

SEAFOOD PRODUCERS COOPERATIVE

ARTICLES OF ASSOCIATION
AND
BYLAWS



REVISED MARCH 30, 2012

SEAFOOD PRODUCERS COOPERATIVE
2875 ROEDER AVENUE
BELLINGHAM, WA 98225

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**ARTICLES OF ASSOCIATION
OF
SEAFOOD PRODUCERS COOPERATIVE
(As Amended March 30, 2012)**

KNOW ALL MEN BY THESE PRESENT THAT we, Bernard Hanson, Carl Sather, Severin Tynes, Sverre Johansen and Alfred J. Jangard, whose names are hereunto subscribed, all being citizens of the United States and all being over the age of twenty-one years, do hereby voluntarily associate ourselves together for the purpose of forming a nonprofit cooperative association under the Federal Fishermen's Cooperative Marketing Act (48 Statutes at Large 1214) and Chapter 19 of the Washington Session Laws of 1913 known as the cooperative Corporation Law of the State of Washington, for the purposes and with the powers hereinafter specified, and do hereby make, acknowledge, subscribe and adopt the following Articles of Association, and do hereby certify as follows:

**ARTICLE I
NAME**

The name of this Association shall be SEAFOOD PRODUCERS COOPERATIVE.

**ARTICLE II
POWERS AND PURPOSES**

The powers and purposes of the Association are as follows:

Section 1. To do any or all of the following on a nonprofit, cooperative basis as agent for its members:

- (a) To catch, collect, cultivate, produce, prepare for market, process, handle and market in intrastate, interstate and foreign commerce aquatic products and by-products.
- (b) To promote, foster and encourage the business of catching, collecting, cultivating, producing, preparing for market, processing, handling and marketing aquatic products and by-products.

- (c) To engage in any activity whatsoever in connection with the catching, collecting, cultivating, producing, preparing for market, processing, handling and marketing of any aquatic product or by-product and in the financing of any of said operations.
- (d) To enter into standard marketing agreements and contracts with its members as fishermen catching, collecting or cultivating aquatic products, or as planters of aquatic products on public or private beds.
- (e) To employ such processors, marketing agents, salesmen and others as may be necessary or desirable in carrying on the business of the Association.
- (f) To borrow money, with or without security, and issue debentures, bonds and commitments of the Association to repay the same.
- (g) To make advances and to loan money with or without security.
- (h) To act as the agent, representative, factor or broker of any persons, firms, partnerships, corporations or associations.
- (i) To have marketing agencies in common with other persons, firms, partnerships, corporations or associations.
- (j) To purchase, sell and deal in goods, wares and merchandise of any and every kind, character and description whatsoever.
- (k) To take, buy, purchase, exchange, hire, lease or otherwise acquire and deal with both real and personal property and any interest or right therein, and to own, hold, control, use and manage the same.
- (l) To sell, manage, improve, develop, assign, transfer, convey, lease, sublease, pledge, mortgage or otherwise alienate, dispose of, or encumber the property of the Association, both real and personal, and all legal and equitable rights therein.
- (m) To purchase or otherwise acquire and to hold, own, sell, transfer, pledge and exercise all rights of ownership in and to shares of the capital stock, bonds or obligations of any corporation or association.
- (n) To engage in any lawful business activity.
- (o) To do each and every thing necessary, suitable or proper in the judgement of the Board of Trustees of this Association for the accomplishment of any of the purposes herein enumerated or which shall at any time appear conducive to, or expedient for, the interests or benefit of this Association.

Section 2. To transact business of the types and in the manner described in Section 1, subparagraphs (a)-(o) above with or for nonmembers of the Association, on either a profit or nonprofit basis, to an amount in any one fiscal year not to exceed the amount transacted with members in any such year.

ARTICLE III PLACE OF BUSINESS

The principal place of business of this Association shall be in the City of Bellingham, Whatcom County, State of Washington, but offices may be located at any other point throughout the world.

ARTICLE IV

TIME OF EXISTENCE

This Association's term of existence shall be perpetual.

ARTICLE V MEMBERS

The qualifications for membership and rights and responsibilities of members shall be as provided in the Bylaws as they now exist or may hereafter be amended.

ARTICLE VI TRUSTEES

The trustees who shall manage the affairs of this Association shall be twelve (12) in number but the number of trustees may be increased to any number not more than sixteen (16) and may be decreased to any number not less than eight (8) by amendment of the Bylaws at any regular annual meeting of the stockholders or at any special meeting of the stockholders called for that purpose. The eligibility requirements for the position of trustee and the procedure for nomination, election and removal of the same shall be as set forth in the Bylaws as they now exist or may hereafter be amended.

ARTICLE VII CAPITAL STOCK

The amount of authorized capital stock of this Association shall be \$10,025,000.00 and the same shall be divided as follows: 2,500 shares of voting common stock at the par value of \$10.00 each; 50,000 shares of first preferred stock of the par value of \$100.00 each; and 5,000,000 shares of second preferred stock of the par value of \$1.00 each; all of said stock to be nonassessable.

ARTICLE VIII COMMON STOCK – MEMBERSHIP – VOTING

Section 1. Membership in the Association shall be evidenced by certificates of common stock to be issued by the Association in such manner, form and device as the Board of Trustees may prescribe; and the same shall not be transferable except as otherwise provided in these Articles. Whenever any person becomes a member, he shall pay the Association the sum of \$10.00, and the Association shall issue or sell him therefor a certificate for one share of its common stock. Neither dividends nor interest shall be paid on the Association's common stock. In addition to the purchase of a share of common stock, the Board may establish (and revise from time to time) a refundable (or, at the Board's discretion, a nonrefundable) membership fee, all as may be defined in the Bylaws.

Section 2. No member shall hold more than one share of common stock. Every member shall have only one vote. To be eligible to vote, such member must at that time still satisfy the definition of a member and be eligible for membership, all as defined in the Bylaws. The Bylaws may also set forth other terms and conditions of membership.

