

ChiCommons Cooperative Agreement

Version: v2.03 (ratified: 2020-09-26)

1. Purpose of the Cooperative

Chicommons (the Cooperative) documents and maps the cooperative, solidarity and commons-based economies in the Chicago area and supports and develops new cooperative activities and entities.

2. Mission.

The Cooperative's mission is to cooperatively foster and grow a people-owned solidarity economy.

3. Cooperative Principles

3.1. In any case where these Cooperative Agreement are unclear, the spirit of the "Statement on the Cooperative Identity" by the International Cooperative Alliance as revised and adopted in 1995, including the seven principles of cooperation should be applied.

3.2. In any case where this Cooperative Agreement is unclear, the spirit of Sociocracy 3.0 applies as described in <https://sociocracy30.org/>, to the extent that it does not contradict 3.1. above.

4. Ownership

4.1. Other cooperatives use the term "members" for owners of the cooperative. We use the term "owner" in place of member.

4.2. Ownership Qualifications

4.2.1. Ownership shall be open to any individual who is eligible and who accepts the responsibilities of Ownership.

4.2.2. The Cooperative will issue a Ownership to any person who has met the Ownership requirements written by the Cooperative Board, which may include a capital contribution, Ownership fee, and/or a commitment to perform work for the Cooperative. The Cooperative may have any number of Owners.

4.3. Classes of Ownership.

4.3.1. The Cooperative shall have four classes of Owners, with the designation, qualifications, requirements, methods of acceptance and incidents of each class of

Owners as set forth below. The Cooperative will issue four (4) classes of Ownership, Class C Ownership, Class P Ownership, Class W Ownership, and Class I Ownership.

4.3.2. Consumer Owner

4.3.2.1. Any person or entity shall be eligible for Ownership as a “Consumer Owner” provided that that person is an active Owner of the Cooperative and after:

4.3.2.1.1. Purchase of one (1) share of Class C Ownership.

4.3.2.1.2. Complying with all equity requirements of the Cooperative.

4.3.2.2. Consumer Owners are governing Owners because of their Class C Ownership

4.3.2.3. Consumer Owners need and can only purchase a single Class C Ownership to be voting Owners of the entire cooperative.

4.3.2.4. Purchase of a Class C Ownership confers one and only one vote on Cooperative-wide matters.

4.3.3. Producer Owner

4.3.3.1. Any producer shall be eligible for Ownership as a “Producer Owner” upon

4.3.3.1.1. Purchase of one (1) share of Class P Ownership, which includes one (1) share of Class C Ownership

4.3.3.1.2. Complying with all equity requirements of the Cooperative.

4.3.3.1.3. Signing a Ownership agreement with the Cooperative.

4.3.3.2. Producer Owners are governing Owners because of their Class C Ownership.

4.3.4. Worker Owners

4.3.4.1. Any Worker of the Cooperative shall be eligible for Ownership as an “Worker Owner” and required to join the Cooperative as a Worker Owner if that person is employed by the Cooperative and after:

4.3.4.1.1. Purchase of one (1) share of Class W Ownership, which includes one (1) share of Class C Ownership

4.3.4.1.2. Complying with all equity requirements of the Cooperative

4.3.4.1.3. Meeting the minimum employment eligibility requirement of the Cooperative as determined by the Cooperative Board.

4.3.4.2. Worker Owners are governing Owners because of their Class C Ownership

4.3.5. Investor Owner

- 4.3.5.1. Class I Ownership may be issued from time-to-time by the Board for the purposes of raising funds.
- 4.3.5.2. Purchase a number of shares of Class I Ownership as valued by the Board subject to rules about redemption of Class I Ownership shares.
- 4.3.5.3. Owners owning Class I Ownership confer no voting rights.
- 4.3.6. All Owners holding Class C Ownership are Owners of the Cooperative and have voting rights in the Cooperative.
 - 4.3.6.1. Owners may also be a Owner of one or more classes, providing they conform to the terms of that class Ownership, apply to and are accepted by that class.
 - 4.3.6.2. Consumer, Worker, and Producer classes have governance roles in the Cooperative.

