

Articles of Incorporation

and

Bylaws

TABLE OF CONTENTS

Page

ARTICLE I GENERAL 1
1.1 Purposes and Powers 1
ARTICLE II MEMBERSHIP 2
2.1 Qualifications for Membership 2
2.2 Application for Membership 2
2.3 Certificate of Membership 2
2.4 Obligation of Members 2
2.5 Co-owners 3
2.6 Payments to Co-owners 3
2.7 Surviving Co-owners 3
2.8 Representation 3
2.9 Transfer of Membership 3
2.10 Termination of Membership 4
2.11 Rights and Obligations on Termination 4
2.12 Property Rights 5
ARTICLE III MEMBERS' VOTING AND MEETINGS 5
3.1 Members' Voting Rights 5
3.2 Rules for Elections and Voting 5
3.3 Annual Meeting of Districts 5
3.4 Special Meetings 5
3.5 Notice of Meetings 5
3.6 Members Entitled to Notice 6
3.7 Quorum 6
3.8 Adjourned Meetings 6
3.9 Voting by Mail 7
3.10 Proxy Voting 7
3.11 Cumulative Voting 7
ARTICLE IV DISTRICTS AND DIRECTORS 7
4.1 Definition of District 7
4.2 Redistricting 8

4.3 Election; Term of Office for Each District 9
4.4 Director Eligibility 9
4.5 Vacancies 9
4.6 Place of Meetings 10
4.7 Organization Meeting 10
4.8 Regular Meetings of Directors 10
4.9 Special Meetings 10
4.10 Notice of Meetings of Directors 10
4.11 Notice of Adjourned Meetings 11
4.12 Waiver of Notice 11
4.13 Quorum/Vote Required 11
4.14 Action Without a Meeting 11
4.15 Compensation of Directors 11
4.16 Standards of Conduct 11
4.17 Removal of Directors 12
ARTICLE V POWERS OF DIRECTORS 12
5.1 General Powers 12
5.2 Committees 13
ARTICLE VI OFFICERS AND MANAGEMENT 14
6.1 Corporate Officers. 14
6.2 Election and Term of Office 14
6.3 Powers and Duties 14
ARTICLE VII 14
MARKETING AGREEMENT 14
7.4 Allocation on an Individual Basis of Identifiable Non-Uniform Costs. 18
7.5 Control by Association 18
7.7 Advances/Deferrals 19
7.9 Termination of Members Marketing Obligation 2020
7.10 Rights of Certain Creditors 20
ARTICLE VIII 20
CAPITAL AND ALLOCATED RESERVES 20
8.2 Base Capital Fund 20
8.3 Requirements for the Base Capital Fund 20

8.8 Other Capital Funds 23
8.9 Assignment or Transfer 23
8.10 No Assignment While Indebted to Association ..... 24~~24~~
8.11 Losses Chargeable Against Capital Credits and Other Allocations 24
8.12 Payment on Dissolution 25
8.13 Successor Association 25
8.14 Tax Treatment ..... 26~~26~~
8.15 Compromising and Discounting Credits ..... 26~~26~~
8.16 Rights of Creditors 26
ARTICLE IX MISCELLANEOUS 26
9.1 Principal Office 26
9.2 Fiscal Year ..... 27~~27~~
9.3 Indemnification ..... 27~~27~~
9.4 Unclaimed Money 27
9.5 Amendments to Bylaws 27
9.6 No Vested Rights in Bylaws ..... 28~~28~~
9.7 Information ..... 28~~28~~
9.8 Non-patronage Income 28
9.9 Gain on Sale of Assets 28
9.10 Subsequent Allocation of Patronage Income 28
~~ARTICLE I GENERAL ..... 1~~
~~1.1 Purposes and Powers ..... 1~~
~~ARTICLE II MEMBERSHIP ..... 1~~
~~2.1 Qualifications for Membership ..... 1~~
~~2.2 Application for Membership ..... 1~~
~~2.3 Certificate of Membership ..... 1~~
~~2.4 Obligation of Members ..... 1~~
~~2.5 Co-owners ..... 1~~
~~2.6 Payments to Co-owners ..... 1~~
~~2.7 Surviving Co-owners ..... 1~~
~~2.8 Representation ..... 1~~
~~2.9 Transfer of Membership ..... 1~~
~~2.10 Termination of Membership ..... 1~~

2.11 Rights and Obligations on Termination 1
2.12 Property Rights 1
ARTICLE III MEMBERS' VOTING AND MEETINGS 1
3.1 Members' Voting Rights 1
3.2 Rules for Elections and Voting 1
3.3 Annual Meeting of Districts 1
3.4 Special Meetings 1
3.5 Notice of Meetings 1
3.6 Members Entitled to Notice 1
3.7 Quorum 1
3.8 Adjourned Meetings 1
3.9 Voting by Mail 1
3.10 Proxy Voting 1
3.11 Cumulative Voting 1
ARTICLE IV DISTRICTS AND DIRECTORS 1
4.1 Definition of District 1
4.2 Redistricting 1
4.3 Election; Term of Office for Each District 1
4.4 Director Eligibility 1
4.5 Vacancies 1
4.6 Place of Meetings 1
4.7 Organization Meeting 1
4.8 Regular Meetings of Directors 1
4.9 Special Meetings 1
4.10 Notice of Meetings of Directors 1
4.11 Notice of Adjourned Meetings 1
4.12 Waiver of Notice 1
4.13 Quorum/Vote Required 1
4.14 Action Without a Meeting 1
4.15 Compensation of Directors 1
4.16 Standards of Conduct 1
4.17 Removal of Directors 1
ARTICLE V POWERS OF DIRECTORS 1

5.1 General Powers 1
5.2 Committees 1
ARTICLE VI OFFICERS AND MANAGEMENT 1
6.1 Corporate Officers. 1
6.2 Election and Term of Office 1
6.3 Powers and Duties 1
ARTICLE VII 1
MARKETING AGREEMENT 1
7.4 Allocation on an Individual Basis of Identifiable Non-Uniform Costs. 1
7.5 Control by Association 1
7.7 Advances/Deferrals 1
7.9 Termination of Members Marketing Obligation 1
7.10 Rights of Certain Creditors 1
ARTICLE VIII 1
CAPITAL AND ALLOCATED RESERVES 1
8.2 Base Capital Fund 1
8.3 Requirements for the Base Capital Fund 1
6.4 Other Capital Funds 1
6.5 Assignment or Transfer 1
6.6 No Assignment While Indebted to Association. 1
6.7 Losses Chargeable Against Capital Credits and Other Allocations 1
6.8 Payment on Dissolution 1
6.9 Successor Association 1
6.10 Tax Treatment 1
6.11 Compromising and Discounting Credits 1
6.12 Rights of Creditors 1
ARTICLE VII MISCELLANEOUS 1
7.1 Principal Office 1
7.2 Fiscal Year 1
7.3 Indemnification 1
7.4 Unclaimed Money 1
7.5 Amendments to Bylaws 1
7.6 No Vested Rights in Bylaws 1

~~7.7 Information ..... 1~~
~~7.8 Non-patronage Income ..... 1~~
~~7.9 Gain on Sale of Assets ..... 1~~
~~7.10 Subsequent Allocation of Patronage Income ..... 1~~

AMENDED AND RESTATED BYLAWS
OF
CALIFORNIA DAIRIES, INC.

ARTICLE I
GENERAL

1.1 Purposes and Powers.

California Dairies, Inc. ("Association") is a non-profit cooperative association organized under the provisions of Chapter 1 of Division 20 of the Food and Agricultural Code of California. As stated in its Articles of Incorporation, the primary purpose of Association is to market and sell agricultural products delivered by its members, returning to them the net proceeds realized therefrom. Association has broad incidental purposes and powers, which include but are not limited to purposes and powers which enable it to:

(a) Engage in any activity in connection with the marketing or selling of products of its members; the manufacturing, selling or supplying to its members of machinery, equipment or supplies; or the financing of any of the foregoing.

(a) Act as agent or representative of any member or members in any of the above-mentioned activities.

(a) Levy assessments in the manner and amount hereinafter provided.

(a) Use or employ any of its facilities for any purpose, provided the proceeds arising from such use and employment shall go to reduce the cost of operation for its members.

(a) To borrow money and to incur indebtedness for Association purposes, and to cause to be executed and delivered therefor, in its corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations and other evidences of indebtedness and security therefor, and to do every act and thing necessary in connection therewith.

