

BYLAWS OF SACRAMENTO NATURAL FOODS COOPERATIVE, INC.

BE IT RESOLVED that the Bylaws of Sacramento Natural Foods Cooperative, Inc. (the “Cooperative”) be amended and restated in their entirety to read as follows:

Article I. Definitions

Section 1.01 Member. A Member is a person who meets all the requirements of membership set forth in these bylaws.

Section 1.02 Fully-vested Member. A fully-vested Member shall mean a member who is fully paid up on a Member’s Fair Share, as defined in Section 8.05.

Section 1.03 Membership Fee. Membership Fee shall mean a one-time nonrefundable fee, in an amount set from time to time by the Board, charged and collected from each prospective Member upon joining the Cooperative.

Section 1.04 Membership Share. Membership Share shall mean that share of stock of the Cooperative, which confers the right to vote on a Member and is initially purchased by a prospective Member as a prerequisite for membership in the Cooperative and any subsequent shares required by the Board to be purchased for membership.

Section 1.05 Shareholder. A Shareholder shall mean a Member or non-member who has purchased Preferred Non-voting Shares.

Section 1.06 Preferred Non-voting Share. Preferred Non-voting Shares shall mean those shares authorized and issued by the Board.

Section 1.07 Board. The “Board” means the Board of Directors and refers to the entire group, while “Director” and “Directors” refer to members of the Board of Directors.

Section 1.08 Writing. Writing means any form of recorded message capable of comprehension by ordinary visual means. When used to describe communications, including mailed ballots, between the cooperative, its board of directors, and its members, “writing” and “written notice” shall include “electronic transmissions” by and to a corporation as set forth in Corporations Code Sections 20 and 21.

Article II. Board of Directors

Section 2.01 Qualification and Eligibility. The Board shall be composed of nine (9) Directors, or such other lesser number as determined by the Board until such time the Board is able to fill the remaining positions. There shall be no more than one (1) employee Member on the Board of Directors, who shall not be the CEO, as defined in Section 5.03, nor a direct report to the CEO.

Only natural persons who are Members of the Cooperative shall be eligible to serve on the Board, but only for so long as they meet the eligibility qualifications set by these Bylaws and Board Policies. No active Director may apply for employment with the Cooperative.

Section 2.02 Nomination by the Board. A Board Nominating Committee shall be established by the Board, and the members of the Nominating Committee shall be selected according to a process to be determined by the Board, in its sole discretion. The Nominating Committee shall be comprised of more than two (2) Members and not more than five (5) Members, at least one (1) of whom must be a sitting Director, or as otherwise determined by the Board. The Board shall appoint a sitting Director as Chair of the Board Nominating Committee for a one (1) year term. Nominating Committee members shall serve on the committee for staggered terms of two (2) years. The Board Nominating Committee shall nominate the most qualified candidates for the Board who meet eligibility requirements and agree to adhere to the Board's code of conduct as provided in the Board policies. Any Member nominated for the Board must be notified and will have the right to accept or decline the nomination within ten (10) business days. Nominating Committee Members may be removed by the Board within its sole discretion. The Board may establish, in the Board policies, the procedures for the nomination and election of Directors, so long as those policies and procedures provide for a secret ballot and are in accord with applicable law.

Section 2.03 Nomination by the Members. Candidates for the Board may be nominated by petitions signed by 3% of the Members, which petitions shall not be submitted electronically. Petitions must be submitted to the Board Nominating Committee at least ninety-five (95) days before the annual meeting. Any petition candidate must agree to adhere to the Board's code of conduct as provided in the Board policies. Any such petition may not include signatures dated more than sixty (60) days before the date of submission and may not include the signature of any Member whose period of membership did not span the entire 60-day period before the date of submission of the petition to the Nominating Committee.

Section 2.04 Election. Elections of Directors shall occur annually, in a manner prescribed by the Board. Persons nominated pursuant to Sections 2.02 or 2.03 above who receive a majority vote of the Members in an election conducted pursuant to these Bylaws and all applicable Board policies shall be elected as Directors of the Cooperative.

