

**AMENDED BYLAWS
OF
CLALLAM COOPERATIVE ASSOCIATION, INC.**

(As Amended _____, 2014)

ARTICLE I

MEMBERSHIP

Section 1. Membership. Applicants who are eligible for membership shall become members upon approval of the cooperative on such basis and in such manner as the Board of Trustees may prescribe from time to time. To be eligible for membership, a person, firm, partnership, corporation or association (hereinafter "person") must:

- (a) agree to abide by the Articles of Association, Bylaws, rules and regulations of the cooperative and all amendments thereto;
- (b) payment of the current membership fee (if any) as determined by the Board of Trustees; and
- (c) be able to satisfy such minimum patronage requirements as the Board of Trustees shall determine from time to time.

Section 2. Associates. Any person who is not eligible for membership in the cooperative as a member, or who ceases to be eligible, may be admitted in the cooperative, or reclassified, as an associate at the discretion of the Board of Trustees. Associates shall have such rights and privileges as determined by the Board of Trustees, but do not have the right to vote in, or be a trustee of, the cooperative. A member who shall cease to patronize the cooperative during the last fiscal year, or during such other period of time, and in such minimum amount as determined by the Board of Trustees may be reclassified as an associate whereupon such person's voting membership and all further rights incident thereto (except any interest such member may then have in the cooperative's revolving equities as defined below) shall terminate.

Section 3. Transferability. Book credits, capital funds and allocated reserves ("revolving equities") shall not be transferable except upon written consent of the Board of Trustees and in the case of death or by operation of law, bona fide transfer for security purposes only to the cooperative, a bank, or other financial institution, intra-family transfer, transfer to an existing member or a person who will become a member, or transfer by gift to any person organized and operated as a non-profit organization as defined in RCW 84.36.800(4) that also possesses a current tax exempt status under the laws of the United States (hereinafter a "permitted transfer") and certificates evidencing the same (if any) shall so state conspicuously on the face thereof.

Section 4. Termination.

(a) Cessation of Eligibility. If at any time the Board of Trustees determines that a member has ceased to be eligible for membership under Article I, Section 1 of the Bylaws, the Board of Trustees may (i) reclassify the member as an associate, or (ii) terminate the membership and all rights incident thereto (except any interest such member may then have in the cooperative's revolving equities). A termination of a membership under this section shall be effective upon mailing by registered or certified mail, return receipt requested, or upon personal delivery, or e-mail or similar electronic delivery to a member or associate who has provided for such electronic communication with the cooperative, of a written notice or publication where written notice is impractical of the cooperative's action to the member concerned.

(b) Termination for Cause. A member or associate may be terminated for cause after notice and a hearing upon a vote of the Board of Trustees. Cause shall include without limitation any violation of the Articles, Bylaws or rules and regulations of the cooperative, the cessation of eligibility for membership, or the failure or refusal to patronize the cooperative for such period of time or for such minimum amount as determined from time to time by the cooperative. Such action by the Board of Trustees is subject to appeal to the membership of the cooperative by the member or associate so terminated filing a written notice with the Secretary within ten (10) days thereafter, in which case the termination shall be reviewed at the next regular or special meeting of the members of the cooperative and shall require the vote of two-thirds (2/3) of those voting to be overturned.

Section 5. Rights on Termination. Upon termination, such terminated member's right to vote and such terminated member or associate's right to otherwise participate in the cooperative shall cease and the cooperative shall have the right (but not the obligation) to immediately redeem such terminated member or associate's rights incident to membership or associate membership status (except any interest such terminated member or associate may have in the cooperative's revolving equities) shall be deemed terminated. In the event a member or associate shall be terminated for any reason whatsoever, such terminated member or associate 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 revolving equities as and when payment thereof would have been received had it remained a member.

Section 6. Records Conclusive. Records of the cooperative shall be conclusive as to the current status of any person, firm, corporation, partnership, or association in respect to whether or not he or it is a member or associate.