(a) Do each and everything necessary, suitable or proper for the accomplishment of any of the purposes or conducive to or expedient for the interest or benefit of Association and contract accordingly; and, in addition, exercise and possess all powers, rights and privileges granted by the laws of California to ordinary corporations, except such as are inconsistent with Chapter 1 of Division 20 of the Food and Agricultural Code of California, and to do such things anywhere.

Provided, however, that the products handled for or the services, machinery, equipment, supplies, or facilities furnished to nonmembers shall not exceed in value the products handled for or the services, machinery, equipment, supplies, or facilities furnished to members during the same period.

(a) Delegate any or all of said purposes and powers through the appointment of an agent or agents or otherwise.

ARTICLE II
MEMBERSHIP

2.1 Qualifications for Membership.

Membership in the Association is limited to bona fide producers of milk or milk products who qualify as dairymen under the provisions of the Capper-Volstead Act, or to cooperative associations of such producers that qualify for the exemption from antitrust law created by the provisions of the Capper-Volstead Act. The Board of Directors of the Association (the "Board") may establish such additional conditions for membership as it may from time to time deem desirable to promote the efficient and economical conduct of the business of Association and its members. The Board shall have the right, in its absolute discretion, to refuse membership to any applicant who in its opinion does not meet the conditions so established. *[Amended 12/30/19]*

2.2 Application for Membership.

Any producer of milk eligible for and desiring admission to membership shall file a written application for admission in such form and containing such information as the Board shall prescribe; provided, however, that the filing of such application may be waived by the Board. The Board shall consider and act upon applications for membership and deny or accept the same in its absolute discretion. Any such application and its acceptance shall constitute a contract between the member and the Association incorporating all provisions of the Articles of Incorporation, Bylaws and the rules and regulations of the Association.

2.3 Certificate of Membership.

Upon acceptance of any application for membership by the Board, a certificate of membership shall be issued. Unless otherwise determined by the Board, a copy of the completed membership application executed on behalf of the Association to indicate acceptance shall constitute such membership certificate.

2.4 Obligation of Members.

Each member upon becoming a member of Association by such act agrees to be bound and to abide by all of the provisions of the Articles of Incorporation, the Bylaws, any application for membership and membership agreement, and all rules and regulations of the Association, all as in effect at the time of application for membership and as thereafter adopted or amended. In the event of any inconsistency between the provisions of the membership agreement between a member and the Association and the provisions of Associations Articles of Incorporation or Bylaws, the provisions of the Articles of Incorporation and Bylaws shall control. *[Amended 12/30/19]*

2.5 Co-owners.

Whenever an agricultural enterprise is owned by more than one person whether as co-tenants, partners, unincorporated associations, community property of husband and wife, or otherwise, all owners thereof may collectively be admitted as one member in the names of all of them, or in such name, fictitious or otherwise, as they may have adopted or desire for the transaction of their business or as their collective name; and all of them, collectively, shall be deemed a single member and to possess and enjoy the rights of one member. In any such instance, the right of voting and assenting shall be exercised by one of the co-owners authorized in writing by the co-owners as required by Section 2.8. In the absence of such written authorization, then such member shall not be entitled to vote.

2.6 Payments to Co-owners.

In the absence of a written agreement directing the method of payment signed by all of the co-owners and the Association, whenever any amount is payable from the Association to co-owners, it may be paid to one or more or all of them at the Association's election. In the event of the death of a co-owner, any amount which was payable to the co-owners immediately prior to such death may be paid to one or more or all of the surviving co-owners at the election of the Association. Payment in accordance with the foregoing shall constitute full satisfaction of the indebtedness of the Association so paid.

2.7 Surviving Co-owners.

Death of one co-owner shall not terminate the membership of the surviving co-owners. The surviving co-owner or co-owners shall continue as one member until the membership is otherwise terminated as herein provided.

2.8 Representation.

If a member of the Association is other than a single natural person, such member may be represented by a full-time officer, co-owner or employee of such member. Such representative must be authorized in writing to act in such representative capacity and while doing so shall be entitled to have and exercise all of the rights and privileges and authority of the member with the right to vote provided; however, that no representative may hold any office, including that of Director, unless that representative is also a co-owner of the member. Any member that is not a natural person may, from time to time, change its authorized representative subject to the above-prescribed qualifications. *[Amended 12/30/19]*

2.9 Transfer of Membership.

No membership, nor any membership right or interest, shall be assigned, transferred, alienated, or encumbered, either voluntarily or involuntarily, or by operation of law or otherwise, without the consent of the Board. The members of the Association delegate to the Board the broadest possible discretion to make decisions regarding such assignments, transfers, alienations or encumbrances. All such decisions are committed to the Board's collective business judgment.

No duly elected member of the Board shall be deemed interested or disqualified from making such decisions by virtue of the fact that he/ she is a producer of fluid milk.

2.10 Termination of Membership.

A membership shall terminate upon occurrence of any of the following:

(a) Death or dissolution of the member, except to the extent provided in Sections 2.7.

(a) For any reason upon adoption by the Board by an affirmative vote of at least two-thirds (2/3) of the authorized number of Directors.

(a) Submission by the member to the Association of at least one year's prior written notice of termination effective as of the member's first anniversary date of membership in the Association, or its predecessor, as the case may be, occurring at least one year after the date of such notice.

(a) The member no longer qualifies for membership.

2.11 Rights and Obligations on Termination.

Upon termination of membership for any reason, all voting, property and other membership rights shall cease and terminate, provided that such member shall be entitled to receive only payment of any outstanding revolving fund, capital fund, allocated reserve credits and book allocations to the extent and at such time when such amounts would have been paid had membership continued. Such amounts shall be subject to reduction by offset or otherwise in the same manner as other revolving fund, capital fund, allocated reserve credits and book allocations of the same class and priority. Each member is received into membership upon the express agreement on the part of such member and upon the condition that the value of each member's interest in the Association is nothing and that in the event of termination of membership, whether voluntarily or by expulsion, by exercise of any rights existing in connection with a merger or reorganization, or otherwise, such member shall not be entitled to be paid anything as or for the value of the property interest of such member. The foregoing provisions are not intended to penalize any person or entity whose membership is terminated, but reflect the intention that the Association shall conduct its business without profit, that the membership will not have any intrinsic value apart from the right to use the facilities and services of the Association, and that the right of members which does have intrinsic value is recognized by the provision and payment of revolving fund, capital fund, allocated reserve credits and book allocations in the same manner as if membership had continued.

Regardless of the reason for termination of a membership, no termination (except for termination under Section 2.10(c) above, in which case the member's obligation under the Marketing Agreement shall terminate upon termination of membership) shall relieve the terminated member, its successors or assigns, of the terminated member's obligation to market milk covered by and for the balance of the term of the terminated member's Marketing Agreement with the Association under Section 7.9 of these Bylaws. In the event of receipt by the Association of a notice of termination under Section 2.10(c) above, the Association may, with

the agreement of the affected member, terminate the obligation of the member to market milk through the Association at any time prior to the termination date specified in the notice. Any sale or other disposition of a member's herd (whether upon death, dissolution, reorganization or otherwise) during the term of a member's Marketing Agreement shall be subject to the member's obligation to deliver milk pursuant to Article VII of these Bylaws. *[Amended 12/30/19]*

2.12 Property Rights.

The Board may fix reasonable rules for determining property rights and interests consistent with the provisions of the Articles of Incorporation and these Bylaws.

ARTICLE III
MEMBERS' VOTING AND MEETINGS

3.1 Members' Voting Rights.

The voting power of each member of the Association shall be equal. Each member shall have one vote.

3.2 Rules for Elections and Voting.

The Board may make and from time to time change rules and regulations for conducting voting and elections consistent with the provisions of these Bylaws and the Articles of Incorporation.

3.3 Annual Meeting of Districts.

An annual meeting of members of each District shall be held between April 1 and May 31 of each year. Such meetings shall be held at a place within the District designated by the Board on such date in April or May and at such time as the Board from time to time establishes. At the annual meeting of each District, such proper business that is within the authority of the members of such District may be transacted. At the discretion of the Board, meetings of more than one District may be held at the same time and place, in which event such meeting shall be held at a place within one of the Districts meeting jointly.

3.4 Special Meetings.

Special meetings of members may be called by the Board, by the Chairperson of the Board, or by not less than one-fifth of the members of the Association entitled to vote at the meeting.

3.5 Notice of Meetings.

Notice of any meeting of members shall be mailed by U.S. Mail or by electronic transmission by the Association that complies with the applicable provisions of the California General Corporation Law existing at the time notice is given at least ten (10) days in advance to all members entitled to vote at such meeting at the mailing address, e mail address, text number

or other communications method authorized in writing by each member as recorded upon the books of the Association. Notice of all meetings of members shall state the time and place of the meeting and shall generally describe the business to be transacted at the meeting.