Section 3. If at any time the Board of Trustees determines that a member has ceased to be eligible for membership, then the Association shall have the right to immediately redeem such member's shares of common stock at the par value thereof, and, if refundable, refund such member's membership fee, whereupon such membership and all rights incident, thereto (except any interest such member may then have in the Association's preferred stock, book credits, capital funds and allocated reserves) shall terminate. The Association may at any time or from time to time call, redeem, retire and cancel or reissue any or all of the then outstanding common stock by paying to the respective holders thereof or by depositing to their order at the office of the Association a sum or sums equal to the par value thereof. Written notice of such deposit shall be given to the holders of record of stock purchased or called, as provided in this section, by mailing such notice to their last known address as shown by the records of the Association.

ARTICLE IX PREFERRED STOCK

Section 1. Preferred stock of the Association shall be issued in such manner, form and device as the Board of Trustees may from time to time prescribe, and may be issued to evidence sums invested by members and/or others either from (a) deductions from returns made to patrons marketing fish and/or other aquatic products through the Association and/or utilizing the services of the Association in transporting, processing, moving or otherwise handling the same, (b) the offset of patronage returns resulting from the Associations marketing fish and/or other aquatic products and/or furnishing supplies to patrons against amounts which patrons are obligated to invest in the Association's capital, or (c) otherwise. The Association may also from time to time issue or sell preferred stock at par for cash, or exchange it at par for stock or equity certificates in other cooperatives.

Section 2. Dividends upon all preferred stock shall be payable as and when declared by the Board of Trustees at a rate to be determined by the Board of Trustees not exceeding such rate allowable by law. Said dividends shall not be cumulative, but before any patronage dividends from net margins of the Association shall be paid for any year (whether in cash or in other form) to any patron, the annual dividend upon preferred stock shall first be paid for said year.

Section 3. The Association may and it hereby reserves the right at any time, or from time to time, to call, purchase, redeem, retire, cancel and/or reissue any or all of its then outstanding preferred stock in such amounts as the Board of Trustees may determine by paying to the respective holders thereof or by depositing to their order at the office of

the Association a sum or sums equal to the par value thereof. Written notice of such deposit shall be given to the holders of record of the stock so purchased or called by mailing such notice to their last known address as shown by the records of the Association.

Section 4. The holders of preferred stock shall have no vote or voice in the management or control of the Association, nor shall they have any preference in dividends or distribution of assets except as provided in these Articles of Association.

ARTICLE X BOOK CREDITS, CAPITAL FUNDS AND ALLOCATED RESERVES

Section 1. In addition to the authority to issue common stock and preferred stock, the Association, through its Board of Trustees, shall have the power to establish book credits, capital funds and other allocated reserves to provide funds for corporate purposes in the manner provided by the Bylaws by retains from margins or proceeds otherwise payable to the members or by other methods of collection (including assessments). Such book credits, capital funds or allocated reserves shall be issued on such terms and conditions and be payable or redeemable at the times and in the manner determined as provided in the Bylaws.

Section 2. The amounts supplied as book credits or to the various classes of capital funds and other allocated reserves shall be credited to the respective persons by whom supplied, and the books of the Association shall indicate the amounts credited to each such person.

ARTICLE XI RIGHTS AND PRIORITIES

Section 1. The rights of members shall be equal, but no member shall have any property rights whatsoever in the Association or any of its assets by reason of his membership, except for those property rights set forth in this Article.

Section 2. Common stock, preferred stock, book credits, capital funds and allocated reserves shall be nontransferable except in the case of death, operation of law, bona fide transfer for security purposes only to the Association, a bank, or other financial institution, intrafamily transfer, or transfer to an existing member or person who will become a member (hereinafter a “permitted transfer”) and certificates evidencing the same (if any) shall so state conspicuously on the face thereof.

Section 3. No permitted transfer of any interest in common stock, preferred stock, book credits, capital funds or other allocated reserves shall be of any effect, or entitle the transferee to be paid or to receive any money from the Association until

evidence of such transfer satisfactory to the Association shall be submitted to the Association.

Section 4. In calling or purchasing common stock or preferred stock or in paying over any monies supplied as book credits, capital funds or allocated reserves, the Association may rely solely upon its own records and shall not be liable to any person other than the person appearing by its records to be the owner thereof and entitled to receive money thereon.

Section 5. No permitted transfer of any interest in common stock, preferred stock, book credits, capital funds or allocated reserves shall be valid until all claims of the Association against the registered holder thereof have been paid in full. The Association shall have the right to offset any indebtedness of a patron to the Association against: (a) any sums payable by the Association to such patron; (b) such patron's book credits, capital funds, allocated reserves and/or preferred or common stock in the Association; and/or (c) the cash portion of any patronage dividend payable by the Association to such patron. Each patron of the Association does hereby make, constitute and appoint the Association such patron's attorney-in-fact for him and in his name, place and stead, for his use and benefit, to sign, endorse and deliver to the Association such portion of the cash portion of such patron's patronage dividend as may be necessary to satisfy any indebtedness of such patron to the Association. In addition to the foregoing right of offset, each patron hereby grants to the Association a Uniform Commercial Code security interest in: (a) any sums payable by the Association to such patron; (b) such patron's book credits, capital funds, allocated reserves and/or preferred or common stock in the Association; and/or (c) the cash portion of any patronage dividend payable by the Association to such patron to secure repayment of any such indebtedness.

Section 6. In the event the membership of any member shall terminate for any reason whatsoever, such member shall not thereupon become entitled to demand or receive any interest in the property or assets of the Association, but shall be entitled only to receive payment of its interest in any preferred stock, book credits, capital funds or other allocated reserves as and when payment thereof would have been received had it remained a member.

Section 7. In the even any member shall dissent from those certain corporate actions described in RCW Chapter 23.86 to which such member is allowed to dissent thereunder, such member shall only be entitled to receive payment of his interest in any capital stock, book credits, capital funds or other allocated reserves as and when payment would have been received had no dissent occurred. In the event the Association shall be obligated to make premature payment therefor, pursuant to such "dissenter's rights", the valuation provisions of Section 8 of this Article shall apply. In no event, however, shall such interest be valued at more than the actual consideration contributed to the Association therefor, or the fair value thereof, whichever is less.

