

**BYLAWS  
OF  
NORTH AMERICAN ALPACA FIBER PRODUCERS  
D/B/A NATURAL FIBER PRODUCERS**

**ARTICLE I: REGISTERED OFFICE AND REGISTERED AGENT**

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1.1 The registered office of the Cooperative shall be located in the state of Idaho at such place as may be fixed from time to time by the Board of Directors upon filing of such notices as may be required by law. Currently that location is at 1552 Sanctuary Lane, Homedale, ID 83628

1.2 The Cooperative may also be registered in one or more other states or provinces as a foreign Cooperative or Corporation. The registered office of the Cooperative in such other states or provinces shall also be located at such place as may be fixed from time to time by the Board of Directors upon filing of such notices as may be required by law.

**ARTICLE II: PURPOSE**

In pursuance of its purposes as set forth in the Articles of Incorporation, the Cooperative shall seek:

2.1 To promote natural fiber that has been harvested through the Certified Sorted<sup>®</sup> System.

2.2 To develop and market a range of natural fiber products for the domestic market.

2.3 To cooperate in the research and development of the natural fiber industry.

2.4 To arrange fiber collection, storage, classing, processing and redistribution of natural fiber and products for Members of the Cooperative.

2.5 To develop and disseminate a Code of Practice for the Members of North American Alpaca Fiber Producers (NAAFP) d/b/a Natural Fiber Producers (NFP) and to educate the Members in regards to standards of practice as they pertain to fiber production, harvest, shearing, sorting, and classing.

2.6 To establish a system of harvest that ensures quality control and a consistent product in terms of quality.

2.7 To develop and implement marketing campaigns that will promote the NFP products and membership.

2.8 To be a resource for further education to the Members of NFP

2.9 To be a conduit to bring together all parties to aid in product development and

promotion.

**ARTICLE III: MEMBERSHIP REQUIREMENTS, QUALIFICATIONS AND RECORDS.**

3.1 In order to become and remain a Member in good standing of the Cooperative, Members of the Cooperative must:

- A) Submit only fiber sorted by a Certified Sorter or active Certified Sorted Systems apprentice.
- B) Be parties to and comply with a Cooperative Membership Agreement between the Cooperative and the individual Member that specifies the responsibilities of Members of the Cooperative and the Cooperative.
- C) Capitalize the Cooperative as determined by the Board of Directors in terms of time and money invested by members.
- D) Meet such other conditions to Membership as may be determined from time to time by the Board of Directors.
- E) Abide by the Policy and Procedure manual adopted by the ~~NAAFP~~ NFP BOD. Failure to follow practices and principles outlined within the Policy and Procedure manual may result in revocation of membership without refund and/or forfeiture of fiber or product at the discretion of the NFP BOD

3.2 Record of Members: A record of the Members with their full names, addresses and social security number or other tax identification number shall be kept by the Cooperative. Each Member shall notify the NFP office in writing immediately of any changes in their address, social security or other tax identification number.

3.3 No natural fiber producer may be excluded from Membership based on race, color, age or national origin.

**ARTICLE IV: MEMBER VOTING RIGHTS AND MEMBERSHIP CERTIFICATE**

4.1 Each Member of the Cooperative shall be entitled to one (1) vote on all matters submitted to a vote of the Membership. All Members of the Cooperative shall receive a membership certificate representing their Membership in the Cooperative and their right to vote.

4.2 If a Member of the Cooperative is a partnership, Limited Liability Company, corporation or other legal entity other than a natural person, the Member of the Cooperative shall designate in writing the person who will vote on behalf of the Member. This designation shall remain in effect until the Cooperative receives written notice of a change of this designation.

**ARTICLE V: SUSPENSION, TERMINATION AND WITHDRAWAL OF**

## **MEMBERSHIP**

5.1 In the event that the Board of Directors determines after a hearing, as provided herein, that a Member of the Cooperative is in breach of Article III of these Bylaws, or if the Member of the Cooperative has otherwise acted in a manner intended to obstruct the purposes of the Cooperative, then the rights of the Member of the Cooperative may be suspended and/or Membership may be terminated without refund of membership fee.

