings of the Board of Directors may be called by the President, the Secretary or by any three (3) of the Directors and shall be held from time to time at a time and place as may be designated in the notice of the meeting.

Section 3.7. Notice of Meetings. Notice of each annual regular or special meeting of the Board of Directors shall be given by the President or Secretary who shall give at least seventy-two (72) hours' prior notice of the meeting to each director by mail, telephone, telephonic facsimile transmission, telegram or in person. Notice shall be deemed given upon mailing, if notice is given by mail.

Section 3.8. Waiver of Notice. Notice of any meeting of the Board of Directors may be waived either before, at or after the meeting, in writing signed by each director. A director, by attendance and participation in the action taken at any meeting of the Board of Directors, shall be deemed to have waived notice of such meeting.

Section 3.9. Quorum. A majority of the whole Board of Directors shall constitute a quorum for the transaction of business except that, when a vacancy or vacancies exist, a majority of the remaining directors shall constitute a quorum. All questions shall be decided by a vote of a majority of the directors present at a meeting. Any one or more members of the Board of Directors or any committee thereof may participate in a meeting of the Board of Directors or any such committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

Section 3.10. Removal. Any director may be removed from office, for cause, by a majority vote of the members at an Annual Meeting or a Special Meeting called for that purpose. In case of the removal of a director, the members may elect another director to fill the vacancy for the unexpired term at the same meeting.

Section 3.11. Executive Committee. The Board of Directors may appoint an Executive Committee of not less than four directors. The Executive Committee shall have authority to exercise all powers of the full Board of Directors between the meetings of the Board except,

1. Powers reserved by the board to itself.
2. Apportionment or distribution of proceeds.
3. Election of officers.
4. Filling of vacancies in the board.
5. Amendments to the bylaws.

Section 3.12. Committees. The Board of Directors may establish committees from time to time making such regulations, as it deems advisable, with respect to the membership, authority and procedures of such committees.

Section 3.13. Compensation. Directors who are not salaried officers of this Cooperative shall receive such

fixed sum per meeting attended or such fixed annual sum as shall be determined, from time to time, by resolution of the Board of Directors. All directors shall receive their expenses, if any, of attendance at meetings of the Board of Directors or any committee thereof. Nothing in these Bylaws shall be construed to preclude any director from serving the Cooperative in any other capacity and receiving proper compensation for the service.

ARTICLE 4 – Officers and Employees

Section 4.1. Officers. The officers of this Cooperative shall be a Chairperson, a Vice- Chairperson, a Secretary and a Treasurer, who shall be elected in the manner as provided in Section 4.7 of these Bylaws. The offices of the Secretary and Treasurer may be combined and when so combined shall be termed "Secretary-Treasurer." The clerical work of the secretary and treasurer may be delegated by the Board of Directors. The Chairperson, the Vice-Chairperson, the Secretary and the Treasurer shall be members of the Board of Directors.

Section 4.2. Chairperson:

(a) Shall preside at all meetings of the members and of the Board of Directors;

(b) May sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments executed on behalf of this Cooperative, except in cases in which the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and,

(c) In general, shall perform all duties incident to the office of the Chairperson and such other duties as may be prescribed by the Board of Directors from time to time.

Section 4.3. Vice-Chairperson: In the absence of the Chairperson, or in the event of the inability or refusal to act, the Vice-Chairperson shall perform the duties of the Chairperson, and when so acting, shall have all the powers of and be subject to all of the restrictions upon the Chairperson; provided, however, that in the case of death or resignation of the Chairperson, the Board of Directors may declare the office vacant and elect a successor. The Vice-Chairperson shall

also perform such other duties as from time to time may be assigned by the Board of Directors.

Section 4.4. Secretary:

- (a) Shall cause minutes of the meetings of the members, of the Board of Directors, and of any executive committee to be kept;
- (b) See that all notices are duly given in accordance with these Bylaws, or as required by law;
- (c) Supervise custody of the records of the Cooperative;
- (d) Cause a register of the names and post office addresses of all members to be kept; and
- (e) In general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the Board of Directors.