Section 8. In the event that the Association shall be obligated to redeem or otherwise liquidate a patron's interest in any capital stock, book credits, capital funds or other allocated reserves other than in the ordinary course of its business, including without limitation, cases where a patron has exercised dissenter's rights with regard to certain corporate actions, cases where such amounts are applied in whole or partial satisfaction of claims of a patron's creditors (including the Association itself) or of a trustee in bankruptcy, or cases where such amounts are required to be directly paid to a patron or his creditors or successors or assigns, then such interests shall be discounted to their present value. For purposes hereof, present value shall be calculated with reference to the Association's history of redeeming those interests of its patrons which are of similar character to those being prematurely redeemed (e.g., with reference to classification, type or year of issuance, etc.) over the ten (10) year period immediately preceding such premature redemption and with the use of a discount rate equal to the prime rate as published in the Wall Street Journal on the date of redemption or such greater amount, at the Board of Directors' option, as may then be appropriate.

Section 9. In the event of liquidation of the Association, voluntary or involuntary, the assets of the Association shall be applied upon the liabilities of the Association in the following order of priority: (a) to payment of all indebtedness and liabilities of the Association other than that represented by the Association's capital stock, book credits, capital funds or allocated reserves; (b) to payment of any patronage returns due for the then current fiscal year, pro rata; (c) to payment of the par value plus unpaid declared dividends to preferred stockholders for all outstanding preferred stock, pro rata; (d) to payment of each category or class of book credits and capital funds, in accordance with such respective priorities of payment as were determined by the Board of Trustees upon issuance of the same, and/or as may be declared by the Bylaws, pro rata; (e) to payment of the par value to common stockholders for all outstanding common stock, pro rata; (f) to payment of reserves to the patrons from whom retained according to the records of the Association, pro rata; and (g) if any balance remains, it shall be distributed among the members of the Association in proportion to the amount each member's unrefunded contributions to the capital stock, book credits, capital funds and allocated reserves of the Association bears to the total unrefunded contributions to the capital stock, book credits, capital funds and allocated reserves of all members at the time of commencement of liquidation. If at such time there are no unrefunded contributions or allocated reserves credited on the books of the Association to members, then any remaining balance shall be distributed among the members of the Association in their respective proportion equal to the ratio that each member's dollar value of marketing through the Association during the three (3) year period immediately preceding the date of such distribution shall bear to the total dollar value of all members marketing through the Association during such period by all members at such time.

ARTICLE XII
TRUSTEES AND OFFICERS LIABILITY; INDEMNIFICATION

Section 1. (a) Except as provided in subsection (b), a member of the Board of Trustees or an officer of this Association shall not be individually liable for any act or omission in the course and scope of his official capacity unless the act or omission constitutes gross negligence.

(b) Nothing in subsection (a) shall limit or modify in any manner the duties and liabilities of a trustee or officer of this Association to the Association or the Association's members.

(c) A member of the Board of Trustees of this Association shall not be personally liable to the Association or its members for monetary damages for conduct as a trustee except (1) for acts or omissions that involve intentional misconduct or a knowing violation of the law by such trustee; or (2) for any transaction from which the trustee will personally receive a benefit in money, property or services to which such trustee is not legally entitled.

(d) If the laws of the State of Washington are amended to authorize corporate action further eliminating or limiting the personal liability of trustees or officers, then the liability of a trustee or officer of the Association shall be eliminated or limited to the fullest extent permitted by such laws as so amended. Any repeal or modification of the foregoing paragraphs by the members of the Association shall not adversely affect any right or protection of a trustee or officer of the Association existing at the time of such repeal or modification.

Section 2. To the fullest extent, and in the manner permitted by the laws of the State of Washington, the Association shall indemnify any person threatened to be made a party or any party to a threatened, pending, or completed action, suit, or proceeding whether civil, criminal, administrative, or investigative (where brought by or in the right of the Association or otherwise) by reason of the fact that he is or was a trustee, officer, employee or agent of the Association, or who, while a trustee, officer, employee or agent of the Association, is or was serving at the request of the Association as a trustee, officer, partner, employee, or agent of another corporation, partnership, joint venture, trust, other enterprise, or employee benefit plan, against judgments, penalties, fines, settlements and reasonable expenses (including attorneys' fees) incurred or to be incurred by him in connection with such action, suit or proceeding. Such indemnification shall continue as to a person who has ceased to be a trustee, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators. Reasonable expenses incurred or to be incurred by a trustee, officer, employee or agent who is a party or threatened to be made a party to such action, suit or proceeding may be paid or reimbursed by the Association in advance of the final disposition of such proceeding in the manner permitted by the laws of the State of Washington.

Section 3. The right to indemnification and the payment of expenses incurred or to be incurred in defending any action, suit or proceeding in advance of its final disposition conferred in this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Articles of Association, Bylaws, agreement, vote of members or disinterested trustees or otherwise.

Section 4. The Association may maintain insurance, at its expense, to protect itself and any trustee, officer, employee or agent of the Association or another corporation, partnership, joint venture, trust, other enterprise or employee benefit plan, against any expense, liability or loss, whether or not the Association would have the power to indemnify such person against such expense, liability or loss under the laws of the State of Washington.

ARTICLE XIII AMENDMENTS

These Articles of Association may be altered or amended at any regular or at any special meeting called for that purpose. An amendment must first be approved by a majority of the trustees and then adopted by a vote of a majority of the members voting upon such amendment after noticed of the proposed amendment shall have been given to all members entitled to vote thereon, in the manner provided by the Bylaws: PROVIDED, that if the total vote upon the proposed amendment shall be less than twenty-five percent (25%) of the total membership of the Association such amendment shall fail of adoption. Amendments to the Articles of Association when so adopted shall be filed in accordance with the provisions of the general corporation law of this state.

