

BYLAWS OF PASO ROBLES FOOD COOPERATIVE, INC.

SUMMARIZED TABLE OF CONTENTS

Article I. Membership
Article II. Shares
Article III. Termination or Suspension of Membership
Article IV. Membership Meetings and Members
Article V. Directors
Article VI. Officers
Article VII. Corporate Records and Reports
Article VIII. Inspection Rights
Article IX. Surplus Allocations and Distributions
Article X. Bylaw Changes

DETAILED TABLE OF CONTENTS

ARTICLE I. MEMBERSHIP

1.01. Classification of Members
1.02. Membership Qualifications
1.03 Household Shopper(s)
1.04. Application for Membership
1.05. Acceptance of Members
1.06. Transfers Prohibited
1.07 Membership Share
1.08. Bylaws, Articles and Membership Disclosure Provided to Prospective
Members
1.09. Working Membership

ARTICLE II. SHARES

2.01. Preferred Non-Voting Share Issuance to Shareholders
2.02. Preferred Non-Voting Share Ownership
2.03. Preferred Non-Voting Share Disclosure Document and Receipt
2.04. Prohibition on Transfer of Preferred Non-Voting Shares

BYLAWS OF PASO ROBLES FOOD COOPERATIVE, INC.

- 2.05. Partial Withdrawal of Preferred Non-Voting Shares
- 2.06. Insolvency Delay
- 2.07. Unclaimed Equity Interests

ARTICLE III. TERMINATION OR SUSPENSION OF MEMBERSHIP

- 3.01. Transfer of Membership Rights
- 3.02. Expulsion
- 3.03. Voluntary Withdrawal
- 3.04. Suspension
- 3.05. Effect of Termination or Suspension of Membership
- 3.06. Settlement of Preferred Non-Voting Share Interest

ARTICLE IV. MEMBERSHIP MEETINGS AND MEMBERS

- 4.01. Location
- 4.02. Regular Annual Meetings
- 4.03. Special Meetings
- 4.04. Time for Notice of Meetings
- 4.05. Method of Giving Notice
- 4.06. Record Date for Notice
- 4.07. Contents of Notice
- 4.08. Waivers, Consents, and Approvals
- 4.09. Quorum at Meeting
- 4.10. Loss of Quorum at Meeting
- 4.11. Adjournment for Lack of Quorum
- 4.12. Adjourned Meetings
- 4.13. Voting of Memberships
- 4.14. Use of Written Ballots at Meetings

BYLAWS OF PASO ROBLES FOOD COOPERATIVE, INC.

- 4.15. Contents of Written Ballot Used at Meetings
- 4.16. Action by Ballot without Meeting
- 4.17. Written Ballot Used without Meeting
- 4.18. Solicitation of Written Ballots
- 4.19. Withholding Vote
- 4.20. Appointment of Inspectors of Election
- 4.21. Duties of Inspectors of Election

ARTICLE V. DIRECTORS

- 5.01. Number
- 5.02. Qualifications
- 5.03. Nomination
- 5.04. Election
- 5.05. Terms of Office
- 5.06. Compensation
- 5.07. Call of Meetings
- 5.08. Place of Meetings
- 5.09. Presence at Meetings through Electronic Means
- 5.10. Regular Meetings
- 5.11. Special Meetings and Notice
- 5.12. Quorum at Meetings
- 5.13. Acts of Board at Meetings
- 5.14. Adjournment of Meetings
- 5.15. Action without Meeting
- 5.16. Executive Committees
- 5.17. Resignation of Directors

BYLAWS OF PASO ROBLES FOOD COOPERATIVE, INC.

5.18. Removal of Directors

5.19. Cause of Vacancies on Board

5.20. Declaration of Vacancies

5.21. Filling Vacancies on Board

ARTICLE VI. OFFICERS

6.01. Titles

6.02. Appointment and Resignation

ARTICLE VII. CORPORATE RECORDS AND REPORTS

7.01. Required Records

7.02. Annual Report

7.03. Annual Statement of Transactions and Indemnifications

ARTICLE VIII. INSPECTION RIGHTS

8.01. Articles and Bylaws

8.02. Books and Records

8.03. Inspection of Membership List

ARTICLE IX. SURPLUS ALLOCATIONS AND DISTRIBUTIONS

9.01. Fiscal Year

9.02. Surplus and Patronage Refund Defined

9.03. Annual Allocations and Distributions of Surplus

ARTICLE X. BYLAW CHANGES

10.01 Bylaw Changes by the Board

10.02 Bylaw Changes by the Members

BYLAWS OF PASO ROBLES FOOD COOPERATIVE, INC.