4.4. Ownership Eligibility and Acceptance

- 4.4.1. Ownership in the Cooperative shall be open to any person or entity that supports the purposes of the Cooperative as expressed in the Articles of Incorporation, these By-laws, and the policies of the Cooperative, and who is affiliated with the community being served by the Cooperative when the Ownership Share is purchased. An application shall be accepted unless the Cooperative Board determines in its sole discretion that the interests of the Cooperative would be better served by returning the Ownership purchase.
- 4.4.2. All employees of this Cooperative are eligible for Worker Ownership after a suitable vesting period as defined by the Board of Directors.

4.5. Termination of Ownership

4.5.1. Resignation

- 4.5.1.1. Owners wishing to leave the Co-op must submit a written note to the secretary. Resigning Owners are responsible for fulfilling all outstanding obligations.
- 4.5.1.2. The Class C, P, W, and I Ownership is redeemable at the discretion of the Cooperative Board, and unless reserves are not sufficient to meet the demand, it is understood that such Ownership will be fully redeemable.
- 4.5.1.3. When a Owner dies, is adjudged incompetent by a court, or received a court order of relief under bankruptcy law, their Ownership is terminated as a resignation.

4.5.2. Involuntary termination

- 4.5.2.1. The Cooperative Board may terminate an individual or organization's Ownership for one of the following reasons:
 - 4.5.2.1.1. Did not participate in the Co-op for one year or more

- 4.5.2.1.2. Violated terms of Co-op policy, Cooperative Board policy, product standards, or this Cooperative Agreement
- 4.5.2.1.3. Acted contrary to the best interests of the Co-op.

4.5.3. Termination for cause

- 4.5.3.1. Owners may be expelled for cause from the Co-op by a majority vote of the Cooperative Board. The board may only terminate Ownership during a board meeting. The Class C, W and P Ownership is redeemable at the discretion of the Cooperative Board. Termination of Ownership will use the following procedure:
- 4.5.3.2. The Cooperative Board will send a certified letter stating the reason for the proposed termination and outline specific incidences of violation of policies or the cooperative agreement. The letter must be sent at least seven days prior to the vote to terminate Ownership.
- 4.5.3.3. The Owner will be invited to the board meeting to be heard.
- 4.5.3.4. The decision of the Cooperative Board is final.

4.5.4. Worker Termination

- 4.5.4.1. When a Worker-Owner voluntarily or involuntarily ends their work in the Cooperative, their Ownership in that class automatically ends and their Class W Ownership shall be deemed transferred back to the Cooperative.
- 4.5.4.2. Within fourteen days of termination, the Cooperative will pay for the Worker's Class W share at its original price in cash, after offsetting against the share price any negative balance, if one exists, in the Internal Account for that Worker, any debts that Worker owes to the Cooperative.
- 4.5.4.3. If the Worker's Internal Account still has a negative balance, this negative balance will be debited against the Reserve Fund, thereby ensuring that any operating losses do not accumulate so as to leave the Worker owing money to the Cooperative when that Worker retires or otherwise terminates their Ownership.
- 4.5.4.4. Any positive balance in the worker's Internal Account for the retiring or terminating worker not represented by written notices of allocation and associated interest shall be paid in full by the Cooperative in cash or, at the election of the Cooperative, by means of the Cooperative's promissory note payable on such terms as the Cooperative Board shall determine, provided that the note be payable in full within six months of the termination date, unless it would otherwise impair the Cooperative's finances.

4.6. Transferability of Ownership Shares

- 4.6.1. No Owner may sell, assign any interest in, or otherwise transfer his or her Ownership Share during the period of his or her Ownership in the Cooperative. All certificates representing Ownership Shares shall, in accordance with the law, have

a notation thereon referring to the restrictions governing the transfer of these shares.