**BYLAWS
OF
SEAFOOD PRODUCERS COOPERATIVE
(As Amended March 30, 2012)**

For the purpose of perfecting the organization of SEAFOOD PRODUCERS COOPERATIVE as a cooperative association under the Fishery Cooperative Marketing Act, 15 U.S.C. § 521, and the Washington statutes providing for cooperative associations, RCW Ch. 23.86, the Seafood Producers Cooperative does hereby adopt the following Bylaws:

- Section 1 -

NAME, PURPOSES AND PARTICIPATION

- 1. Name.** The name of this association is SEAFOOD PRODUCERS COOPERATIVE (herein referred to as “Association”).
- 2. Purposes.** The purposes for which this Association is formed are to do any and all of the things set forth in Article II in the Association’s Articles of Association.
- 3. Agreement.** The Association’s members (e.g., shareholders) and patrons (by owning stock of and/or dealing with the Association) agree one with another and with the Association to all of the provisions of the Association’s Articles of Association, Bylaws and rules and regulations as they now exist or may be hereafter amended.

- Section 2 -

MEMBERSHIP

- 1. Definition.** The members of this Association are hereby defined as those persons, firms, corporations or associations who are eligible for membership (as specified in paragraph 2 of this Section 2) who:

 - (a) Have agreed to abide by the Articles of Association, Bylaws, rules and regulations of the Association and all amendments thereto;
 - (b) Have been accepted for membership by the Board of Trustees;
 - (c) Have purchased one share of the Association's \$10.00 par value common stock for the sum of \$10.00, plus contributed an additional \$100.00 to the Association which shall be designated as a refundable membership fee; and
 - (d) Have signed the Association's current form of marketing agreement.
- 2. Eligibility.** Only those persons, firms, corporations or associations who are engaged in the fishing industry as fishermen catching, collecting or cultivating aquatic products, or as planters of aquatic products on public or private beds are eligible to be or to become a member of the Association. The determination of the Board of Trustees as to the original or continued eligibility under this section shall be final. The Board of Trustees shall have the authority to limit or close the Association's membership at any time, and from time to time on such basis (including, but not limited to, gear type of the applicant) as it determines is reasonable.
- 3. Evidence; Designation.** Membership in the Association is evidenced by the issued certificate of common stock and by the executed marketing agreement. The member's name must be the same on each of these instruments. In the event a membership is issued in more than one individual's name (i.e., a husband and wife or a partnership) or in the name of an entity which is not a person (i.e., a partnership, corporation or joint venture), then when such membership is originally issued, such member shall designate in writing to the Association the name of the specific individual authorized to represent and vote such membership, including but not limited to the ability to be a candidate for the Board of Trustees. Such designation may only be changed by a writing signed by a representative of the membership who has been duly authorized by the membership to sign the same. The determination of the Association in this regard shall be final.
- 4. Cessation of Eligibility.** If at any time the Board of Trustees determine that a member has ceased to be eligible for membership, then the Association shall immediately redeem such member's share of voting common stock at the par value thereof and refund the \$100.00 membership fee, whereupon such membership and all rights incident thereto (except any interest such member may then have in the Association's preferred stock, book credits, capital funds and allocated reserves) shall terminate.
- 5. Termination for Cause.** For good and sufficient cause, as determined by the Board of Trustees, the Association may elect to terminate a membership and all rights incident thereto (except any interest such member may then have in the Association's

preferred stock, book credits, capital funds and allocated reserves) upon the tender to him or his legal representatives of the par value of such member's share of voting common stock plus the \$100.00 membership fee. Termination of a membership shall be accomplished in the following manner; The Board of Trustees shall send to the member under consideration, by certified mail, a notice indicating their intent to terminate his membership and the reason therefor. Within thirty (30) days after the date of mailing said letter, the member under consideration may advise the Board of Trustees in writing that he desires to contest the matter and that he wishes to be given the benefit of a hearing. If such a request is made within the time indicated, the Board of Trustees shall accord the member under consideration a full and complete hearing before taking final action. If no such written request is received within the time indicated, the membership shall automatically be cancelled upon the expiration of the thirty (30) day period. The certificate representing the share of capital stock of the Association need not be surrendered or impounded in order to terminate a membership; cancellation of the certificate on the Association's books shall be sufficient. Cause for cancellation of membership shall include, but not be limited to, the following:

- (a) Failure to comply with the Articles of Association, Bylaws, rules or regulations of the Association;
- (b) Breach of the Association's marketing agreement;
- (c) Ineligibility for membership; and/or
- (d) Failure to assist in carrying out the aims, purposes and objectives of the Association.

6. Resignation.

- (a) A member may resign his membership in the Association by giving written notice thereof to the Board of Trustees; provided, however, that such resignation may only be accomplished at the same time as such member is permitted to terminate his marketing agreement with the Association in accordance with the terms thereof; and provided further, that no such resignation shall be effective until it has been accepted by the Board of Trustees. Upon the acceptance of the resignation by the Board of Trustees, and the surrender of the member's certificate of common stock, there shall be refunded the par value of the common stock plus the \$100.00 membership fee. Whereupon such membership and all rights incident thereto (except any interest such member may then have in the Association's preferred stock, book credits, capital funds and allocated reserves) shall terminate.
- (b) If a former member applies for readmission within a period of three (3) years from the date of acceptance of his resignation, such applicant as a condition of membership shall, in addition to the other requirements for membership as set forth in this Section 2, contribute to the Association the amount(s), if any, repaid to the former member since his resignation from the Association's capital investment fund or any other fund into which the former member was obligated to contribute monies as a condition of membership. No former member shall have a

right to readmission and any application for readmission shall be subject to any closure or limitation of membership then in effect.