Section 2.05 Director Term Limits. Board positions are for three (3) year, staggered terms, with three (3) seats being elected each year. Directors may serve multiple terms as an elected or appointed Director, but cannot serve as a Director for more than ten (10) total years. The Bylaws shall not have the effect of shortening or extending the current terms of any incumbent Director as of the date of passage of these Bylaws.

Section 2.06 Vacancies and Removals. Vacancies in the Board may be filled by appointment by a two-thirds (2/3) majority vote of the Board to serve the remainder of the Director's term. The Board may adopt policies and procedures for the nomination and election of Directors as the Board deems appropriate.

A Director whose eligibility for election to the Board has ceased may be removed by an affirmative vote of two-thirds (2/3) of the disinterested Directors. A Director may also be

removed by two-thirds (2/3) vote of disinterested Directors if declared of unsound mind by a final order of court, convicted of a felony, or for failure to attend sufficient regular or special meetings or other functions in any six (6) month period as determined by the Board through written policy. A Director whose seat will become subject to the above described action through absence from a subsequent meeting or function shall be notified by the Chairperson as soon as is reasonable. If, at any time, a Director ceases to be a Cooperative Member, then the Director will automatically be removed from the Board.

Section 2.07 Recall of Directors. A recall election for a sitting Director can be initiated by a petition signed by ten percent (10%) of active Members that is approved by a two-thirds (2/3) majority of the disinterested Directors. Any valid recall will be submitted to a Member vote, with the same quorum as for election of a director. Recall petitions shall not be accepted if signatures were obtained electronically.

Section 2.08 Regular Meetings. Regular Board meetings shall be held at such frequency, time and place as called by the Chairperson or a majority of the Directors, but in no event less than one per fiscal quarter. All regular meetings shall be noticed at least thirty (30) days prior to the meeting by an announcement on the Cooperative bulletin board and via electronic transmissions. Meetings may be held in person, by telephone, or other means and will be open to the Members, unless an executive session is called.

Section 2.09 Special Meetings. Special meetings of the Board may be called by the Chairperson or by a majority of Directors including a Vice-Chairperson. The Cooperative shall give each Director not less than forty-eight (48) hours' notice by telephone or electronic transmission, of the time, place and purpose of any special meeting. Special meetings may be held in person, by telephone, or other means and will be open to the Members, unless an executive session is called. Business considered at any special meeting shall be limited to the purposes described in the notice absent unanimous approval by the Board.

Section 2.10 Executive Session. The Board may meet in a private executive session to discuss certain confidential personnel, real estate, legal matters or other matters, which involve trade secrets, sensitive negotiations, and other matters deemed by the Board to be in the interest of the membership to remain in confidence. The topics and notice of the executive session will be given to the Members.

Section 2.11 Action by Consent. Any action that can be taken at a meeting of the Board, or of a committee thereof, may be taken without a meeting by unanimous written consent pursuant to the requirements of the California Corporations Code §307(b).

Section 2.12 Quorum. A majority of the sitting Directors shall constitute a quorum, except when a higher standard is required.

Section 2.13 Voting. A majority vote of the Directors present shall decide all questions properly brought before the Board, unless otherwise provided by the Bylaws.

Section 2.14 Powers. In all matters, except where otherwise provided in these Bylaws or the Cooperative's Articles of Incorporation, the Board shall have full power to govern the Cooperative, including, but not limited to, hiring the CEO and evaluating management

performance, establishing compensation, if any, for the Board, adopting and revising from time to time policies and procedures not inconsistent with the Articles of Incorporation and these Bylaws.

Section 2.15 Compensation. Directors may be reimbursed for time spent on Cooperative business and may receive compensation for attendance at regular or special meetings of the Board. The amount of compensation will be set at the discretion of the Board. Officers of the Board may receive additional compensation for services as an Officer as the Board determines, in its sole discretion. All compensation decisions for Directors shall require approval by two-thirds (2/3) of the Board.

Section 2.16 Bonds. The Board may require each officer or agent or employee of this Cooperative charged with the responsibility for the custody of funds or property of this Cooperative to be bonded, paid for by the Cooperative.

