

BYLAWS

of

HUB CITY COOPERATIVE

A Cooperative Association Organized Under South Carolina Code of Laws, Title 33, Chapter 45

ARTICLE I: MEMBERSHIP

Section 1.01 Eligibility for Membership. Persons may become a member of Hub City Cooperative, a South Carolina Cooperative association (the "Cooperative"), by:

- (a) submitting the membership form to the Cooperative;
- (b) paying the one-time membership fee then in effect;
- (c) receiving from the Cooperative written confirmation of membership; and
- (d) meeting any other membership criteria or requirements established from time to time by the Board.

Section 1.02 Termination of Membership. Membership in the Cooperative may be terminated by the Board in the event that a member has:

- (a) become ineligible for membership for any reason;
- (b) died and leaves no successor or ceased to exist as a legal entity; or
- (c) the Board by resolution finds that a member has:
 - (1) intentionally or repeatedly violated any provision of the Certificate of Charter of the Cooperative (the "Charter"), these Bylaws, or Board policies of the Cooperative;
 - (2) taken actions that will impede the Cooperative from accomplishing its purposes;
 - (3) taken or threatened actions that adversely affect the interests of the Cooperative or its members;
 - (4) willfully obstructed any lawful purpose or activity of the Cooperative; or

- (5) breached any contract with the Cooperative.

The Board may terminate the membership of a member only at a meeting of the Board, having given 20 days prior written notice of which was served upon the last known mailing address of the member alleged to be ineligible by United States Certified Mail. The notice must state with reasonable particularity the grounds upon which the member is alleged to be ineligible and that the member will be entitled to be heard on the matter of termination at the meeting.

ARTICLE II: Meetings of Members

Section 2.01 Annual Meetings. The annual meeting of the members of the Cooperative shall be held following the close of each fiscal year of the Cooperative at such time and place as shall be determined by the Board. The notice of the meeting shall state the date, place and hour of the meeting. The Secretary shall give notice of annual members' meetings in the manner prescribed herein. The officers of the Cooperative must submit reports to the members at the annual meeting covering the business of the Cooperative for the previous fiscal year that show the condition of the Cooperative at the close of the fiscal year. At the annual meeting, the members shall elect directors of the Cooperative for the terms of office and in the manner prescribed by these Bylaws and transact such other business as may properly come before the meeting.

Section 2.02 Special Member Meetings. Special meetings of the members of the Cooperative shall be held at the place specified in the notice of the meeting. The notice shall state the time, place and purpose of the special members' meeting. A special meeting of the members may be called by a majority vote of the Board, or upon the written petition of at least 20% of the members submitted to the President of the Cooperative. The President shall give notice of a special members' meeting in the manner prescribed herein. In the event a special members' meeting is called by the written petition of members, the notice of the special members' meeting shall be given within thirty (30) days after the date of the presentation of the members' petition, and the special members' meeting must be held by sixty (60) days after the date of the presentation of the members' petition. No business shall be considered at a special members' meeting except as covered in the notice of the meeting.

Section 2.03 Notice of all annual and special members' meetings shall be given by at least one of:

- (a) publication in a magazine, periodical, or other publication of the Cooperative that is regularly published by or on behalf of the Cooperative and circulated generally among members;
- (b) mailing the notice of the meeting to each member personally at the member's last known post office address,
- (c) electronic mail to the last known address on file for each member; or
- (d) otherwise providing notice in a manner prescribed by applicable law.

Failure of a member to receive notice of an annual or special members' meeting shall not invalidate an action that is taken by the members at a members' meeting. The Secretary shall execute a certificate containing a correct copy of the mailed or published notice; the date of

mailing or publishing the notice; and a statement that the notices were mailed or published as prescribed by these Bylaws. The certificate shall be made a part of the record of the meeting.

