

RESOLVED, that the Bylaws of this association be and the same are hereby amended to read:

**BYLAWS OF THE
STEPHENSON MARKING COOPERATIVE
STEPHENSON, MICHIGAN**

ARTICLE 1[MEETINGS]

Section 1. (ANNUAL MEETINGS) Regular meetings of the stockholders shall be held annually at the principal place of business of the association or at any other place conveniently located within the area served by it at such time as the Board of Directors shall determine, which meeting shall be held within six (6) months after the close of the fiscal year at the call of the president or board.

Section 2. (SPECIAL MEETINGS) Special meetings of the stockholders may be called by the president and he shall call such special meeting whenever a majority of the holders of common stock, or a majority of the directors shall, in writing, so request.

Section 3. (NOTICE) Written notice, stating the place, day, or hour, and in case of a special member meeting the purposes for which the meeting is called, shall be given not less than ten (10) nor more than thirty (30) days before the meeting at the direction of the person calling the meeting. Whenever notice is required to be given to any person, such notice shall be given either personally or by mail. If mailed, such notice is given when deposited in the United States mail, with postage prepaid thereon, addressed to such person at his address as it appears on the records of the cooperative. A signed waiver is equivalent to personal notice to the person so signing.

Section 4. (VOTING) No stockholder shall have more than one vote regardless of the number of shares owned. Voting by proxy shall be prohibited, however, there may be representation of members by delegates apportioned territorially, in which case the delegate shall cast the votes to which members represented by him are entitled.

Section 5. (PRESIDING OFFICER) The president of the association shall preside at all meetings of the stockholders and directors and shall cast the deciding vote in all cases of a tie.

Section 6. (QUORUM, STOCKHOLDERS) At any regular or special meeting of the stockholders, a quorum necessary for the transaction of business shall be 25. In determining a quorum at any meeting on a question submitted to a vote by mail, stockholders or members present in person as well as those represented by mail ballots shall be counted.

Section 7. (VOTING BY MAIL) Any stockholder who is absent from any meeting of the stockholders may vote by mail upon any motion, resolution, or amendment which the board of directors may in its discretion submit to the stockholders for mail ballot. Such ballot shall be in the form prescribed by the board of directors containing the exact text of any amendment to the Articles of Incorporation and a summary of any amendment to the bylaws or other proposed motion, resolution, or amendment to be acted upon at such meeting.

Section 8. (REGULAR DIRECTORS' MEETINGS) Regular meetings of the Board of Directors shall be held at such time and place as the Board, by proper resolution duly adopted and recorded upon the minutes, shall from time to time determine.

Section 9. (SPECIAL DIRECTORS' MEETINGS) Special meetings of the Board of directors may be called by the president, manager, or by a majority of the members of said Board. No business except that mentioned in the call for special meetings shall receive final action at said meeting.

Section 10. (QUORUM, DIRECTORS) A majority of the directors shall constitute a quorum at all meetings of the Board and a majority vote of the members present shall decide all questions.

Section 11. (ORDER OF BUSINESS) The order of business at the annual meeting and so far as possible at all other meetings of the members shall be:

- (1) Calling of the Roll
- (2) Proof of notice of meeting
- (3) Reading and disposing of all unapproved minutes
- (4) Annual reports of officers and committees
- (5) Election of Directors
- (6) Unfinished business
- (7) New business
- (8) Adjournment

Section 12. (NOTICE, DIRECTORS' MEETINGS) Notice of the meeting of the Board of Directors shall be given in person or by mail at least one (1) day prior to such meeting. A signed waiver of notice of a Board meeting is equivalent to personal notice to the person so signing. Attendance at a meeting is a waiver of notice of such meeting, except when a director attends the meeting and objects thereto to the transaction of business because the meeting was not lawfully convened. The purpose of any meeting of the Board need not be specified in the notice or waiver of notice of such meeting.