Article III. Board of Directors

Section 3.01 Designation of Board Chairs. The Board shall be governed by a Chairperson, a First Vice Chairperson, and a Second Vice Chairperson who shall be elected by the Board from amongst the Directors. Each shall serve in such capacity until the next annual meeting of the Board, or until their successor is elected. Employee members may not hold any of these positions.

Section 3.02 Board Chairperson Duties. The Chairperson shall preside at all meetings of this Cooperative and of the Board, and act as Chief Governing Officer for purposes of signing on behalf of this Cooperative all papers which he or she is authorized to sign by the Board, call regular and special meetings of Board pursuant to the Board policies, and perform all other acts and duties as provided in the Board policies.

Section 3.03 First Vice Chairperson. In the absence or incapacity of the Chairperson, the First Vice Chairperson of this Cooperative shall preside and perform the duties of the Chairperson.

Section 3.04 Second Vice Chairperson. In the absence or incapacity of the Chairperson and the First Vice Chairperson, the Second Vice Chairperson of this Cooperative shall preside and perform the duties of the Chairperson.

Section 3.05 Delegation of Power or Duties. In the case of the absence or incapacity of any designated Board Chair of this Cooperative, or for any other reason deemed sufficient by a majority of the Board, the Board may delegate power or duties to any other designate Board Chair or Director for the duration of such absence or incapacity, unless the succession has already been determined by Board policy.

Article IV. Ballots

Section 4.01 Mailed Ballots. Mailed or electronic ballots may be used for any purpose permitted by applicable law. The Board may establish policies and procedures for the use of

mailed or electronic ballots provided that such procedures include acquiring consent for electronic transmissions as required by California Corporations Code §20.

Article V. Governance of the Cooperative

Section 5.01 Control. The control of the Cooperative shall be vested in the membership.

Section 5.02 Administration. The administration of each enterprise of the Cooperative is vested in the Board responsible to the membership.

Section 5.03 Management. The management of each enterprise of the Cooperative shall be vested in a Chief Executive Officer (“CEO”) selected by and responsible to the Board, who shall serve as President of the Cooperative. From time to time, the Board shall set the CEO’s compensation and all other terms of the CEO’s employment, although any sitting Director who is also an employee Member may not participate in the process of setting compensation of the CEO.

Section 5.04 Officers. The CEO may nominate other employees as Officers of the Cooperative, in the discretion of the board, to serve at the pleasure of the Board and may be removed by the Board for any lawful reason. These nominations shall be limited to a Secretary, Treasurer, and one or more Vice Presidents, each of whom shall be subject to approval by the Board. The offices of Secretary and Treasurer may be held by one person.

Article VI. Members

Section 6.01 Membership Qualifications. Any person, irrespective of race, color, sex, age, disability, religion, national origin, sexual orientation, gender identity, ancestry, pregnancy, marital status, familial status, military or veteran status, political opinion, status with regard to public assistance, or any other status protected by law, may become a Member of the Cooperative by:

- a) Complying with such uniform conditions as may be prescribed by the Board; and
- b) Making payment on any Membership Fee as set forth in Section 1.03; or
- c) Making payment on a payment plan, as defined from time to time by the Cooperative, towards a Membership Share as set forth in 1.04 and 8.05 in accord with the procedures implemented by the Cooperative.

Section 6.02 Membership Certificates. Membership certificates will not be issued. However, the Cooperative’s Bylaws and Articles of Incorporation shall be available for inspection by Members upon request.

Section 6.03 Reserves. The records of this Cooperative shall show the interest of the Members in the reserves; but no Member, as such, shall have any right, title or interest of any

kind in or to any equity capital, or any reserve capital, or any revolving capital, either upon liquidation or otherwise.

Section 6.04 No Dividend, Interest, Income, Financial Gain or Profit. Membership Shares are not entitled to dividends or other monetary return on investment.

Section 6.05 No Transfer. No membership in the Cooperative shall be transferable under any circumstances, nor may any membership be converted, transferred or conveyed to any Member and/or persons as joint tenants with rights of survivorship, except as otherwise provided in Section 8.04 of these Bylaws.

Section 6.06 Suspension. A Member may be temporarily and indefinitely suspended from the Cooperative by majority vote of the Board effective immediately for any of the following reasons:

- a) having failed to comply with the Bylaws, rules or regulations of the Cooperative;
- b) having failed to comply with the Membership contract; or
- c) any other reason.