- 7. Authority.** It is recognized that in many instances fishing vessels are owned in part by other individuals, firms or corporations who, by virtue thereof, have some right, title and interest in and to the aquatic products caught or collected by the vessel. By becoming a member of this Association, the managing owner of a vessel represents that he has authority to act as agent for all individuals, firms or corporations that have any right, title or interest in the vessel and aquatic products caught or collected by it, and that in executing agreements and contracts with the Association, he will be acting on behalf of all such parties. Such member further represents that he is the agent for such parties for the purpose of doing any and all acts and things incident to such agreements and contracts including the delivery of aquatic products and receipt of the net proceeds derived from the processing and marketing thereof. The Association may rely on all such representations and the receipt by the managing owner for the net proceeds shall relieve the Association from all liability for the disbursement thereof.
- 8. Records Conclusive.** Records of the Association shall be conclusive as to the current status of any person, firm, corporation or association in respect to whether he or it is a member.
- 9. Transferability.** Common stock, preferred stock, book credits, capital funds and allocated reserves, shall not be transferable except as provided in the Articles of Association.
- 10. Rights to Equity.** In the event the membership of any member shall terminate for any reason whatsoever, such member shall not thereupon become entitled to demand or receive any interest in the property or assets of the Association, but shall be entitled only to receive payment of its interest in any preferred stock, book credits, capital funds or other allocated reserves as when payment thereof would have been received had it remained a member.

- *Section 3* -

MEETINGS OF MEMBERS

- 1. Annual Meeting.** The annual meeting of members shall be held at such time, place and date as the Board of Trustees shall determine for the purpose of transacting such business as may come before the meeting.
- 2. Special Meetings.** The President or the Board of Trustees may call special meetings of the members for any purpose at any time. Upon the petition of the holders of not less than ten percent (10%) of all of the outstanding membership shares of the Association entitled to vote at the meeting, the President shall call a special meeting

of the members not less than ten (10) nor more than sixty (60) days after the receipt of such petition. The purpose of every special meeting of the members shall be stated in the resolution or petition therefor and the notice thereof.

- 3. Notice.** Notice of every meeting of the members shall be given, not less than ten (10) nor more than sixty (60) days before the meeting date, except that notice of a members' meeting to act on an amendment to the Articles of Association, a plan of merger or share exchange, a proposed sale of assets pursuant to RCW 23.86.360 and RCW 23B.12.020, or the dissolution of the Association shall be given no fewer than twenty (20) nor more than sixty (60) days before the meeting date, by sending to each member of record appearing upon the books of the Association addressed to him at his last known post office address, a written or a printed noticed signed by the Secretary or President stating the time, place and purpose of the meeting. Such notice may be set forth in or as a part of any official publication of the Association, provided the foregoing requirements are met.
- 4. Quorum.** At any meeting, twenty-five percent (25%) of the voting members, present either in person or by mail, shall constitute a quorum for all purposes.
- 5. Action Without Meeting.** Any action required or permitted to be taken at a meeting of the members, may be taken without a meeting, if a written consent setting forth the action so taken is signed by all members entitled to vote with respect to the subject matter thereof. Any such consent shall be inserted in the minute book as if it were the minutes of the meeting of the members.
- 6. Voting.** Every member shall have only one vote. No member shall hold more than one share of common stock. To be eligible to vote, such member must, at that time, still satisfy the definition of a member and be eligible for membership as defined in these Bylaws. Only the member of record (as set forth on the certificate of common stock and marketing agreement) or, in the event the membership is issued in more than one individual's name or in the name of an entity which is not a person, the designated representative of the member is authorized to represent and vote such membership.
- 7. Voting By Mail Authorized.** There shall be no voting by proxy. Voting by mail shall be allowed, provided the ballot is issued from the office of the Association.

- *Section 4* -
TRUSTEES

- 1. Number; Term.** The business and affairs of the Association shall be managed by a Board of twelve (12) elected trustees, provided, however, that the number of trustees may be changed from time to time by an amendment to these Bylaws, but no decrease shall have the effect of shortening the term of an incumbent trustee. As nearly as

possible, one-third (1/3) of the trustees shall be elected each year to serve for terms of three (3) years each. Each trustee shall hold office until his successor shall have been elected and qualified or until he resigns or is removed from office as herein provided. A trustee must be a member of record (as set forth on the certificate of common stock and marketing agreement) of the Association in good standing or, in the event the membership is issued in more than one individual's name or in the name of an entity which is not a person, the designated representative of such member.

2. **Charges.** Any member may bring charges against a trustee by filing them in writing with the Secretary of the Association, together with a petition signed by ten percent (10%) of the members, requesting the removal of the trustee in question. The removal shall be voted upon at the next regular or special meeting of the Association and, by a vote of a majority of the members voting, the Association may remove the trustee and fill the vacancy. The trustee against whom such charges have been brought shall be informed in writing of the charges previous to the meeting and shall have an opportunity at the meeting to be heard in person or by counsel and to present witnesses; and the person or persons bringing the charges against him shall have the same opportunity.

- *Section 5* -

NOMINATIONS, ELECTIONS AND VOTING

1. **Nomination Procedure.** The Board of Trustees may prescribe rules and regulations not inconsistent with these Bylaws governing the procedure for nominating trustees. However, said rules and regulations shall specify that candidates shall be eligible to serve (as set forth in these Bylaws), shall be willing to be a candidate for the office of trustee and to serve in that capacity if elected and that the nomination be endorsed by such number of currently active members of the Association as the Board of Trustees shall determine. Said rules and regulations may also provide that a Nominating Committee be appointed by the Board of Trustees from among the members of the Association, in which event such Nominating Committee shall attempt to assure that at least two (2) qualified candidates run for nomination for each trusteeship to be voted upon. Said rules and regulations may provide for such other and additional rules and regulations as determined by the Board of Trustees.
2. **Election Procedure.** At least forty-five (45) days prior to the annual meeting, the Board of Trustees may authorize the Secretary to prepare and mail a ballot listing the names of all the candidates and a voting envelope to each member along with the notice of such election. Each member may cast his ballot by: (a) enclosing it in a sealed envelope and placing it in a mailing envelope bearing his name; and (b) mailing or delivering it in person to the Association. Ballots must be received by the Association at least fifteen (15) days prior to the date of the annual meeting to be eligible to be counted. All ballots so received will then be counted and the results recorded by the Secretary. All candidates shall be deemed to be running "at large"

and the vacant trustee positions shall be filled by those candidates receiving the most votes. The elected candidates shall commence their respective terms of office following the last regularly scheduled Board meeting prior to the annual meeting for members. In order to assure an orderly transition of leadership: (a) those candidates so elected shall be invited to attend (as non-voting participants), together with the existing and outgoing Board members, the Board meeting scheduled prior to the annual meeting for members; and (b) the new Board shall meet in the annual meeting of the Board held prior to the annual meeting of members for the sole purpose of electing officers. The results of the balloting will be formally announced at the annual meeting of members.