ARTICLE II

MEETINGS OF COOPERATIVE

Section 1. Annual Meeting. The annual meeting of members of this cooperative shall be held in City of Sequim, State of Washington, or at such other place as the Board of Trustees may designate, on such date in the month of January as the trustees shall designate, for the purpose of electing trustees and transacting such other business as may properly come before the meeting. If the election of trustees is not held on the day designated for the annual meeting of

the members or at any adjournment thereof, the election shall be held at a special meeting of the members called as soon thereafter as practicable.

Section 2. Special Meetings. Special meetings of the members of this cooperative may be called at any time by the President or upon resolution of the Board of Trustees, or upon written petition to the President of the Board, signed by ten percent (10%) of the members of the cooperative. The purpose of every special meeting shall be stated in the notice thereof, and no business shall be transacted thereat except such as is specified in the notice.

Section 3. Notice of Meetings. Notice of meetings of members shall be given by a notice mailed or e-mailed or similar electronic delivery to a member or associate who has provided for such communication with the cooperative, to each member of record, directed to the address shown upon the books of the cooperative, or where impractical to mail, by publication in the local newspaper of record, not less than ten (10) nor more than sixty (60) days prior to the meeting. Such a notice shall state the nature, time, place and purpose of the meeting, but no failure or irregularity of notice of any annual meeting, regularly held, shall affect any proceedings taken thereat. Whenever any notice is required to be given to any member under the provisions of the cooperative's Articles of Association or Bylaws, a waiver thereof in writing, signed by the member entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

Section 4. Quorum. At any meeting twenty current voting members present either in person or by mail shall constitute a quorum for all voting purposes, other than for major actions which require twenty-five percent (25%) of the total membership subject to RCW §23.86 (for example to amend the cooperative's Articles of Association or approve a merger of the cooperative).

Section 5. Action Without Meeting. Any action required or permitted to be taken at a meeting of the members may be taken without a meeting if a written consent setting forth the action so taken is signed by all members entitled to vote with respect to the subject matter thereof. Any such consent shall be inserted in the minute book as if it were the minutes of the meeting of the members.

Section 6. Voting. Every member shall have only one vote. Associates shall have no right to vote.

Section 7. Representation of Member. Any member which is a corporation, firm, partnership, association or public institution shall designate annually a person to represent such member, and shall give written notice of such designation to the cooperative. Such representative of a member shall be the designated person to cast the member's vote and to do all authorized acts on behalf of the member, and shall be eligible on behalf of such member to serve as a trustee of the cooperative.

Section 8. Voting By Mail Authorized. There shall be no voting by proxy. Voting by mail shall be allowed, provided the ballot is issued from the office of the cooperative, and provided further that the member has been previously notified in writing (including electronic communication to members who have provided for such communication with the cooperative) of

the exact motion or resolution upon which such vote is taken and a copy of same is forwarded with and attached to the vote mailed by the member.

ARTICLE III

BOARD OF TRUSTEES

Section 1. Composition; Terms. Consistent with the Articles of Association, these Bylaws and the directions of the members, the business and affairs of this cooperative shall be managed by a Board of Trustees composed of seven (7) members, herein called the "Board", provided, however, that the number of trustees may be changed from time to time by an amendment to these Bylaws, but no decrease shall have the effect of shortening the term of an incumbent trustee. At the expiration of the terms of the trustees heretofore elected, each successor shall be elected by and from the members at their respective annual meeting by ballot. Each trustee shall be elected and serve for the term of three (3) years. Each trustee shall hold office until his successor is elected and qualified or until he resigns or is removed from office as herein provided. The Board of Trustees may prescribe rules and regulations not inconsistent with these Bylaws governing nominations, elections, voting and the qualifications of candidates for the Board of Trustees.