No business may be transacted at any meeting of members other than such as is included in the purpose stated in the notice.

If any notice or report mailed to a member at the address appearing on the Association's books is returned marked to indicate that the United States Postal Service is unable to deliver the document to the member at the address, all future notices or reports to that member shall be deemed to have been duly given without further mailing if the Association holds the document or documents available for the member on written demand at the Association's principle place of business for a period of one year from the date the notice or report was given to all other members.

An affidavit of mailing of any notice of members' meeting, report or other document sent to members, may be executed by the officer of the Association who mailed such notice, report or other document and shall be filed and maintained in the minute book of the Association.

3.6 Members Entitled to Notice.

All notices of any meeting shall be mailed on the same day and at the same time. Notice shall be given to those persons otherwise entitled to vote at the meeting who were members of record as of the close of business on the day fifteen (15) days preceding the day of mailing, and such close of business is the record date for determining members entitled to notice of and to vote at a meeting or on a mail ballot.

3.7 Quorum.

At any meeting of members, thirty percent (30%) of the members entitled to vote at the meeting who are present in person or by proxy shall constitute a quorum for the transaction of business, except as otherwise may be required by law. In the absence of a quorum, any meeting of members may be adjourned from time to time by a vote of a majority of the members present in person or by proxy, but no other business may be transacted. The members present at a duly called and held meeting may continue to do business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the voting power required to constitute a quorum.

3.8 Adjourned Meetings.

When a meeting of members is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Except as aforesaid, it shall not be necessary to give any notice of the time and place of the adjourned meeting or of the business to be transacted thereat other than by announcement at the meeting at which such adjournment is taken.

3.9 Voting by Mail.

Any membership vote may be conducted by mail or by electronic transmission to the Association that complies with the applicable provisions of the California General Corporation Law existing at the time the vote is taken without the necessity of a meeting. Whenever the term "vote by mail" or "mail vote" is used in these bylaws, the term shall include vote by electronic transmission to the Association that complies with the applicable provisions of the California General Corporation Law existing at the time the vote is taken. The total vote cast by mail on any question shall be not less than a majority of the voting power of the Association (or in the case of a district vote, a majority of the voting power of those members entitled to vote in the district) to constitute a quorum for the sake of voting by mail.

3.10 Proxy Voting.

Each member shall have the right to vote at a membership meeting or by mail, in person or by proxy given only to another member or the designated representative of another member, which proxy shall be in writing executed by the member or the member's duly designated representative and filed with the Secretary of the Association. No proxy shall be valid after the expiration of eleven (11) months from its date, unless it specifies the length of time it continues in force, which in no event shall be for more than five years. No member or designated representative thereof shall be entitled to hold more than two (2) proxies.

3.11 Cumulative Voting.

Cumulative voting in the election of directors is prohibited. If a member votes in an election, the member must cast all of the member's votes.

ARTICLE IV
DISTRICTS AND DIRECTORS

4.1 Definition of District.

For the purpose of electing Directors, and for such other purposes as the Board may determine, the area served by the Association shall be divided into four Districts as follows:

(a) District 1: members producing milk in Kern County and south of the Tehachapi Mountains.

(a) District 2: members producing milk in Tulare County.

(a) District 3: members producing milk in Kings, Fresno, and Madera Counties.

(a) District 4: members producing milk in Monterey or San Benito Counties or north of Madera County.

The number of Directors shall be not less than twelve (12) nor more than sixteen (16). The precise number of directors within this range at any given time shall be fixed by these bylaws. As of the date of the annual election of directors held in 2024, the precise number of

directors is fixed at thirteen (13). Subject to the directors' authority to re-apportion directors among the districts as provided in section 4.2 of these bylaws, members in each District shall be entitled to elect the number of Directors as follows until such time, if any, as the exact number of Directors is fixed at a number different than thirteen:

District 1: Two (2) Directors

District 2: Four (4) Directors

District 3: Four (4) Directors

District 4: Three (3) Directors

The seats of directors Will Dyt (District 1), Gerben Leyendekker (District 2) and Simon Vander Woude (District 4), whose current terms each end at the time of the 2024 annual election of directors shall be deemed eliminated at the end of their current terms and no election shall be held to fill those seats.

Directors shall be elected by vote of the members of each District at the Annual Meeting of the District or by mail vote as the Board may decide from time to time. The results of each District election shall be final.

A Director must produce milk in the District he or she is elected to represent. Should a Director cease to produce milk in the District he or she is elected to represent, he or she shall immediately become disqualified to serve as a director for that District and his/or her seat shall be deemed vacant. A member producing milk marketed through the Association in more than one District, shall be treated for purpose of election of Directors and eligibility to serve as a Director as producing milk only in the District designated by the member in the member's application for membership or in such other document as the Board shall designate for such purpose. *[Amended, effective April 1, 2024]*

4.2 Redistricting.

Prior to the first day of January 2011 and annually thereafter, the Board shall review the Districts to determine whether the number of Directors allotted to each constitutes fair and equitable District representation based on (1) numbers of members within each of the Districts and (2) deliveries of milk by members in each of the Districts, giving equal weighting to each of said considerations. If the Board finds that the allocation of Directors does not reflect fair and equitable District representation, the Board shall reapportion the Directors or redefine the Districts (or both) after sixty (60) days' written notice to all members of the Association of the Board's intentions for such reapportionment and/or redistricting. Nothing provided in this Section 4.2 shall authorize the Board to:

(a) change the total number of Directors;

(a) change the number of Districts; or

(a) deprive any District of the representation of at least one Director.

4.3 Election; Term of Office for Each District.

Subject to the terms of Section 4.1 above, the number of directors equal to the number of directors whose term of office will expire at the next annual election shall be elected at meetings of, or by mail vote by, the District's members. Except as otherwise provided in these Bylaws, the term of office of each Director shall be three (3) years and until the election and qualification of that Director's successor. No person shall serve as a Director for more than three (3) consecutive three (3) year terms. Each year, on or before February 1, the Board shall nominate one or more qualified candidates for each Director to be elected by that District. Such nominations shall be filed with the Secretary of the Association not later than March 1 of each year. The Board shall establish a procedure to permit that nominations for Director may be submitted by the District's members in advance of the District meeting, or of the mail vote, as the case may be, in order that the Board may determine before their nomination is placed before the membership whether such nominees meet the qualifications for election to the Board as specified in Section 4.4. The Board may designate those Directors currently serving from a District to serve as the Nominating Committee for that District; which committee, if established, shall recommend one or more candidates to the Board for nomination. Each member in a District shall have one vote for each director to be elected from that District. The number of candidates in a District equal to the number of Directors to be elected from that District receiving the highest vote total shall be elected.

4.4 Director Eligibility.

Only natural persons who are members or who are co-owners of members of the Association and who have been designated as the member's representative as provided in section 2.8 of these Bylaws ("Representative Owner") shall be eligible to serve as a Director. No member, or Representative Owner of a member, shall be eligible to serve as a Director: (1) where the relevant member has submitted to the Association a notice of termination of membership; (2) where the relevant member or Representative Owner directly or indirectly markets fluid milk through facilities other than those of the Association in geographical areas specified by the Association; or (3) where the relevant member or Representative Owner sits on the Board of Directors of, or is employed (whether as an employee, independent contractor, consultant, or otherwise) by any other organization (not mandated by law) which directly or indirectly performs for milk producers services which the Association provides for its members, unless (i) such other organization does not handle milk; and (ii) the simultaneous employment or service on the board of the other organization does not violate applicable state or federal antitrust, conflict of interest or other law; or (4) where the relevant member or Representative Owner is a salaried employee of the Association.
[Amended 12/30/19]

4.5 Vacancies.

In the event of a vacancy on the Board through death, resignation, disqualification or other cause, other than expiration of a Director's term, the remaining Directors may elect a

member or representative of a member from the District in which the vacancy exists as Director to fill such vacancy until the end of the term for the Director whose position has been vacated.

4.6 Place of Meetings.

Meetings of the Board shall be held at the principal office of the Association, or at any other place within or without of the State of California which has been designated by the Board or by written consent of all members of the Board. Members of the Board may participate in a meeting through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another, and such participation shall constitute presence in person at such meeting.

4.7 Organization Meeting.

Following the annual District meetings of members, on such date as the Board shall from time to time establish, the Directors shall hold a regular meeting for the purpose of organization, election of officers, and the transaction of other business.

4.8 Regular Meetings of Directors.

In addition to the regular organization meeting, regular meetings of the Board shall be held at such time and place as the Board may determine.

