

**AMENDED AND RESTATED ARTICLES OF ASSOCIATION
OF
CLALLAM COOPERATIVE ASSOCIATION, INC.**

(As Amended _____ 2014)

ARTICLE I

NAME

The name of this cooperative corporation shall be CLALLAM COOPERATIVE ASSOCIATION, INC.

ARTICLE II

PURPOSES AND POWERS

Section 1. The purposes and powers of this cooperative are to do any or all of the following on a nonprofit, cooperative basis for the mutual benefit of its members:

- (a) To purchase supplies and equipment for the use of members or other persons and turn over such supplies and equipment to them at actual cost, plus necessary expenses including reasonable estimates for operating reserves.
- (b) To market the products of members and turn back to them the proceeds of sales, less the necessary marketing expenses and established reserves, on the basis of either the quantity or the value of the products furnished by them.
- (c) Generally, to conduct a general merchandise and supplies business, and to buy or sell commodities or things of all kinds.
- (d) To purchase or otherwise acquire, mortgage or otherwise encumber, sell, lease or otherwise dispose of property of any kind whatsoever as may be necessary or convenient for the conducting and operation of the business of this cooperative or incidental thereto.
- (e) To borrow money.
- (f) To act as agent or representative of members in any of the herein mentioned activities.
- (g) To purchase or otherwise acquire, and to hold, own, and exercise all rights of ownership in, and to sell, transfer, or pledge shares of the capital stocks or bonds of any corporation or association engaged in any related activity or in the handling or marketing of any of the products handled by this cooperative or corporate obligations eligible for the investment of trust funds by trust companies as provided by law.

(h) To establish reserves and to invest the funds thereof in bonds or such other property as may be provided in the Bylaws.

(i) To do anything permitted by law to associations organized under the laws of the State of Washington relating to cooperative associations (RCW Ch. 23.86) or any law amending or superseding said laws.

(j) To transact business of the types and in the manner described in this Section 1, subparagraphs (a)-(i) above with or for nonmembers of the cooperative, on either a profit or nonprofit basis, as determined by the cooperative.

ARTICLE III

PRINCIPAL PLACE OF BUSINESS

The principal place of business of this cooperative corporation shall be in Sequim, Washington.

ARTICLE IV

DURATION

This cooperative shall continue in perpetuity or until dissolution pursuant to law.

ARTICLE V

NON-STOCK; MEMBERSHIP

The cooperative will have no capital stock, and the qualifications, eligibility, rights, and responsibility of members are as provided in the cooperative's then-current Bylaws.

ARTICLE VI

BOOK CREDITS, CAPITAL FUNDS AND ALLOCATED RESERVES

Section 1. The cooperative, through its Board of Trustees, shall have the power to establish book credits, capital funds and other allocated reserves to provide funds for corporate purposes in the manner provided by the Bylaws by retains from margins or proceeds otherwise payable to the members or by other methods of collection. Such accounts on the cooperative books, allocated: savings, capital funds, or reserves will be generally referred to as "revolving equities" and be issued on such terms and conditions and be payable or redeemable at the times and in the manner determined as provided in the Bylaws.

Section 2. The amounts supplied as revolving equities shall be credited to the respective persons by whom supplied, and the books of the cooperative shall indicate the amounts credited to each such person.

Section 3. In the event the membership of any member or associate shall terminate for any reason whatsoever, such 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 or associate.

ARTICLE VII

RIGHTS AND PRIORITIES

Section 1. Except as otherwise provided in these Articles and Bylaws, the rights of members shall be equal, but no member shall have any property rights whatsoever in the cooperative or any of its assets by reason of his membership, except for those property rights set forth in this Article.

Section 2. Revolving equities shall not be transferable except upon written consent of Board of Trustees or 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 referred to as "permitted transfer") and certificates evidencing the same (if any) shall so state conspicuously on the face thereof.

Section 3. No permitted transfer of any interest in revolving equities shall be of any effect, or entitle the transferee to be paid or to receive any money from the cooperative, until evidence of such transfer satisfactory to the cooperative shall be submitted to the cooperative.

Section 4. In paying over any monies supplied as revolving equities, the cooperative may rely solely upon its own records and shall not be liable to any person other than the person appearing by its records to be the owner thereof and entitled to receive money thereon.

Section 5. No permitted transfer of any interest in revolving equities shall be valid until all claims of the cooperative against the registered holder thereof have been paid in full. The cooperative shall have the right to offset any indebtedness of a patron to the cooperative against: (a) any sums payable by the cooperative to such patron; (b) such patron's revolving equities in the cooperative; and/or (c) 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: (a) any sums payable by the cooperative to such patron; (b) such patron's revolving equities in the cooperative; and/or (c) the cash portion of any patronage dividend payable by the cooperative to such patron to secure repayment of any such indebtedness.