5.2 The Board of Directors shall provide any Member of the Cooperative whose Membership is under consideration for suspension or termination no less than sixty (60) days notice of the action to be taken. The Member of the Cooperative shall have twenty (20) days from the date of such notice to request a hearing in front of the Board, and the Board shall set a date for such hearing no less than forty (40) and no more than ninety (90) days from the date of receipt of the Member's request.

5.3 A suspended or terminated Member of the Cooperative shall have no rights or privileges associated with Membership in the Cooperative, including voting rights or participation in the management of the Cooperative.

5.4 Members may terminate their membership, with all fiber and/or unpaid-for products currently in inventory being donated to NFP, in writing, to the address of record. Unsold products in the wholesale pool owned by the member will be shipped to the member at member's expense. Confirmation of receipt of member's request for termination will be sent to member.

5.5 Distribution of Member's Equity Account if Terminated: The equity account will be distributed in full at the end of the fiscal year. The Cooperative shall calculate each Member's capital account by including all net margin allocations and retained product allocations credited to the Member made for the year, less that Member's share of expenses. If a Member's capital account shows allocated margin credits less than the Member's equity requirement, cash returns to the Member based on business done with the Cooperative will be limited to those required by the Internal Revenue Code or other applicable law.

5.6 Terminated Members are entitled to their equity accounts only.

## **ARTICLE VI: MEETINGS OF MEMBERS OF THE COOPERATIVE**

6.1 MEETINGS. An annual meeting of the members shall be held at such time and on such day as shall be established by the Board of Directors. The annual meeting shall be held for the purposes of dissemination of information and discussion only. In addition, special meetings of the members may be called by a majority vote of the Board of Directors or by a petition duly signed by not less than a simple majority of the voting members.

6.2 PURPOSE OF MEETINGS. Meetings are for the dissemination of information and discussion only. All matters requiring a vote of the members shall be presented to the entire voting membership by written ballot in accordance with the provisions of Section 6.4.

6.3 Notice of Meeting: Written notice of the time and place of any meeting of the Membership shall be prepared and mailed to each Member of the Cooperative not less than twenty (20) and not more than forty-five (45) days before the date of the meeting. Notice for a special meeting shall state the nature of the business to be dealt with at the meeting, and no other business other than that stated in the notice shall be discussed. Any lawful business may be brought before the Members of the Cooperative at any regular or annual meeting without specification in the Notice unless the business is amending the Articles of the Bylaws.

6.4 Voting: Voting by mail, facsimile or email is permitted. The Notice of Meeting shall provide the opportunity for each Member of the Cooperative to cast his or her ballot by mail, facsimile or email. If the Cooperative has received any mailed or facsimile or emailed votes on a question mailed to the Membership which is later amended at the meeting, the amended question shall be resubmitted to the Membership by mail for a vote. Mailed ballots may also be used without holding a meeting, as long as they are mailed to each Member of the Cooperative in the same manner as the Notices. All votes shall be counted by an independent third party designated by the Board.

6.5 Quorum: **NO QUORUM REQUIREMENT FOR MEETINGS.** Because meetings are for the dissemination of information and discussion only and no member votes shall be taken at meetings, there is no quorum requirement for meetings of members.

## **ARTICLE VII: BOARD OF DIRECTORS**

7.1 Number and District Representation: The Cooperative shall have no fewer than five (5) and no more than nine (9) voting Directors, the number to be determined by the Board from time to time. The Board shall consist of Directors from the Regions as defined in the Policy and Procedures Manual.

There shall be five (5) initial appointed voting Directors who will each serve a variety of one-, two- and three-year terms. The remainder of the voting Directors shall be elected by and from the Membership at large.

7.2 Nominations: There shall be two (2) recognized methods of placing candidates on the ballots for elections of Directors. The first method is nomination by Membership and Nominating Committees or Officials, as described in Article IX of these Bylaws. The other accepted method of placing candidates on election ballots is by petition with no fewer than thirty (30) Member signatures per candidate. Such petitions for candidate placement on election ballots shall be submitted to the Membership and Nominating Committees or Officials no later than ninety (90) days prior to date of election.