Suspension shall become effective upon fifteen (15) days' notice to the Member stating the reason for suspension. Notice shall be given to the Member via first-class or registered mail sent to the last address of the Member shown in the Cooperative's records. A Member may object to the suspension in writing, not less than five (5) days before the effective date of the suspension to a person or body designated by the Cooperative authorized to decide that the proposed suspension not take place.

Section 6.07 Termination. A Member's membership may be terminated from the Cooperative by resolution adopted by a two-thirds (2/3) vote of the Board for any of the following reasons:

- a) having failed to comply with the Bylaws, rules or regulations of the Cooperative;
- b) having failed to comply with the Membership contract; or
- c) any other reason.

Termination shall become effective upon fifteen (15) days' notice to the Member stating the reason for termination. Notice shall be given to the Member via first-class or registered mail sent to the last address of the Member shown in the Cooperative's records. A Member may object to the termination in writing, not less than five (5) days before the effective date of the termination to a person or body designated by the Cooperative authorized to decide that the proposed termination not take place.

On Termination, the name of the Member terminated shall be removed from the membership register and all their rights shall cease except the redemption rights associated with their shares provided in the Articles of Incorporation.

Section 6.08 Voluntary Termination. Members may terminate their memberships voluntarily at any time by written notice to the Cooperative.

Article VII. Member Meetings

Section 7.01 Annual Meeting. There shall be no less than one membership meeting per year. In the event that the Board determines there shall be more than one membership meeting per year, then any one meeting may be informational only, as determined by the Board.

Section 7.02 Special Meetings. A special membership meeting to consider a particular issue may be called:

- a) At any time by the Chairperson pursuant to Board policy; or
- b) By the Board upon written request of at least five percent (5%) of the Members. Such petitions shall not be accepted if signatures were obtained electronically.

Section 7.03 Notice of Meetings. Written notice of all Member meetings shall be given to Members between ten (10) and thirty (30) business days before the date of the meeting, in a means determined by the Board, provided that such notice include the means of electronic transmission, if any. All such notices shall include the date, time, and place of the meeting, and, for a regular meeting, those matters which the Board intends to present for action by the members, or, for a special meeting, the general nature of the business to be transacted and that no other business shall be transacted.

Section 7.04 Quorum. A quorum shall consist of five percent (5%) of all Members having voting rights. Members voting by mail or electronically may be counted in computing a quorum, but only on those questions as to which a mail or electronic ballot is cast.

Section 7.05 Voting. Each Member shall be entitled and restricted to one vote in the affairs of this Cooperative at meetings and in mail or electronic ballots. Any meeting where members are invited to vote, a Member may submit a signed vote in a mail ballot if the Member was previously notified in writing of the exact motion or resolution upon which the vote is taken. There shall be no voting by proxy unless approved by the Board. Except in matters where a higher standard is required, a majority vote of the Members is required to pass or approve a matter.

Section 7.06 Major Transactions. Any major transaction provided for in California Corp. Code § 12521, excluding transactions in the usual and regular course of activities, must be:

- a) Approved by two-thirds (2/3) vote of all the Directors;

- b) Approved by a majority of the Members at a special membership meeting in accordance with California Corp. Code § 12224; and
- c) Approved in such manner as otherwise provided by law.

Article VIII. Shares

Section 8.01 Issuance of Shares. To evidence capital funds provided by Members, the Cooperative shall issue Membership Shares and Preferred Non-voting Shares. Membership shares issued by the Cooperative may only be issued to and purchased by persons eligible for and admitted to membership in the Cooperative. Members and investing non-members of the Cooperative may purchase Preferred Non-voting Shares. Shares shall be issued for a price determined by the Board.

Section 8.02 Membership Shares. A Membership Shares entitles a Member to one (1) vote only in the affairs of the Cooperative, regardless of the number of Membership Shares or Preferred Non-voting Shares a Member holds, and to all the rights of membership as described by statute, the Articles of Incorporation, and these Bylaws.