Section 2. Removal of Trustee. Any member may bring charges against a trustee by filing them in writing with the Secretary of the cooperative, together with a petition signed by ten percent (10%) of the members, requesting the removal of the trustee in question. The removal of a trustee shall be voted upon at the next regular or special meeting of the cooperative and, by a vote of a majority of the members voting, the cooperative may remove the trustee and fill the vacancy. The trustee against whom such charges have been brought shall be informed in writing of the charges previous to the meeting and shall have an opportunity at the meeting to be heard in person or by counsel and to present witnesses; and the person or persons bringing the charges against him shall have the same opportunity.

Section 3. Vacancies. Any vacancy of a trustee's position may be temporarily filled by the affirmative vote of a majority of the remaining trustees though less than a quorum of the Board until the next regular or special meeting of the members called for that purpose, at which time the vacancy shall be filled by the members. A trustee elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any trustee position to be filled by reason of an increase in the number of trustees shall be filled by election at an annual meeting or at a special members meeting called for that purpose. Failure of any Board member to attend three (3) consecutive meetings of the Board shall automatically create vacancy unless such Board member's absence is excused by the Board.

Section 4. Executive Committee. The Board of Trustees may establish an Executive Committee and in such event it shall consist of such trustees as the Board may designate, and a unanimous vote shall be necessary in order for the Executive Committee to adopt any motion or approve any proceeding. The Executive Committee shall have such duties and powers as may from time to time be prescribed by the Board of Trustees and these duties and powers may be all of the duties and powers of said Board of Trustees authorized by law to be so delegated, subject, nevertheless, to the general supervision, approval and control of the Board of Trustees.

ARTICLE IV

MEETINGS OF TRUSTEES

Section 1. Regular Meetings. By resolution, the Board of Trustees may provide the time and place for holding regular Board meetings without other notice than such resolution. Regular Board meetings shall be held once each month or on such other regular basis as determined by the Board.

Section 2. Special Meetings. Special Board meetings may be called by or at the request of the President or by three (3) members of the Board.

Section 3. Notice. Notice of each special Board meeting shall be delivered personally, telephoned, mailed, or electronically to those trustees who have provided for such electronic communication with the cooperative to each trustee at his business address as much in advance of the meeting as the Board of Trustees may from time to time specify. If such notice is mailed, it shall be deemed to be delivered when deposited in the United States mail properly addressed with postage prepaid. Whenever any notice is required to be given to any trustee under the provisions of these Bylaws or under the provisions of the cooperative's Articles of Association or by law, a waiver thereof in writing, signed by the trustee entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. The attendance of a trustee at a meeting shall constitute a waiver of notice of such meeting, except where a trustee attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted, nor the purpose of any regular or special meeting of the Board need be specified in the notice or waiver of notice of such meeting.

Section 4. Quorum. A majority of the trustees shall constitute a quorum for the transaction of business at any Board meeting, but if less than such majority be present at a meeting, a majority of the trustees present may adjourn the meeting from time to time without further notice. Members of the Board or any committee appointed by the Board may participate in a meeting of such Board or committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

Section 5. Majority Action. The act of the majority of the trustees present at a meeting at which a quorum is present shall be the act of the Board.

Section 6. Reimbursement. No trustee of this cooperative during his term of office shall occupy any position in it on regular salary, nor shall he be a party to a contract for the cooperative different in any way from the business relations accorded other members, but such trustee may receive compensation for attendance at regular or special meetings of the Board or executive committee meetings and may be compensated for any special services actually performed by him at the request of the Board. The amount of compensation for per diem and travel will be set at the discretion of the Board of Trustees. No such payment shall preclude any trustee from serving the cooperative in any other capacity and receiving compensation therefore.

Section 7. Assent to Action. A trustee of the cooperative present at a Board meeting at which action or any cooperative matter is taken shall be presumed to have assented to the action taken unless his dissent is entered in the minutes of the meeting or unless the dissenting trustee files written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or unless he forwards such dissent by certified mail to the Secretary of the cooperative immediately after the adjournment of the meeting. A trustee who voted In favor of such action may not dissent.