4.9 Special Meetings.

A special meeting of the Board shall be held whenever called by the Chairperson or by any Vice Chairperson in the absence of the Chairperson, or by twenty-five percent (25%) or more of the Directors. Any and all business may be transacted at a special meeting.

4.10 Notice of Meetings of Directors.

No notice of regular meetings of the Directors need be given except that in the case of a change in the time for regular meetings written notice of such change shall be given to directors who were not present at the meeting when such change was made. Such notice and notice of each special meeting shall be given to the Directors as follows:

(a) By mailing, postage prepaid, or by sending by telecopier, a copy of such notice to each Director at least five (5) days prior to the time fixed for such meeting, addressed to the Director as the Director's address appears in the records of the Association.

(a) By telegraphing, telephoning, or E-mailing such notice to each Director, or to some responsible person who the person telegraphing, telephoning or E-mailing such notice believes in good faith will deliver such notice to the Director. Notice under this subsection (b) shall be given at least forty-eight (48) hours before the hour fixed for the meeting, counting from the time of filing the telegram or completing the telephone call or E-mail.

Some or all of the Directors may be notified by mail, by telegram, by telephone or by E-mail and others by one or more of such ways. Such notice shall contain in substance a statement of the time and place of the meeting, but need have no other formality. The certificate of the Secretary or Assistant Secretary of the Association that prior notice in fact has been given to each Director shall be, when approved by the Directors, conclusive that such notice has been given.

4.11 Notice of Adjourned Meetings.

Notice of the time and place of holding an adjourned meeting need not be given if the time and place is fixed at the meeting adjourned and the adjournment is for a period of not more than 24 hours.

4.12 Waiver of Notice.

The transaction of any meeting of the Board of Directors however called and noticed or wherever held, shall be as valid as though had at a meeting duly held, after regular call and notice, if a quorum be present, and if, either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to holding such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records and made a part of the minutes of the meeting.

4.13 Quorum/Vote Required.

Two-thirds (2/3) of the authorized number of Directors shall constitute a quorum of the Board for the transaction of business, except to adjourn a meeting when a quorum is not present. Unless otherwise specifically required by law or these Bylaws, any action by two-thirds (2/3) of the authorized number of Directors shall constitute the action of the Board.

4.14 Action Without a Meeting.

Any action required or permitted to be taken by the Board may be taken without a meeting if all members of the Board individually or collectively consent in writing to such action; provided, however, that such written consent or consents are filed with the minutes of the proceedings of the Board.

4.15 Compensation of Directors.

Directors shall receive such compensation for their services as Directors as shall be determined from time to time by resolution of the Board.

4.16 Standards of Conduct.

The Directors have the responsibility to conduct, manage and control the business and affairs of the Association and in that connection to take such action and, on behalf of the

Association, to incur or authorize such expenditures as, in the judgement of the Board, will best accomplish the purposes of the Association as stated in its Articles of Incorporation.

In meeting the Director's obligations, the Director is required to act with due care, and in good faith, in a manner which the Director reasonably believes to be in the best interest of the Association and its members, unaffected by self-interest.

Unless there has been full disclosure to, and approval by, a disinterested majority of the Board, no Director shall knowingly act upon or approve in any way (including, without limitation, negotiating or bargaining about) any transaction(s) with any person or firm doing business, or proposing to do business, with the Association when such Director has a financial interest (other than an interest solely as an owner, officer, director, or employee of a member of Association), directly or indirectly, in such person or firm, or in either the outcome of such transaction(s) or whether such transaction(s) should occur at all.

No Director shall disclose or misuse confidential or privileged information of the Association learned or developed in the process of carrying out the Director's duties as a Director. Each Director is required to exercise caution and good judgement in maintaining in confidence all information which bears on the affairs of the Association and which, if disclosed, could be detrimental to the interests of the Association.

It is essential in its dealings with its customers, regulatory agencies, and the public at large, that the Association speaks with one voice. Accordingly, once the Board has acted upon a matter of interest to the Association, each Director shall not, except in communications with members of the Association, take (on his own behalf, on behalf of the Association, or on behalf of others) a contrary position.

4.17 Removal of Directors.

A Director may be removed from office by any means specified in Chapter 1 of Division 20 of the Food and Agricultural Code of the State of California or in Sections 303 through 304 of the Corporations Code of the State of California.

In addition, upon a finding by the Directors that a Director has violated his or her duties to the Association, the Board shall submit to the members of the affected Director's District a recommendation that the Director be removed from office and the Director shall be so removed if the Board's recommendation is approved by members within such District by the affirmative vote of not less than 50% of the voting power of the members in that Director's District.

ARTICLE V
POWERS OF DIRECTORS

5.1 General Powers.

Subject to the limitations of the Articles of Incorporation, the Bylaws and the statutes of the State of California relating to action which shall be authorized or approved by members, all corporate powers shall be exercised by or under the authority of, and the business and affairs of

the Association shall be controlled by, the Board. Without prejudice to such general powers, but subject to the same limitations, it is expressly declared that the Board shall have the following powers:

(a) To conduct, manage and control the affairs and business of Association and to establish and enforce rules and regulations not inconsistent with the laws of the State of California, the Articles of Incorporation and Bylaws, for the guidance of its officers and the management and conduct of its affairs and business.

(a) To employ and remove at its pleasure any officers, agents and employees of the Association, and to prescribe their duties and to fix their compensation.

(a) To borrow money and incur indebtedness for Association purposes, and to cause to be executed and delivered therefor, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations and other evidences of indebtedness and security therefor, and to do every act and thing necessary to effectuate the same.

(a) To provide for the preparation of financial statements and reports, to prescribe their form and to provide for appropriate distribution thereof to members not later than 120 days following the close of the Association's fiscal year.

(a) To commingle with other Association funds, and use, all proceeds of products; and no member shall be entitled to claim or be paid the specific proceeds from the sale of any specific products under any agency or trust doctrine, or otherwise, but the members shall become general creditors of the Association for any amounts payable to them.

(a) To fix and determine the method, amount and manner of all assessments or deductions to cover all charges and expenses of the Association; and to fix and determine the amount of contribution required by each member to the capital required to operate the Association and the method, amount, manner and time of assessment or deduction of such contribution and the repayment thereof.

(a) To make advances to members against the products to be marketed by the Association, or their proceeds, and to make or offer loans or advances to members generally and the obligations of members may be guaranteed by Association.

Subject to the Standards of Conduct set out in Section 4.16 of these Bylaws and the other limitations set out at the beginning of this section, the Board shall have the broadest possible discretion in exercising the powers delegated to it by these Bylaws or applicable law. All decisions are committed to the Board's collective business judgment. No duly elected member of the Board shall be deemed interested or disqualified from exercising the powers herein conferred upon the Board by virtue of the fact that he or she is a producer of milk. *[Amended 12/30/19]*

5.2 Committees.

The Board may designate one or more committees, each consisting of two or more Directors, to serve at the pleasure of the Board. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. Such committees shall have such duties and powers as may from time to time be prescribed by the Board and, except as otherwise provided by law, their duties and powers may be all of the duties and powers of the Board. The Board may also appoint advisory committees consisting of one or more Directors and other members of the Association who are not Directors. Advisory committees shall not exercise any duties or powers of the Board, but shall report to and make recommendations to the Board on the matter or matters which the committee has been created to address.

ARTICLE VI
OFFICERS AND MANAGEMENT

6.1 Corporate Officers.

The officers of Association shall be elected by the Board and shall be a chairperson, one or more vice-chairpersons, a president, one or more vice presidents, a secretary and a treasurer. The Board may also appoint one or more assistant secretaries or assistant treasurers and any other corporate officer that the Board may see fit in its discretion to designate. No person may hold more than one office. Other than the chairperson, vice chairpersons, secretary and treasurer, officers may, but need not be, Directors.

6.2 Election and Term of Office.

Officers shall be elected annually at the regular organization meeting of the Board following the annual meetings of members, or at such other time as the Board shall determine. Unless sooner removed by the Board, or unless they resign or become disqualified, all officers shall hold office until their successors are chosen and have qualified. Any officer may be removed, either with or without cause, by the Board at any time, but such removal shall be without prejudice to contract rights, if any, of the persons so removed. The election or removal of officers shall be by the affirmative vote of a majority of the authorized number of directors.

6.3 Powers and Duties.

Subject at all times to the control and direction of the Board; each officer shall have and exercise the powers and duties usual to such person's office.