4.7. Owner Rights and Responsibilities

4.7.1. Owners have the following rights.

- 4.7.1.1. Owners of all classes are eligible for patronage refunds.
- 4.7.1.2. Owners of the Worker, Consumer and Producer classes may participate in annual and special Ownership meetings.
- 4.7.1.3. Owners of the Worker, Consumer and Producer classes have the right to vote in elections for the Cooperative Board.
- 4.7.1.4. Owners of the Worker, Consumer and Producer classes have the right to serve on the Cooperative Board or committees.

4.7.2. Ownership Responsibilities. Owners in the Worker, Consumer and Producer Ownerships Classes are *expected* to participate, when applicable, in the activities of the Co-op, including, but not limited to the following:

- 4.7.2.1. Contribute to the Co-op's capital by purchasing a Ownership share.
- 4.7.2.2. Patronize the Co-op.
- 4.7.2.3. Know and understand the criteria for participation, product standards, cooperative agreement, and policies of the Co-op.
- 4.7.2.4. Participate in any educational activities mandated by the Cooperative Board or Governing Councils.
- 4.7.2.5. Keep current on the activities and actions of the Co-op, attend annual and special Owner meetings, vote in elections, and respond to surveys.
- 4.7.2.6. Participate in committee work.
- 4.7.2.7. Share experience and provide Owner-to-Owner education as requested.
- 4.7.2.8. Assist in the development of new products or product uses.
- 4.7.2.9. Promote the Co-op and encourage others to become Owners.
- 4.7.2.10. Contact local, state, and federal representatives on issues related to the Co-op's mission.

4.7.3. The Cooperative will act on behalf of the Owners and in the Owners' best interests in negotiating for and procuring goods, services, and programs for the Owners.

4.7.4. Owners may not enter into contracts or agreements on behalf of the Cooperative, unless such contract or agreement was previously approved by the Board of Directors. The Cooperative will not be liable if a Owner fails to perform or pay under any contracts or agreements that have not been previously approved by the Board of Directors..

5. Ownership Meetings

5.1. ChiCommons Annual Meeting

5.1.1. The annual meeting of the Owners of this Cooperative shall be held in the State of Illinois and/or online, during the month of March or on such date as the Cooperative Board may determine. The Cooperative Board shall designate the time and place of meetings.

5.1.2. Not less than thirty (30) days nor more than sixty (60) days' notice shall be given before for each annual meeting. Meeting notices shall always be written, giving date, place, time, and agenda. The agenda for the annual meeting shall include a slate of director candidates and any by-law amendments that will be considered.

5.2. Special Meetings

5.2.1. Meetings of the Owners of the Cooperative may be called at any time by order of the Cooperative Board or shall be called at any time by petition of at least 20% of the Owners of any one Ownership class (Consumers, Workers, or Producers). If such a petition is submitted, the secretary of the Cooperative shall schedule a Ownership meeting within 30 days, and within fourteen (14) days shall give written notification to the voting Ownership of the meeting time, date, and place as well as the business to be transacted. No business shall be transacted at any special meeting other than that referred to in the notice.

5.3. Quorum

5.3.1. A quorum at an Annual or Special Owner meeting shall be calculated separately for each Ownership class, and each class for which a quorum is present may conduct its proper business. A quorum shall be 10% for each Ownership class provided that class has a minimum of 10 Owners, or 30% of the total Ownership, provided that each class with any Owners is represented.

5.4. Voting

5.4.1. Each Consumer Owner shall be entitled to only one vote. Voting shall be permitted by mail, e-mail, or in person.

5.5. Representation of Organizational Owners

5.5.1. Owners that are not natural persons (such as organizations, businesses, or households) must designate a representative authorized to cast a single vote on Co-op issues. These Owners may also designate an alternative representative.

5.5.1.1. The designation must be in writing.

5.5.1.2. The designation must be provided to the secretary at or before the Owner meeting.

5.5.1.3. The written designation will remain effective until it is replaced by a more recent written designation.

6. Boards of Directors, and Governing Councils

6.1. Boards of Directors

6.1.1. The Cooperative Board is the authoritative Board of Directors of the Cooperative, and elected by Cooperative Owners of the Consumer Class.