ARTICLE I. MEMBERSHIP

Section 1.01. Classification of Members.

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

Section 1.02. Membership Qualifications.

Any person who is a California resident, irrespective of age, gender, race, nationality, political opinion, sexual preference, mental or physical handicap, or any other classification recognized by state and federal law, may become and remain a Member of this Cooperative by:

- (a) Complying with such uniform conditions as may be prescribed by the Board of Directors; and
- (b) Making full payment of one (1) Membership Share of \$300 (Bylaws Section 1.07); and
- (c) Submitting a fully completed and signed Member Application and Agreement form to the Cooperative.

Section 1.03. Household Shopper(s).

A household shall be defined as more than one person residing at the same address where food purchases are shared and food is prepared and eaten jointly. Pursuant to procedures established by the Board of Directors, any Member of the Cooperative may designate one additional adult and also dependents of the Member under the age of 19 as a "Household Shopper(s)" that are eligible for the same Cooperative purchase privileges as the Member. "Household Shopper" status shall confer no Member voting rights.

Section 1.04. Application for Membership.

An applicant eligible for and desiring admission to Membership in the Cooperative shall submit a written application for membership in whatever form and containing whatever information the Board of Directors shall prescribe.

Section 1.05. Acceptance of Members.

Applications for Membership shall be reviewed by the Board of Directors or by a Membership Committee duly authorized by resolution to admit Members. The application shall be accepted unless rejected in writing within thirty (30) days for reasons satisfactory to the Board. If accepted, the Cooperative shall:

- (a) Issue a written receipt acknowledging the payment of the amount of the Membership Share as described in Bylaw Sections 1.07,

BYLAWS OF PASO ROBLES FOOD COOPERATIVE, INC.

(b) Inform the applicant that they have been admitted to Membership and allowed to vote and hold office per these Bylaws.

If rejected, the applicant shall be entitled to a refund of any amounts paid for the Membership Share. In all cases, neither the Board nor the Membership Committee reject an applicant based upon the applicant's (or the applicant's designated Household Shopper(s')) age, gender, race, nationality, political opinion, sexual preference, mental or physical handicap, or any other classification recognized by state and federal law.

Section 1.06. Transfers Prohibited.

Except as set forth in Bylaw Section 3.01, no Member may transfer his or her Membership or any right arising there from.

Section 1.07. Membership Share.

"Membership Share" shall mean that share which confers the right to vote as a Member and is initially purchased by the prospective Member as a prerequisite for Membership in the Cooperative. Membership Share ownership entitles a Member to only one (1) vote in the Cooperative affairs regardless as to the number of membership and Preferred Non-Voting Shares a Member owns, and to all the rights of Membership as described by statute, the Articles of Incorporation, and these Bylaws.

Section 1.08. Bylaws, Articles and Membership Disclosure Provided to Prospective Members.

Each prospective Member, upon submitting an application for membership, shall receive a copy of the Articles of Incorporation, Bylaws, and the Membership Disclosure document of the Cooperative.

Section 1.09. Working Membership.

The Board of Directors shall provide a system and the rules whereby Members may provide their labor to the Cooperative in return for a discount on purchases from the Cooperative by such Members and their Household Shoppers. Members may participate in such system at their option.

ARTICLE II. SHARES

Section 2.01. Preferred Non-Voting Share Issuance to Shareholders.

Preferred Non-Voting Shares may be issued to Members for money paid in an amount as is determined from time to time by the Board of Directors and as share dividends, patronage refunds, or other changes affecting outstanding shares. "Shareholder" shall mean a Member who has also purchased Preferred Non-Voting Shares.

BYLAWS OF PASO ROBLES FOOD COOPERATIVE, INC.

Section 2.02. Preferred Non-Voting Share Ownership.

Preferred Non-Voting Share ownership does not entitle the Member to a vote in Cooperative affairs. Pursuant to Subsection (b) of Section 9.03 of these Bylaws, the Directors may declare noncumulative dividends on Preferred Non-Voting Shares not to exceed any maximum rate established by statute.

Section 2.03. Preferred Non-Voting Share Disclosure Document and Receipt.

- (a) Except as provided in Subsection (b) of this Bylaw section, prior to issuing a Preferred Non-Voting Share, the Cooperative shall provide the purchaser of a Preferred Non-Voting Share with a Preferred Share Disclosure Document. This Preferred Share Disclosure Document may include a prospectus, offering, circular, brochure, or similar document, a specimen copy of the share certificate, or a receipt that the Cooperative proposes to issue. The Preferred Share Disclosure Document shall contain the information required by Section 12401 of the California Corporations Code.
- (b) The Cooperative shall issue a Preferred Non-Voting Share Receipt or written advice of purchase upon the Member's first purchase of a Preferred Non-Voting Share. No Preferred Share Disclosure Document need be provided to an existing Member prior to the purchase of additional shares if that Member has previously been provided with a Preferred Share Disclosure Document which is accurate and correct as of the date of the purchase of additional Preferred Non-Voting Shares.