ARTICLE VII
MARKETING AGREEMENT

7.1 Introduction

This Article, together with relevant Articles of Incorporation, other provisions of these Bylaws, each member's application for membership and membership agreement, rules and regulations adopted by the Board and any supplemental agreement between the member and the Association, all as amended from time to time, are in lieu of a separate marketing agreement and express the terms of agreement between each member and the Association to which each

member agrees by application for membership and the Association agrees by acceptance of such application to be bound.

7.2 Obligation to Deliver; Capacity Shortage Surcharge

(a) Subject to such rules and regulations with regard to quality and other standards as the Board may in its discretion from time to time adopt, each member of the Association agrees to deliver, or cause to be delivered, to the Association, at such places and times as designated by the Association, all market and manufacturing milk produced by the member within the production area served by the Association from dairies accepted by the Association. The Board may make such rules and regulations respecting mode, manner and place of delivery of milk by the members as the Board, in its discretion, shall determine. In accepting a member, the Association may, in its discretion, accept or decline to receive milk from the new member on a dairy-by-dairy basis, but in such event, the member is free to market elsewhere the milk produced on his/her/its dairies that are declined by the Association. Once a member is admitted to membership, the member deliveries from the dairy or dairies accepted by the Association are and will be subject to compliance with the Association's handling capacity shortage procedures set forth in this Section 7.2~~.~~ and the Base Capital Plan established under Article VIII. If a member adds a dairy after he/she/it is accepted as a member, the Association may, but is not required to, agree to accept milk from that added dairy as part of the member's obligation to deliver. If dairies that are accepted by the Association as dairies from which it will accept a member's milk are distributed among the member's owners (whether the owners be shareholders, partners or otherwise), then upon immediate application for membership, the Association shall, subject to the terms of the Articles of Incorporation, these Bylaws, and the rules and regulations applicable to all members and applicants for membership, accept such owners as members and agree to continue to accept milk from those previously accepted dairies.

(b) If at any time the members' total production of milk or any component of milk exceeds or, in the Board's discretion, threatens to exceed, the Association's current and foreseeable future milk or milk component handling and/or marketing capacity, the Association may, upon notice given in writing or by any electronic means of notification customarily employed by the Association, advise all members that they shall be subject to a capacity shortage surcharge as defined in Section 7.2(c) for deliveries of milk that exceed their historical production during the period of handling capacity shortage. Any such notice of capacity shortage surcharge shall establish a uniform percentage of historical production which all members may deliver to the Association without incurring a capacity shortage surcharge. For purposes of this Section, a member's "Historical Production" shall be determined by taking the member's actual average daily production ~~for~~determined over each such member's highest average production over a three consecutive month period during the ~~calendar~~ 12-month period preceding the ~~month in which~~ notice of handling capacity shortage is given. ~~Any~~A member ~~who has~~that did not ~~delivered~~deliver milk to the Association for a full three calendar month ~~prior to~~period in the ~~month in which~~12 months before notice is given~~,~~ shall be exempt from the capacity shortage surcharge until he/she/it has delivered milk to the Association for ~~one full~~three calendar ~~month after the month in which the notice is given.~~months. All milk delivered by the new member to the Association in months subsequent to the member's ~~first full~~completion of three calendar ~~month of delivery after the month in which the notice is given~~months of

Formatted: Normal
Formatted: (Asian) Chinese (Simplified, Mainland China)
Formatted: Not Hidden

deliveries, shall be subject to the requirements of this paragraph. In such case, the new member's Historical Production shall be the member's actual average daily production for the first ~~full~~three calendar ~~month~~months in which the member delivered milk or milk components to the Association ~~after the month in which notice is given~~.

(c) Members who deliver milk or milk components in excess of the percentage of Historical Production established by the Board of Directors will be charged, on a *pro rata* monthly basis calculated among all those members who deliver milk in excess of their percentage of Historical Production, the Association's actual additional monthly cost, if any, of processing, selling and/ or disposing of the milk or milk components that exceed the established percentage of Historical Production. This charge shall be referred to as the ~~Capacity Shortage Surcharge.~~"Capacity Shortage Surcharge" or "CSS" The CSS may be assessed against a member's excess production regardless of whether aggregate member production for the month exceeds the aggregate percentage of Historical Production of all members. Management shall allocate substantially all identifiable Incremental Costs among members producing in excess of their respective CSS exempt volumes in a manner approved by the Board and reasonably designed to assign such costs to the members responsible for the excess production. The CSS may be imposed in addition to any price adjustment under Section 7.3.

(d) Any Capacity Shortage Surcharge imposed by notice as provided herein may be terminated by the Association's giving of notice in writing or by any electronic means of notification customarily employed by the Association. Upon the effective date stated in the notice of termination, the Capacity Shortage Surcharge shall be terminated. The amounts deliverable by a member in the event of subsequent notices of handling capacity shortage shall be calculated with reference to the member's Historical Production ~~for the calendar month preceding the month in which any such subsequent notice is given or, in the case of a new member; the new member's actual average daily deliveries for the first full calendar month for which the member delivers milk or milk components to the Association after the month in which notice is given.~~ as provided in Section 7.2(b) and not by any prior Historical Production determination.

~~The~~ (e) Subject to procedures established by Management, a member may transfer its allotted production for an applicable CSS assessment period to one or more other members ~~of~~. No transfer shall be effective unless timely submitted to and accepted by the Association ~~delegate to~~. Once accepted, a transfer shall be irrevocable for the applicable assessment period unless the Board of Directors~~-~~ approves otherwise.

(f) A transfer applies only to the CSS assessment period for which it is accepted and creates no continuing right in the receiving member. A CSS Allotment is solely an administrative allocation used to implement the CSS and is not property, a security, a membership interest, a contractual right, or any other vested right. A transfer does not transfer, assign, sell, convey, or modify Historical Production, membership rights, patronage rights, ownership interests, capital credits, or other property or contractual rights of either member. All transfers and transferred CSS Allotments expire automatically upon expiration or termination of the applicable CSS assessment period or termination of the CSS by the Board.

(g) Management may establish forms, procedures, deadlines, reporting requirements, and administrative rules necessary or appropriate to implement the CSS and transfers of CSS

Allotments consistently with this Section. The Board shall have the broadest possible discretion to make all decisions regarding matters arising under this Section 7.2. All such decisions are committed to the Board's collective business judgment. No duly elected member of the Board shall be deemed interested or disqualified from making such decisions by virtue of the fact that he/she/it is a producer of milk or milk components. *[Amended 12/30/19]*

7.3 Duties and Obligations of Association; Tiered Monthly Milk Payments

Formatted: Underline
Formatted: Not Hidden
Formatted: Normal

(a) The Association agrees to accept all of the milk of each member covered by this Marketing Agreement, subject to the provisions of Section 7.2, Article VIII, and rules and regulations adopted by the Board. The Association agrees to market the milk of the members received by the Association at such prices, terms and times as in its judgment it deems best for the interests of all of its members.

(b) The Board may establish and administer a two-tier or other tiered structure for monthly payments or advances for milk delivered by members. The tiers shall reflect each member's capital investment in relation to the Base Capital Target established under Article VIII. Unless the Board determines otherwise by resolution: (i) Tier 1 shall apply to the volume of a member's milk supported by Base Capital Fund Credits that, together with Capital Retains scheduled to be credited before the next Reset Date, fully fund the applicable Base Capital Target; and (ii) Tier 2 shall apply to milk delivered in excess of the volume supported at Tier 1 or otherwise designated by the Board for a lower monthly payment. The Board may determine the pricing formula, differential, deductions, and other terms for each tier and may revise them from time to time.

(c) Each member's tier eligibility and supported production volume shall be determined twice each calendar year, effective January 1 and July 1 (each, a "Reset Date"), based on records and procedures established by Management. A member may submit an election for an Additional Capital Retain under Section 8.4 for the January 1 determination and for the July 1 determination based upon deadlines established by the Board. An election shall apply only to milk delivered after the election becomes effective and shall not cause an increased Capital Retain to apply retroactively to milk previously delivered. In determining Tier 1 eligibility, the Association may include Capital Retains reasonably anticipated to be credited to the member before the next Reset Date.

(d) Subject to Article VIII and procedures established by the Board, a member may support increased milk production by prospectively electing an increased Capital Retain with respect to milk thereafter delivered to and marketed by the Association. Any such election shall be made before the beginning of the period to which it applies, shall specify the additional rate or amount of Capital Retain elected by the member, and, once effective, shall be irrevocable for that period. The elected additional Capital Retain shall apply only to milk delivered after the election becomes effective and shall be retained from amounts otherwise payable or creditable to the member with respect to such milk. The resulting Capital Fund Credits may be taken into account in determining the volume of milk supported for Tier 1 pricing in accordance with this Section and Article VIII, or the member may have incremental production paid at the applicable lower tier. A member may also reduce production to align its production with the amount supported by its Base Capital Fund Credits. Nothing in this Section obligates the Association to accept milk from any unaccepted dairy or limits its authority under Section 7.2.