Section 8.03 Preferred Non-voting Shares. Preferred Non-voting Shares may be offered for purchase to Members and non-members. Preferred Non-voting Shares are not transferable but are subject to the redemption provisions set forth in the Articles of Incorporation. Any attempted transfer of these shares is void and confers no rights on the attempted transferee.

Section 8.04 Transfer of Memberships. Membership rights and interests, including Preferred Non-voting Shares, may not be transferred, except that, upon the death of a Member, another member or member of the household of such person may succeed to rights and interests of such person, provided that the Cooperative is advised of the transfer. Any attempted transfer contrary to this section shall be wholly void and shall confer no rights on the intended transferee.

Section 8.05 Fair Share Investment. The Board may set a monetary amount of investment in Membership Shares, which each Member must purchase. Such minimum investment shall be called the Member's "Fair Share." The Board may also set the minimum amount in dollars that each Member must invest toward their Fair Share in each fiscal year of the Cooperative.

Membership Shares shall be subject to assessment for the reasonable capital needs of the Cooperative, provided that the original purchase price plus all assessments does not exceed the fair share amount required of new Members. The Board shall, from time to time, specify the mechanisms by which the annual investments are to be made.

A Member having Membership Shares exceeding the current Fair Share requirement may seek repayment by written request to the Board. The Board must, within one (1) year of such request, pay the amount the Member requests in cash.

Section 8.06 Escheat Shares. Any proprietary interest that would otherwise escheat to the State of California shall instead be given to a charitable purpose as determined by the Cooperative's policies in effect at that time.

Article IX. Patronage

Section 9.01 Cooperative Operation. The Cooperative shall at all times be operated on a cooperative, service-at-cost basis for the mutual benefit of its Members. The Cooperative is obligated to account on a patronage basis to all its Members for all amounts received from business with or for Members in excess of operating costs and expenses.

Section 9.02 Patronage Refunds. Within a reasonable time after the end of the taxable year, the Board shall determine the net margins of the Cooperative for the taxable year from business done with or for Members, which determination shall be made in accordance with generally accepted accounting principles. Net margins so determined shall be allocated among the Members as patronage refunds upon the basis of the dollar value of business done by the Cooperative with or for each Member during the taxable year. Amounts so allocated as patronage refunds shall be distributed and paid to each Member within eight and one-half (8 ½) months of the close of the taxable year in cash, merchandise credits, capital credits or some combination thereof as determined by the Board, provided that the Board shall designate any distribution of capital credits as either qualified written notices of allocation or a nonqualified written notices of allocation within the meaning of Section 1388(c) or (d) of the Internal Revenue Code.

Section 9.03 Capital Credits. Capital credits represent an equity interest in the Cooperative, do not bear interest, and are not redeemable at the request of Members. The Cooperative shall hold the capital credits in accounts in the names of each Member. The Cooperative may apply and cancel a Member's capital credits to offset the Member's unpaid membership dues or capital contributions. The Cooperative shall be entitled to offset the amount of any losses subsequently sustained by the Cooperative against capital credit accounts in such manner as the Board may reasonably determine. If the Board determines that the financial condition of the Cooperative will not be impaired thereby, the Cooperative may redeem some or all of the capital credits on an equitable basis as determined by the Board.

Section 9.04 Consent of Members. Each Member consents to include in gross income for federal income tax purposes the stated dollar amounts of any qualified written notices of allocation paid as patronage refunds in the taxable year in which such qualified written notice are received; provided that this Member consent does not apply to qualified written notices of allocation arising from the Member's purchases from the Cooperative of personal, living or family items. Each Member further consents that all patronage refunds made pursuant to Section 9.02 allocated in cash or merchandise credit not collected by a Member within twenty four (24) months of the date of allocation shall be forfeited without further action by the Member and shall be donated by the Cooperative to a charitable organization, which shall be selected by the Board in its sole discretion.

Section 9.05 Extraordinary Gains. Net gain produced by a transaction (such as income from the lease of premises, investment in securities, or from the sale or exchange of

capital assets) which is directly related to the Cooperative's business, as determined by the Board, shall be deemed to be patronage-sourced margins and may be distributed to Members in proportion to their patronage during any period to which such margins are attributable as determined by the Board.