Section 8. Action Without a Meeting. Any action required or permitted to be taken at a meeting of the Board may be taken without a meeting if a written consent setting forth the action to be taken is signed by each of the trustees. Any such written consent shall be inserted in the minute book as if it were the minutes of a Board meeting.

ARTICLE V

POWERS AND DUTIES OF TRUSTEES

The Board of Trustees shall be the policy-making body and have all the powers and duties conferred by law, including but not limited to the power and duty:

Section 1. Management of Business. To control the business affairs of the cooperative, to establish policies under which the cooperative shall operate, to make rules and regulations for the guidance of its officers and management and to make policy determinations as to the basic pricing and delivery terms and conditions pertaining to the sale of the products produced by the cooperative;

Section 2. Elect Officers. To elect and remove at will all officers of the cooperative and to fix their compensation;

Section 3. Appoint General Manager and Other Employees. To appoint and remove at will and to annually review the performance and set compensation for a general manager (who shall not be a trustee) to manage the day-to-day business and other employees of the cooperative;

Section 4. Records. To keep a complete record of all of its acts and the proceedings of its meetings;

Section 5. Financial Reports. To provide that a full report and statement showing the financial condition and operating results of the cooperative is presented at each regular annual meeting of the membership;

Section 6. Special Meetings. To call special meetings of the members when the Board deems it necessary, and it must call such a meeting at any time upon the written petition of ten percent (10%) of the members;

Section 7. Authorize Equities. To authorize the issuance or redemption of revolving equities and to establish policies in connection therewith which are consistent with these Bylaws;

Section 8. Accounting System. To satisfy itself that proper records are kept of all cooperative transactions, including a proper accounting system;

Section 9. Banks. To select one or more banks to act as depository of the funds of the cooperative, to designate and authorize the persons who may write checks and disburse the funds of the cooperative and to change such banks and persons at will;

Section 10. Borrow. To borrow money for any corporate purpose, to secure such borrowings by the pledge or mortgage of any corporate assets to the extent permitted by law, to execute and issue notes, deeds of trust, mortgages, trust indentures, bonds or any other instruments, negotiable or otherwise, which are needed to borrow said money, to extend credit and/or make advances to others and to extend the cooperative's credit on behalf of others;

Section 11. Capital Improvements. To make capital investments in additions, improvements, construction of new facilities, securities or otherwise, to purchase, lease or otherwise acquire, and to sell, lease or otherwise dispose of real and personal property or interests therein, as may be necessary or appropriate for the proper conduct of the affairs of the cooperative;

Section 12. Patronage. To approve and determine the method of payment on all patronage refunds;

Section 13. Committees. To elect or appoint such temporary or standing committees as it deems to be in the best interests of the cooperative;

Section 14. Rules and Regulations. To establish rules and regulations relative to patrons which are consistent with the Articles of Association and these Bylaws; and

Section 15. Marketing and Supply Agreements. To require marketing agreements with members and other patrons producing any class of products before accepting such class of products for marketing, and to require procurement or supply agreements with members and other patrons procuring supplies before procuring or supplying such supplies for or to them.

ARTICLE VI

OFFICERS

Section 1. Officer Positions. The officers of the cooperative shall be a President, one or more Vice-Presidents, a Secretary and a Treasurer, each of whom shall be elected by the Board. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary. The officers shall be members of the Board of Trustees.

Section 2. Election. The officers of the cooperative shall be elected annually by the Board. Such election shall be held as soon after the annual meeting of members as a Board meeting conveniently may be held. Each officer shall hold office until the next annual meeting and until his successor shall have been elected and qualified unless he resigns or is removed.

Section 3. Removal by Board of Trustees. Any officer or agent elected or appointed by the Board may be removed by the Board whenever in its judgment the best interests of the cooperative would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 4. Vacancy. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board for the unexpired portion of the term.