ARTICLE II [Membership]

¹Section 1. (QUALIFICATIONS) The members of this association shall be the holders of one fully paid share of its Common Stock or, in the alternative, membership may be established based upon the gross purchases from Stephenson Marketing Cooperative, Inc. Holders of Common Stock shall have voting rights and other members may be entitled to voting rights based upon the gross amount of business done with the Stephenson Marketing Cooperative, Inc. each fiscal year as determined by the Board of Directors. Common Stock may be issued or transferred to or held by only (i) producers, (ii) who reside in the territory served by this association, (iii) who market their products through or purchase their supplies from this association, and (iv) who have been approved by the Board of Directors. "Producer" shall mean and include persons (natural or corporate) actually engaged in the production of any one or more agricultural products, including tenants of land used for the production of any such product, and lessors of such land who receive as rent therefor part of any such product of such land, and cooperative associations as defined in the Agricultural Marketing Act, 12 U.S.C. Section 1141j -(a) or any amendment thereto.

Section 2. (TERMINATION) If a holder of Common Stock ceases to be eligible to hold such stock or shall move from the territory tributary to the center served by the association, or for a period of one year fails to patronize the association, or whenever the Board of Directors by resolution finds that a member has intentionally or repeatedly violated any bylaw of this association, or (b) breached any contract with the association, or (c) remained indebted to this association for one (1) year after such indebtedness first became payable, or (d) willfully obstructed any lawful purpose or activity of the association, then, in any such event, he shall cease to be a member and shall no longer have any rights by reason of holding such stock. The association shall have the right at its option and as determined by the Board of Directors, to cancel his membership in which event the stock held by such member shall be purchased in accordance with Article III Section 5 of the Articles of Incorporation of this association.

Section 3. (RESTRICTION) Every member upon uniting with this association agrees that in case he shall desire to dispose of his shares of Common Stock in this association, he shall give the association the first opportunity and privilege of purchasing them. If the association waives its rights to purchase by failing to act within sixty days, a stockholder may then sell the stock to anyone eligible to membership.

ARTICLE III [Directors and Officers]

²Section 1. (NUMBER, QUALIFICATIONS AND TERMS OF DIRECTORS) The number of directors of this association shall be seven (7).

Directors shall be elected by ballot at the annual meeting for a term of three (3) years and shall hold office until their successors shall be elected and qualified. If any director shall cease to be a member, his office shall thereupon automatically be vacated. No member who sells or deals in merchandise similar in nature to those products sold or distributed by this association, or any vendor dealing with the association, shall be eligible for membership on the Board of Directors. The term of office shall be arranged so that, as nearly as possible, the term of office of an equal number of directors shall expire each year.

Further, no employee, either full-time or part-time, shall be eligible for membership on the Board of Directors. However if there is currently an employee, either part-time or full-time, on the Board of Directors, he or she shall be allowed to fill out the balance of their term in office, but shall be ineligible to be on the Board of directors at and after the annual meeting of this association in the year 2014.

Directors shall be limited to four (4) three-year terms without interruption, and in no case shall a director again be eligible to serve either by election or appointment until a period of no less than one year has elapsed since the termination of his service on the Board. A director appointed to fill a vacancy arising on the Board shall not be disqualified to succeed himself on the Board until he has been elected to and has served four (4) full three-year terms without interruption.

Section 2. (REMOVAL AND VACANCIES) If any director shall cease to be a member, his office shall be thereupon automatically vacated. If a majority of the directors find after hearing that any director is in competition with or is affiliated with any enterprise that is in competition with this association, such person shall cease to be a director. Except as provided above, any director of the association may for cause, at any annual or special meeting called for the purpose, at which a quorum of the members shall be present, be removed from office by vote of the majority of the members present. Failure of a director to attend six consecutive directors' meetings, or fifty percent of the directors' meetings, except for cause, during a year just preceding shall be conclusive cause for removal by the stockholders. No director shall be removed from office at either an annual or special meeting unless he shall be informed of the meeting at which the matter is to be considered at least (10) days before such meeting.

Any vacancy in the Board of Directors, except as may be caused by removal by the stockholders, shall be filled until the next annual meeting by the remainder of the Board of Directors. Any vacancy in the Board of directors caused by removal by the stockholders shall be filled by the stockholders for the unexpired term of such director, and such election may be held at the same meeting at which the director was removed from office.

Section 3. (COMPENSATION) The compensation of the officers of the association and the compensation, if any, of the Board of Directors shall be determined by the Board of Directors. Directors shall, however, be entitled to reimbursement for the actual expenses incurred in attending board meetings or any other business of the association when such expense accounts have been approved by a majority vote of the directors.

¹ As amended and adopted at the Annual Meeting September 18, 2013.

² As amended and adopted at the Annual Meeting April 3, 2014.