7.3 Tenure, Term and Qualifications: No Director shall serve for more than three (3) consecutive terms but after a lapse of two (2) years shall again be eligible to serve. There shall be three-year (3) terms for Directors which shall be staggered in a sequence to allow as nearly as possible an equal number of Directors to be elected each year.

#### 7.4 General Powers and Duties:

A) The business and affairs of the Cooperative shall be the responsibility of the Board of Directors. The Board of Directors shall set policy and perform the duties as set forth in the Bylaws. The Board may appoint persons or establish committees or employ a manager and such other agents, employees, or independent contractors for defined purposes to assist the Board in the discharge of its duties. The Board shall require records to be kept of all business transactions and of all actions of the Board.

B) The Board shall require that an officer, agent or employee of the Cooperative charged with the custody of the Cooperative funds or negotiable instruments give adequate bonds at the expense of the Cooperative. The Board shall also provide for adequate insurance coverage upon the property of the Cooperative or on the possessions of the Cooperative.

C) The Board shall develop and adopt a long-range business plan and strategy which shall include the methods and extent of capitalization and a preferred target period for returning capital to Members of the Cooperative. This plan shall be clearly communicated to all Members of the Cooperative.

D) The Board shall require written quarterly financial reports and operating statements for review by the Board.

E) The Board shall require a written budget for the following fiscal year.

F) The Board shall determine all net margin allocations and retained product allocation levels.

7.5 Regular Meetings: A regular meeting of the Board of Directors shall be held at least quarterly. The minutes shall be the responsibility of the Secretary.

7.6 Special Meetings: Special Meetings of the Board of Directors may be called at the request of two (2) Directors or by the President. The Directors or President calling the meeting may fix the time, place and date of the meeting. Special meetings by means of telephonic conference are authorized. Minutes shall be the responsibility of the Secretary.

7.7 Telephonic Meetings: One or more Members of the Board of Directors or any committee designated by the Board may participate in a meeting of the Board or Committee by means of a conference telephone or similar communications equipment by which all persons participating in the meeting can hear each other at the same time. Such participation shall constitute presence in person at the meeting.

7.8 Notice: Notice of the time and place of any special meeting shall be given to each of the other Directors in person by telephone or by facsimile at least ten (10) days in advance of the meeting or by written notice mailed with postage prepaid to the address of the Director as it appears in the records of the Cooperative. Such notice must be mailed not later than the fifteenth

(15<sup>th</sup>) day before the day of the meeting. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called nor convened. The purpose of the meeting shall be specified in the notice.

7.9 Quorum: A majority of Directors shall constitute a quorum for the transaction of business at any meeting of the Board.

7.10 Manner of Acting: The act of a majority of the voting Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law or these Bylaws.

7.11 Vacancies: Any vacancy occurring in any Directorship other than by expiration of a term of office shall be filled by appointment by the affirmative vote of the remaining Directors even though less than a quorum of the Board of Directors is remaining in office. The appointed Director shall complete the unexpired term of the predecessor to the office.

7.12 Conflicts of Interest: Directors and nominated Directors shall have a continuing obligation, from the time of nomination, to disclose in writing any conflicts of interest or potential conflicts of interest which he or she may have with the Cooperative. No immediate family member of a Director shall occupy any position in the Cooperative on regular salary, nor shall a Director or an immediate family member of any Director be a party to a contract for profit with the Cooperative different in any way from the business relation afforded the Members of the Cooperative with full disclosure and approval by the Board. No Director may vote on any matter before the Board in which the Director has an interest that is directly or indirectly in conflict with the general interest of the Members of the Cooperative. By resolution of the Board, Directors' expenses, if any, may be allowed. Any such Directors' expenses shall be budgeted to be approved by the Board.

7.13 Removal of Directors:

A) By the Board: Whenever a Director breaches any provisions of these Bylaws or fails to attend three (3) unexcused consecutive Board meetings, either regular or special, the Board may remove the Director by a majority vote of the Board. Notice of the special meeting will occur as follows:

Notice: Notice of the time and place of any special meeting shall be given to each of the other Directors in person by telephone or by facsimile at least ten (10) days in advance of the meeting or by written notice mailed with postage prepaid to the address of the Director as it appears in the records of the Cooperative. Such notice must be mailed not later than the fifteenth (15<sup>th</sup>) day before the day of the meeting. The purpose of the meeting shall be specified in the notice.