- *Section 6* -
MEETINGS OF TRUSTES

- 1. Regular Meetings.** The annual meeting of the Board of Trustees shall be held prior to the annual meeting for members and after the last regularly scheduled Board meeting prior to the annual meeting for members. By resolution, the Board of Trustees may provide the time and place for holding regular Board meetings without other notice than such resolution.
- 2. Special Meetings.** Special Board meetings may be called by or at the request of the President or Secretary.
- 3. Notice.** Written notice of each special Board meeting shall be delivered personally, electronically or mailed to each trustee at his business address at least five (5) days before the meeting. If such notice is mailed, it shall be deemed to be delivered when deposited in the United States mail properly addressed with postage prepaid. The attendance of a trustee at a meeting shall constitute a waiver of notice of such meeting, except where a trustee attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted, nor the purpose of any regular or special meeting of the Board need be specified in the notice or waiver of notice of such meeting.
- 4. Quorum.** A majority of the trustees shall constitute a quorum for the transaction of business at any Board meeting, but if less than such majority be present at a meeting, a majority of the trustees present may adjourn the meeting. Members of the Board or any committee appointed by the Board may participate in a meeting of such Board or committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

5. **Majority Action.** The act of the majority of the trustees present at a meeting at which a quorum is present shall be the act of the Board.
6. **Vacancies.** Any vacancy occurring on the Board shall be filled by the affirmative vote of a majority of the remaining trustees though less than a quorum of the Board. The term of the appointed trustee shall be the unexpired term attributable to the vacant trustee position.
7. **Reimbursement.** Trustees may be reimbursed for time spent in Association business and may receive compensation for attendance at regular or special meetings of the Board. The amount of compensation for per diem and travel will be set at the discretion of the Board of Trustees.
8. **Assent to Action.** A trustee of the Association present at a Board meeting at which action or any Association matter is taken shall be presumed to have assented to the action taken unless his dissent is entered in the minutes of the meeting or unless he files his written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or unless he forwards such dissent by certified mail to the Secretary of the Association immediately after the adjournment of the meeting. A trustee who voted in favor of such action may not dissent.
9. **Action Without a Meeting.** Any action required or permitted to be taken at a meeting of the Board may be taken without a meeting if a written consent setting forth the action to be taken is signed by each of the trustees. Any such written consent shall be inserted in the minute book as if it were the minutes of a Board meeting.

- Section 7 -

POWERS AND DUTIES OF TRUSTEES

The Board of Trustees shall be the policy-making body and have all the powers and duties conferred by law, including but not limited to the power and duty:

1. **Management of Business.** To control the business affairs of the Association, to establish policies under which the Association shall operate, to make rules and regulations for the guidance of its officers and management, and to make policy determinations as to the basic pricing and delivery terms and conditions pertaining to the sale of the products produced by the Association;
2. **Elect Officers.** To elect and remove at will all officers of the Association and to fix their compensation;
3. **Appoint General Manager.** To appoint and remove at will a general manager (who shall not be a trustee) and such other agents, representatives and employees as it may determine upon and to fix their compensation;

4. **Records.** To keep a complete record of all of its acts and the proceedings of its meetings;
5. **Financial Reports.** To provide that a full report and statement showing the financial condition and operating results of the Association is presented at each regular annual meeting of the membership;
6. **Special Meetings.** To call special meetings of the members when the Board deems it necessary, and it must call such a meeting at any time upon the written petition of ten percent (10%) of the members;
7. **Authorize Equities.** To authorize the issuance of one or more classes of preferred stock, book credits, capital funds or allocated reserves, and to establish policies in connection therewith which are consistent with these Bylaws;
8. **Accounting System.** To satisfy itself that proper records are kept of all Association transactions, including a proper accounting system, and to cause an annual audit to be made of its books by a Certified Public Accountant not continuously employed by the Association.
9. **Banks.** To select one or more banks to act as depository of the funds of the Association, to designate and authorize the persons who may write checks and disburse the funds of the Association, and to change such banks and persons at will;
10. **Borrow.** To borrow money for any corporate purpose, to secure such borrowings by the pledge or mortgage of any corporate assets to the extent permitted by law, to execute and issue notes, deeds of trust, mortgages, trust indentures, bonds or any other instruments, negotiable or otherwise, which are needed to borrow said money, to extend credit and/or make advances to others and to extend the Association's credit on behalf of others;
11. **Capital Improvements.** To make capital investments in additions, improvements, construction of new facilities, securities or otherwise, to purchase, lease or otherwise acquire, and to sell, lease or otherwise dispose of real and personal property or interests therein, as may be necessary or appropriate for the proper conduct of the affairs of the Association;
12. **Patronage.** To approve and determine the method of payment on all patronage refunds;
13. **Committees.** To elect or appoint such temporary or standing committees as it deems to be in the best interests of the Association;

14. Rules and Regulations. To establish rules and regulations relative to patrons which are consistent with the Articles of Association and these Bylaws.