Section 4. (ELECTION OF OFFICERS) The Board of Directors shall meet within ten (10) days after the first election and after each annual election and shall elect by ballot by and from their number a president and one or more vice presidents. They shall also elect a secretary and a treasurer who need not be directors. The offices of the secretary and treasurer may be combined and when so combined, shall be termed secretary-treasurer. The Board of Directors may also elect such additional officers as necessary who need not be directors or stakeholders.

Section 5. (REMOVAL OF OFFICERS) Any officer may be removed by the Board whenever in its judgment the best interests of the cooperative will be served thereby. The stockholders shall have the power, at any regular or special stockholders' meeting regularly called in the manner above provided, to remove any officer for cause and to fill the vacancy caused by such removal.

Section 6. (INDEMNIFICATION OF OFFICERS AND DIRECTORS) The association shall indemnify each officer and director against expenses reasonably incurred by him in connection with the defense of any action, suit or proceeding instituted in which he may be a party defendant by reason of his being or having been an officer or director of the association, whether or not then serving as such, and such expenses shall include the costs of reasonable settlement made with a view to avoiding costs of litigation and the payment of any judgement or decree entered in any such action, suit or proceeding; provided, however, the corporation's obligations to indemnify any such officer or director shall arise only with respect to those matters where he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the association or its shareholders, and with respect to any criminal action or proceeding, only if he had no reasonable cause to believe his conduct was unlawful; and, provided further, no indemnification shall be made in respect of any claim, issue or matter as to which an officer or director shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the association unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, but in view of all circumstances of the case, such person was fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

ARTICLE IV [Duties and Powers of Directors]

³Section 1. (MANAGEMENT OF BUSINESS) The Board of Directors shall be responsible for the management of the business and affairs of the Cooperative, make all rules and regulations not inconsistent with law or these bylaws, and shall have the authority and power to hire and terminate the General Manager/CEO, and set the salary and prescribe the duties of the General Manager/CEO.

Section 2. (AUDITS) The Board shall have the books of the cooperative audited at least once a year after the close of the fiscal year and submit copies of the audit report to the members at the annual meeting.

Section 3. (PATRONAGE REFUND) The Board Shall also have the authority to declare the patronage refund and the manner and time of payment thereof, which declaration shall be at least annually.

Section 4. (DIVIDEND RATE ON STOCK) The Board of Directors is authorized and empowered to set the dividend rate on paid-up capital stock annually, within the limits set by the Articles of Incorporation, when the annual patrons' net over-payments (net proceeds) for the previous fiscal year are sufficient. No dividends may be paid if the capital is impaired or if payment thereof would result in an impairment of capital.

ARTICLE V [Duties and Powers of Officers]

Section 1. (DELEGATION OF DUTIES) Each officer shall perform the duties and powers customarily and usually vested in and performed by such officer, as hereinafter provided, however, the Board of Directors shall have the authority to delegate such duties and powers to any other officer or employee of the association.

Section 2. (DUTIES OF PRESIDENT) The president shall (a) preside over all meetings of the association and of the board; (b) call special meetings of the board; (c) perform all acts and duties usually performed by an executive and presiding officer; and (d) sign all stock certificates and such other papers of the association as he may be authorized or directed to sign by the board; provided, however, that the board may authorize any person to sign any or all checks, contracts, and other documents in writing on behalf of the association. The president shall perform such other duties as may be prescribed by these Bylaws or by the Board of directors.

Section 3. (DUTIES OF THE VICE PRESIDENT) In the absence or disability of the president, the vice president shall perform the duties of the president.

Section 4. (DUTIES OF THE SECRETARY) The secretary shall attend all meetings of the board of directors and all meetings of the members and record all votes and keep minutes of all proceedings. He shall keep a complete record of all meetings of the association and of the board and shall have general charge and supervision of the books and records of the association. He shall sign all membership or stock certificates with the president and such other papers relating to the association as he may be authorized or directed to sign by the board. He shall serve all notices required by law and these bylaws including notices of meetings and shall make a full report of all matters and the business pertaining to his office to the members at the annual meeting. He shall keep complete stock and membership records. He shall make all reports required by law and shall perform such other duties as may be required of him by the association or the board. An

³ As amended and adopted at the Annual Meeting September 18, 2013.

assistant secretary, if any, shall perform the duties of the secretary during his absence or disability, or such other duties as may be authorized or delegated by the board.