Section 2.04 Quorum. At any annual or special members' meeting, a quorum necessary for the transaction of business shall be ten percent (10%) of the total number of members if the Cooperative has 500 or fewer members; or the lesser of five percent (5%) or two hundred (200) if the Cooperative has more than 500 members. In determining a quorum at a meeting, members present in person or represented by proxy shall count toward the quorum. A quorum, once established, shall not be broken by the subsequent withdrawal of enough votes to leave less than a quorum.

Section 2.05 Voting. Each member shall be entitled to only one vote. A member's vote at a members' meeting must be cast in person or by proxy, which may include, but shall not be limited to, proxy voting by mail ballot or electronic ballot. Members that are not individual persons must designate a representative (and may also designate an alternate representative) authorized to cast their vote in the affairs of the Cooperative. The designation must be in writing, must be properly authorized by the member, and must be provided to the Secretary of the Cooperative at or before the member meeting. The written designation will remain effective until it is superseded by a more recent written designation meeting the same criteria. Except where a higher percentage is specified in these Bylaws or required by applicable law, members shall take action on all matters submitted to them by the affirmative vote of a majority of the votes cast at a duly held meeting, either in person or by proxy.

ARTICLE III: DIRECTORS

Section 3.01 Number and Qualifications. The business and affairs of the Cooperative will be governed by the Board, with the Board upon the adoption of these Bylaws consisting of not less than five (5) and nor more than nine (9) directors. Individuals elected by the Board to the positions of President, Secretary and Treasurer (or Secretary-Treasurer) shall also be a director of the Cooperative and need not stand for election as directors. Cooperative employees and their spouses or significant others are not eligible to serve as directors.

Section 3.02 Classes. The Board shall be and is divided into three classes, as nearly equal in number as possible, designated: Class I, Class II and Class III. In case of any increase or decrease, from time to time, in the number of directors, the number of directors in each class shall be apportioned as nearly equal as possible. No decrease in the number of directors shall shorten the term of any incumbent director.

Section 3.03 Terms of Office. Each director shall serve for a term ending on the date of the third annual meeting following the annual meeting at which such director was elected; provided, that each director initially appointed to Class I shall serve for an initial term expiring at the Cooperative's first annual meeting of members following the effectiveness of this provision; each director initially appointed to Class II shall serve for an initial term expiring at the Cooperative's second annual meeting of members following the effectiveness of this provision; and each director initially appointed to Class III shall serve for an initial term expiring at the Cooperative's third annual meeting of members following the effectiveness of this provision; provided further, that the term of each director shall continue until the election and qualification of a successor and be subject to such director's earlier death, resignation or removal.

Section 3.04 General Powers. The Board shall govern the business and affairs of the Cooperative and shall exercise all of the powers of the Cooperative, except those powers that

are conferred upon or reserved to the members by law, the Charter, or these Bylaws. The Board shall adopt such policies, rules, and regulations and shall take such actions as it may deem advisable, provided that the Board does not act in a manner inconsistent with law, the Charter, or these Bylaws.

Section 3.05 Committees. By resolution, the Board may designate three or more directors, one of whom shall be the President of the Cooperative, to constitute an Executive Committee. The Executive Committee shall have and exercise only such authority of the Board in the management of the Cooperative to the extent provided in the resolution. The Board may establish such other committees from time to time as it deems advisable, having such authority as provided by the Board. Committees are subject at all times to the direction and control of the Board.

Section 3.06 Director Eligibility. During his or her term of employment, an employee of the Cooperative shall not be eligible to serve as a voting member of the Board of the Cooperative, nor shall her/his spouse or significant other.

Section 3.07 Financial Matters. The Board, or its designees, shall have the power to select one or more banks or other financial institutions to act as depositories of the funds of the Cooperative, and to determine the person or persons who shall have authority to sign checks and other instruments.

Section 3.08 Election of Directors. Directors (except for the President, Secretary or Secretary-Treasurer) shall be elected at annual meetings. Nominations for director may be made by the Board or by petition signed by at least twenty-five (25) members entitled to vote and submitted to the Secretary at least thirty (30) days before an annual meeting. Members may vote in person or by proxy. The nominees receiving the highest number of votes cast shall be elected and shall take office at the adjournment of the Annual Meeting.