6.1.1.1. The Cooperative Board shall be comprised of 51% of Worker Owners and the remaining seats will be comprised proportionally from the numbers of Owners from each the Consumer and Producer Ownership Classes, where proportions are defined as the relationship of the Owner class relative to the total number of Owners.

6.1.1.2. While not binding, the Board shall take into consideration any issue proposed by a Owner of any class of Ownership, provided a petition signed by at least 5% of the Ownership class is submitted

6.2. Governing Councils

6.2.1. The Cooperative may engage in Cooperative development in specific areas of cooperation, resulting in Cooperative Organizational Units.

6.2.2. These Cooperative Organizational Units will include Owners of one or more classes in support of that entity.

6.2.3. These entities will be governed by a governing council with Ownership proportional to the Ownership classes involved in operating that Cooperative Organizational Unit.

6.2.4. The scope of these governing bodies is purely operational. Policy will be decided by the respective Class Boards and/or the Cooperative Board.

6.3. Number, Qualifications, and Composition of Directors for the Cooperative Board

6.3.1. The Cooperative Board will have an odd number of Owners totaling at least 7 and no more than 15 Owners.

6.3.2. Each Board Candidate will be a Owner in good standing of the Cooperative for the prior year.

6.4. Eligibility

6.4.1. The directors shall accept any Consumer, Producer or Worker Owner in good standing, who has been a Owner for at least one year, as a candidate for election to the Board.

6.4.2. The elected directors may appoint any person to the Board who is deemed to have a contribution to the operation of the Cooperative, provided that person is a Owner in good standing.

6.5. Power and Specific Duties of the Cooperative Board

6.5.1. All powers of the Cooperative, except those reserved to the Cooperative Owners, shall be exercised by or under the authority of the Cooperative Board.

6.5.2. The Cooperative Board will set, implement, and interpret policies to further the mission of the Co-op.

6.5.3. The Cooperative Board will mediate conflicts and act as the final arbiter for conflicts.

6.6. Terms of Directors. Directors will be elected by the Owners at annual Ownership meetings or at a special Owner meeting called to fill a vacancy.

6.6.1. Directors will serve for three (3) year terms.

6.6.2. Terms are staggered to preserve the continuity of governance.

6.6.2.1. In electing the first boards, one third of the directors shall be elected for a one year term, one third of the directors for a two year term, and the remaining directors for a three year term.

6.7. Term Limits

6.7.1. No director after having served for two (2) consecutive full terms shall be eligible to succeed themselves, but after a lapse of one (1) year shall again be eligible.

6.8. How Elections are Conducted

6.8.1. Owners shall elect directors by written or email ballot.

6.8.2. Voting for the election of directors by mailed or emailed ballot shall be allowed. Such ballot will be mailed with notice of the respective Annual Meeting a minimum of thirty (30) days and a maximum of sixty (60) days the date of the annual meeting.

6.8.3. Board ballots must be submitted in writing or email prior to the Annual Meeting or hand delivered by a Cooperative Owner at the call for ballots at the Annual Meeting.

6.9. Board Vacancies. Vacancies occurring on the Cooperative Board shall be filled by appointment by the remaining directors of the Board until the next Annual Ownership Meeting of the Cooperative.

6.10. Removal of Directors

6.10.1. Any elected director may be removed from office with or without cause by a vote of not less than two-thirds of the Consumer Class present at a Owner Meeting with a quorum.

6.10.2. Any appointed director may be removed from office with or without cause by a majority vote of the other directors, provided that at least one director from each class of elected directors' votes in favor of the removal.

6.10.3. Any such termination will be replaced with a Owner from the same class.

6.11. Liability, Indemnification and Limitation

6.11.1. A member of the Board shall not be liable to the Cooperative for monetary damages for conduct as a member of the Board, except for acts or omissions involving intentional misconduct or a knowing violation of the law by the individual.