Section 5. (DUTIES OF TREASURER) The treasurer shall perform such duties with respect to the finances of the association as may be prescribed by the board. An assistant treasurer, if any, shall perform the duties of the treasurer during his absence or disability, or such other duties as may be authorized or delegated by the board.

⁴Section 6. (DUTIES OF MANAGER) The manager shall perform such duties and shall exercise such authority as the Board of Directors may from time to time vest in him or her. Under the direction of the Board of Directors, he or she shall have general charge of the ordinary and usual business operations of the association, including the purchasing, marketing, and handling of all products and supplies handled by the association. The manager shall deposit all money belonging to the association that comes into his or her possession in the name of the association in a bank or banks selected by the Board of Directors, and if authorized to do so by the Board of Directors, shall make all disbursements by check therefrom from the ordinary and necessary expenses of the business in the manner and form prescribed by the Board of Directors. On the appointment of his or her successor, the manager shall deliver to him or her all money and property belonging to the association which he or she has in his or her possession or over which he or she has control. The manager shall be required to maintain his or her records and accounts in such a manner that the true and correct condition of the business may be ascertained therefrom at any time. He or she shall render annual and periodic statements in the form and in the manner prescribed by the Board of Directors. He or she shall carefully preserve all books, documents, correspondence, and records of whatever kind pertaining to the business that may come into his or her possession.

ARTICLE VI [Stock Certificates]

There shall be printed upon each stock certificate issued by this association a condensed statement of every article or bylaw which in anywise limits the shareholders' right to assign or transfer such shares or to vote the total number of shares held at meetings of the corporation, or which forbids voting by proxy.

ARTICLE VII [Operation on a Cooperative Basis – Distribution of Net Proceeds]

Section 1. This association shall be operated on a cooperative basis. Each transaction between the association and each patron shall be subject to and shall include as part of its terms, whether the same has been expressly referred to in said transaction or not, the provisions of this Article VII of the Bylaws of this association.

Section 2. All sums received for supplies, commodities, equipment, and other property procured for patrons, and all sums received for services performed for patrons, and all sums received as patronage refunds from other cooperative associations, and any and all sums received from any other source whatsoever shall be deemed to be gross receipts and shall be received and held by the association for and as property of its patrons, subject to the deductions therefrom and distribution thereof hereinafter provided.

Section 3. Annually the directors shall determine the net proceeds of the cooperative by deducting from gross receipts the following:

- (a) All operating expenses and costs
- (b) The cost of supplies, commodities, equipment, and other property or services procured or sold for patrons.
- (c) The cost of services performed for patrons.
- (d) All taxes and all other expenses.
- (e) Reasonable and necessary reserves for depreciation, depletion and obsolescence of physical property, doubtful accounts and other valuation reserves, all of which shall be established in accordance with usual and customary accounting practices.

⁵Section 4. The remainder for the gross receipts are net proceeds and shall be distributed and paid in the following order:

- (a) Dividends, if any, on preferred stock.
- (b) The Board of Directors shall set aside all of the non-distributable net proceeds (which are gross receipts from sources other than patronage less the expenses attributable thereto) in a capital reserve account. The Board of Directors shall have the power and authority to allocate profits to the capital reserve at the Board's discretion with no regards to a percentage figure.
- (c) All of the net proceeds then available for distribution shall belong to and be held for the patrons of the association, and shall be distributed annually to said patrons as a patronage refund on the basis of their respective patronage as hereinafter provided. There shall be no distinction between persons entitled to the remaining net proceeds but distribution, which shall be as equitable as practicable, may be based on business done with the association, or if the association as determined by the Board of Directors shall elect to operate with more than one allocation unit, upon the basis of business done with several departments or division units of the association.

If a patron is not a shareholder, one hundred (100) percent or less of the amount of net patronage refund due each patron may be credited to his or her account, and when such credits equal the par value of a share of the Common Stock, one such share shall be issued to such patron if he or she is eligible therefor, otherwise certificates of interest, revolving fund certificates, letters of advice, credits or other property or combination thereof, evidencing such patronage refund, shall be issued to him or her; provided, however, that payment shall be

⁴ As amended and adopted at the Annual Meeting September 18, 2013.