(e) Subject to the Association's ~~right~~rights of offset ~~under Section 8.10 of these Bylaws, the provisions of Section 7.4 relating to the~~ , the allocation ~~on an individual basis~~ of identifiable non-uniform costs, and the provisions of Section 7.2 relating to imposition of a Capacity Shortage Surcharge, applicable tier adjustments, and capital retentions and assessments under Article VIII, the Association shall pay to each member the member's pro rata portion of the net proceeds received therefrom as payment in full to the members according to the quantity or value or both of the milk delivered by each of them. Net proceeds shall be determined by the Board by deducting from the gross proceeds the cost of receiving, processing, manufacturing, handling, storing, transporting, advertising, and all other expenses of marketing. Expenses shall include, but not be limited to, all costs of administration, reasonable allowances for depreciation and bad debts, interest and losses (to the extent hereafter provided). The Association may also retain amounts from net proceeds for capital funds and other allocated and unallocated reserves created as hereafter provided in Article VIII of these Bylaws; but it may retain unallocated capital funds and reserves only to the extent, in a manner and at such time so as not to impair the deductibility by the Association under federal and state income tax law of net proceeds paid to members or retained as allocated capital.

The milk received by the Association from each member shall be pooled and sold with milk received by the Association from other members in such pools as the Board shall authorize. A separate accounting shall be made for each pool. Within eight and one-half months after the close of each fiscal year, the Association shall account for each member's pro rata share of the net proceeds of any pool closing during the fiscal year by payment in cash and/or retaining same to any authorized capital account and/or allocated reserve account ~~of the member as hereafter provided.~~. Any year-end patronage allocation or distribution, if available, shall be based on each member's proportionate share of total annual patronage, including milk production, without regard to the member's tier classification or level of capital investment, except as otherwise required by applicable law. The Board is hereby given the power from time to time to adopt, amend or modify rules and regulations with respect to such pools. ~~*[Amended 12/30/19]*~~

7.4 Allocation on an Individual Basis of Identifiable Non-Uniform Costs.

The Association is authorized to charge on an individual basis against each member's pro rata portion of the net proceeds any identifiable costs incurred in receiving, processing, manufacturing, handling, storing and transporting the member's milk that are not uniformly incurred by or on behalf of all members. This shall include by way of illustration, but not limitation, the cost of transporting the member's milk to its first point of receipt whether that point be a facility owned or operated by the Association or a facility owned or operated by a purchaser or handler of milk. *[Added 12/30/19]*

7.5 Control by Association.

The Association is authorized to act on behalf of each member as may be required or permitted under any governmental marketing agreement, order, program or plan relating to the delivery, packing, marketing or other handling or disposition of milk or milk by-products now or hereafter applicable to any milk subject to this Marketing Agreement, including the exercise thereunder of any right to store milk or milk by-products or vote on behalf of each member of the Association. All matters pertaining to the receiving, processing, preparing for market, packing,

marketing and other handling of milk subject to this Marketing Agreement shall be transacted solely by or on behalf of the Association. No member, by virtue of being the owner of or having delivered milk to the Association shall exercise any control over the Association in regard to such milk or otherwise in the conduct of the business of the Association except as may be provided elsewhere in these Bylaws. In all of such matters, the Association may in good faith use its own discretion and judgment free from direction by any member delivering the milk. No member of the Association shall be liable under any rules of agency on account of any contract or contracts made by the Association or from any other cause in the Association's carrying on its business and the Association shall be liable to its members only for proceeds actually received by the Association.

7.6 Pool Quota and Pool Production Base

Each member agrees that the production base and pool quota established by California law and rules and regulations enacted thereunder, or any other governmental body, which is, or may hereafter be, assigned to the member shall be and is hereby assigned to and under the custody and control of the Association for the use and benefit of all of the members of the Association. So long as the member is bound by the terms of the Marketing Agreement, the said base and quota may only be assigned or transferred by the member to another in accordance with, and subject to the restrictions, rules and regulations of the Association, and as provided in the pooling plan developed in accordance with, and under the authority of Chapter 3, Part 3, Division 21 of the Food and Agricultural Code of the State of California, and other pertinent provisions of law. Member hereby assigns his interest in state or other governmental pools to the custody and control of the Association for such purposes and to the extent allowed by law.

7.7 Advances/Deferrals.

The Association may make advances against the net proceeds payable to members at such times and in such amounts as the Board shall determine. In the event that the amount of advances exceed the amount of net proceeds determined to be payable to such member, the member agrees to repay the amount of such excess on demand. The Association may enter into agreements with members providing for the deferred payment of all or a portion of net proceeds, and advances against net proceeds otherwise payable to the members.

7.8 Remedies for Member's Breach

(a) In the event that any member shall fail to deliver to the Association any of the milk subject to this Marketing Agreement, such act will injure the Association and its members in an amount that is, and will be, impractical and extremely difficult to determine. In view of the foregoing, each member agrees to pay to the Association, upon demand, an amount equal to twenty-five percent (25%) of the market value of all milk delivered, sold, marketed or disposed of contrary to the terms of this Marketing Agreement.

(b) The foregoing right to recover liquidated damages shall be in addition to all other remedies now or hereafter available by law, including, but not limited to, the right to obtain an injunction, and said remedies shall be deemed cumulative and not exclusive.

(c) If the Association institutes any successful action whatever by reason of a breach or threatened breach of the Marketing Agreement against any member, said member agrees to pay to the Association all costs, premiums for bonds, expenses and fees, including reasonable attorney's fees.

7.9 Termination of Members Marketing Obligation.

Except for termination of membership pursuant to Section 2.10(c) (in which case the member's obligation to market shall terminate with the member's termination of membership), and except by mutual consent of the Association and the affected member, the member's obligation to market milk through the Association following termination of membership shall be terminated only by submission to the Association or the member, as the case may be, of a notice of termination given not less than one year prior to the member's next anniversary date of membership in Association, or its predecessor, as the case may be, in which event the member's obligation to market shall terminate on such anniversary date.

7.10 Rights of Certain Creditors.

Notwithstanding any other provision of these Bylaws, if the Board of Directors adopts a resolution so providing with respect to any promissory note issued, or the payment of which is guaranteed, by the Association, then the Association shall not make any distributions to members arising from the marketing of milk delivered by such members, or make any advances upon such distributions, if such distributions or advances would cause the Association to fail to make timely payments of any monies due under the terms of such promissory note or guaranty.

ARTICLE VIII
CAPITAL AND ALLOCATED RESERVES

8.1 Purpose of Capital Funds

Members shall furnish capital to effectuate the purposes of the Association by contributions on an equitable basis to capital and allocated reserves and the Association is authorized to utilize any of the methods of capitalization described in this Article VIII. *[Amended 12/30/19]*

8.2 Base Capital Fund

The Association may maintain a capital fund, called the Base Capital Fund, including continuing capital funds of those cooperatives which have been merged into the Association, subject to the provisions of the agreement regarding the applicable merger (each a "Merger Agreement").

8.3 Requirements for the Base Capital Fund.

(a) The Board may, from time to time, establish requirements for capital contributions from members to the Base Capital Fund, and determine the appropriate share of the Base Capital Fund to be contributed by each member. ("Base Capital Target"). In any such determination,

members shall be treated on an equal basis, with each member's share being proportionate to that member's use of services and facilities provided by the Association, taking into account applicable terms of any Merger Agreement which shall control in the event of a conflict with the terms hereof.

(b) Notwithstanding the foregoing, the Board may determine the production volume supported by a member's Base Capital Fund contributions for purposes of the tiered payment structure under Section 7.3. Except as otherwise provided by the Board, a member that has fully funded the then applicable Base Capital Target permitted under Section 7.3, shall be eligible for Tier 1 pricing for the volume supported by such capital. Milk in excess of the supported volume may be paid at Tier 2 or another tier established by the Board.

(c) Subject to the Maximum Base Capital Target and uniform procedures established by the Board, a member, including a newly admitted member, may prospectively elect an increased Capital Retain pursuant to Section 8.4 to fund Base Capital Fund Credits supporting reasonably anticipated production. Unless the Board determines otherwise, a member may fund a capital account up to an amount supporting one hundred ten percent (110%) of the member's most recent annual milk production ("Maximum Base Capital Target") and may prefund above the then-current Base Capital Target to support reasonably anticipated growth, but not above the Maximum Base Capital Target. Any election to increase a Capital Retain shall apply prospectively only, shall become effective before the milk to which the increased Capital Retain applies is delivered, and shall be irrevocable for the applicable election period. The Board may establish alternative limits or methods when necessary to administer the Base Capital Plan equitably.