B) By Recall: A Director may also be removed from office by a recall election. Members of the Cooperative may request a recall election by submitting a petition noting the charges and signed by twenty percent (20%) of the Membership to the Board of Directors. If the Director to be recalled represents a district, then one-third of the Members within the District

represented shall be signers on the recall petition, but this shall be with-in the twenty-percent (20%) requirement provided herein. Such Director shall be given ninety (90) days written notice of the charges and an opportunity to be heard by the Membership. Removal of a Director shall require a majority affirmative vote of those Members voting.

## **ARTICLE VIII: OFFICERS**

8.1 Number, Tenure, Term and Qualifications: There shall be at least four (4) officers of the Cooperative who shall assume the duties of President, Vice President, Secretary, and Treasurer. Officers shall be elected by a vote of the Directors. All officers shall also be Members of the Board of Directors. The Board may also establish other offices from time to time.

8.2 President: The President shall be the Principle Executive Officer of the Cooperative and shall in general supervise and direct all of the business and affairs of the Cooperative with the advice and consent of the current Board of Directors. The President shall preside over all meetings of the Membership and the Board of Directors, call special meetings of the Board, appoint committees as directed by the Board and sign, with the Secretary or Treasurer, contracts or other instruments which the Board of Directors has authorized to be executed, except in the cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by the Bylaws or by Statute to some other Officer or Agent of the Cooperative.

8.3 Vice President: The Vice President shall perform all the duties of the President in the absence of the President, and as directed by the President or the Board of Directors from time to time.

8.4 Treasurer: The Treasurer shall have charge and custody of and be responsible for all funds and securities of the Cooperative, deposit all such monies in the name of the Cooperative in such banks, trust companies or other depositories as shall be selected by the Board of Directors and in general perform all the duties incident to the office of the Treasurer and such other duties as from time to time may be assigned by the President or by the Board of Directors. The Treasurer shall give a bond for the faithful discharge of his/her duties. The Treasurer shall give a full and comprehensive annual report of the financial standing and affairs of the Cooperative to the Membership at the Annual Meeting, and shall promptly turn over control of the funds, property, books and records belonging to the Cooperative to the succeeding Treasurer.

8.5 Secretary: The Secretary shall keep the minutes of the meetings of the Board of Directors and General Membership Meetings in one or more books provided for that purpose. The Secretary shall see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law, be custodian of the corporate seal, books of blank certificates, Cooperative records, including current stock ownership and Membership records, and unless otherwise designated by the Board, keep a register of the post office addresses of each Director (which shall be furnished to the Secretary by each Director), and of each Member, and in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the President or the Board of Directors. The Secretary shall promptly turn over control of the property, books, and records belonging to the Cooperative to the succeeding Secretary.

8.6 Compensation: Officers shall not receive a salary or fees for their services apart from that allowed to Directors, but by resolution of the Board, expenses of attendance, if any, may be allowed for attendance at each regular meeting of the Officers. Any such compensation shall be budgeted for and approved by the Members of the Cooperative.

8.7 Terms: The Officers will serve three-year (3) terms for a maximum of two (2) terms. Each three (3) years the officers will be required to be reelected by the Board of Directors. Officers may be terminated by a majority vote of the Board of Directors.

8.8 Removal: The Board of Directors shall have the right to remove any Officer whenever it is judged that the best interest of the Cooperative will be served thereby.

8.9 Vacancy: The Board of Directors shall fill any office of a required officer of the Cooperative which becomes vacant with a successor who shall hold office at the pleasure of the Board and until their successor shall have been duly elected and qualified.

#### **ARTICLE IX: SPECIAL COMMITTEES AND OFFICIALS**

9.1 Appointments: The Board of Directors may appoint either committees or officials from the Membership to assist with the governance and planning of the Cooperative operations. At least one (1) Member of the Board of Directors must serve on any committee, except nominating committees, that would be established. A Director may only serve on a nominating committee if that Director is not seeking reelection.