Section 4.5. Treasurer: The Treasurer shall supervise the custody of all funds, securities and property of the Cooperative. The Treasurer shall cause deposit of all funds in the name of the Cooperative and cause disbursement of the same upon the authority of the Board of Directors. The Treasurer shall perform such other duties as may be prescribed by the Board of Directors.

Section 4.6. Delegation of Responsibilities; Other Officers: Notwithstanding the duties, responsibilities and authorities of the directors and officers provided for in these Bylaws, the Board of Directors by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular and routine administration of, one or more of such officer's duties to one or more agents or other officers of the Cooperative who are not directors.

The Board of Directors shall appoint a general manager who shall manage the affairs of the Cooperative, under the supervision of, and in accordance with the policies of, the Board of Directors. The Board of Directors may elect such other officers from time to time, and in such event shall establish appropriate duties and responsibilities for any such officers.

Section 4.7. Compensation. The officers of the Cooperative shall receive compensation for their services as may be determined, from time to time, by resolution of the Board of Directors.

Section 4.8. Election of Officers; Vacancies. At its Annual Meeting, the Board of Directors shall elect from its number, a Chairperson, a Vice-Chairperson, a Secretary and a Treasurer. The offices of the Secretary and Treasurer may be held by one person and when so combined, shall be termed "Secretary-Treasurer". Election for persons to fill any other offices established by the Board of Directors pursuant to Section 4.1 of these Bylaws shall be held at the Annual Meeting of the Board of Directors or at any other meeting of the Board of Directors, provided that notice of such election has been given in the notice of such meeting. The officers shall hold their offices until their successors have been elected and have qualified, except as provided in Section 4.8. Any vacancy in an office shall be filled by a majority vote of the Board of Directors for the unexpired term of such office.

Section 4.9. Removal of Officers. Any officer may be removed by the Board of Directors, with or without cause, at any meeting called for that purpose. The removal, however, shall be without prejudice to the contract rights of the person to be so removed.

ARTICLE 5 – Indemnification and Insurance

Section 5.1. Liability of Directors, Officers and Manager. Directors, officers and the manager (who is the person most responsible for carrying out the policies and directives of the officers or Board of Directors) are immune from civil liability for any act or omission relating to their service or function as a director, officer or manager, except as otherwise provided in the Cooperative's Articles of Incorporation or required by law.

Section 5.2. Indemnification. This Cooperative shall indemnify each director, officer, manager, or employee of this Cooperative, and any person serving at the request of this Cooperative as a director, officer or manager of another corporation, partnership, joint venture, trust, or other enterprise, against expenses, including attorney's fees, judgments, fines, and amounts paid in settlement actually and reasonably incurred to the extent to which such officers, directors or managers of the Cooperative may be indemnified under the law of this state.

Section 5.3. Insurance. This Cooperative shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, manager, employee, or agent of this Cooperative, or is or was serving at the request of this Cooperative as a director, officer, manager, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted and incurred in any capacity.

Section 5.4. Bonds of Employees. The Board of Directors may require all officers, agents and employees charged by the Cooperative with the custody of any of its funds or property to be adequately bonded. Such bonds shall be furnished by a bonding company, and the cost thereof shall be paid by the Cooperative.

ARTICLE 6 – Operations on a Cooperative Basis

This Cooperative shall be operated on a cooperative basis. Each transaction between this Cooperative and each member and patron shall be subject to and shall include as part of its terms and provisions the Articles of Association and the Bylaws of this Cooperative. Upon contracting to market commodities to this Cooperative, each member shall be entitled to the patronage refunds, as described in these Bylaws that arise out of the patronage transactions with the Cooperative.

ARTICLE 7 – Calculation on Annual Savings and Distribution of Annual Savings Based on Patronage

Section 7.1. Gross Receipts. All proceeds received by this Cooperative from any source shall be deemed to be "Gross Receipts". This Cooperative shall account separately for gross receipts from business with or for members and patrons, and for gross receipts from sources other than business with or for members and patrons.