Section 3.09 Annual Meeting. Within 30 days after each annual members' meeting, the Board shall meet for the purpose of electing officers of the Cooperative and for the transaction of such other business as shall come before the meeting. The annual meeting of the Board shall be held at such time and place as may be fixed by the Board.

Section 3.10 Regular Meeting. Regular meetings of the Board shall be held quarterly at such time and place as may be fixed by the Board.

Section 3.11 Special Meetings. Special meetings of the Board may be called by the President, and must be called upon request by any three of the directors. Special meetings of the Board shall be held from time to time at a time and place as may be designated in the notice of the meeting.

Section 3.12 Notice of Meetings. Notice of each annual, regular or special meeting of the Board shall be given by the President or Secretary who shall give at least five days prior notice of the meeting to each director by mail, telephone, telephonic facsimile transmission, telegram, electronic mail or in person unless, a shorter time period is otherwise agreed to. Notice shall be deemed given upon mailing, if notice is given by mail.

Section 3.13 Waiver of Notice. Notice of any meeting of the Board may be waived either before, at or after the meeting, in writing signed by each director. A director, by attendance at any meeting of the Board, shall be deemed to have waived notice of such

meeting, except when a director attends the meeting and objects to the transaction of business because the meeting was not lawfully convened.

Section 3.14 Quorum; Board Action. A majority of the members of Board shall constitute a quorum for the transaction of business except that, when a vacancy or vacancies exist, a majority of the remaining directors shall constitute a quorum. The Board shall take action by the affirmative vote of a majority of the directors present at a duly held meeting.

Section 3.15 Action Without a Meeting. Any action required or permitted to be taken at a meeting of the Board may be taken by written action signed by all of the directors. The written action is effective when signed by all of the directors, unless a different effective time is provided in the written action.

Section 3.16 Electronic Communications. Any meeting of the Board may be conducted by telephone or other electronic means of communication through which the directors may simultaneously communicate with one another.

Section 3.17 Vacancies. If a director's position is vacant, the Board may appoint a member of the Cooperative to fill the directors' position until the next annual or special members' meeting. At the next annual or special members' meeting, the members shall elect a director to fill the unexpired term of the vacant director's position.

Section 3.18 Removal for Cause. Any individual director may be removed from office for cause by a vote of a majority of the members present and entitled to vote at any annual or special meeting at which said removal of directors is considered. For purposes of this Section, "for cause" shall include failure of a director to attend three consecutive, or any four, meetings of the Board held in the prior fiscal year, or malfeasance. In case any director is so removed at an annual or special meeting, a successor director shall be elected at the same meeting. Any director may also be removed from office by the Board for cause if a two-thirds majority of the other directors affirmatively vote in favor of removal.

Section 3.19 Removal of Directors by Board. Each director shall fully comply with the Board of Director's policy manual established by the Board. A majority of the Board, not including a director thought to be in violation of the manual, may remove a director who is disqualified by the policies in that manual. The remaining directors may also fill any vacancy caused by such removal until the next annual meeting of the members. This removal power shall be in addition to the power of the members under Section 3.18 above.

Section 3.20 Compensation. Directors shall receive such fixed sum per meeting attended or such fixed annual sum as shall be determined, from time to time, by resolution of the Board. All directors shall be reimbursed for their expenses, if any, of attendance at meetings of the Board or any committee thereof. Nothing in these Bylaws shall be construed to preclude any director from serving the Cooperative in any other capacity and receiving proper compensation for the service.