9.2 Membership and Nominating: The Board of Directors shall appoint one or more Membership and nominating officials or committees. These officials or committees shall work with the Board Secretary to maintain Membership Rolls. They shall be responsible for obtaining nominations for new Board Members, preparation of Director Election ballots, the mailing of such ballots to respective district Members, and ballot collection for tabulation of election results.

#### **ARTICLE X: OPERATION AT COST AND EQUITY REQUIREMENTS**

10.1 Operation at Cost: The Cooperative shall at all times be operated on a service at cost basis for the mutual benefit of its Members.

10.2 Equity Requirements: Each year the Board of Directors shall determine the amount of equity capital necessary for successful operation of the Cooperative. Each Member's equity requirement shall be based on, and be in the same proportion to, the Member's volume participation in the Cooperative during the past one (1) year in proportion to the total volume of the Cooperative during the same period.

Member volume = Member equity requirement.

Member Investment: Members of the Cooperative may invest equity to meet their requirements by direct cash investment, by allocation of the Member's share of annual net margins, and by retained product allocations accumulated in Member's capital account.



10.3 Net Margin Allocations: In order to encourage Member Participation and to assure that this Cooperative will operate on a service at cost basis in all its transactions with its Members, the Cooperative is obligated to annually allocate net margins to each Member of the Cooperative based upon all amounts received from business conducted with each Member over and above the cost of providing such services and making reasonable additions to the reserves. Such allocation shall be on the basis of proportionate dollar value of business with the Member transacted through the Cooperative and shall be made by cash or by credits to the capital account of each Member.

10.4 Retained Product Allocations: Retained product allocations are those sums which are withheld from payments or portions of payment which would be made to Members of the Cooperative for their products after the products are sold. These are also sometimes referred to and known as “per-unit retains.” Each Member of the Cooperative agrees to produce capital in the form of retained product allocations in such amounts as determined by the Board of Directors based on physical units of product marketed through the Cooperative. Such per-unit retained allocations shall be credited to the Member’s capital account.

10.5 Member Account Adjustments: At the end of each fiscal year, the Cooperative shall calculate each Member’s capital account by including all net margin allocations and retained product allocations credited to the Member made for the year.

A) If a Member’s capital account shows allocated margin credits less than the Member’s equity requirement, cash returns to the Member based on business done with the Cooperative will be limited to those required by the Internal Revenue Code or other applicable law.

B) If a Member’s capital account shows allocated margin credits, less any cash that must be refunded to comply with the Internal Revenue Code or other applicable law, which are greater than the Member’s equity requirement for that year, the excess shall be paid to the Member in cash within eight and one-half (8.5) months after the close of the fiscal year.

10.6 Section 521 (b) tax exemption:  
Section 521 (b) of the Internal Revenue Code provides: the farmers cooperatives exempt from taxation to the extent provided in subsection (a) are Farmers’, fruit growers, or like associations organized and operated on a cooperative basis. (A) for the purpose of marketing the products of members or other producers, and turning back to them the proceeds of sales, less the necessary marketing expenses, on the basis of either the quantity or the value of the products furnished by them, or (B) for the purpose of purchasing supplies and equipment for the use of members or other persons, and turning over such supplies and equipment to them at actual cost, plus necessary expenses.

## **ARTICLE XI: REDEMPTIONS**

11.1 In retiring capital credits, the Cooperative shall give priority to deceased Members’

capital credits held for the settlement of their estates. The time and method of the redemptions shall be determined solely by the Board of Directors. When a corporation or partnership holds the Member's capital credits, or if another entity holds the capital credits as tenants in common, it shall be eligible for redemption to the same extent as its individual partners or shareholders would be eligible. Redemptions shall be made to the corporation partnerships or to her entity and not to the individuals comprising the same. The ownership percentage of any such entity shall be reported accurately to the Cooperative. Failure to accurately report ownership interest shall result in loss of redemption eligibility. In the event of dissolution of a corporation, partnership or other entity, the capital credits shall be distributed to the owners of the entity and thereafter redemption shall be considered on an individual basis.

## **ARTICLE XII: CONSENT**

12.1 . Any member of this Cooperative, by being a member of this Cooperative consent that the amount of any distributions with respect to the members business with the Cooperative are made in qualified written notices of allocation or qualified retained product allocation certificates (per-unit retain certificates) (as defined in 26 U.S. C. 138).

