

BYLAWS

MICHIGAN MILK PRODUCERS ASSOCIATION

INDEX

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ARTICLE 1. MEMBERSHIP

(a) Only milk producers (sole proprietors, partnerships, limited liability companies or corporations) whose milk meet the grades and standards and who otherwise meet the qualifications for membership established by the Board of Directors of this association shall be eligible to become or qualified to remain a member of this association.

(b) Any eligible milk producer who signs a membership agreement provided by the association and whose application for membership is approved by the board of directors becomes a member of this association. If a milk producer (a sole proprietor, partnership, limited liability company or corporation) owns more than one dairy farm, the association may enter into separate marketing agreements with such producer with respect to each farm so owned, and the milk producer will be deemed to be a separate member with respect to each such farm.

(c) Membership in this association shall not be transferable.

(d) Each member will have one vote in any matter submitted to a vote of the members. Any vote cast by a member that is not a natural person must be cast by an individual who is regularly and materially involved in the business of the member's milk production, according to rules established by the board of directors. There shall be no voting by proxy.

(e) Any bona fide cooperative composed of members who are milk producers may become a member of this association upon signing a contract with this association, approved by the board of directors.

(f) Any member (i) who has become ineligible to acquire membership in this association, (ii) whose membership has been cancelled according to the terms of the membership agreement, (iii) whose membership has been cancelled by the board of directors because the member has ceased to patronize this association, or (iv) any member whose membership has been cancelled according to Article 2 of these bylaws, shall thereupon cease to be a member of this association.

(g) The association may market the products of non-members in an amount, the value of which does not exceed the value of the products marketed for members, or may purchase supplies and equipment for non-members in an amount, the value of which does not exceed the value of the supplies and equipment purchased for members. Business done for the United States, or any of its agencies, shall be disregarded in determining the limitations imposed by this section.

ARTICLE 2. CANCELLATION OF MEMBERSHIP

(a) The right of any member to hold membership in this association may be cancelled according to the terms and conditions of the membership agreement, and in addition, may be cancelled for acts of conduct deemed prejudicial to the interests of the association, by a vote of a majority of the board of directors at any regular or special meeting held for the purpose of considering such action, provided the member against whom such action is proposed to be taken shall have been served with a written notice of such proposed meeting, addressed to the member's last known address as shown on the books of the association, and placed in the United States mail at least ten days prior to the date of such meeting, stating the accusations and charges against the member, and that opportunity be given to appear at said meeting and to present witnesses and be heard for the purpose of disproving such charges and accusations.

(b) Upon termination of membership in the association for any reason, all of the rights and interests of such member in the association shall, by that act, be cancelled and the member shall be entitled only to payment of current obligations owed to the member and of the credits to the member in the capital accounts of the association, at the same time and in the same manner and amount as though such person had continued to be a member.

ARTICLE 3. AFFILIATIONS

This association may affiliate with such organizations of milk producers and other agricultural groups as in the opinion of the board of directors will best protect and advance the interests of the members.

ARTICLE 4. DUES

(a) The members may authorize the association to deduct as dues from the proceeds of milk marketed by the association for its patrons an amount up to one percent of the gross value to the producer of the milk marketed for operating expenses.

(b) Annually, there shall be presented on behalf of the board of directors, an estimated budget for the association for the fiscal year of the association commencing on October 1 after the

annual state member meeting and recommended percentages of the gross value to the producer of the milk marketed by the association to be deducted as dues for said fiscal year.

(c) If the recommended percentage to be deducted as dues is not approved by a vote of the members, the percentage deduction then in effect shall continue until a change in said deduction is approved by the members.

ARTICLE 5. DISTRICTS

(a) Districts. The territories in which the members of this association are now located, or in which they may be located hereafter, shall be divided into no less than four (4) and no more than eight (8) districts for the purpose of conducting elections, dissemination of information concerning the association, and discussion of business matters of the association in a forum geographically located closer to the member than the location of annual or special member meetings. Each member shall be assigned to the district in which the member's licensed dairy farm is located, as determined by the association based upon its books and records. Separate member farms that are owned by the same milk producer, as described in Bylaw 1(b), but have licensed dairy farms situated in separate districts, may upon mutual agreement of the association and the members, be assigned to a single district.