Section 2.04. Prohibition on Transfer of Preferred Non-Voting Shares.

Except as described in Bylaw Section 3.01, no Preferred Non-Voting Shares of this Cooperative may be assigned or transferred. Any attempted assignment or transfer shall be wholly void and shall confer no rights on the intended assignee or transferee.

Section 2.05. Partial Withdrawal of Preferred Non-Voting Shares.

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

Section 2.06. Insolvency Delay.

The Cooperative shall delay the purchase of Preferred Non-Voting Shares as described in Sections 2.05 and 3.06 of these Bylaws if the Cooperative, in making such purchase is, or

BYLAWS OF PASO ROBLES FOOD COOPERATIVE, INC.

as a result thereof would be, likely to be unable to meet its liabilities (except those whose payment is otherwise adequately provided for) as they mature.

Section 2.07. Unclaimed Equity Interests.

Any Preferred Non-Voting Share of a Member, together with any accrued and unpaid dividends and Patronage Refunds related to that Member, that would otherwise escheat to the State of California as unclaimed personal property shall instead become the property of the Cooperative if the Cooperative gives at least sixty (60) days' prior notice of the proposed transfer to the affected Member by (1) U.S. First-Class Mail or U.S. Priority Mail to the last address of the Member shown on the Cooperative's records, and (2) by publication in a newspaper of general circulation in the county in which the Cooperative has its principal office. No Preferred Non-Voting Shares or amounts shall become the property of the Cooperative under this section of the Bylaws if written notice objecting to the transfer is received by the Cooperative from the affected Member prior to the date of the proposed transfer.

ARTICLE III. TERMINATION OR SUSPENSION OF MEMBERSHIP

Section 3.01. Transfer of Membership Rights.

Membership rights and interests may not be transferred, except that, upon the death of a Member, another person previously designated on the deceased Member's application as "Household shopper," as described in Bylaw Section 1.03, may be permitted by the Board of Directors to succeed to rights and interests of such person, provided that the Cooperative is advised of the transfer in writing by this person and an amended application for membership is submitted by this person as described in Bylaw Section 1.04. Any attempted transfer contrary to this section shall be wholly void and shall confer no Membership rights on the intended transferee.

Section 3.02. Expulsion.

- (a) A Member may, be expelled from the Cooperative by resolution adopted by a two-thirds (2/3) vote of all Members of the Board of Directors for: (1) failure to comply with these Bylaws, rules, or regulations of the Cooperative; (2) unless waived by the Board, failure to patronize the Cooperative during the immediately preceding fiscal year of the Cooperative in a minimum amount to be set by the Board; or (3) for any other justifiable reason as reasonably determined by the Board. Expulsion shall become effective immediately unless the Board shall, in the resolution, fix another time. On expulsion, the name of the Member expelled shall be stricken from the Membership register and all of his or her rights shall cease except as provided in Section 3.06 of these Bylaws. Any expulsion must be done with good faith and in a fair and reasonable manner.
- (b) Prior to expulsion of a Member, the Board of Directors shall give such Member at least fifteen (15) days notice prior thereto and the reasons thereof. Such Member

BYLAWS OF PASO ROBLES FOOD COOPERATIVE, INC.

shall have the opportunity to be heard, orally or in writing, not less than five (5) days before the effective date of expulsion by the Board.

- (c) The notice required pursuant to Subsection (b) of this section of these Bylaws may be given by any method reasonably calculated to provide actual notice. Any notice given by mail must be given by U.S. First-Class Mail, either regular or Certified, sent to the last known address of the Member shown on the Cooperative's records.

Section 3.03. Voluntary Withdrawal.

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

If this written notice of resignation includes a request that the Cooperative repurchase the amount of the Membership Share payment, as set forth in this Member's Membership Application and Agreement form, which this Member signed and submitted this Member applied to join the Cooperative, the Board of Directors shall repurchase this Membership Share by the end of the fiscal year following receipt of this request, less any indebtedness of the Member to the Cooperative, if the following 2 conditions are both met: (1) the Cooperative's retail store has been operating for at least 2 years and (2) the Cooperative is projecting a positive after-tax net income from store operations at the end of the fiscal year. If both of these conditions are not met, the Cooperative may delay repurchase of this Membership Share, less any indebtedness of the Member to the Cooperative, until these conditions are met.