Written notification of per – unit retains will be taken into account by United States resident Members of the Cooperative at their stated dollar amounts in the manner provided in 26 U.S.C. 1385 (a). Canadian resident Members of the Cooperative will be taken into account by applicable Canadian law, in the taxable year in which such written notices of allocation and per – unit retained certificates are received.

12.2 Written notification of the adoption of this Article, a statement of its significance and a copy of the provision shall be given separately to each Member of the Cooperative and prospective Member of the Cooperative before Membership in the Cooperative.

## **ARTICLE XIII: NON-MEMBER BUSINESS**

13.1 This Cooperative may conduct business with Non-members for the benefit of the membership. To include but not limited to processors, other cooperatives, and wholesalers.

## **ARTICLE XIV: INCOME**

14.1 There are two types of incomes possible:

1. Net income from sale of individual members products. This is distributed as each members products sell.

2. Retains income: monies

2. Non-member income:

This is income derived from non-member income less expenses.

The board will determine on a year-to-year basis the amount if any net margin allocation shall be paid to the members of the Cooperative in cash at the end of each fiscal year. The remaining net margin allocation may be held by the Cooperative at the discretion of the Board of Directors to provide operating capital, finance capital growth, or to redeem earlier retained net margin

allocations or earlier retained product allocations. All retained margin allocations shall be credited to the Member's individual capital credit accounts.

14.2 The income derived from non-members of the Cooperative shall be its gross receipts derived from all sources which under law do not qualify as Member-derived income, less all expenses properly attributable to the production of such non-member sources of income and all income taxes payable on such receipts by the Cooperative. Non-member income shall be used on behalf of the Cooperative and its members in accordance with such lawful purposes as may be determined by the Board of Directors. Non - member income such as, but not limited to Grants, donations and / or income received as a result of products sold from fiber that was donated to NAAFP

#### **ARTICLE XV: LOSSES**

15.1 Losses: If the Cooperative incurs a loss on operations in any fiscal year, such loss maybe charged against any reserve accumulated earnings from prior years. Any such loss in excess of the reserve accumulated from earnings in prior years shall then be charged proportionately against the Member's capital accounts.

15.2 General Provisions: This action shall not be construed to deprive the Cooperative of the right to carry backward or forward losses from any source whatsoever in accordance with the Internal Revenue Code or other applicable taxing statutes.

#### **ARTICLE XVI: FINANCIAL RECORDS, POWERS AND DUTIES**

16.1 Records and Right of Inspection: The Cooperative shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its Members and Board of Directors and shall keep at its registered or principal office a record giving the names and addresses of the Members of the Cooperative entitled to vote. The Directors shall cause the books and records of the Cooperative to be reviewed by a certified public accountant. A vote of the majority of the Board may ask for an audit. The review or audit report shall be open for discussion as an agenda item at the Annual Meeting of the Membership.

##### 16.2 Records and Notification:

A) The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year, the amount of capital, if any, furnished by each Member of the Cooperative is clearly reflected and credited in an appropriate record to the capital account of each Member.

B) The Cooperative shall, within eight and one-half (8.5) months after the close of each fiscal year, notify each Member of the Cooperative of the capital credited to the Member's account. The notice shall be in the form of a written notice of allocation (as that term is used in Subchapter T of the Internal Revenue Code) or other appropriate written document. The Board shall have discretion to issue such notices in either "qualified" or "nonqualified" form as permitted by the Internal Revenue Code and other applicable law.

16.3 Budget: The Board shall cause to be created an annual budget for operation of the Cooperative. The budget shall be presented to the Members of the Cooperative at the Annual Meeting for comment.

16.4 Dividends: Dividends may be paid if permitted by applicable state, provincial and federal law, but in any event shall not exceed eight percent (8%) per annum on nonpreferred stock in the Cooperative.

16.5 Fiscal Year: The fiscal year of this Cooperative shall commence on the first day of October and end on the last day of September.