Section 6. In the event that the cooperative shall be obligated to redeem or otherwise liquidate a patron's interest in 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 7. In the event any member shall dissent from those certain corporate actions (as authorized by law), such member shall only be entitled to receive payment of its interest in any revolving equities in accordance with and subject to the provisions of Article VI, Section 3. In no event shall such interest be valued at more than the actual consideration contributed to the cooperative therefor or the fair value thereof, whichever is less.

Section 8. In the event of liquidation of the cooperative, voluntary or involuntary, the assets of the cooperative shall be applied upon the liabilities of the cooperative in the following order of priority: (a) to payment of all indebtedness and liabilities of the cooperative other than that represented by the cooperative's revolving equities; (b) to payment of revolving equities (but excluding allocated reserves), pro rata; (c) to payment of any patronage returns due for the then current fiscal year, pro rata; (d) to payment of allocated reserves to the patrons from whom retained according to the records of the cooperative, pro rata; and (e) if any balance remains, it shall be distributed among the members of the cooperative in proportion to the amount each member's unrefunded contributions to the revolving equities of the cooperative bears to the total unrefunded contributions to the revolving equities of all members at the time of commencement of liquidation. If at such time there are no unrefunded contributions to the revolving equities credited on the books of the cooperative to members, then any remaining balance shall be distributed among the members of the cooperative in their respective proportion equal to the ratio that each member's dollar value of combined marketing and purchasing through the cooperative during the five (5) year period immediately preceding the date of such distribution shall bear to the total dollar value of all members combined marketing and purchasing through the cooperative during such period by all members at such time.

ARTICLE VIII

BOARD OF TRUSTEES

This cooperative corporation shall have a Board of Trustees, to be composed of seven (7) members, unless or until the Bylaws shall specify a different number, which shall not be less than five (5) nor more than eleven (11).

ARTICLE IX

TRUSTEES AND OFFICER LIABILITY; INDEMNIFICATION

Section 1.

(a) Except as provided in subsection (b), a member of the Board of Trustees or an officer of this cooperative shall not be individually liable for any act or omission in the course and scope of his official capacity unless the act or omission constitutes gross negligence.

(b) Nothing in subsection (a) shall limit or modify in any manner the duties and liabilities of a trustee or officer of this cooperative to the cooperative or the cooperative's members.

(c) A member of the Board of Trustees of this cooperative shall not be personally liable to the cooperative or to its members for monetary damages for conduct as a trustee except (1) for acts or omissions that involve intentional misconduct or a knowing violation of the law by such trustee; or (2) for any transaction from which the trustee will personally receive a benefit in money, property or services to which such trustee is not legally entitled.

(d) If the laws of the State of Washington are amended to authorize corporate action further eliminating or limiting the personal liability of trustees or officers, then the liability of a trustee or officer of the cooperative shall be eliminated or limited to the fullest extent permitted by such laws as so amended. Any repeal or modification of the foregoing paragraphs by the members of the cooperative shall not adversely affect any right or protection of a trustee or officer of the cooperative existing at the time of such repeal or modification.

Section 2. To the fullest extent, and in the manner permitted by the laws of the State of Washington, the cooperative shall indemnify any person threatened to be made a party or any party to a pending, or completed action, suit, or proceeding whether civil, criminal, administrative, or investigative (whether brought by or in the right of the cooperative or otherwise) by reason of the fact that he is or was a trustee, officer, employee or agent of the cooperative, or who, while a trustee, officer, employee or agent of the cooperative, is or was serving at the request of the cooperative as a director, officer, partner, trustee, employee, or agent of another corporation, partnership, joint venture, trust, other enterprise, or employee benefit plan, against judgments, penalties, fines, settlements and reasonable expenses (including attorneys' fees) incurred by him in connection with such action, suit or proceeding. Such indemnification shall continue as to a person who has ceased to be a trustee, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators. Reasonable expenses incurred or to be incurred by a trustee, officer, employee or agent who is a party or threatened to be made a party to such action, suit or proceeding may be paid or reimbursed by the cooperative in advance of the final disposition of such proceeding in the manner permitted by the laws of the State of Washington.

Section 3. The right to indemnification and the payment of expenses incurred or to be incurred in defending any action, suit or proceeding in advance of its final disposition conferred in this Article shall not be exclusive of any other right which any person may have or hereafter

acquire under any statute, provision of the Articles of Association, Bylaws, agreement, vote of members or disinterested trustees or otherwise.

Section 4. The cooperative may maintain insurance, at its expense, to protect itself and any trustee, officer, employee or agent of the cooperative or another corporation, partnership, joint venture, trust, other enterprise or employee benefit plan, against any expense, liability or loss, whether or not the cooperative would have the power to indemnify such person against such expense, liability or loss under the laws of the State of Washington.

ARTICLE X

AMENDMENTS

These Articles of Association may be amended by a majority vote of the members voting thereon, at any regular or at any special meeting called for that purpose or mail or electronic ballot as provided in the Bylaws, provided that if the total vote upon the prepared amendment shall be less than 25% of the total votes authorized to be cast, the amendment shall not be approved.