- *Section 8* -
OFFICERS

- 1. Office Positions.** The officers of the Association shall be a President, one or more Vice-Presidents, a Secretary and a Treasurer, each of whom shall be elected by the Board. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary. The officers need not be members of the Board of Trustees; provided, that if the President and Vice-President are not members of the Board of Trustees, the trustees shall elect from their number a Chairman of the Board of Trustees and one or more Vice-Chairmen.
- 2. Election.** The officers of the Association shall be elected annually by the Board. Such election shall be held at the annual meeting of the new Board held prior to the annual meeting for members. Each officer shall hold office until the next annual meeting of the Board and until his successor shall have been elected and qualified unless he resigns or is removed.
- 3. Removal.** Any officer or agent elected or appointed by the Board may be removed by the Board whenever, in its judgment, the best interests of the Association would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.
- 4. Charges by a Member.** Any member may bring charges against an officer by filing them in writing with the Secretary of the Association, together with a petition signed by ten percent (10%) of the members, requesting the removal of the officer in question. The removal shall be voted upon at the next regular or special meeting of the Association and, by a vote of a majority of the members voting, the Association may remove the officer and fill the vacancy. The officer against whom such charges have been brought shall be informed in writing of the charges previous to the meeting and shall have an opportunity at the meeting to be heard in person or by counsel and to present witnesses; and the person or persons bringing the charges against him shall have the same opportunity.
- 5. Vacancy.** A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board for the unexpired portion of the term.
- 6. Chairman/Vice Chairman.** If the Board has decided to operate the Association with a President and Vice-President(s) who are not members of the Board of Trustees, and as a consequence, has elected from their number a Chairman and Vice-Chairmen as

required by paragraph 1 of this Section 8, then the duties of the Chairman and Vice-Chairmen shall be as follows:

- (a) The Chairman shall: (1) preside over all meetings of the Association and of the Board of Trustees; (2) call special meetings of the Board of Trustees; (3) perform all acts and duties usually performed by an executive and presiding officer; and (4) sign all papers of the Association as he may be authorized or directed to sign by the Board of Trustees, provided, however, that the Board of Trustees may authorize any person to sign any or all checks, contracts, and other instruments in writing on behalf of the Association. The Chairman shall perform such other duties as may be prescribed by the Board of Trustees.
- (b) In the absence or disability of the Chairman, the Vice-Chairman shall perform the duties of the Chairman; provided, however, that in the case of death, resignation, or disability of the Chairman, the Board of Trustees may declare the office vacant and elect his successor.

7. President/Vice-President(s).

- (a) If the Board of Trustees has decided to operate the Association with a President and Vice-President(s) who are not members of the Board of Trustees, then:
 - (1) The President shall be the Association's principal executive officer, and under the direction of the Board of Trustees 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. He shall, so far as practicable, endeavor to conduct the business in such a manner that the members will receive just and fair treatment. The President shall deposit all money belonging to the Association which comes into his possession in the name of the Association in a bank selected by the Board of Trustees and, if authorized to do so by the Board of Trustees, shall make all disbursements by check therefrom for the ordinary and necessary expenses of the business in the manner and form prescribed by the Board of Trustees. Upon the appointment of his successor, the President shall deliver to him all money and property belonging to the Association which he has in his possession or over which he has control. The Board of Trustees shall fix the compensation of the President and may terminate his appointment and employment at any time, subject to the provisions of any employment contract between the Association and the President.
 - (2) The President shall be required to maintain his records and accounts in such a manner that the true and correct condition of the business may be ascertained therefrom at any time. He shall render annual and periodical statements in the form and in the manner prescribed by the Board of Trustees. He shall carefully preserve all books, documents, correspondence, and records of whatever kind pertaining to the business which may come into his possession.
 - (3) The President shall keep a complete record of all meetings of the Association and of the Board of Trustees and shall have general charge and supervision of the books and records of the Association as he may be authorized or directed to sign by the Board of Trustees. He shall serve all notices required by law

and by these Bylaws and shall make a full report of all matters and business pertaining to his office to the members at the annual meeting.

- (4) The President shall employ, supervise and dismiss all agents and employees of the Association not specifically employed by the Board of Trustees.
 - (b) If the Board has decided to operate the Association with a President that is a member of the Board of Trustees, and as a consequence, has not elected a Chairman, then the duties of the President shall be the same as those of the "Chairman" set forth in paragraph 6 of this Section 8 and, unless otherwise determined by the Board of Trustees, the general charge of the ordinary and usual business operations of the Association shall be the responsibility of the General Manager, as set forth in Section 9, below.
 - (c) In the absence of the President or in the event of his death, inability or refusal to act, the Vice-President (or in the event of more than one Vice-President, the Vice-President who was first elected to such office) shall perform the duties of the President, and when so acting, shall have all the powers of the President and be subject to all the restrictions upon the President. Vice-Presidents shall perform such other duties as from time to time may be assigned to them by the President or by the Board.
- 8. Secretary.** The Secretary shall (a) keep the minutes of members meetings and Board meetings in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the Association and see that the seal of the Association is affixed to all documents requiring the same, the execution of which on behalf of the Association is duly authorized; (d) keep a register of the post office address of each member as furnished to the Secretary by each member; (e) sign with the President or a Vice-President certificates for shares of the Association, the issuance of which has been authorized by resolution of the Board; (f) have general charge of the stock transfer books of the Association; and (g) 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 by the President or by the Board.
- 9. Treasurer.** If required by the Board, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board shall determine. The premium for such bond shall be paid by the Association. The Treasurer shall have charge and custody of and be responsible for all funds and securities of the Association; receive and give receipts for monies due and payable to the Association from any source whatsoever, and deposit all such monies in the name of the Association in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of these Bylaws and in general perform all the duties incident to the office of Treasurer and other such duties as from time to time may be assigned to him by the President or by the Board.
- 10. Salaries.** The salaries of the officers (including the Chairman, if there be a Chairman) shall be fixed from time to time by the Board. No officer shall be

prevented from receiving such salary by reason of the fact that he is also a trustee of the Association.

- *Section 9* -
GENERAL MANAGER

The General Manager shall perform such duties as may be assigned by the Board of Trustees including:

1. Conducting the business affairs of the Association in accordance with its objectives and policies under the direction of the Board of Trustees.
2. Selecting (and discharging) his administrative staff, determining their compensation and delegating to them such operational duties and responsibilities as he may prescribe, subject to the general approval and control of the Board of Trustees.
3. Executing on behalf of the Association all manner of instruments and documents as authorized by the Board of Trustees.