(b) Redistricting. The board of directors of this association may change the number of districts or the geographic description of the districts, or both, as the board of directors deems appropriate to best serve the interest of the members, provided that any such change must be approved by a vote of the members of the association. Any change in the number or description of districts shall be effective on the day following the day the change is approved by the members.

(c) District Meetings. The members situated in each district shall meet at least once each year for the purpose of electing district directors as provided in Bylaw 9(a), district officers and district committee members as provided in this Article, and association nominating committee members to represent the district as provided in Bylaw 9(c), and addressing such other business as may properly be brought before the meeting. The secretary of the association shall notify the secretaries of each district of the place and time of the district annual member meeting. Each district annual member meeting shall be held prior to the association annual member meeting. Notice of the time and place of all district meetings shall be given to each member of the association assigned to each respective district in accordance with the notice procedures stated in Bylaw 10(b). At any district member meeting, the members who are present and entitled to vote shall constitute a quorum for such meeting.

(d) District Officers and Committees. The district members shall elect a chairperson, a vice-chairperson, a secretary, individuals to serve on the association nominating committee as provided in Bylaw 9(c), and not less than four nor more than seven individuals to serve on the district nominating committee, and shall elect alternate members of the committees enumerated above. Only individuals who meet the qualifications to serve as a District Director as described in Bylaw 9(a) shall be qualified to be elected to or remain in such offices and committee positions.

(e) District Nominating Committees. The district nominating committee consisting of not less than four and not more than seven members, as determined by the district members, shall meet at least 60 days prior to the next annual district member meeting and nominate two or more eligible

candidates for each position of District Director for that district and two or more eligible candidates for each of the district offices and committee positions to be filled.

(f) Nominations by Petition. When a district director, district officer, or committee member is being elected from any district, additional nominees may be placed on the ballot other than those who have been designated by the district nominating committee, by petition signed by not less than 20 percent of all members assigned to the district.

(g) Minutes. The secretary of each district shall record the minutes of all district member meetings, and meetings of the nominating committee of each district, and promptly forward a copy of such minutes to the secretary of the association. Following any election, results shall be published in the *Milk Messenger* or another publication distributed by the association to its members.

(h) Voting.

(i) Voting at each district member meeting shall be by ballot.

(ii) District Directors, district officers, and district committee members must receive a majority of votes cast to be elected. In the event none of those nominated receives a majority of votes cast on the first ballot, the second ballot shall contain only the name or names of the nominee, or nominees, receiving the greatest number of votes and the name or names of the nominee, or nominees, receiving the next highest number of votes and the balloting shall continue following this procedure until one nominee shall receive a majority of all votes cast.

(iii) Any voting on the election of At-Large Directors, approval of dues, and other matters on which all association members are entitled to vote but voting is conducted at district member meetings shall be conducted in the manner described in Article 9.

ARTICLE 6. FISCAL YEAR

The fiscal year of this association shall commence on the first day of October and end on the last day of September.

ARTICLE 7. COMMITTEES

In addition to committees provided for by other provisions of these Bylaws, the board of directors may designate one or more committees with each committee to consist of one or more directors of the association. A committee and each member thereof will serve at the pleasure of the board of directors. A majority of all members of a committee will constitute a quorum for the transaction of business, and the vote of a majority of all members of a committee present at a meeting at which a quorum is present will be the act of the committee. Each committee may, with the approval of the board of directors, adopt rules of procedure for the conduct of its activities to the extent that such rules are consistent with these Bylaws.

ARTICLE 8. MEMBER MEETINGS AND QUORUMS

(a) Annual Meeting. The annual meeting of members of the association, and also the annual meetings of the members of each district, shall be held at a time and place as determined by the board of directors.

(b) Special Meetings. Special meetings of all members, and also special meetings of members of a particular district or districts, may be held upon the call of the board chairperson, the secretary of the association, or by a majority vote of the board of directors, and will be held at such time and place as may be designated in the call of said meeting. No business shall be considered at any special meeting except as designated in the call of the meeting.