Section 3.04. Suspension.

A Member may be suspended based on the good faith determination by the Board, or a Committee or person authorized by the Board to make such a determination, that the Member has failed in a material and serious degree to observe these Bylaws, or has engaged in conduct materially and seriously prejudicial to the Cooperative's purposes and interests. Automatic temporary membership suspension of a Member's Membership will occur where a Member fails to pay the required dues, fees, and assessments in accordance with these Bylaws. In all cases, suspended Members shall not be entitled to vote or hold office. Suspended Memberships can be reinstated to good standing upon a majority vote of the Board and/or payment of the required dues, fees, and assessments in accordance with these Bylaws.

Section 3.05. Effect of Termination or Suspension of Membership.

All rights as a Member of the Cooperative shall cease on the termination or suspension of the Membership. Termination or Suspension shall not relieve that Member from obligations for charges incurred, services or benefits actually rendered, dues, assessments or fees, or for any obligation arising from contract, or otherwise.

BYLAWS OF PASO ROBLES FOOD COOPERATIVE, INC.

Section 3.06. Settlement of Preferred Non-Voting Share Interest.

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

ARTICLE IV. MEMBERSHIP MEETINGS AND MEMBERS

Section 4.01. Location.

Meetings of Members shall be held at a place selected by the Board of Directors in Paso Robles, California. If no other place is so stated or fixed, meetings of Members shall be held at the principal executive office of the Cooperative.

Section 4.02. Regular Annual Meetings.

A regular meeting of Members shall be held annually, on a date and time set by the Board of Directors, for the purpose of transacting any proper business, including the election of Directors, that may come before the meeting.

Section 4.03. Special Meetings.

Special meetings of Members for any lawful purpose may be called by the Board of Directors, the Chairperson, the President, or by five percent (5%) or more of the Members.

Section 4.04. Time for Notice of Meetings.

Whenever Members are required or permitted to take action at a meeting, a written notice of the meeting shall be given not less than ten (10) nor more than ninety (90) days before the date of the meeting to each Member who is entitled to vote on the record date for notice of the meeting. In the case of a specially called meeting of Members, within twenty (20) days after receipt of a written request, the Secretary shall cause notice to be given to the Members entitled to vote that a meeting will be held at a time fixed by the Board of Directors not less than thirty-five (35) nor more than ninety (90) days after receipt of the request.

Section 4.05. Method of Giving Notice.

Notice shall be given either personally or by U.S. First-Class Mail, either regular or Certified, or other electronic communication to the address of a Member appearing on the

BYLAWS OF PASO ROBLES FOOD COOPERATIVE, INC.

books of the Cooperative or provided by the Member. If no address appears or is given, notice shall be given at the principal office of the Cooperative.

Section 4.06. Record Date for Notice.

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

Section 4.07. Contents of Notice.

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

Section 4.08. Waivers, Consents, and Approvals.

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

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

Section 4.09. Quorum at Meeting.

The lesser of one hundred (100) Members or Members representing two percent (2%) of the voting power shall constitute a quorum at a meeting of Members. Any Bylaw amendment to increase the quorum may be adopted only by approval of the Members. When a quorum is present, the affirmative vote of the majority of the voting power represented at the meeting and entitled to vote shall be the act of the Members, unless provided otherwise by these Bylaws or the law. The only matters that may be voted upon at any regular meeting actually attended by less than one-third (1/3) of the voting power are matters of the general nature of which notice was given pursuant to the first sentence of Section 4.04 of these Bylaws.

Section 4.10. Loss of Quorum at Meeting.

The Members present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough

BYLAWS OF PASO ROBLES FOOD COOPERATIVE, INC.

Members to leave less than a quorum, if the action taken, other than adjournment, is approved by at least a majority of the Members required to constitute a quorum.

Section 4.11. Adjournment for Lack of Quorum.

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

Section 4.12. Adjourned Meetings.

The Cooperative may transact any business at an adjourned meeting that could have been transacted at the original meeting. When a meeting is adjourned to another time or place, no notice is required if the time and place are announced at the original meeting. If the adjournment is for more than forty-five (45) days or if a new record date is fixed, a notice of the adjourned meeting shall be given to each Member of record entitled to vote at the meeting.

Section 4.13. Voting of Memberships.

- (a) Each Member of the Cooperative is entitled to one (1) vote on each matter submitted to a vote of the Members.
- (b) The record date for determining the Members entitled to vote at a meeting or cast written ballots is twenty (20) days before the date of the meeting or the day on which the first ballot is mailed or solicited.
- (c) Cumulative voting shall not be permitted for any purpose.
- (d) Voting by proxy shall not be permitted for any purpose.