6.11.2. The Cooperative shall indemnify, to the full extent provided by law, the members of the Board, as well as its officers, employees and agents, from any and all costs, expenses and damages, including reasonable attorneys' fees, arising out of or in connection with any claims, suits or other actions based on acts or omissions by such person on behalf of the Cooperative, in his or her capacity as a member of a committee, an officer, employee or agent of the Cooperative, except for acts or omissions involving intentional misconduct or a knowing violation of the law by the individual. Such indemnification shall continue as to individuals who have ceased their respective positions with the Cooperative. The right to indemnification under this Article shall not be the exclusive rights of any person.

6.11.3. No indemnification shall be provided if such payment is prohibited by the provisions of Illinois law; or if in the opinion of corporate counsel such payment would subject the Cooperative to the loss of its treatment as a Cooperative for U.S. federal income taxes.

6.12. Board Compensation

6.12.1. The Cooperative will reimburse board members for reasonable expenses connected with fulfilling board of director duties.

6.12.2. Compensation, if any, for board members will be determined by Cooperative Owners at annual or special Ownership meetings.

6.12.3. No board director may vote upon reimbursement for their services.

6.13. Conflict of Interest

6.13.1. It shall be the duty of all board directors to make prompt and full disclosure to the board of any personal, professional, or financial conflicts of interest in a matter under discussion.

6.13.2. A board member shall not participate in any vote on any matter in which the director has a conflict of interest as defined in these by-laws or by the board.

6.13.3. Directors will follow the board's Conflict of Interest Policy.

6.14. Regular Board Meetings

6.14.1. The directors shall hold their first Cooperative Board meeting within one week after the annual meeting.

6.14.2. The Cooperative Board shall determine a regular schedule of meetings sufficient to meet the needs of the Cooperative.

6.14.3. The secretary or their designee of the Cooperative will keep meeting minutes and publish them to the respective Cooperative Owners.

6.14.4. Distribution of a schedule of time and places for regular meetings shall be sufficient notice to conduct legal business.

6.14.5. Any board meeting may be conducted by telephone or other electronic means of communication through which the directors may simultaneously hear one another.

6.14.6. Any action required or permitted to be taken at a meeting of the Board may be taken by written or email action signed by all of the directors. The written action is effective when signed by all the directors and shall have the same force and effect as a unanimous vote at a meeting.

6.15. Special Board Meetings. Special meetings of the Cooperative Board may be held from time to time.

6.15.1. The meeting will be called by the president or by any one third of the directors.

6.15.2. Held at a time and place designated in the meeting notice.

6.15.3. Only business specified in the written notice may be conducted.

6.15.4. Appearance at a meeting will constitute a waiver of notice, except when a director attends the meeting and objects to the transaction of business because the meeting was not lawfully convened.

6.16. Meeting Notice, Quorum, Attendance

6.16.1. Oral, written, or electronic notice of each meeting of the Cooperative Board shall be given each director by, or under the supervision of, the secretary of the Cooperative at least 7 days prior to the time of meeting, notwithstanding Special Board Meetings. But such notice may be waived by any director, and their appearance at a meeting shall constitute a waiver of notice.

6.16.2. Participation in person is preferred, however, any board meeting may be conducted by telephone or other electronic means of communication through which the directors may simultaneously hear one another.

6.16.3. As a general rule the decisions and operations of the Cooperative are open to all Owners. Formal notice is not required to non-board Cooperative Owners, but notice and agenda of regular and special meetings will be publicized to the Ownership at large.

6.16.3.1. Any Cooperative Owner may attend meetings of the Cooperative Board, as an observer.

6.16.3.2. When The Cooperative Board meets in Executive Session, such meetings shall be closed to non-board members.

6.16.4. A majority of the directors in office shall constitute a quorum for transaction of business. An act of the majority of the directors present at a meeting at which a quorum is present shall be an act of the board.