Section 5. Salaries. The salaries of the officers shall be fixed from time to time by the Board. No officer shall be prevented from receiving such salary by reason of the fact that he is also a trustee of the cooperative.

Section 6. President/Vice-President(s).

(a) The President shall be the cooperative's principal executive officer, and under the direction of the Board of Trustees, the President shall: (1) preside over all meetings of the cooperative and of the Board of Trustees; (2) call special meetings of the Board of Trustees; (3) perform all acts and duties usually performed by an executive and presiding officer; and (4) sign all papers of the cooperative as he may be authorized or directed to sign by the Board of Trustees, provided, however, that the Board of Trustees may authorize any person to sign any or all checks, contracts, and other instruments in writing on behalf of the cooperative. The President shall perform such other duties as may be prescribed by the Board of Trustees.

(b) In the absence of the President or in the event of his death, inability or refusal to act, the Vice-President (or in the event of more than one Vice-President, the Vice-President who was first elected to such office) shall perform the duties of the President, and when so acting, shall have all the powers of the President and be subject to all the restrictions upon the President. Vice-Presidents shall perform such other duties as from time to time may be assigned to them by the President or by the Board.

Section 7. Secretary. The Secretary shall (a) keep the minutes of members and Board meetings in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the cooperative and see that the seal of the cooperative is affixed to all documents requiring the same, the execution of which on behalf of the cooperative is duly authorized; (d) keep a register of the post office address of each member as furnished to the Secretary by each member; (e) sign with the President or a Vice-President certificates of the cooperative, the issuance of which has been authorized by resolution of the Board; and (f) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or by the Board.

Section 8. Treasurer. If required by the Board, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board shall determine. The premium for such bond shall be paid by the cooperative. The Treasurer shall have charge and custody of and be responsible for all funds and securities of the cooperative; receive and give receipts for monies due and payable to the cooperative from any source whatsoever, and deposit all such monies in the name of the cooperative in such banks, trust

companies or other depositories as shall be selected in accordance with the provisions of these Bylaws and in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President or by the Board.

ARTICLE VII

GENERAL MANAGER

The General Manager shall perform such duties as may be assigned by the Board of Trustees including:

Section 1. General. Conducting the business affairs of the cooperative in accordance with its objectives and policies under the direction of the Board of Trustees.

Section 2. Employee Management. Selecting (and discharging) his administrative staff, determining their compensation and delegating to them such operational duties and responsibilities as he may prescribe, subject to the general approval and control of the Board of Trustees.

Section 3. Execution of Documents. Executing on behalf of the cooperative all manner of instruments and documents as authorized by the Board of Trustees.

ARTICLE VIII

OPERATIONS; MARGINS, DISTRIBUTIONS AND CAPITALIZATION

Section 1. Non-Profit vs. Profit Activities; Definition of "Patron". All activities of this cooperative involving members shall be nonprofit and cooperative in character for the mutual benefit and upon the mutual responsibility of its members. The Board of Trustees may provide for separate pools, departments and classifications in the marketing of products or commodities, the procuring of supplies, the providing of services, the allocation of costs, expenses and reserves, and the retention of funds for capital and other corporate purposes. The cooperative may deal with a nonmember patron on either a nonprofit, cooperative basis or on a for-profit basis, as determined by the cooperative. The terms "patron" or "patrons" as used in the Articles of Association and the Bylaws shall refer to members of the cooperative and to persons with whom the cooperative has contracted to deal on a nonprofit cooperative basis.

Section 2. Pre-Existing Obligation; Definition of "Margins" and "Patronage".

(a) "Margins" made by this cooperative are hereby defined to be the net proceeds derived from all business done with or for patrons after operating expenses, charges (including over advances and charges for carrying forward any operating loss for any preceding year), and interest on all classes of revolving equities have been deducted.