⁵ As amended and adopted at the Annual Meeting September 18, 2013.

made, as nearly as practicable, in a manner which will constitute a qualified written notice of allocation within the meaning of the 1962 Revenue Act. Each sum carried to any reserve (except valuation reserves) in accordance with this section may be credited to patrons or members in proportion to their patronage, and proper entries to that effect made on the books and records of the association. Amounts so credited shall be considered as the reserve to which the same have been carried, until disbursed or withdrawn by the members or patrons to whom credited.

If the association shall distribute twenty (20) percent or more of its patronage refunds in cash and the remainder in qualified written notices of allocation to those member-patrons and patrons eligible for membership who consent to take all patronage distributions into income as provided in Section 6 of this Article, the distribution of the patronage refunds to those patrons who do not so consent may be treated as non-distributable annual savings and added to the general reserve. In the case of patrons who have so consented, patronage refunds of less than Five Dollars (\$5.00) may also be treated as non-distributable annual savings and added to the general reserve. In the event that the association is unable to make payment of patronage refunds to any person entitled thereto because of inability to locate said person, incapacity of the person to receive the same, or any cause, within five (5) years after such refund becomes due and payable, such unpaid patronage refund shall be transferred to the educational fund. The educational fund shall be used to disseminate information and knowledge with respect to the benefits and advantages of agricultural cooperatives, and no part thereof shall accrue to the benefit of the association or its shareholders, as such.

Section 5. (LOSS OR LOSSES) In the event of a loss in one or more departments or divisions of operation of this association, but not of such magnitude as to cause an overall loss for the fiscal year of the association, such loss or losses may be prorated against each of the remaining profitable departments or divisions on the basis of their respective percentage of the total net margin during such fiscal year.

In the event this association as a whole shall incur a net loss in any fiscal year, such net loss may be charged first against any earned surplus or paid-in surplus which is unallocated, or against any unallocated reserve other than valuation reserves. If such loss exceeds the total of said unallocated earned surplus and unallocated reserves, then the amount of such excess of such loss may be recovered from prior or subsequent years' net margins or savings. In no event shall the Board of Directors have the authority to make any assessment against members. This section shall not be construed or administered in such a way as to deprive the association of the right to carry back or carry forward net operating losses to past or future years, in accordance with the applicable provisions of the Internal Revenue Code or State taxing statutes.

Section 6. Each person who hereafter becomes a member or patron the cooperative, and each person who is a member or patron on the effective date of this Bylaw and continues his membership or patronage thereafter, by such act alone, consents that the amount of any distributions of net proceeds made in the form of written notices of allocation as defined in Section 1388 of the Internal Revenue Code and which are received by him from the association, will be taken into account by him at their stated dollar amounts in the manner provided in Section 1385 of the Internal Revenue Code, in the taxable year in which such written notices of allocation are received by him.

ARTICLE VIII [Sundry Provisions]

⁶Section 1. Any reference made in the bylaws of the Stephenson Marketing Cooperative, Inc., referring to an individual in the masculine form shall also be referenced and interpreted in the feminine form, making all references gender neutral.

⁷Section 2. (FISCAL YEAR) The fiscal year of this association shall begin the first day of January and end on the last day of December of each year.

Section 3. (CORPORATE SEAL) The association shall have a corporate seal containing the name of the association.

Section 4. (AMMENDMENTS) The Board of Directors may recommend and desired amendment or amendments to the Articles of Incorporation or Bylaws of this association, which amendment or amendments shall be presented to the shareholders for adoption. In addition, not less than one-tenth of the common stockholders may propose and desired amendment or amendments to the Articles of Incorporation or to the Bylaws of this association. Said proposed amendment or amendments shall be set forth in full in an application or petition addressed to the Board of Directors, which petition shall be signed by the petitioning stockholders and shall be verified by the person or persons security said signatures that the same are genuine and are the bonafide signatures of the persons whose names appear thereon. Said petition shall be filed with the secretary of the association not less than sixty days before the meeting at which the same is to be voted upon. Notice of such proposed amendments shall be given by the secretary in the notice to the stockholders. The amendments or amendments shall be adopted by the majority vote of the shareholders present in person or represented by delegates.

⁶ As amended and adopted at the Annual Meeting September 18, 2013.

⁷ As amended and adopted at the Annual Meeting April 3, 2014.