Section 4.14. Use of Written Ballots at Meetings.

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

Section 4.15. Contents of Written Ballot Used at Meetings.

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

BYLAWS OF PASO ROBLES FOOD COOPERATIVE, INC.

Section 4.16. Action by Ballot without Meeting.

Any action that may be taken at any regular or special meeting, including election of Directors, may be taken without a meeting through distribution of a written ballot to every Member entitled to vote on the matter. The Secretary shall cause a vote to be taken by written ballot on any action or recommendation proposed in writing by at least twenty percent (20%) of the Members.

Section 4.17. Written Ballot Used without Meeting.

- (a) Any ballot used without a meeting shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide a reasonable time within which to return the ballot to the Cooperative.
- (b) The form of written ballot distributed to ten (10) or more Members shall afford an opportunity to specify a choice between approval and disapproval of each matter or group of related matters intended, at the time of distribution, to be acted on by the ballot. The form must also provide that whenever the person solicited specifies a choice with respect to any matter, the vote will be cast in accordance with that choice.
- (c) Unless revoked by the Member voting in person as described in Bylaw Section 4.15, a written ballot cannot be revoked. Approval by written ballot shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

Section 4.18. Solicitation of Written Ballots.

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

Section 4.19. Withholding Vote.

In an election of Directors, any form of written ballot, which names the candidates for Director and which the Member has marked "withhold" (or otherwise indicated that the authority to vote in the election of Directors is withheld) shall not be used for voting in that election.

Section 4.20. Appointment of Inspectors of Election.

In advance of any meeting of Members, the Board of Directors may appoint inspectors of election to act at the meeting and any adjournment. If inspectors are not appointed or if

BYLAWS OF PASO ROBLES FOOD COOPERATIVE, INC.

any appointed persons fail to appear or refuse to act, the Chairperson of the meeting may and, on the request of any Member, shall, appoint inspectors at the meeting.

Section 4.21. Duties of Inspectors of Election.

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

ARTICLE V. DIRECTORS

Section 5.01. Number.

The Cooperative shall have five (5) Directors, collectively known as the Board of Directors.

Section 5.02. Qualifications.

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

Section 5.03. Nomination.

- (a) The Board of Directors shall prescribe reasonable nomination and election procedures for the election of Directors given the nature, size, and operations of the Cooperative. The procedures shall include: (1) a reasonable means of nominating persons for election as Directors, (2) a reasonable opportunity for a nominee to communicate the nominee's qualifications and the reasons for the nominee's candidacy to the Members, (3) a reasonable opportunity for all nominees to solicit votes, (4) a reasonable opportunity for all the Members to choose among the nominees.
- (b) When the Cooperative distributes any material soliciting a vote for any nominee for Director in any publication owned or controlled by the Cooperative, it shall make available to each other nominee, in the same material, an equal amount or space with equal prominence to be used by the nominee for a purpose reasonably related to the election. The Cooperative shall mail within ten (10) business days to all Members any material related to the election which a nominee for Director has furnished, upon written request and payment of mailing costs by the nominee, or allow the nominee to obtain the names, addresses, and voting rights of Members within five (5) business days after the request.

Section 5.04. Election.

BYLAWS OF PASO ROBLES FOOD COOPERATIVE, INC.

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

Section 5.05. Terms of Office.

The Board of Directors elected at the first Annual Meeting, as described in Section 4.02, shall consist of 1 Director with a term of one year, 2 Directors with a term of 2 years, and 3 Directors with a term of 3 years. Thereafter, all Directors shall serve with staggered three-year terms.

Each Director shall hold office until the expiration of the term for which elected and until the election and qualification of a successor.

Section 5.06. Compensation.

The Directors shall serve without compensation except that they shall be paid in advance or reimbursed by the Cooperative for their actual and reasonable expenses incurred in the performance of their duties as Directors of the Cooperative. Officers of the Cooperative may also be paid in advance or reimbursed for such expenses.

Section 5.07. Call of Meetings.

Meetings of the Board of Directors may be called by the President, any Vice-President, the Secretary, or any two Directors.

Section 5.08. Place of Meetings.

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

Section 5.09. Presence at Meetings through Electronic Means.