(c) Notice. Written notice of each annual and special meeting of the members shall be given to each member of record entitled to vote at the meeting, not less than 10 days, and not more than 60 days, before the date of the meeting. Notice may be given to a member at the member's last known post office address, by electronic transmission, or in any other manner permitted by statute.

(d) Inspectors. The chairperson of each district shall appoint, one member from his or her district who is not a nominee for election as At-Large Director, who shall serve as an inspector of elections and voting, together with at least one alternate from the district. The inspector from each district shall oversee and assist the district secretary from such district in collecting, securing, and providing ballots cast by district members to the secretary of the association, as provided in Bylaw 8(h). At a meeting of all inspectors held at the call of the secretary of the association after all district meetings at which voting on matters described in Bylaw 8(h) is conducted and prior to the applicable annual or special association member meeting, or if no such meeting of inspectors is held, then at the applicable annual or special association member meeting, the inspectors shall verify and tally all votes cast at district meetings and report the results to the chairperson and the secretary of the association.

(e) Quorum. The members present and entitled to vote shall constitute a quorum at any annual or special meeting of all association members.

(f) Participation in Meetings by Remote Communication. The board of directors may authorize participation in any annual or special association member meeting or any annual or special district member meeting by remote communication, and may authorize participation solely by remote communication. Absent such authorization by the board of directors, all member meetings will be conducted by in-person attendance. If participation by remote communication is authorized for a meeting, a member may participate in such meeting by conference telephone or other means of remote communication that permits all persons that participate in the meeting to communicate with all other participants. All participants shall be advised of the means of remote communication. The board of directors may adopt guidelines and procedures for remote participation in meetings.

(g) Voting by Ballot in Lieu of Meeting. If the board of directors determines that it is impossible or impracticable to conduct an annual or special meeting of all members of the association or of any district or districts, the board of directors may authorize any action the members of the association or the district would be required or permitted to take at such meeting be submitted to members entitled to vote on such matter for approval without a meeting by submitting ballots by mail, by electronic transmission, or by voting at a designated polling place. The board of directors may adopt guidelines and procedures for voting by ballot without a meeting.

(h) Voting by Ballot at District Meetings. The board of directors may direct that voting on any matter on which all members are entitled to vote shall be conducted in-person at an annual or special association member meeting, or be conducted without a meeting pursuant to Bylaw 8(g), above. Absent such a direction, voting on the election of At-Large Directors, the approval of dues, proposed amendments to the association's Articles of Incorporation, proposed amendments to these

Bylaws, the approval of proposed redistricting, and on other motions, resolutions, or amendments as specifically authorized by the board of directors shall be conducted by ballots cast by members at their respective annual or special district meetings. Prior to any annual or special district member meeting, the secretary of the association shall notify each district secretary of any such matters on which members assigned to the district will vote at such meeting and shall provide ballots for that purpose. Members of each district will cast votes using such ballots. Each district secretary, under the oversight of the inspectors of elections and voting for such district, shall collect, secure, and provide such ballots to the secretary of the association according to rules and procedures approved by the board of directors. If a ballot is properly cast at a district meeting, it shall be counted as if the member was present and voting on the matter at the association annual or special member meeting.

(i) Member-Initiated Proposals. At any association annual member meeting, only business that has been properly brought before the meeting may be conducted. To be properly brought before a meeting, business must be brought before the meeting by or at the direction of the board of directors. Upon submission to the secretary of the association of a petition signed by at least 20% of all association members that sets forth a proposed action to be taken by the members that is a proper subject for member action, the board of directors shall either present the proposed action to the members at an annual or special member meeting or include the proposed action on a ballot and submit the ballot to the members for approval pursuant to Bylaw 8(f).

ARTICLE 9. DIRECTORS

(a) Number and Term. The business and affairs of the association will be managed by its board of directors. The number of directors may be changed from time to time by action of the board of directors. An equal number of directors, as established by the board of directors, shall be elected by the members assigned to district (each, a “**District Director**”). The remaining directors shall be elected by the members at-large (each, an “**At-Large Director**”). There shall be a greater number of District Director positions than At-Large Director positions. Directors shall be elected for a term of three years or until their successors are elected and qualified.