Section 7.2. Deductions from Gross Receipts. For purposes of making the calculations described in this Article 7, this Cooperative shall account separately for deductions from gross receipts from business with or for members and patrons, and for deductions from gross receipts from sources other than business with or for members and patrons. This

Cooperative shall deduct the following costs and expenses from its gross receipts from business with or for members and patrons, and from its gross receipts from sources other than business with or for members and patrons, respectively:

- (1) all operating expenses and costs;
- (2) the cost of goods sold;
- (3) the cost of services performed;
- (4) all taxes and all other necessary expenses;
- (5) reasonable and necessary reserves for depreciation, depletion, and obsolescence of physical property, and other valuation reserves, all of which shall be established in accordance with usual and customary accounting practices; and
- (6) all accounts deemed worthless by this Cooperative and actually charged off on the books of the Cooperative.

Section 7.3. Annual Savings. The remaining gross receipts after all deductions, calculated on a fiscal year basis, shall be called "annual savings", and shall be distributed and paid as provided in these Bylaws. This Cooperative shall account separately for annual savings from business with or for members and patrons, and for annual savings from sources other than business with or for members and patrons, and for annual savings from sources other than business with or for members and patrons. In determining the amount of annual savings, the amounts of gross receipts as defined in Section 7.1 above, and deductions from gross receipts as defined in Section 7.2 above, shall be adjusted so as to include only such amounts as are includable or deductible for federal income tax purposes.

Section 7.4. Allocation of Annual Savings Between Departments and Divisions. Annual savings from business with or for members and patrons shall be distributed to the members and patrons of this Cooperative on the basis of their patronage with the various departments, divisions of operation, or functions of this Cooperative.

Section 7.5. Capital Reserve and Distribution of Net Earnings. The Board of Directors may annually set aside a reasonable part of its net earnings as a capital reserve for any necessary purpose. In addition, the directors may set aside a sum not to exceed 5% of the annual net earnings of the Cooperative, which must be used for the purpose of promoting and teaching cooperative organization and principles. A dividend may be paid on the capital stock as authorized in the Articles of Incorporation. A dividend may not be paid if the Cooperative's capital is impaired or the payment of the dividend would result in an impairment of capital. Net earning in excess of capital reserves, cooperative education reserve and dividends shall be paid as patronage refunds.

Section 7.6. Manner of Distribution of Patronage Refunds. The remaining annual savings, excluding amounts allocated to capital reserves, cooperative education reserve and dividends, shall be distributed to members and patrons annually as patronage refunds in cash, stock, or in the form or written notices of allocation (sometimes referred to as "equity credits" or "patronage equities"), or in any combination thereof on a patronage basis. The written notices of allocation may be qualified or non qualified, as determined by the Board of Directors, and may be issued in non certified form. A notice shall be sent to each member and patron showing the amount distributed to the member or patron, including the amount distributed in cash and the amount distributed in capital credits or patronage equities. The notice shall be sent

not later than eight and one-half (8.5) months after the close of the fiscal year.

ARTICLE 8 – Unit Retention

Section 8.1. Unit Retain. The Cooperative may require investment in its capital in addition to the investments from retained patronage. These investments shall be direct capital investments from a retain on a per unit basis of the products purchased from its members. The unit retention, if required, shall be made on all products delivered, in the same amount per unit and shall at no time become a part of net annual savings available for patronage. Each member, by continuing to be such, agrees to invest in the capital of this Cooperative as prescribed in this Article 8. Such investments shall be accounted for separately in a unit retention account set up on the books of the Cooperative. Any unit retain, prior to implementation, shall first be approved by the membership.

Section 8.2. Income Tax Treatment and Consent to Take Qualified Per Unit Retains Into Income. The Board of Directors shall have the power to determine whether any unit retain shall be a "qualified per unit retain" or a "non-qualified per unit retain" within the meaning of the Internal Revenue Code. Each person or organization that hereafter applies for and is accepted for 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 these acts alone, consent that upon a determination of the Board of Directors that a unit retain authorized by this Article 8 is to constitute a "qualified per unit retain", the member will take the per unit retain certificate issued to the member in connection therewith into account at its stated dollar amount in the manner provided in 26 U.S.C. § 1388(h) and will report such amount in the member's income tax returns for the taxable year in which the per unit retain certificate is received.