ARTICLE IV: OFFICERS

Section 4.01 Officers. The officers of the Cooperative shall be a President, a Vice-President, a Secretary and a Treasurer, who shall be elected in the manner as provided in Section 4.07 of these Bylaws. The offices of the Secretary and Treasurer may be combined and when so combined shall be termed "Secretary-Treasurer." Except for the Secretary-

Treasurer, no offices may be held concurrently by the same person. The President and Vice-President must be directors and members of the Cooperative. The Board may elect other officers from time to time as it deems advisable or as required by these Bylaws, and in such event shall establish appropriate duties and responsibilities for any such other officers.

Section 4.02 President. The President shall see that all orders and resolutions of the Board are carried into effect and shall preside at all meetings of the members and directors. The President shall be the official representative of the Cooperative to all outside associations or organizations of which the Cooperative is a member, unless another person is appointed by the President or other action is taken by the Board. The President shall sign and deliver in the name of the Cooperative any deeds, mortgages, bonds, contracts and other instruments pertaining to the business of the Cooperative, except in cases in which the authority to sign and deliver is required by law to be exercised by another person or is expressly delegated by the Charter or these Bylaws or the Board to some other officer or agent of the Cooperative. This broad signing authority shall not be construed so as to preclude the Board from authorizing any other officer or agent of the Cooperative to sign any deeds, mortgages, bonds, contracts and other instruments pertaining to the business of the Cooperative on behalf of the Cooperative. The President shall have such other duties as may, from time to time, be assigned by the Board. The President shall, at all times, be a member of the Board.

Section 4.03 Vice-President. The Vice-President shall have powers and perform duties as may be specified in these Bylaws or prescribed by the Board or by the President. In the event of the absence or disability of the President, the Vice-President shall perform the duties and exercise the powers of the President.

Section 4.04 Secretary. Subject to the discretion of the Board, the Secretary shall attend all meetings of the members and Board; record all votes at and keep minutes of all the meetings; and record all proceedings of the meetings in the minute book of the Cooperative. The Secretary shall give proper notice of meetings of the members and of the Board. The Secretary shall perform such other duties as may, from time to time, be prescribed by the Board or by the President. The Secretary shall, at all times, be a member of the Board.

Section 4.05 Treasurer. Subject to the discretion of the Board, the Treasurer shall be the custodian of all funds, securities and properties of the Cooperative and shall perform such other duties with respect to the finances of the Cooperative as may be prescribed by the Board or by the President. This function may be delegated by the Board to other officers with oversight by the Treasurer or the Board. The Treasurer shall, at all times, be a member of the Board.

Section 4.06 Compensation of Officers. The officers of the Cooperative shall receive compensation for their services as may be determined, from time to time, by resolution of the Board. No officer who is a director may take part in the vote on his or her salary for services rendered to the Cooperative.

Section 4.07 Election of Officers. On an annual basis, the Board shall elect from its members a President, Secretary, Treasurer and one or more Vice-Presidents. Election for persons to fill any other offices established by these Bylaws or by the Board pursuant to Section 4.01 of these Bylaws shall be held at the annual meeting of the Board or at any other meeting of the Board, provided that notice of such election has been given in the notice of such meeting if other than the annual meeting. The officers shall hold their offices until their

successors have been elected and have qualified, subject to any removal provisions of these Bylaws.

Section 4.08 Removal of Officers. By vote of a majority of the members present and entitled to vote at any annual or special meeting, the members may remove an officer for cause related to the duties of the position of the officer and fill the vacancy caused by the removal. In addition, any officer may be removed by the Board whenever in its judgment the best interests of the Cooperative will be served. Any vacancy among the officers caused by such removal shall be filled by the Board. No election or appointment to an office of the Cooperative shall itself create any contract rights.

ARTICLE V: FINANCE

Section 5.01 Financial Operation. This Cooperative operates on a Cooperative basis and allocates earnings and losses to patron-members on the basis of the business done with or for such patrons. Thus, in accordance with section 1381 of the Internal Revenue Code of 1954, this Cooperative may declare a patronage dividend to be distributed among the members in accordance with the total amount of purchases made by each such patron during the preceding fiscal year.