Directors may participate in a meeting through use of conference telephone, electronic video screen communication, or similar communications equipment, if all of the following apply: (1) each Director participating in the meeting can communicate with all the other Directors concurrently; (2) each Directors is provided the means of participating in all matters before the Board, including the capacity to propose, or to interpose an objection to, a specific action to be taken by the Cooperative; and (3) the Cooperative adopts and implements means of verifying both of the following: (a) a person communicating by telephone, electronic video equipment, or other communications equipment is a Director entitled to participate in the Board meeting; and (b) all statements, questions, actions, or votes were made by that Director and not by another person not permitted to participate as a Director. Participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

Section 5.10. Regular Meetings.

BYLAWS OF PASO ROBLES FOOD COOPERATIVE, INC.

Regular meetings of the Board of Directors shall be held on a date and at a place of their choosing. All meetings, except for executive sessions, shall be open to the Members. All meetings shall be announced at least seven (7) days prior to the meeting on the Cooperative's website, by email notice, and/or an announcement on the Cooperative's bulletin board. One Regular Meeting shall be scheduled immediately following the annual meeting of Members, as set forth in Section 4.02 and 5.08 of these Bylaws.

Section 5.11. Special Meetings and Notice.

Special meetings shall be held with at least four (4) days' notice to the Directors and Members by U.S. First-Class Mail or forty-eight (48) hours notice delivered personally or by telephone, or other means permitted by California law. Notice of regular or special meetings need not be given to any Director who signs a waiver of notice, a written consent to holding the meeting, or an approval of the minutes (either before or after the meeting), or who attends the meeting without protesting prior thereto or at its commencement, the lack of notice to that Director. All waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meetings.

Section 5.12. Quorum at Meetings.

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

Section 5.13. Acts of Board at Meetings.

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

Section 5.14. Adjournment of Meetings.

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

Section 5.15. Action without Meeting.

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

BYLAWS OF PASO ROBLES FOOD COOPERATIVE, INC.

Section 5.16. Executive Committees.

- (a) The Board of Directors may create one or more committees to serve at its pleasure by resolution adopted by a majority of the number of Directors then in office when a quorum is present. Each committee shall consist of two (2) or more Directors appointed by a majority vote of the Directors then in office.
- (b) Any executive committee, to the extent provided in the resolution of the Board, shall have all the authority of the Board, except with respect to the following actions:
 - (1) The approval of any action for which the approval of the Members or a majority of all Members is required by law;
 - (2) The filling of vacancies on the Board or in any committee that has the authority of the Board;
 - (3) The fixing of compensation of the Directors for serving on the Board or on any committee;
 - (4) The amendment or repeal of Bylaws or the adoption of new Bylaws;
 - (5) The amendment or repeal of any resolution of the Board which by its express terms are not amendable or repealable;
 - (6) The appointment of committees of the Board or the Directors of such committees;
 - (7) The expenditure of Cooperative funds to support a nominee for Director after there are more people nominated for Director than can be elected.

Section 5.17. Resignation of Directors.

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

Section 5.18. Removal of Directors.

Any or all Directors may be removed without cause by the Members. If the Cooperative has fewer than fifty (50) Members, the removal shall be approved by an affirmative vote or written ballot of a majority of all the votes entitled to be cast. If the Cooperative has fifty (50) or more Members, the removal shall be approved or ratified by the affirmative vote of a majority of all the votes represented and voting at a duly held meeting at which a quorum is present, or by written ballot, or by the affirmative vote or written ballot of any greater proportion of the votes as required in these Bylaws or by law.

BYLAWS OF PASO ROBLES FOOD COOPERATIVE, INC.

Section 5.19. Cause of Vacancies on Board.

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

Section 5.20. Declaration of Vacancies.

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

Section 5.21. Filling Vacancies on Board.

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

ARTICLE VI. OFFICERS

Section 6.01. Titles.

The officers of the Cooperative shall be a President, Chair of the Board, Secretary, Chief Financial Officer, and any other officers with such titles and duties as determined by the Board of Directors and as may be necessary to enable it to sign instruments. All officers must be Members of the Cooperative. The President, or, if none, Chair of the Board, is the Chief Executive Officer of the Cooperative. The same person may hold any number of offices. The President or the Chair of the Board shall be chosen from among the Directors elected by the Membership of the Cooperative.

Section 6.02. Appointment and Resignation.

The officers shall be chosen by the Board of Directors and serve at the pleasure of the Board, subject to the rights, if any, of an officer under any contract of employment. Any officer may resign at any time on written notice to the Cooperative without prejudice to the rights, if any, of the Cooperative under any contract to which the officer is a party.

BYLAWS OF PASO ROBLES FOOD COOPERATIVE, INC.

ARTICLE VII. CORPORATE RECORDS AND REPORTS

Section 7.01. Required Records.