(1) Margins made by this cooperative from its operations during each fiscal year properly allocable to the business done with or for patrons shall be distributed to its patrons in proportion to their patronage during said year on or before eight (8) months and

fourteen (14) days after the end of such year. In the event the Board of Trustees has established separate pools, departments or classifications (as may be specified in any applicable marketing agreement or procurement or supply agreement), then the margins of each such pool, department or classification properly allocable to the business done with or for patrons shall be distributed to its patrons in proportion to their patronage of each such pool, department or classification during said year on or before eight (8) months and fourteen (14) days after the end of such year.

(2) Margins produced by a transaction (i.e., income from the lease of premises, investment in securities interest, or from the sale or exchange of capital assets) which is directly related to the cooperative's business, in the sense that it is an integral part of that business, will be deemed to be patronage sourced margins and, subject to a contractual limitation in loan or other financing documents, shall be distributed to members (and any other patrons with whom the cooperative has contracted to deal on a nonprofit cooperative basis) in proportion, insofar as is practicable, to their patronage during the period to which such margins are attributable.

(3) Margins made by this cooperative from its operations during each fiscal year properly allocable to the business done with nonmember patrons on a for-profit basis or attributable to any other nonpatronage revenues or income may be: (1) retained by the cooperative at the discretion of the Board of Trustees as permanent equity capital, after payment of the appropriate income tax thereon; and/or (2) distributed to members on such basis as the Board of Trustees may determine.

(b) A patron's "patronage" (as that term is used in these Bylaws) shall be determined as follows: (1) the margins attributable to the marketing by the cooperative of farm products or commodities shall be allocated to each patron based upon an applicable method of measurement as determined by the Board of Trustees, and as adjusted by any predetermined standards of quality specified in any applicable marketing agreement; and (2) the margins attributable to the procuring of supplies and/or providing of services by the cooperative shall be allocated to each patron based upon their respective dollar amount(s) of such purchases of supplies or services.

(c) Margins may be distributed in cash, or revolving equities, or any combination thereof all as the Board of Trustees shall determine.

Section 3. Losses.

(a) In the event the operations of the cooperative for any fiscal year should result in a net operating loss in a particular pool, department or classification, such loss shall be allocated to all patrons who patronized such pool, department or classification on the same basis as margins are distributable hereunder. Notwithstanding the foregoing, a net operating loss in a particular pool, department or classification may be netted against a margin of another pool, department or classification: (1) where, in the judgment of the Board of Trustees, the patrons of one are substantially similar to the patrons of the other, the commodities or services involved are similar, geographical separation is limited and the various patrons are adequately informed of this risk sharing arrangement before the loss transactions occur; or (2) in accordance with the then applicable provisions of the Internal Revenue Code and regulations thereunder, if any.

Losses actually allocated to a patron may be recovered by the cooperative pursuant to the offset procedure described in this Bylaw Article VIII, Section 6 below, or by any other method of collection.

(b) Losses produced by a transaction of the nature described in Article VIII Section 2(a)(2) which are determined by the Board of Directors to be directly related to the cooperative's business will be deemed to be patronage sourced losses. The Board of Trustees in its sole discretion shall prescribe the basis on which said loss shall be treated, including but not limited to: carry forward or carry back; reduction of revolving equities, and/or allocation to members and collection of the same from members as described herein. Notwithstanding the foregoing, such a loss may be netted against a margin of a pool, department or classification or against a margin from another transaction of the nature described in Section 2(a)(2) above which is determined by the Board of Trustees to be directly related to the cooperative's business in accordance with the then applicable provisions of the Internal Revenue Code and regulations thereunder, if any.

(c) In the event of a casualty loss or any other loss not the result of the usual and ordinary operations of the cooperative, the Board of Trustees in its sole discretion shall prescribe the basis on which said loss shall be treated including but not limited to carry forward or carry back, reduction of revolving fund credits and/or book credits without regard to patronage and/or allocation to patrons and collection of the same as described in this Bylaw Article VIII, Section 3(a) above.