Section 9.06 Nonpatronage Earnings. Net margins from business done with or for non-members may be placed in a reserve account or allocated and distributed to Members, as determined by the Board.

Article X. Accounting

Section 10.01 Audits. An annual audit or financial review of accounts shall be made by an auditor selected by the Board. A summary of the annual audit or financial review shall be delivered to the Members by mail or electronic transmission, as determined by the Board.

Section 10.02 Fiscal Year. The fiscal year of the Cooperative shall be established by the Board.

Article XI. Indemnification and Savings

Section 11.01 Indemnification. The Cooperative may indemnify its current and former Directors, Officers, employees and agents against any expense, loss or damages incurred by them in connection with or arising out of their service in such capacities, to the fullest extent allowed by law under any circumstances. Without in any manner limiting this undertaking, which is not exclusive, the Cooperative may also provide indemnification and other benefits to its current and former Directors and Officers pursuant to separate agreements approved by the Board. Any amendment to or repeal of this Article XI will not adversely affect any right or protection of any current or former Director, Officer, employee or agent with respect to any acts or omissions of such individual occurring prior to such amendment or repeal.

Section 11.02 Savings Clause. If any provision of these Bylaws or compliance by the Cooperative with any provision of these Bylaws constitutes a violation of any law, or is or becomes unenforceable or void, then such provision, to the extent only that it is in violation of law, unenforceable or void, will be deemed modified to the extent necessary so that it is no longer in violation of law or unenforceable or void, and such provision will be enforced to the fullest extent permitted by law. If such modification is not possible, said provision, to the extent it is in violation of law, unenforceable or void, will be deemed severable from the remaining provisions of these Bylaws, which provisions will remain binding on the Members and the Cooperative.

Article XII. Referendums

Section 12.01 Referendums and Initiatives. Any official act, either proposed or taken, at a membership meeting or a Board meeting, shall be submitted to a referendum or initiative of the Members under procedures established by the Board in any of the following situations:

- a) A petition stating the action requested signed by ten percent (10%) of the membership is received by the Chairperson; or

- b) The Board so directs.

The results of any referendum and/or initiative shall be binding on the Board and the Members. No petition for referendum or initiative will be accepted if it was signed electronically.

Article XIII. Amendments

Section 13.01 Proposed Amendments. Amendments to these Bylaws may be proposed by:

- a) A two-thirds (2/3) vote of the Board; or
- b) A petition signed by fifty (50) Members or ten percent (10%) of the Members, whichever is greater, which signature may not be electronic.

Section 13.02 Adoption. Amendments to these Bylaws, once proposed, shall be adopted upon affirmative vote of:

- a) two-thirds (2/3) of Members where a five percent (5%) quorum is present.

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**ARTICLES OF INCORPORATION
OF
SACRAMENTO NATURAL FOODS
COOPERATIVE, INC.**

Article XIV.

Name

Sacramento Natural Foods Cooperative, Inc.

Article XV.

Purposes

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

This Cooperative is further formed for the purposes of:

- a) Conducting lawful business in accordance with the principles of a consumer cooperative corporation, for the mutual benefit of the cooperative's members through the production, purchase, sale, storing, and distribution of merchandise or services, primarily the sale of food items to the membership; and
- b) Conducting such other activities to serve the economic, educational, recreational, and cultural welfare of the members of the cooperative.

This Cooperative is committed to providing an experience and environment free from unlawful discrimination and harassment. The Cooperative strictly prohibits discrimination or harassment on the basis of race, color, sex, age, disability, religion, national origin, sexual orientation, ancestry, pregnancy, marital status, familial status, military or veteran status, status with regard to public assistance, and any other status protected by law. Harassment and discrimination is not tolerated.

Article XVI.

Term

The duration for which this cooperative corporation shall exist is perpetual.

Article XVII.

Capital Stock

Section 17.01 Membership Shares. Membership Shares may be issued to and owned only by persons who are eligible or are members of the Cooperative. The authorized number of membership shares shall be one million (1,000,000). The cost for each membership share shall be five dollars (\$5.00) each. The aggregate par value of all membership shares is five million dollars (\$5,000,000). The Cooperative is not required to issue certificates to evidence its Membership Shares. No member of this Cooperative shall own more than one Membership Share issued and outstanding at any time. No dividends shall be paid on Membership Shares.