(b) Qualifications. All directors shall be individuals entitled to vote under Article 1, section (d) and, in addition, if the director is an otherwise qualified individual designated by a member that is a partnership, limited liability company or corporation, the director must be a partner in the partnership, a member of the limited liability company or a shareholder of the corporation, as the case may be. In addition, each District Director must be a member assigned to, or an otherwise qualified individual representing a member assigned to, the district from which he or she is elected. The board of directors may by policy establish additional uniform qualifications to be elected to and hold office as a director, which may include without limitation compliance with association policies regarding director’s conduct and conflicts of interest. Any director who ceases to meet the qualifications set forth in this Bylaw 9(b), shall thereby become disqualified to hold office as a director, and his or her office shall be declared vacated.

(c) Association Nominating Committee. The members of each district shall annually elect individuals to serve on an association nominating committee as described in Bylaw 5(d). The association nominating committee shall nominate candidates for each position of At-Large Director. The association nominating committee shall be chaired by a member of the board of directors. In addition to the chairperson, if the association is divided into four districts pursuant to Article 6 of these bylaws, then the members of each district shall appoint two individuals from such district to

serve on the association nominating committee, and if the association is divided into five or more districts pursuant to Article 6 of these bylaws, the members of each district shall appoint one individual from such district to serve on the nominating committee. Only individuals who meet the qualifications to serve as a District Director as described in Bylaw 9(a) shall be qualified to be elected to or remain on the association nominating committee. The association nominating committee shall meet at least 60 days prior to the earliest district annual member meeting at the call of the board chairperson. The committee may solicit and interview candidates. The committee shall nominate, for the consideration of the members, not less than two nor more than three members for each vacancy for a At-Large Director position, and the name of each candidate so nominated shall be placed upon the ballot as nominee for the position of At-Large Director. The names, town and district, of all candidates so nominated shall be published in any communication provided to members prior to the earliest district annual meeting.

(d) Nominations by Petition. Additional candidates for election as At-Large Director may be placed upon the ballot by petition signed by not less than 50 members, provided that the petition is received by the secretary of the association not less than 30 days before the earliest district annual member meeting.

(e) Election. Nominees for each position of At-Large Director shall be grouped alphabetically on the ballot, giving their addresses and district to which they are assigned. At-Large directors shall be elected by a plurality of the votes cast by members eligible to vote at an election of directors. District Directors and At-Large Directors shall take office immediately following the holding of the association annual meeting in the year in which they were elected, except when directors are elected to fill a vacancy, in which case they shall take office immediately upon election.

(f) Redistricting. In the event redistricting moves a director into a new district the majority of members of which were represented on the board by another director, the director so moved shall become an At-Large Director until the expiration of the term to which he or she was elected.

(g) Vacancies.

(i) District Vacancies. When the office of any District Director becomes vacant more than 60 days prior to the annual member meeting of that district, the secretary of the association shall call a meeting of the nominating committee of that district within 10 days after the vacancy occurs, and the district nominating committee shall nominate candidates for the vacated office as provided in Bylaw 5(e). A special meeting of the district members shall be called by the secretary of the association within 45 days after the vacancy occurs, and a director shall be elected to fill the unexpired term. The election shall be conducted in accordance with the provisions of Bylaw 9(e). If a vacancy occurs within 60 days prior to the annual district member meeting, a director to fill the unexpired term shall be elected at that meeting, as heretofore provided.

(ii) At-Large Vacancies. When the office of any At-Large Director becomes vacant, the vacancy shall be filled by the remaining directors at any regular or special directors' meeting called for that purpose. Any director so elected shall hold office only until the next association annual member meeting, and his or her successor shall be elected by the members as herein provided, to fill the unexpired term.

(h) Meetings. The board of directors shall meet regularly at such time and place as they may designate, and shall hold such other special meetings as shall be called by the board chairperson or secretary or by a majority of the board of directors.

(i) Quorum. A majority of the board of directors shall constitute a quorum for the transaction of business.

(j) Temporary Directors. In event this association shall acquire at any time the assets of another cooperative, or shall merge or consolidate with another cooperative, resulting in the acquisition of 50 or more new members of this association, the board of directors may appoint from among such new members up to one director for each 50 new members, who shall serve until the second annual association member meeting following such acquisition of assets, merger or consolidation.