Section 4. Obligation to Contribute Capital; Reserves. Each patron agrees to invest money from time to time in such classes of the cooperative's revolving equities in such amounts as the Board of Trustees may from time to time determine to be necessary or proper (a) to provide for adequate capital for the cooperative, (b) to acquire property and assets for the accomplishment of any or all of its purposes, and (c) to maintain reserves for contingent costs and charges. Such investments may be derived from per-unit retains, withholdings from margins (i.e. "patronage returns) or such other assessments as may be determined by the Board of Trustees for any of the above-stated purposes. For purposes hereof, "per-unit retains" shall refer to assessments of such uniform rates per unit or per dollar of value on such patron's farm products or commodities marketed through the cooperative or on supplies procured by him from or through the cooperative, as is provided in the various agreements between the cooperative and its patrons.

Section 5. Terms and Conditions of Contributions and Reserves; Redemption.

The terms and conditions of the cooperative's revolving equities credited to patrons' accounts shall be determined from time to time by the Board of Trustees. Such terms and conditions shall include whether any such credits are to be redeemed in relation to year of origin (revolving fund plan), in relation to a share of total capital needs of the cooperative determined as equitable for each patron (base capital plan), or other plan of redemption, as determined by the Board of Trustees to be reasonable. Amounts specifically set aside as reserves and so allocated, or the then remainder thereof, which, in the judgment of the Board of Trustees, are no longer required to pay for the purposes or contingencies reserved against, shall be returned to those supplying the same pursuant to the decision of the Board of Trustees. In no event may a patron

or a patron's successors force the cooperative to redeem such interests or offset such interests against any debts of the patron, such determination being solely in the discretion of the Board of Trustees.

Section 6. Right of Offset; Security Interest.

(a) The cooperative shall have the right to offset any indebtedness of a patron to the cooperative against: (1) any sums payable by the cooperative to such patron; (2) such patron's revolving equities in the cooperative; and/or (3) the cash portion of any patronage dividend payable by the cooperative to such patron. Each patron of the cooperative does hereby make, constitute and appoint the cooperative such patron's attorney-in-fact for him and in his name, place and stead, for his use and benefit, to sign, endorse and deliver to the cooperative such portion of the cash portion of such patron's patronage dividend as may be necessary to satisfy any indebtedness of such patron to the cooperative. In addition to the foregoing right of offset, each patron hereby grants to the cooperative a Uniform Commercial Code security interest in: (1) any sums payable by the cooperative to such patron; (2) such patron's revolving equities in the cooperative; and/or (3) the cash portion of any patronage dividend payable by the cooperative to such patron to secure repayment of any such indebtedness.

Section 7. Discounted Value for Early Redemption. In the event that the cooperative shall be obligated to redeem or otherwise liquidate a patron's registration fee or interest in any revolving equities other than in the ordinary course of its business, including without limitation, cases where a patron has exercised dissenter's rights with regard to certain corporate actions, cases where such amounts are applied in whole or partial satisfaction of the claims of a patron's creditors (including the cooperative itself) or of a trustee, in bankruptcy, or cases where such amounts are required to be directly paid to a patron or his creditors or successors or assigns, then such interests shall be discounted to their present value. For purposes hereof, present value shall be calculated with reference to the cooperative's history of redeeming those interests of its patrons which are of similar character to those being prematurely redeemed (e.g., with reference to classification, type or year of issuance, etc.) over the ten (10) year period immediately preceding such premature redemption and with the use of a discount rate equal to the prime rate as published in the Wall Street Journal on the date of redemption or such greater rate, at the Board of Trustees' option, as may then be appropriate.

Section 8. Tax Consent.