7. Officers and Committees of the Board

7.1. The Cooperative Board shall elect from their number three officers, a President, a Secretary and a Treasurer to one (1) year terms.

7.2. The principal responsibilities of the President shall be to facilitate at all Owner meetings and Board meetings. The President shall jointly sign all certificates of Ownership and all contracts and other instruments, unless otherwise authorized by the Board. The President shall be an ex-officio member of all committees.

7.3. The principal responsibilities of the Secretary shall be to keep a true and correct record of the proceedings of all Owner meetings and Board meetings; to countersign and affix the seal of the Cooperative to all papers and documents requiring such action; and to systematically see to the safety of books, papers, records, and documents pertaining to the business of the Cooperative as may be assigned to the Secretary by the Board or required by Illinois or federal law.

7.4. The principal duties of the Treasurer shall be to sign all agreements of indebtedness and security agreements, as authorized by the Board, and to review the internal controls and financial systems used by the Cooperative when requested by the Board

7.5. Election. The officers shall be elected by the Cooperative Board for a one year term at the new board's first meeting.

7.6. Each officer shall be a Member of the Board to which they are elected.

7.7. Any officer may be removed from office with or without cause by a vote of a 2/3^{rds} majority of a quorum of the Board present at any meeting, the notice for which shall include such purpose.

7.8. The Cooperative Board may create temporary or standing committees. Committee powers shall be specifically stated by board resolution, and in no case shall any such committee exceed its conferred powers.

7.8.1. Each committee may have a mix of Board Members and Cooperative Owners or Class Members in good standing.

7.8.2. Each committee must include at least one current Cooperative Board Member, who will be responsible for communicating between the Committee and the Board.

8. Administration

8.1. Recordkeeping

8.1.1. The Cooperative Board will record, report and retain records about Ownership, financial transactions, meeting minutes, agreements and contracts, and other documents authored by or for the Cooperative and its classes in accordance with Illinois and federal law.

8.1.2. The board will make Cooperative records available to Owners, but the board may make policies to limit the sharing of information, provided that such policies do not violate the spirit of open records, and shall keep information confidential when required by law or by contract.

8.1.3. The board will send an annual financial report to Owners by email, postal mail, or any electronic platform accessible to Owners and directors.

8.2. Notice. The Cooperative may provide notice to its Owners or directors about any meeting or action in an email, text message, postal mail, or any electronic platform accessible to Owners and directors.

8.3. Binding. Any officer of the board may sign a document or make a binding commitment on behalf of the Cooperative, provided that the board has approved such action. The board may designate other people, such as certain directors or staff, to do the same.

9. Finance

9.1. This Cooperative operates on a Cooperative basis and allocates earnings and losses to patron-Owners on the basis of the business done with or for such patrons. Thus, in accordance with Subchapter T of the Internal Revenue Code, this Cooperative may declare a patronage dividend to be distributed among the Owners in accordance with the total amount of patronage made by each such patron during the preceding fiscal year. The stated goal of this Cooperative is to operate at minimal surplus. Dividends are

to be used to balance the unintended surpluses beyond amounts required for continued operations and reserves.

9.2. The apportionment of net proceeds of the Cooperative, calculated and distributed once per year, at the sole discretion of the Board of Directors, and only if funds beyond Reserves are available, within each Owner class shall be on the following basis:

9.2.1. To the Producer Owners on the basis of patronage with the Cooperative, measured by the dollar value, or any other exchange medium as determined by Cooperative Board policy, of the goods sold to the Cooperative.

9.2.2. To Worker Owners on the basis of each worker's annual wage, contract pay, or any other exchange medium as determined by Cooperative Board policy, from the Cooperative.

9.2.3. To Consumer Owners on the basis of their patronage of the Cooperative, measured by the dollar amount, or any other exchange medium as determined by Cooperative Board policy, of goods purchased from the Cooperative.

9.2.4. To the Investor Owners on the basis of patronage with the Cooperative, measured by the dollar value, or any other exchange medium as determined by Cooperative Board policy, of the Ownership Shares.