ARTICLE 10. DUTIES OF DIRECTORS

(a) The board of directors shall have general supervision and control of the business and affairs of the association and shall establish all policies and make all rules and regulations not inconsistent with law or these bylaws, for the management of the business and guidance of members, officers, employees and agents of the association. The board of directors shall have power to acquire such properties as they shall deem necessary for the proper conduct of the business of the association, upon such terms and conditions as they shall deem necessary for the best interests of the members.

(b) The board of directors shall have power to authorize and direct the officers of the association to enter into such contracts and agreements for the management and supervision of the business, including the retention of consultants and management service providers, attorneys, auditors and other employees as they shall deem necessary, and to fix the compensation for such employees and advisors.

(c) The board of directors shall select one or more banks to act as depositories for the funds of the association, and shall determine the manner of receiving, depositing and disbursing the funds of the association, and the form of checks and the person or persons to whom shall be delegated authority for issuing and signing checks.

(d) The board of directors shall require the management and any other officer, agent or employee who shall have the responsibility or custody of any of its funds or property, to severally give adequate bonds for the faithful performance of their duties in such sums as the board of directors may require, the cost thereof and the premiums thereon to be paid by the association.

(e) The board of directors shall provide for adequate insurance of all property, regardless of ownership, which may be in possession of the association or owned by or stored by it, and shall provide for adequate public liability insurance for its contacts with the general public.

(f) The board of directors shall provide such an accounting system and supporting records which shall be adequate to properly reflect the assets and liabilities and show the complete operations of the association. It shall also be the duty of the board of directors to provide for keeping of proper records relative to patronage by members, patronage distributions, capital contributions and authorized reserves so as to distinguish clearly between reserves and rebatable retains from operations of the association.

(g) The board of directors shall secure the services of a competent auditor or accountant who shall make a careful and thorough audit of the books and accounts of the association as soon as practicable after the close of each fiscal year and at such other times as they shall deem it desirable. A report thereon shall be rendered in writing and shall be submitted to the members at the annual association member meeting.

(h) The board of directors shall cause to be kept a complete and detailed record of all meetings, proceedings and actions of the board of directors and of any committees appointed by it.

(i) All officers and agents of the association shall be subject to removal at any time by the majority vote of the board of directors. All officers, agents and employees, other than officers appointed by the board of directors, shall hold office at the discretion of the committee or officer appointing them.

(j) The board of directors may designate two or more of their number to constitute any committee, who, for the term stipulated in the resolution authorizing said committee, shall have such authority and powers of the board of directors as shall be granted therein. Each committee shall fix its own rules of procedure and shall meet where and as provided by such rules, subject to the approval of the board of directors.

(k) The board of directors may establish such additional advisory boards or committees on a representative basis in a manner it shall prescribe.

ARTICLE 11. OFFICERS

(a) Selection and Appointment of Officers. The board of directors, at their first meeting held after each association annual member meeting, shall elect from their number a board chairperson, vice-chairperson and treasurer. They shall also appoint and employ a president and chief executive officer and a secretary, who need not be directors. They may appoint one or more assistant treasurers, assistant secretaries, and such additional officers as they deem necessary, none of whom need be a director of the association. The board chairperson, vice-chairperson and treasurer shall hold office for a period of one year and until their successors are elected and qualified or until their resignation or removal. Other officers shall hold office for the term for which they are appointed and until their successors are appointed and qualified or until their resignation or removal.

(b) Board Chairperson. The chairperson shall preside over all association member meetings and board of directors meetings, call special meetings of members and of the board of directors, be an ex- officio member of all regular and special committees, and perform such other duties as may be prescribed by these bylaws or by the board of directors or are usual and incidental to such office.

(c) Vice-Chairperson. In the absence or disability of the chairperson, the vice-chairperson shall perform the duties of the chairperson, provided, however, in case the absence or disability of the chairperson shall result in a permanent vacancy in the office of chairperson, the board of directors shall elect a successor.

(d) Secretary. The secretary shall keep a complete record of all meetings of the association and of the board of directors, and shall have general charge and supervision of the books and records of the association. The secretary shall keep complete membership records, shall serve

all notices required by law and by these bylaws, and shall sign all papers and documents pertaining to the association that he or she may be authorized or directed to sign by the board of directors. The secretary shall make all reports required by law, and upon the election of his or her successor shall turn over to the successor all books and other property belonging to the association in his or her possession.