(a) Each person who hereafter applies for and is accepted to membership in this cooperative and each member of this cooperative on the effective date of this bylaw who continues as a member after such date shall, by such act alone, consent and agree that (1) the amount of any distributions with respect to his patronage which are made in written notices of allocation (as defined in 26 U.S.C. 1388(b)) and (2) that the amount he has received from the cooperative in payment for his products or commodities in the form of per-unit retain certificates (as defined in 26 U.S.C. 1388(g)), which are received by him from the cooperative, will be taken into account by him at their stated dollar amounts in the manner provided in 26 U.S.C. 1385(a) in the taxable year in which such written notices of allocation and per-unit retain certificates, respectively, are received by him. Written notification of the adoption of this bylaw, a statement

of its significance, and a copy of the provision shall be given separately to each member and prospective member before he becomes a member of the cooperative.

(b) The provisions of Bylaw Article VIII, Section 8(a) above shall not apply with respect to any reserves or other amounts allocated to and/or retained from any member in the following two situations only: (1) when the cooperative does not, in writing, inform or notify such member of such retention or allocation; (2) when the cooperative does inform such member that such retention and/or allocation has been made pursuant to these Bylaws and does so by a writing revealing that it evidences "nonqualified", or "nonqualifying" allocations or retentions.

Section 9. Use of Funds. The Board of Trustees is hereby authorized to use any of the funds in the possession of the cooperative or any of the property or assets of the cooperative for any of the purposes or activities authorized by the cooperative's Articles of Association or Bylaws.

Section 10. Unclaimed Interests. Any moneys or funds or rights or interests or property represented by any check or draft, book credit, capital fund certificate or reserve certificate, merchandise or loyalty credits, or other writing issued by the cooperative to any person, or called from such person for redemption by the cooperative, which remain outstanding or uncashed or which remain unclaimed or undelivered at any time after one year from the end of the fiscal year in which (1) the instrument was mailed to such persons at his last known address in the case of a check or draft, or (2) the notice of call for redemption of the instrument was mailed to such person's last known address in all other cases, shall transferred by the cooperative to a special fund hereby designated as the "Contribution Fund" or the general fund of the cooperative, or shall be otherwise cancelled and removed from the cooperative's books, as may be determined by the Board of Trustees. Each such member and/or other person hereby grants and gives to the cooperative as a free and voluntary gift all his said interests (including any and all proceeds and avails thereof) to be used by the cooperative for such research, educational, charitable or general corporate purposes, or to be removed from the cooperative's books, all as may be determined by the cooperative's Board of Trustees.

Section 11. Insignificant Accounts. Because of the office expense of handling records of patronage margins on small purchases or accounts, the Board of Trustees by resolution may fix the minimum amount of any single transaction or the minimum total of a year's transactions which shall be recorded for the purpose of participation in the allocation of patronage margins.

Section 12. Merchandise Credits. The cooperative's Board of Trustees may adopt and from time to time revise member, associate, or other customer merchandise credits or loyalty programs which may result in the reduction of the cooperative's gross receipts from patronage. The Board of Trustees may also designate from time to time (but prior to the sale) specified supplies, equipment, commodities, and other property or services as not being sold or provided on a patronage dividend paying basis.

ARTICLE IX

ACCOUNTING AND AUDITING

The cooperative shall maintain a modern accounting system. The Board shall cause a complete annual audit to be made by a qualified accountant selected by it, previous to each annual meeting of the shareholders, and cause such report to be presented thereat. A special audit shall be made at any time upon order of the Board or upon a majority vote of the shareholders-members at any regular or special meeting.

ARTICLE X

CORPORATE SEAL

The Board of Trustees may, at its discretion, select a corporate seal for the cooperative which shall be circular in form and have the following inscription thereon:

"CLALLAM COOPERATIVE ASSOCIATION, INC.-WASHINGTON"

ARTICLE XI

AMENDMENT

The Bylaws of the cooperative may be amended at any regular or special meeting of the Board of Trustees called for that purpose upon the affirmative vote of the majority of the full Board; provided, that all amendments to the Bylaws by the trustees shall be subject to review and alteration by the members at their next annual meeting.