ARTICLE 9 – Restrictions on Transfers and Assignments

Section 9.1. Process Required for Transfer or Assignment. No proposed assignment or transfer of stock, voting rights, membership status, unit retains, or equity credits or patronage equities shall be binding on this Cooperative without compliance with this Article 9.

Section 9.2. Membership Stock and Equity Stock Transfers. The Board of Directors may, approve any proposed transfer or assignment of Membership Stock and Equity Stock only if all of the following criteria are satisfied:

- (1) The transferee is an agricultural producer who resides in the area served by the Cooperative;
- (2) The transfer would not in the opinion of the Board of Directors, have a material adverse impact on the Cooperative or its operations;
- (3) The transferee will own at least one (1) share of Membership Stock and a minimum number of shares of Equity Stock, if required, by the Board in accordance with uniform rules and regulations;
- (4) The transferee shall be of legal age; and
- (5) The transferee otherwise meets the eligibility requirements for membership set forth in Section 1.1 of these Bylaws.

The transferor and transferee shall agree, as between them, on who retains legal rights to future redemption of existing patronage equity credits and unit retains and to any future distributions of proceeds from dissolution or the sale of assets which are allocable on the basis of patronage.

ARTICLE 10 – Consent

Section 10.1. Consent to Take Patronage Distributions Into Income. Each person or organization that hereafter applies for and is accepted for membership in this Cooperative and each member of this Cooperative on the effective date of this Bylaw who continues as a member after the effective date shall, by these acts alone, consent that the amount of any distributions with respect to patronage which are made in written notices of allocation (as defined in 26 U.S.C. § 1388), and which are received by the member from this Cooperative, will be taken into account by the member at their stated dollar amounts in the manner provided in 26 U.S.C. § 1385(a) in the taxable year in which the written notices of allocation are received.

Section 10.2. Consent Notification to Members and Prospective Members. A copy of this Consent Bylaw, and a statement of its significance shall be given to each member, and to prospective members before they become members of this Cooperative.

ARTICLE 11 – Losses

Section 11.1. Netting of Losses. In the event of a loss in one or more departments or divisions of operation of this Cooperative, but not of such magnitude as to cause an overall loss for the fiscal year of the Cooperative, such loss or losses may be prorated against each of the remaining profitable departments on the basis of their respective percentage of the total net proceeds during such fiscal year.

Section 11.2. Allocation of Net Loss. In the event this Cooperative shall incur a net loss in any fiscal year, the Board of Directors, in its sole discretion, may

- (a) charge such net loss against any earned surplus or paid-in surplus which is unallocated, or against any unallocated reserve other than valuation reserves; or
- (b) may recover the amount of such loss from prior or subsequent years' net margins or savings.

If such loss exceeds the total of said unallocated earned surplus and unallocated reserves, or in any event, if the Board of Directors so elects, the amount of such loss may be recovered from prior or subsequent years' net margins or savings. In no event shall the Board of Directors have the authority to make any assessment against members or patrons. This selection shall not be construed or administered in such a way as to deprive the Cooperative of the right to carry back or carry forward net operating losses to past or future years, in accordance with the applicable provisions of the Internal Revenue Code or state taxing statutes.

ARTICLE 12 – Fiscal Year

The fiscal year of this Cooperative shall be determined by the Board of Directors.

ARTICLE 13 – Amendments

These Bylaws may be amended by the members at the Annual Meeting, or at any Special Meeting for that purpose, if approved by a majority of the votes cast, provided that the notice of any such meeting contains a summary statement of the proposed amendment.

CERTIFICATE

We, the undersigned members of the Board of Directors of the Montana Organic Producers Co-op, do hereby certify that we have adopted the foregoing as the Bylaws of the agricultural marketing cooperative and direct that the Bylaws be inserted and kept in the corporate record book of the agricultural marketing cooperative.

DATED: February, 2007.