(e) Treasurer. The treasurer shall perform such duties with respect to the finances of the association as may be prescribed by the board of directors and shall make a report to the members at the annual association member meeting as to the financial condition of the association at the close of the preceding fiscal year.

(f) Assistant Secretary. Each assistant secretary shall have such powers and shall perform such duties as an assistant to the secretary and otherwise as shall be assigned to him or her by the board of directors.

(g) Assistant Treasurer. Each assistant treasurer shall have such powers and shall perform such duties as an assistant to the treasurer and otherwise as shall be assigned to him or her by the board of directors.

(h) President and Chief Executive Officer. Under the direction of the board of directors, the individual employed as president and chief executive officer shall have general charge of the ordinary and usual business operations of the association. The president and chief executive officer shall cause to be deposited all money belonging to the association, in the name of the association, in a bank selected by the board of directors, and if authorized to do so by the board of directors, shall make all disbursements therefrom for the ordinary and necessary expenses of the business, in the manner and form prescribed by the board of directors. Subject to the control of the board of directors, the president and chief executive officer shall employ, supervise and dismiss all agents and employees of the association not specifically employed by the board of directors.

(i) Other Officers. Other officers shall perform the duties assigned by the board of directors.

ARTICLE 12. COOPERATIVE PLAN

(a) Cooperative Operation. The association shall be operated on a cooperative basis for the benefit of its members. The term "Patron" as used in these bylaws and in the articles of incorporation shall mean members doing business with this association and other persons with whom this association, by written agreement, does business on a cooperative basis.

(b) Obligation to Allocate. The association is obligated to allocate annually, as provided in this article, on a patronage basis to Patrons all net earnings realized from business done with or for such Patrons on the basis of the value of the business done with or for Patrons. Net earnings will be determined by deducting from the association's gross receipts on such business the related costs, including the cost of all products and services, the expense of handling all products and services, and the general operating and administration expenses of the association, including any reserves for expenses. The association will maintain records sufficient to afford a permanent means for allocating each patron's pro-rata share of all association net earnings. Net earnings may be allocated among Patrons upon the basis of one or more allocation units or pools, as the board of directors may determine.

(c) Form of Allocation. The allocation of net earnings will be in the form of cash, written notices of allocation, or other means, as determined by the board of directors and may be evidenced by certificates of equity. An allocation of less than \$250 may be distributed entirely in cash. Distributions of net earnings must be made during the payment period specified in Section 1382(d) of the Internal Revenue Code. Written notices of allocation may be classified by the board of directors as qualified or nonqualified written notices of allocation under Section 1388 of the Internal Revenue Code.

(d) Equity Capital Retains. The board of directors may require the deduction of equity capital retains from the gross value to the producer of milk marketed by the association for its Patrons to fund the association's base capital plan or other equity requirements. Equity capital retains will be in amounts fixed without reference to the earnings of the association, will be considered capital investments in the association by Patrons, and may be qualified or non-qualified as determined by the board of directors. Equity capital retain certificates may be issued to evidence any investment required pursuant to this paragraph (d).

(e) Patronage Equity Credits. The board of directors may authorize the issuance of patronage equity credits to members or non-members in return for conveyances of real or personal property to the association. Such patronage equity credits shall evidence an investment by the recipient in the association, and may be evidenced by patronage equity credit certificates. Patronage equity credits shall be subject to redemption pursuant to paragraph (h) of this article.

(f) Capital Accounts. The association shall maintain capital accounts evidencing the outstanding allocations of net earnings, equity capital retains and patronage equity credits issued to each Patron or other person.

(g) Losses. In the event the association sustains a loss for any fiscal year, the association may, at the discretion of the board of directors, account for such loss in any manner which it determines to be equitable and practical, including (a) offsetting such loss against unallocated reserves or surplus; (b) carrying such loss forward to be offset against future additions to unallocated reserves or surplus; (c) apportioning such loss among the Patrons participating in such loss year on an equitable basis and recouping the amount due from each Patron by offsetting it, in whole or in part, against the capital account balances of those Patrons or against patronage due such Patrons in future years; or (d) doing some combination of the foregoing.