9.3. The apportionment of net proceeds of the Cooperative between each Owner Class shall be a decision of the Board based on a practical and equitable result.

9.3.1. Such apportionment shall be calculated one time per year for the previous year.

9.3.1.1. Net proceeds from non-Owners will not be distributed to Owners, but allocated as follows the listed order of priority:

9.3.1.1.1. Payment for any goods and services outstanding

9.3.1.1.2. Repayment of loans

9.3.1.1.3. Added to the Cooperative's Reserves

9.3.2. In accordance with accepted accounting practices, Illinois Statutes, the annual net proceeds from operations, if any, may be distributed to the Ownership as patronage refunds or may be retained as income to the Co-op. The board will annually review the finances of the co-op and decide how the net proceeds shall be used to further the goals of the co-op and the Ownership in accordance with Illinois Statutes.

9.3.3. All or any part of the net proceeds may be applied to losses incurred in prior years. In the best interests of the Cooperative, the board may apportion losses.

9.3.4. If the Cooperative incurs a net loss in any fiscal year, such net loss may be charged against the Capital Reserve. If the loss exceeds the Capital Reserve or, in any event, if the Board so elects, the loss may be recovered from prior or subsequent years' Net Margins. The Board shall have no authority to make assessment for net losses against Owners. This section shall not be construed to

deprive the Cooperative of the right to carry back or carry forward net operating losses in accordance with the Internal Revenue Code or Illinois taxing statutes.

9.3.5. The Cooperative shall maintain a Capital Reserve for the purpose of providing a fund against which it may charge losses and other expenses that could be charged against the surplus of a business Cooperative for profit.

9.3.6. Each person who hereafter applies for and is accepted into Ownership in this Cooperative and each Owner of this Cooperative as of the effective date of this cooperative agreement who continues as a Owner after such date shall, by such act alone, consents that the amount of any distributions with respect to her or his patronage which are made in written notices of allocation (as defined in U.S.C. §1388) and which are received by the Owner from this Cooperative, will be taken into account by the Owner at their stated dollar amount in the manner provided in U.S.C. §1385(a) in the taxable year in which the written notices of allocation are received by the Owner.

9.3.6.1. Amounts that are allocated to a Owner but not paid out are recorded in the Owner's "Owner Account," which is a ledger for each Owner on the Cooperative's books.

9.3.6.2. A Owner Account reflects the Owner's capital contribution, plus allocations of net earnings, minus distributions (pay-outs), minus losses.

9.3.7. The records of the Co-op will be kept in such a manner that the patronage refunds and any retained capital equity (allocated or unallocated) of each Owner of the Cooperative may be determined at any time. Within 8.5 months after the close of the Co-op's tax year, each patron (Owner) will receive a "written notice of allocation" which reports each Owner's patronage refund and capital retained for the year.

9.3.7.1. When a Owner terminates Ownership, the equity held within the Co-op will be refunded, upon written request to the board, in accordance with board policy on equity redemption.

9.3.7.2. Upon the death of a Owner, that Owner's heirs or legal representative may request, in writing, the retirement of the deceased Owner's capital account. The capital account will be redeemed in accordance with board policy.

9.3.7.3. Any equity or patronage refunds which remain unclaimed six years after the date authorized for redemption or retirement will be paid or distributed according to Illinois statutes in effect at that time for the disposition of unclaimed funds.

9.3.7.4. Events of Forfeiture of Refund. If the Cooperative distributes a patronage refund to a Patron who (a) does not consent to include the patronage refund in income as provided in Section 9.3.6; or (b) is unable to receive distribution; or (c) cannot be located for redemption of such patronage refunds, such patronage refunds shall forfeit to this Cooperative and be added to the Capital Reserve. Patronage refunds of less than Ten

Dollars (\$10) shall be treated as non-distributable Net Margins and added to the Capital Reserve.