Section 17.02 Voting. Each Member of the Cooperative having a Membership Share shall be entitled to one (1) vote only in all matters for which Members are entitled to vote, regardless of the number of Membership Shares such holder holds, and shall be entitled to a notice of a membership meeting in accordance with the bylaws of this Cooperative.

Section 17.03 Preferred Non-voting Shares. Preferred non-voting shares may be issued to any person or entity who shall have been approved by two-thirds (2/3) vote of the Board of Directors, from time to time in one or more series. The authorized number of Preferred non-voting shares of the Cooperative shall be three million (3,000,000) having no par value. Fully-vested Members and investing non-members may purchase Preferred non-voting shares. Preferred non-voting shares shall be issued at a cost as determined by the Board of Directors.

No dividends shall be paid on Preferred non-voting shares without authorization from the Board of Directors. Dividends on Preferred non-voting shares (a) shall not exceed the maximum interest rate sufficient to retain cooperative status of the par value of the stock, and (b) may be paid only from the Cooperative's net proceeds or reserve capital; and (c) shall not be cumulative.

The Cooperative reserves the right at any time, to call, purchase, redeem, fix, alter, retire, cancel or reissue any or all of its outstanding preferred non-voting stock in amounts the Board of Directors determines, at par value, upon written notice mailed to the holder's last known address.

Shares of preferred stock are not transferable, except as determined by the Board of Directors. Certificates issued to evidence such preferred stock, if any, shall conspicuously set forth on the face any restriction upon transferability.

Article XVIII.

Rights

Section 18.01 Membership Rights. Members shall not have any property rights whatsoever in the Cooperative or any of its assets by reason of their membership. In the event the membership of any member shall terminate for any reason whatsoever, such member shall not thereupon become entitled to demand or receive any interest in the property or assets of the Cooperative, but shall be entitled only to receive payment of its interest in any capital stock, book credits, capital funds or allocated reserves in accordance with the rules, regulations and policies adopted by the Board of Directors.

Section 18.02 Redemption Rights. Preferred non-voting shares are redeemable upon the discretion of the Board of Directors. In the event the Board of Directors has approved, and the holder of Preferred non-voting Shares elects to redeem all or any portion of its shares upon termination of its membership, the Cooperative shall redeem such Preferred non-voting Shares, provided that it may lawfully do so, by paying in cash therefore a sum equal to the paid up value of such Preferred non-voting Shares at the time of termination, within one year after termination occurs. Any redemption payments to be made by this corporation may be offset against any and all indebtedness of the recipient to this Cooperative.

Article XIX.

Principal Office

The principal office for the transaction of the business of the cooperative is in Sacramento County, California.

Article XX.

Board of Directors

The governance of this Cooperative and the management of its affairs shall be vested in a Board of Directors of nine (9) directors, or such other lesser number as determined by the Board of Directors until such time the Board is able to fill the remaining positions. The precise number of directors, their terms, tenure, eligibility requirements, manner of election, the filling of vacancies, and the Board's selection of corporate officers shall be set out in the bylaws of the Cooperative.

Article XXI.

Limitation on Director Liability

To the fullest extent permitted by California Corporations Code as it exists now or as otherwise amended, a Director of the Cooperative shall not be personally liable to the Cooperative or its members for monetary damages for breach of fiduciary duty as a Director.

Article XXII.

Amendments

Section 22.01 Proposals. Proposals to alter or amend the Articles of Incorporation may be brought by a Director of the Board of Directors at a special meeting called for that purpose.

Section 22.02 Adoption. Amendments to these Articles of Incorporation shall be adopted upon the following:

- a) Proposed amendments to provisions of the Articles of Incorporation which are provided for in California Corp. Code §§ 12502(b) and 12503 shall be approved by a two-thirds (2/3) majority vote of the Board of Directors, and a

two-thirds (2/3) vote of Members where a five percent (5%) quorum is present.

- b) All other proposed amendments which do not require Member voting under the law shall be approved by a two-thirds (2/3) majority vote of the Board of Directors.