(h) Redemption. Capital account balances, including outstanding allocations of net earnings, equity capital retains, and patronage equity credits, may be paid or redeemed in whole or in part at such times, in such manner, and in such order as determined by the board of directors in its sole discretion. Consistent with the foregoing, the board may, in its sole discretion, redeem or retire any outstanding capital account balances, including outstanding allocations of net earnings, equity capital retains, or patronage equity credits held by the spouse of a deceased Patron, to compromise or settle a dispute, or to facilitate the settling of an estate, or, as authorized by paragraph (g) of this article, charge any loss against such capital accounts, without regard to when they may otherwise be subject to redemption.

(i) Equity Interests. Capital account balances, including outstanding allocations of net earnings, equity capital retains, and patronage equity credits are equity and are not indebtedness, are not entitled to receive interest, are not entitled to dividends thereon, and have no maturity dates.

Capital account balances, including outstanding allocations of net earnings, equity capital retains or patronage equity credits shall not be pledged, encumbered, assigned or transferred, except as permitted by the board of directors. Any approved transfer of a capital account balance shall be effective only when reflected on the books of the association.

(j) Deduction and Setoff. Nothing in this article shall prohibit the adoption of a policy by the board of directors imposing a financial penalty on a Patron for milk shipped by the Patron which does not meet federal or state standards or association regulations and providing for the deduction of the penalty from amounts otherwise owed to the Patron for milk shipped.

(k) Equity Financing Plans. The board of directors may approve and modify equitable plans for financing the association, which may include without limitation a base capital plan. The objective of the plans may include aligning each Patron's capital investment in the association with the volume of business done by the Patron with the association. The plans may require new or additional capital investment in the association, and may establish procedures for contribution, retention, and redemption of Patrons' capital account balances, including allocations of net earnings, equity capital retains, and patronage equity credits. Any such plan or plans, when approved by the board of directors, shall be binding upon all Patrons.

ARTICLE 13. CERTIFICATES OF EQUITY AND CERTIFICATES OF INDEBTEDNESS

Each person who hereafter applies for and is accepted for membership in this association and each member of this association on the effective date of this bylaw who continues as a member after such date shall, by such act alone, consent; (a) that the amount of any distribution with respect to the member's patronage, which is made in qualified written notices of allocation in form of Certificates of Equity and /or Equity Capital Retain Certificates and which are received by the member from the association, will be taken into account by the member at the stated dollar amounts thereof in the taxable year in which such Certificates of Equity and/or Equity Capital Retain Certificates are received; and (b) that, for the purposes of determining the amount the member has received from the association in consideration of the member's goods, the member shall treat the face amount of any Certificates of Indebtedness issued, as representing a cash distribution which the member has constructively received and has reinvested in the association.

ARTICLE 14. DISSOLUTION

Upon dissolution, after all debts and liabilities of the association shall have been paid, and all capital furnished through patronage shall have been retired without priority on a pro rata basis, the remaining property and assets of the association shall be distributed, insofar as practicable, among the members and former members, who were members during such period of time (not to exceed 10 years) as the board of directors determines is reasonable, in the proportion which the aggregate patronage of each member bears to the total patronage of all such members, unless otherwise provided by law.

ARTICLE 15. INDEMNIFICATION

The Association shall indemnify any director, officer, employee or agent of the Association to the fullest extent permitted by, and in accordance with the conditions and procedures provided by Act 162, Michigan Public Acts of 1982, Sections 561-565, inclusive, (MCLA 450.2561-2565; MSA 21.197(561)-.197(565), as the same shall be amended from time to time.

ARTICLE 16. DISTRIBUTION OF COPIES OF BYLAWS

After adoption, a copy of these bylaws shall be provided to each member of this Association, and each person hereafter becoming a member shall likewise receive a copy of the bylaws of the Association.

ARTICLE 17. AMENDMENTS

The articles of incorporation and these bylaws may be amended at any annual meeting or special meeting of the members, provided notice of the character of the amendment proposed has been given in the notice of the meeting, by a vote of two-thirds of the votes cast.

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