(d) A member is not required to decrease production or to elect an Additional Capital Retain solely because its production exceeds the volume supported at Tier 1. The member may accept the applicable lower-tier monthly payment for incremental production, prospectively elect an increased Capital Retain under Section 8.4, or reduce production to align with its supported volume, subject in each case to Section 7.2 and other rules of the Association. Once an election for an increased Capital Retain becomes effective, the elected retain shall constitute a binding obligation of the member and the Association for the applicable election period and may not be revoked, decreased, recharacterized, or applied retroactively.

8.4 Capital ~~Fund Rates~~ Contributions and Capital Retains

(a) General. Additions to the Base Capital Fund may be made by ~~assessments against members or deductions~~assessment, deduction, retention from amounts otherwise payable or creditable to members ~~by Association, as determined by the Board from time~~with respect to ~~time, on~~ products received for marketing or marketed by ~~Association. The total amount to be so assessed or deducted for any fiscal year shall be fixed by the Board from year to year. The rate of assessment of deduction shall also be fixed by the Board either prior to or during the fiscal year, and having been fixed for any year, may, not later than the close of the fiscal year, be changed. Such~~the Association (a "Capital Retain"), direct payment, or another method approved by the Board and permitted by applicable law. All such amounts shall be credited to the respective members on the books of the Association ~~and~~as Capital Fund Credits.

(b) Additional Capital Retain Election. Subject to the Base Capital Target, the Maximum Base Capital Target, and procedures established by the Board, a member may elect prospectively to increase the rate or amount of Capital Retain otherwise applicable to milk thereafter delivered by the member to and marketed by the Association. The election shall be made in writing or by authenticated electronic means authorized by the Association before the beginning of the applicable election period and before delivery of any milk to which the increased Capital Retain will apply.

(c) Irrevocability. Upon becoming effective, an election under subsection (b) shall be irrevocable for the applicable election period and shall constitute a binding obligation governing the amounts to be retained by the Association with respect to the member's milk delivered during that period. Neither the member nor the Association may retroactively increase, decrease, revoke, or recharacterize an elected Capital Retain with respect to milk previously delivered.

(d) Calculation and Credit. An Additional Capital Retain elected under this Section shall be calculated on the basis of the quantity or value, or both, of milk delivered by the electing member during the applicable election period, at the rate or by the methodology established under the member's election and procedures approved by the Board. The Association shall retain the resulting amount from amounts otherwise payable or creditable to the member with respect to such milk and shall credit the amount to the member's Base Capital Fund account as Capital Fund Credits.

(e) Prospective Application. No election under this Section shall apply to milk delivered before the election becomes effective. An election shall apply only to patronage occurring after its effective date and during the applicable election period.

(f) Uniform Administration. The Board shall establish available election periods, permissible additional Capital Retain rates or methodologies, election deadlines, and administrative procedures. Such procedures shall be applied equitably to similarly situated members and shall be subject to the Base Capital Target, Maximum Base Capital Target, and other limitations established under this Article.

(g) Tax Administration. Capital Retains under this Section are ~~herein sometimes referred to as "Capital Fund Credits."~~intended to constitute amounts retained with respect to business done with or for members and shall be administered consistently with applicable provisions of Subchapter T of the Internal Revenue Code, including Sections 1382 and 1388, to the extent applicable. Nothing in this Section requires the Association to treat any amount in a manner inconsistent with applicable federal or state tax law.

8.5 Nature of Capital Fund Credits

Subject to the applicable terms of any Merger Agreement, all such Capital Fund Credits shall be paid solely upon the conditions and at the time and times hereinafter provided~~.~~ in these Bylaws, the Base Capital Plan, and applicable Board resolutions. No interest shall be payable on ~~any such credits. Such credits shall be~~Capital Fund Credits. Capital Fund Credits are junior and ~~subordinated~~subordinate to all indebtedness of the Association, secured or unsecured, and do not

confer any right to a particular monthly milk tier except as determined under Section 7.3 and the Base Capital Plan.

8.6 No Segregation of Funds

The monies deducted or assessed for the Base Capital Fund may be commingled with and used for corporate purposes as other monies belonging or coming to Association are used. Nothing herein contained shall be deemed to require that any specific monies or funds be segregated, or designated, or marked, or set apart, or held for the Base Capital Fund, nor shall the Base Capital Fund be deemed a trust fund held for the owners of Capital Fund Credits.

8.7 Redemption

Subject to the applicable terms of any Merger Agreement, whenever the Board of Directors determines, in its sole discretion, that the aggregate of all outstanding unpaid Capital Fund Credits exceeds the capital needs of the Association, such excess and subsequent additions shall be used for payment of the amounts evidenced or represented by unpaid credits, in a manner and upon such terms and conditions as the Board may determine.

8.8 Other Capital Funds.

(a) The Board may establish, in addition to the Base Capital Fund, such other allocated reserves as it shall deem advisable. The Board is authorized to retain or withhold from monies otherwise payable to members such amount or amounts as the Board shall determine for the establishment and maintenance of such allocated reserves. Such allocated reserves shall be redeemed in such manner and at such times as the Board deems advisable. All of the provisions contained in these Bylaws relative to the Base Capital Fund and credits therein shall, subject to the applicable terms of any Merger Agreement, be deemed applicable to such other allocated reserves and to credits therein, except as otherwise provided by resolution of the Board.

(b) The Board may establish, in addition to the Base Capital Fund and such other allocated reserves as it shall deem advisable, such unallocated capital funds and reserves as it deems advisable subject to the restrictions set forth hereinafter. The Board is authorized to retain or withhold from monies otherwise payable to members such amount or amounts as the Board may determine for the establishment or maintenance of such unallocated capital funds and reserves, but it may retain unallocated capital funds and reserves only to the extent, in a manner and at such time so as not to impair the deductibility by the Association under federal and state income tax law of net proceeds paid to members or retained as allocated capital or reserves. The Board shall not be required to redeem such unallocated capital and reserves. The Board may in its discretion subsequently allocate and distribute any such unallocated capital funds and reserves as is provided in Section 9.10. *[Amended 12/30/19]*

8.9 Assignment or Transfer.

(a) No Assignment or transfer of any Base Capital Fund Credits or allocated reserve credits, whether voluntary or involuntary, by act of law or otherwise, shall bind the Association or entitle the assignee or transferee to receive any monies from the Association unless the Association has consented in writing thereto.

(b) Base Capital Fund Credits and other allocated reserve credits held by the assignee of a current or former member of Association shall be redeemed in the manner and at the time such payment would have been made had such credits not been assigned unless the assignee and assignor agree otherwise in an agreement in such form as prescribed by the Board.

8.10 No Assignment While Indebted to Association.

No assignment or transfer of any Capital Fund Credits, other allocations or rights to milk proceeds, whether voluntary or involuntary, by act of law or otherwise, can be made, nor will any purported assignment or transfer be of any effect against Association, or affect its right of setoff as long as the member or former member whose interest is to be assigned or transferred is liable or indebted to the Association in any manner or for anything, whether such indebtedness is liquidated or un-liquidated, due or not due; and the Association may withhold consent and refuse to recognize or be bound by any assignment or transfer (whether voluntary or involuntary) as long as any such indebtedness or liability exists, whether due or not due, liquidated or un-liquidated; and the Association shall have and is given a prior lien upon and against the Capital Fund Credits, other allocations, and the Association's obligation to pay for milk, of each member and former member to secure the indebtedness and liability to the Association of that member or former member with the right to set off the same against any of the Capital Fund Credits, other allocations and/or milk proceeds of that member or former member in an equal amount to any indebtedness or liability of such member or former member to the Association for which the Association is given a lien, as aforesaid, whether due or not, and in such event of such set off, indebtedness and liability on both sides in the same amount shall be deemed cancelled and satisfied.

8.11 Losses Chargeable Against Capital Credits and Other Allocations.

In the event the Association sustains a substantial loss, from any cause whatsoever, the Board may charge all or any part of such loss in the manner it determines fair and equitable, in its absolute discretion, to any one or more of the following accounts:

(a) Current operating expenses;

(b) Future operating expenses;

(c) Base Capital Fund Credits, other allocated reserve credits and/or book allocations for the fiscal year in which such loss was incurred or to which it is attributable;

(d) All capital fund credits, other allocated reserve credits and/or book allocations for all years or a period of years; and/or

(e) Unallocated reserves.