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

Section 7.02. Annual Report.

- (a) For fiscal years in which the Cooperative has, at any time, more than twenty-five (25) Members, the Cooperative shall notify each Member annually of the Member's right to receive an annual financial report. The Board of Directors shall promptly cause the most recent annual report to be sent to a Member on written request. The annual report shall be prepared no later than one hundred twenty (120) days after the close of the Cooperative's fiscal year.
- (b) The annual report shall contain appropriate detail of the following: (1) a balance sheet as of the end of the fiscal year, an income statement, and a statement of cash flows; (2) a statement of the place where the names and addresses of the current Members are located; and (3) the statement required by Section 7.03 of these Bylaws.
- (c) The annual report shall be accompanied by any pertinent report by independent accountants, or, if there is no such report, by the certificate of an authorized officer of the Cooperative that the statements were prepared without audit from the books and records of the Cooperative.

Section 7.03. Annual Statement of Transactions and Indemnifications.

In addition to the annual report described in Section 7.02 of these Bylaws, the Cooperative shall furnish annually (pursuant to Section 12592 of the California Corporations Code) to its Members and Directors a statement of the transactions and indemnifications to interested persons. If the Cooperative does not issue an annual report pursuant to Section 7.02 of these Bylaws, such statement shall be mailed or delivered to Members within one hundred twenty (120) days after the close of the fiscal year.

ARTICLE VIII. INSPECTION RIGHTS

Section 8.01. Articles and Bylaws.

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

BYLAWS OF PASO ROBLES FOOD COOPERATIVE, INC.

Section 8.02. Books and Records.

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

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

Section 8.03. Inspection of Membership List.

- (a) Subject to the Cooperative's right to set aside a Member's demand for inspection pursuant to Section 12601 of the California Corporations Code and the power of the court to limit inspection rights pursuant to Section 12602 of the California Corporations Code, and unless the Cooperative provides a reasonable alternative pursuant to Section 8.03(c) of these Bylaws, a Member may do either or both of the following:
- (1) Inspect and copy the record of all the Members' names, addresses, and voting rights, at reasonable times, on making a written demand five (5) business days in advance which states the purpose for which the inspection rights are requested;
 - (2) Obtain from the Secretary, upon written demand and tender of a reasonable payment, a list of names, addresses, and voting rights of those Members entitled to vote for the election of Directors, as of the most recent record date for which it has been compiled, or as of a date specified by the Member subsequent to the date of demand. The demand shall state the purpose for which the list is requested. The list shall be made available on or before the later of ten (10) business days after the demand is received or after the date specified as the date as of which the list is to be compiled.
- (b) The rights set forth in Subsection (a) of this Bylaw section may be exercised by any Member or Members possessing five percent (5%) or more of the voting power for a purpose reasonably related to the Members' interest as Members. The Cooperative may deny access to the Membership list where it reasonably believes that the information therein will be used for another purpose or where the Cooperative provides a reasonable alternative pursuant to Section 8.03(c) of these Bylaws.
- (c) The Cooperative may within ten (10) days after receiving a demand, deliver a written offer of an alternative method of achieving the purpose identified in the demand without providing access to or a copy of the requested list. An alternative method that reasonably and in a timely manner accomplishes the proper purpose set forth in a demand made pursuant to Section 8.03(a) of these Bylaws shall be a reasonable alternative, unless the Cooperative fails to comply with the terms of its offer within a reasonable time after acceptance of the offer. Any rejection of the offer shall be in

BYLAWS OF PASO ROBLES FOOD COOPERATIVE, INC.

writing and indicate the reasons the proposed alternative does not meet the proper purpose of the demand.

ARTICLE IX. SURPLUS ALLOCATIONS AND DISTRIBUTIONS

Section 9.01. Fiscal Year.

The fiscal year of the Cooperative shall end at the close of the business day on June 30 of each year.

Section 9.02. Surplus and Patronage Refund Defined.

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

(b) "Patronage Refund" shall be defined as percentage of "Surplus" that is allocated or distributed to Members of the Cooperative based on the ratio of the Member's business conducted relative to the total amount of business conducted by all Members of the Cooperative. By definition, Patronage Refunds are available only when the Cooperative is officially open for business, defined as engaged in the selling of food and other products sufficient to create revenue.

Section 9.03. Annual Allocations and Distributions of Surplus.

(a) Before any dividends or Patronage Refunds are distributed for each fiscal year, any Surplus should first be allocated to any deficit in the accounting of "retained earnings" of the Cooperative.