9.3.8. The Co-op's financial accounts will be reviewed and reported on at least once a year by an independent auditor selected by the board, provided the capitalization of the Co-op exceeds \$10,000. An annual report including accounting information or appropriate summaries shall be available to the Ownership.

9.4. The Cooperative will be taxed as a Cooperative and issues patronage dividends to Owners as defined by Subchapter T of the Internal Revenue Code. Owners acknowledge that they are responsible for reporting those patronage dividends on their personal tax returns.

10. Articles of Incorporation and Cooperative Agreement Amendment

10.1. The initial Articles of Incorporation and By-Laws of the ChiCommons Cooperative shall be adopted by a 3/4 vote of the initial Cooperative Board.

10.2. Articles of Incorporation Amendment. The Cooperative's Articles of Incorporation may be changed with the following steps (see Mo. Rev. Stat. 351.1018 for detailed rules):

10.2.1. The board must pass a proposed amendment by a majority vote.

10.2.2. The board must send a copy of the proposed amendment to all Owners and call for a Owners' meeting.

10.2.3. The Owners' meeting must have a quorum of Owners present or by alternative ballot.

10.2.4. The proposed amendment must pass by a majority vote at the Owners' meeting.

10.2.5. An authorized officer or director must file the articles of amendment with the Secretary of State.

10.3. Cooperative Agreement amendment

10.3.1. This Cooperative Agreement may be amended at any Ownership meeting by a simple majority of the Owners voting, provided that the Board of Directors approves the amendment by a simple majority of Directors voting at a board meeting with quorum, unless otherwise provided by law.

10.3.1.1. Changes of the cooperative agreement may be initiated by a proposal signed by 10% of the Owners in good standing provided that each governing Class is represented proportionally.

10.3.1.2. Any and all proposed changes of the cooperative agreement shall be included in the notice of a Ownership meeting given to all Owners as described in Section 5 of this Cooperative Agreement.

10.3.2. If the amendment does not affect the decision-making powers or financial rights of a Owner, the board may change the cooperative agreement with the following steps:

10.3.2.1. A copy of the entire proposed amendment is sent to all Owners prior to the board vote.

10.3.2.2. The proposed amendment must pass by a 2/3 vote of the entire board (not only of the quorum present). Board Owners may vote by alternative ballot.

10.3.2.3. Such amendments are subject to repeal at the next general Owner meeting, either the annual meeting or a special meeting called for the purpose of addressing the amendment

11. Dissolution and Property Interest of Owners

11.1. At any Owner meeting held for the purpose of dissolving the Cooperative, the Owners may adopt a resolution of dissolution by the affirmative vote of two thirds (2/3rds) of the Owners' votes cast on the proposal. Notice of the meeting shall be given to all Owners, whether or not entitled to vote.

11.2. The Cooperative Board may adopt a resolution of dissolution in the following cases:

11.2.1. When the Cooperative has been adjudged bankrupt or has made a general assignment for the benefit of creditors;

11.2.2. By leave of the court, when a receiver has been appointed in a general creditors' suit or in any suit in which the affairs of the Cooperative are to be wound up;

11.2.3. When the Articles of Incorporation have been canceled for failing to file annual franchise or excise tax returns or to pay franchise and excise taxes and the Cooperative has not been nor desires to be reinstated; or

11.2.4. When substantially all of the assets have been sold at judicial sale or otherwise.

11.3. The Cooperative Board shall be responsible for seeing the appropriate state filings are made and notices given pursuant to Illinois state law.

11.4. Upon dissolution, the Board shall disburse the Cooperative's assets in the following order; first, to pay the Cooperative's debts and liabilities; second, to retire all capital furnished through patronage (Owner capital accounts), first to Investor Owners and then, without priority, on a pro rata basis to the remaining Owner Classes; and third, to distribute the remaining property and assets of the Cooperative among the Owners in

the proportion in which the aggregate patronage of each Owner bears to the total patronage of all such Owners, insofar as practical, unless otherwise provided by law.