Notice of any such charge against Capital Fund Credits or other allocations shall be given within eight and one-half months after the close of the fiscal year in which such loss is charged to the persons whose names the credits or allocations stand on the books of the Association. Anything in these Bylaws to the contrary notwithstanding, there shall be payable in respect to Base Capital Fund Credits and other allocated reserve credits only the difference between the amount of the credits originally entered and the portion of such loss charged thereto, and such difference shall be payable only to the extent provided in these Bylaws.

The Board shall have the power to determine when a substantial loss has occurred, and its determination shall be conclusive. In making such determination, the Board may consider, among other things, losses from bank suspensions, uncollected accounts, fire, explosion, accident or other calamity, unforeseen marketing conditions, excessive or high manufacturing, operating, or overhead costs or below normal production, inadequate depreciation charges, and unusual or unforeseen expenses, including taxes, assessments, fines, penalties and claims arising under any present or future law.

8.12 Payment on Dissolution.

In the event of dissolution or liquidation of the Association, all unpaid Capital Fund Credits and other allocations shall be deemed due without regard to priority, but shall not be paid in any part until all indebtedness of the Association has been paid or adequately provided for. All capital, unallocated or allocated, shall in that order be applied to pay or adequately provide for all indebtedness of the Association. Any unallocated capital not needed to pay or adequately provide for all indebtedness of the Association shall be distributed to the then current members on the basis of their patronage with the Association over a representative period of time insofar as is practicable, as determined by the Board. Any residue that may remain after payment in full of all indebtedness, distribution of unused unallocated capital as provided herein, and all such Capital Fund Credits and other allocations shall be distributed to those members who were members at the time the members elected to dissolve or liquidate in proportion to such members' property rights at such time. In the event that funds are insufficient to cover all such credits and allocations, payment of such credits and allocations shall be on a pro-rata basis. *[Amended 12/30/19]*

8.13 Successor Association.

In the event the Association shall at any time determine to transfer the property and assets of the Association to a successor association and designates such association as the successor of the Association, then the transfer of said property and assets by the Association to such successor association shall not be considered a dissolution or liquidation within the meaning of the foregoing section provided such successor association shall be in substance a farmers' non-profit marketing association formed or recognized for such purpose and shall be formed by consolidation or be the survivor of a merger, and property rights and interests of the members of the Association shall be recognized and preserved in an equitable manner in such successor association.

8.14 Tax Treatment.

Every person and entity who, at any time, applies for and is accepted to membership in the Association, by such act alone, hereby consents that the amount of any distributions with respect to such member's patronage which are made in qualified written notices of allocation or qualified per-unit retain certificates (as defined in 26 U.S.C. 1388) and which are received by the member from the Association will be taken into account by the member at their stated dollar amounts in a manner provided in 26 U.S.C. 1385(a) in the taxable year in which such written notices of allocation or per-unit retain certificates are received by the member. The consent of each member pursuant to this Section 8.14 shall not extend to distributions or allocations which are made in written notices of allocation or per-unit retain certificates which are designated on the face thereof as "non-qualified."

8.15 Compromising and Discounting Credits.

Notwithstanding any provision elsewhere herein contained, the Board shall have the power, but not the obligation, from time to time or at any time, to pay off or secure a release or satisfaction of one or more of the Capital Fund Credits or other reserve allocations in either instance as follows:

(a) To compromise or settle or obtain a discharge of any claim of or against the Association or any dispute in respect to the credit or allocation; or

(b) To obtain for Association a discount for prior payment that the Board deems substantial.

The amount paid in such instances shall be deemed to have been paid from and shall be charged to the fund or allocated reserve from which such credit or allocation would have been payable eventually.

8.16 Rights of Creditors.

Notwithstanding any other provision of these Bylaws, the Association shall not redeem or make any payment in respect of Capital Fund Credits, other allocated reserve credits or book allocations if such redemptions or payments would impair the ability of the Association to meet its obligations to its creditors as they become due.

ARTICLE IX
MISCELLANEOUS

9.1 Principal Office.

The principal office for the transaction of business of the Association is hereby fixed and located in Tulare County, California or at such other location within the State of California as the Board may from time to time determine.

9.2 Fiscal Year.

The fiscal year of the Association is the calendar year.

9.3 Indemnification.

Each Director and officer of the Association shall be indemnified by Association to the fullest extent permissible under California law against all costs, expenses and liabilities, including without limitation, judgments, fines, and settlements, reasonably incurred by him or her in connection with or resulting from any threatened, pending or completed action, suit, or proceeding to which such Director or officer may be made a party by reason of being or having been a Director or officer of the Association. The foregoing right of indemnification shall not be exclusive of other rights to which he or she may be entitled as a matter of law.

Subject to the then conditions and qualifications set forth in the California Corporations Code, expenses incurred by any such person in defending any action, suit or proceeding referred to above shall, upon written request by such person, be advanced by the Association prior to the final disposition of such proceeding upon receipt of a written promise by or on behalf of such person to repay such amount unless it is finally determined that such person is entitled to be indemnified as set forth herein. Such written undertaking shall be accompanied by such collateral to secure payment as the Board, in the exercise of its discretion, determines should be required under the circumstances of the case.

9.4 Unclaimed Money.

A claim shall be deemed payable within the meaning of this Section whenever the Association is ready, willing and able to pay such claim and has paid or is paying generally claims arising under similar circumstances and payment is not made for the reason the Association does not know the whereabouts or mail address of the one to whom payable or the one entitled to payment. Pursuant to Section 54041 of the California Food and Agriculture Code, if any claim in respect of a proprietary interest in the Association (any membership, membership certificate, membership share, share certificate, or equity or dividend certificate of any class, together with all accrued and unpaid earnings, dividends, and patronage distributions relating thereto) is not actually paid within a period of three years after the same became payable as so provided, Association may charge off the same as a liability on its books; provided, no such charge-off may be made unless at least sixty days prior thereto, the Association has sent a written notice of the proposed charge-off, addressed to the person appearing from the Associations' books to be entitled to payment of such monies at the last address of such person shown by the records of the Association. Such notice shall be sent by certified United States mail, with return receipt requested. Any claim charged off after giving such notice shall be deemed extinguished and no suit for its collection can be maintained.

9.5 Amendments to Bylaws.

These Bylaws may be amended or repealed and new bylaws adopted by the affirmative vote or written consent of a majority of the members of the Association.

9.6 No Vested Rights in Bylaws.

Except to the extent inconsistent with the applicable terms of any Merger Agreement, any and all provisions of these Bylaws, whether originally or subsequently adopted, regardless of their nature, whether regulatory or contractual, including those relating to the marketing of milk and capital funds and allocated reserves, may from time to time, be amended or repealed, and new or other provisions adopted, and each member becomes such with the knowledge of and consent to the reserved right of amendment or repeal, and the exercise thereof; and no member shall or does have any vested right in or to any provision hereof, or in the continuance thereof, and each member agrees that provisions of a general or like nature or effect of those contained in these Bylaws are appropriate and necessary for the efficient regulation of the business and the government and conduct of a non-profit cooperative association of the nature of this Association.

9.7 Information.

Each member agrees to supply to the Association upon demand all information, written or otherwise, necessary to determine the rights or obligations of the Association under these Bylaws.

9.8 Non-patronage Income.

Any non-patronage net income (net of applicable taxes, if any) and, subject to the terms of Section 8.11, non-patronage losses realized by the Association during a fiscal year may be allocated on the books of the Association to the then current members on the basis of their patronage over a representative period of time insofar as is practicable, as determined by the Board. Such allocations of income, net of such losses, may be paid to those to whom allocated at such time and in such amounts as the Board, in its absolute discretion, may from time to time determine.

9.9 Gain on Sale of Assets.

Any patronage net earnings (net of applicable taxes, if any) recognized on the sale of capital assets of the Association shall be allocated to the then current members on the basis of their patronage with the Association over a representative period of time insofar as is practicable, as determined by the Board. Such allocations of net earnings may be paid to those to whom allocated at such time and in such amounts as the Board, in its discretion, may from time to time determine. *[Amended 12/30/19]*

9.10 Subsequent Allocation of Patronage Income.

Any patronage net income (net of applicable taxes, if any) retained in an unallocated capital fund pursuant to Sections 7.3 and 8.8(b) may be allocated on the books of the Association at such times as the Board may determine to the then current members on the basis of their patronage with the Association over a representative period of time insofar as is practicable, as determined by the Board. Such allocations of previously unallocated capital funds, may be paid to those to whom allocated at such times and in such amounts as the Board, in its absolute discretion, may from time to time determine. [Added 12/30/19]