(b) After any deficit in retained earnings has been eliminated, the Board of Directors may declare a dividend upon Preferred Non-Voting Shares at a rate not to exceed any maximum rate established by Section 12451 of the California Corporations Code (taking into account any other "distributions" as defined by Section 12235 of the California Corporations Code). No such dividends shall be cumulative.

(c) The Directors shall then uniformly distribute the entire remaining Surplus attributed to patronage of the Members of the Cooperative ("Patronage Surplus") to such Members as described in the following paragraphs of this subsection of these Bylaws. For the purposes of this subsection of the Bylaws, the remaining Patronage Surplus shall be computed consistent with Subchapter T of the Internal Revenue Code, related Treasury Regulations, and related court and other relevant interpretations.

1. Any remaining Patronage Surplus attributed to the Members and to be distributed to them shall be the total remaining Patronage Surplus attributed

BYLAWS OF PASO ROBLES FOOD COOPERATIVE, INC.

to both Member and non-Member business (not reduced by dividends on shares but reduced by allocations to eliminate a deficit in retained earnings) multiplied by the ratio of Member patronage to total patronage.

2. A Member may be entitled to a Patronage Refund, if such is distributed, in the amount of the remaining Patronage Surplus, as determined by Paragraph (1) of this subsection of these Bylaws, multiplied by the ratio of such Member's patronage with the Cooperative to the patronage of all Members with the Cooperative.
- (d) Any dividend declared or Patronage Refunds paid or allocated pursuant to this section of the Bylaws may be in the form of shares, in whole or in part, subject to Subsections (e) and (f) of this section of these Bylaws.
 - (e) If a Member owns three hundred dollars (\$300.00) or more in Preferred Non-Voting Shares as of the end of the fiscal year for which dividends are declared or Patronage Refunds are to be paid or allocated, such Member shall receive all of her or his dividends and Patronage Refunds in cash.
 - (f) If the cash payment to a Member for such Member's dividends and Patronage Refunds together would total less than one dollar (\$1.00), the Board of Directors shall distribute such dividends and patronage refunds to the Member wholly in Preferred Non-Voting Shares.
 - (g) Each person who becomes a Member of this Cooperative consents to include in his or her gross income for federal income tax purposes the amount of any Patronage Refunds paid to him or her by this Cooperative in money or by written notice of allocation (as defined in the Internal Revenue Code), except to the extent that such a Patronage Refund is not income to the Member because (i) it is attributable to the purchase of personal, living, or family items, or (ii) it should properly be treated as an adjustment to the tax basis of property previously purchased. The term "Patronage Refunds," as used herein, shall have the same meaning as the term "patronage dividend," as used in the Internal Revenue Code.
 - (h) For the purpose of allocating and distributing any annual Surplus, the entire operations of the Cooperative shall be considered as a unit; provided that by resolution of the Board of Directors, the Cooperative may distribute Patronage Refunds on the basis of the business transacted by each of the departments or divisions into which the operations of the Cooperative shall be divided by the Board for the purpose of such allocation.

ARTICLE X. BYLAW CHANGES

Section 10.01. Bylaw Changes by the Board.

BYLAWS OF PASO ROBLES FOOD COOPERATIVE, INC.

The Bylaws shall be adopted, amended, or repealed by the Board of Directors unless the action would:

- (a) materially and adversely affect the rights or obligations of Members as to voting, dissolution, redemption transfer, distributions, Patronage Refunds, patronage, property rights, or rights to repayment of contributed capital; or
- (b) increase or decrease the number of Members or shares authorized in total or for any class; or
- (c) effect an exchange, reclassification, or cancellation of all or part of the Memberships or shares; or
- (d) authorize a new class of Memberships or shares; or
- (e) change the number of Directors or establish a variable number of Directors; or
- (f) extend the term of a Director beyond that for which the Director was elected or increase the terms of the Directors; or
- (g) allow all or any portion of the Directors to hold office by virtue of designation or selection rather than by election by the Members; or
- (h) allow the Board to fill vacancies occurring in the Board by reason of the removal of Directors.

Section 10.02. Bylaw Changes by the Members.

Where the Board of Directors is denied the right to adopt, amend, or repeal these Bylaws pursuant to Section 10.01 of these Bylaws, these Bylaws shall be adopted, amended, or repealed by approval of the Members.

CERTIFICATE OF SECRETARY OF PASO ROBLES FOOD COOPERATIVE, INC.

I hereby certify that I am the duly elected and acting Secretary of this Cooperative and that the foregoing Bylaws constitute the Bylaws of this Cooperative, as duly adopted by the Board of Directors on September 22, 2014.

Dated: September 2, 2014

[signature] original signed by

Printed Name: James Cole

Secretary