## **ARTICLE XVII: INDEMNIFICATION OF DIRECTORS AND OFFICERS**

17.1 Indemnification: The Cooperative shall have the power to indemnify any Officer, Director, Employee or Agent of the Cooperative who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the Cooperative) by reason of the fact that the Member of the Cooperative is or was a Director, Officer, Employee or Agent of the Cooperative, or was serving at the request of the Cooperative as a Director, Officer, Employee or Agent against expenses (including attorney fees), judgments, fines and amounts paid in settlement, actually and reasonably incurred by the Officer, Director, Employee or Agent of the Cooperative in connection with such action, suit or proceeding, if the Officer, Director, Employee or Agent of the Cooperative acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Cooperative and, with respect to any criminal action or proceeding, had no reasonable cause to believe the Officer, Director, Employee or Agent of the Cooperative conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the Officer, Director, Employee or Agent of the Cooperative, reasonably believed to be in, or not opposed to, the best interests of the Cooperative, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the Officer, Director, Employee or Agent of the Cooperative, conduct was unlawful. The Cooperative shall provide a policy or policies of insurance to accomplish this purpose.

## **ARTICLE XVIII: DISSOLUTION**

18.1 Decision to Dissolve: A two-thirds (2/3) majority of the Board shall first adopt a resolution recommending dissolution, which resolution shall be submitted to the Members of the Cooperative. The resolution shall state the reasons for the proposed dissolution, the time by which it should be accomplished, whether or not the Board may revoke dissolution, and the names of three (3) persons and two (2) alternates to act as trustees in dissolution. Notice shall be provided to each Member of the Cooperative of the resolution to dissolve. The Notice shall contain a summary of the proposed distribution of the Cooperative's assets and an attached mail ballot. The dissolution of the Cooperative may be authorized at a meeting of the Membership upon the adoption of the resolution to dissolve by a two-thirds (2/3) affirmative vote of the

Members present and voting at the meeting.

18.2 Payment of Liabilities and Distribution of Assets: Upon dissolution, the assets of the Cooperative shall be used to pay, in the following order of priority:

1. Liquidation expenses.
2. All debts and liabilities according to their respective priorities.
3. Amounts invested in the Cooperative as their specific preferences may appear.
4. On a pro rata basis, amounts invested in the Cooperative of any kind which is required to be invested in order to be a Member of the Cooperative;
5. On a pro rata basis, amounts withheld from or allocated to a Member of the Cooperative or any direct contributions to the Cooperative not previously described herein, as shown on the books and records of the Cooperative, and
6. To the Members of the Cooperative, on a pro rata basis as determined by the trustees in liquidation.

#### **ARTICLE XIX: AMENDMENT**

19.1 Procedure: Amendments to the Bylaws may be proposed by a petition signed by twenty percent (20%) of the Membership of the Cooperative or by the majority vote of the Board of Directors. The Bylaws may be amended by a two-thirds (2/3) affirmative vote, including votes cast by mail or facsimile, of all the Members of the Cooperative voting. Notice that such business is one of the purposes of the Annual Meeting shall be given in advance to Members of the Cooperative in the same time and manner as provided for Notices of Meetings (6.3), and ballots shall be mailed in advance as provided herein to the Members for that purpose. A copy of any proposed amendment of the Bylaws, including any recommendation the Board of Directors may wish to make on the amendment, shall accompany the Notice of the Meeting and be incorporated into any ballot.

#### **ARTICLE XX: CORPORATE SEAL**

20.1 The Board of Directors may provide for a corporate seal which shall have inscribed thereon the name of the Cooperative, the year and state of incorporation and the words "corporate seal."

#### **ARTICLE XXI: LOANS**

21.1 The Cooperative may not lend money to or guarantee the obligation of a Director of the Cooperative.

#### **ARTICLE XXII: MEETING PROCEDURE**

22.1 The proceedings at all meetings of the Membership and the Board shall be governed by the Board of Directors unless otherwise specified by the Bylaws.

The undersigned, consisting of all of the Directors of the Natural Fiber Producers Cooperative

hereby consent and agree to the provisions of the above Bylaws consisting of TWENTY -TWO (22) Articles on this 20th day of October, 2014.

Brian Willsey, President

Diane Johnson, Vice President

Sandra House, Secretary

Pamela Harwood, Treasurer

Jody Hezoucky, Director

Rose Wininger, Director