Section 5.02 Patronage Rebate. The patronage rebate, as determined by the Board, shall be non-cash payments in the form of "qualified written notes of allocation" as defined in section 1388 of the Internal Revenue Code of 1954. In accordance with Section 1382 of the Internal Revenue Code, the patronage rebates declared by the Cooperative are deductible from the taxable income of the Cooperative and, if used for business purposes, must be included in the taxable personal income of the member.

Each member shall have an internal capital account in his or her name. The surplus earnings of the company after paying taxes, interest on loans, and allocations to the reserve fund shall be allocated to members as a patronage rebate. Unless otherwise decided by the Board, the patronage rebate shall be credited to the members' internal capital accounts. At least 20% of each year's patronage allocation must be paid out in cash/check to members.

Section 5.03 Equity Capital. The Board shall manage the Cooperative's equity capital in a way to preserve and build upon the Cooperative's financial position while also allowing for redemptions of equity as and when the Cooperative has the financial strength to redeem equity. The Board may, from time to time, establish policies for redeeming equities, stock, or other forms of equity used for qualified or non-qualified notices of allocation, or the Board may eliminate equity redemption policies in favor of a capital management policy. Any of these policies may contain offers of discounts or required retentions of capital as part of any redemption of allocated equity. The Board retains the power to amend, modify or repeal these policies and may do so retroactively, all in the Board's sole discretion. For example, if the application of a policy to a specific circumstance suggests that the equity of a deceased member should be paid to the member's estate, the Board retains the right and power to determine whether to approve the expenditure. In each case, the Board may refuse any expenditure(s) if the Board determines that such expenditure(s) is (are) not in the interest of the Cooperative. Therefore, no equity redemption policy shall be interpreted to require any expenditure of capital and the Board retains all right and power to the final review and approval of each expenditure of capital for any redemption of equity. No person shall have any right whatsoever to require the retirement or redemption of any patrons' equities except in accordance with their term, or of any allocated capital reserve. Any redemption or retirement is

solely within the discretion and on such terms as determined from time to time by the Board, which may, in making any such redemption or retirement, distinguish natural members from unnatural members (corporations, partnerships, limited liability companies and other business organizations, etc.) and, in doing so, favor natural members with respect to estate retirements and redemptions at specified ages.

ARTICLE VI: CONSENT

Section 6.01 Consent to Take Patronage Rebate Into Income. Each person who hereafter applies for and is accepted to membership in the Cooperative and each member of the Cooperative as of the effective date of these Bylaws who continues as a member after such date shall, by such act alone, consent that the amount of any rebate with respect to its patronage which are made in written notices of allocation (as defined in 26 U.S.C. § 1388), and which are received by the member from the Cooperative, will be taken into account by the member at their stated dollar amounts in the manner provided in 26 U.S.C. § 1385(a) in the taxable year in which the written notices of allocation are received by the member.

ARTICLE VII: Restrictions on Sales and Transfers

Section 7.01 Restrictions on Transfer. For purposes of these Bylaws, the term “transfer” shall mean, as a noun, any voluntary or involuntary transfer, sale, assignment, or other disposition and, as a verb, to voluntarily or involuntarily transfer, sell, assign or otherwise dispose of. The memberships of the Cooperative are transferable only with the consent and approval of the Board and may not be pledged. Any purported transfer other than a transfer in accordance with these Bylaws shall be null and void and of no force or effect whatever.

ARTICLE VIII: FISCAL YEAR

The Board may by resolution adopt a fiscal year of the Cooperative from time to time.

ARTICLE IX: AMENDMENTS

These Bylaws may be adopted, amended or repealed by a simple majority of the members present at any regular or special meeting of the members. The Board may make and amend any Bylaws, which amendment is effective immediately. Provided, that the Bylaws adopted or amended by said Board shall be reported at the next regular member meeting; and provided, further, that any Bylaws adopted or amended by said Board shall be at any time subject to amendment or repeal by the members upon prior notice.