- *Section 10* -
OPERATIONS

1. **Processing; Marketing.** All matters pertaining to the pooling, processing and marketing of aquatic products shall be transacted in the name of the Association or in any other name or names designated by the Board of Trustees. The Association may sell and market said products, transfer title thereto, and collect and receipt for the proceeds thereof, in its own name or in the name of any agent, or in any other name or names approved by the Board of Trustees. No member by virtue of being the owner of or having furnished any materials or products shall exercise any control over the Association in regard to either the processing or marketing of said products or the conduct of the business of the Association. In all of which matters, the Association may in good faith use its own discretion and judgment free from any direction of the member furnishing the products. The member shall not be directly liable under any rules of agency or otherwise on account of any contract or contracts made by the Association carrying on its business or in marketing. The Association shall be liable to members only for proceeds actually received by the Association. Claims of every kind and character whatsoever shall be prosecuted and collected solely in the name of the Association, or at the option of the Association, in the name of any agent or person through whom said products may be received, processed, shipped or sold.
2. **Attorney-in-Fact.** Each member of the Association, by becoming a member, appoints the Association as his true and lawful attorney-in-fact to act for him, and in his name, place and stead in connection with the pooling, processing, marketing and

distributing of aquatic products with full power and authority to do every act and thing that said member would or could do if acting personally.

- 3. Non-Profit; Profit Activities.** All activities of this Association involving members shall be nonprofit and cooperative in character for the mutual benefit and upon the mutual responsibility of its members. The Board of Trustees may provide for separate pools, departments and classifications in the marketing of fish and/or other aquatic products or commodities of the Association's members, the procuring of supplies, the providing of services, the allocation of costs, expenses and reserves, and retentions for capital and other corporate purposes. The Association may deal with a non-member patron on either a non-profit, cooperative basis or on a for-profit basis, as determined by the Association.

- 4. Pre-Existing Obligation; Definition of "Margins" and "Patronage"; Treatment of Losses.**
 - (a) "Margins" made by this Association are hereby defined to be the net proceeds derived from all business done for patrons after operating expenses, charges (including over advances and charges for carrying forward any operating loss for any preceding year), interest and/or dividends on all classes of stock, book credits, capital funds or allocated reserves have been deducted.
 - (b) Margins made by this Association from its operations during each fiscal year properly allocable to the business done with or for members (and any other patrons with whom the Association contracts to deal on a non-profit cooperative basis) shall be distributed to its members and such patrons in proportion to their patronage during said year on or before eight (8) months and fourteen (14) days after the end of such year. In the event the Board of Trustees has established separate pools, departments or classifications (as may be specified in the applicable marketing agreement), then the margins of each such pool, department or classification properly allocable to the business done with or for members (and any other patrons with whom the Association contracts to deal on a non-profit cooperative basis) shall be distributed to its members and such patrons in proportion to their patronage of each such pool, department or classification during said year on or before eight (8) months and fourteen (14) days after the end of such year.
 - (c) A member or patron's "patronage" (as that term is used in these Bylaws) shall be determined as follows: (1) the margins attributable to the marketing by the Association of fish and/or other aquatic products or commodities shall be allocated to each member (and any other patron with whom the Association contracts to deal on a non-profit cooperative basis) based upon their respective pounds (or other applicable method of measurement) delivered, as adjusted by any predetermined standards of quality specified in the applicable marketing agreements; and (2) the margins attributable to the procuring of supplies and/or providing of services by the Association shall be allocated to each member (and any other patron with whom the Association contracts to deal on a non-profit

cooperative basis) based upon their respective dollar amount(s) of such purchases of supplies or services.

- (d) Margins may be distributed in cash, preferred stock, book credits, capital fund credits or allocated reserves, or any combination thereof all as the Board of Trustees shall determine. Margins made by this Association from its operations during each fiscal year properly allocable to the business done with non-member patrons on a for-profit basis may be: (1) retained by the Association at the discretion of the Board of Trustees as permanent equity capital, after payment of the appropriate income tax thereon; and/or (2) distributed to members on such basis as the Board of Trustees may determine.
- (e) In the event the operations of the Association for any fiscal year should result in a net operating loss in a particular pool, department or classification, such loss shall be allocated to all members (and any other patrons with whom the Association contracted to deal on a non-profit cooperative basis) who patronized such pool, department or classification on the same basis as margins are distributable hereunder. Notwithstanding the foregoing, a net operational loss in a particular pool, department or classification may be netted against a margin of another pool, department or classification: (1) where, in the judgment of the Board of Trustees, the patrons of one are substantially similar to the patrons of the other, the commodities or services involved are similar, geographical separation is limited and the various patrons are adequately informed of this risk sharing arrangement before the loss transactions occur; or (2) in accordance with the then applicable provisions of the Internal Revenue Code and regulations, if any.
- (f) In the event of a casualty loss or any other loss not the result of the usual and ordinary operations of the Association, the Board of Trustees, in its sole discretion, shall prescribe the basis on which said loss shall be treated, including but not limited to: carry forward or carry back; reduction of preferred stock, book credits, capital funds, or allocated reserves with or without regard to patronage and/or allocation to members; and collection of the same from members, as described in Section 10, paragraph 6(a) below.

5. Obligation to Contribute Capital. Each member (and any other patron with whom the Association contracts to deal on a non-profit cooperative basis) agrees to invest money from time to time in such classes of the Association's preferred stock, book credits, capital funds or allocated reserves and in such amounts as the Board of Trustees may from time to time determine to be necessary or proper to provide funds for corporate purposes, as follows:

- (a) **Capital Investment Fund.** For the purpose of establishing adequate working capital for the Association, there is hereby established a capital investment fund. The total amount of such fund and each patron's equal fair share thereof shall be determined from time to time by the Board of Trustees. Additions to this capital investment fund shall be made by retains from the annual net proceeds otherwise payable to patrons, such retains to be evidenced by book credits, provided that the total amount retained from any member in any one year for the capital

investment fund shall not be less than \$500.00 nor exceed ten percent (10%) of the total net proceeds payable to such patron up to a maximum of \$2,000.00. A new member will be exempt from capital investment retains for the first fishing season after joining. When a patron has contributed his fair share of such fund, no further retains for such fund will be made from the annual net proceeds otherwise payable to each patron. Such credits shall not bear interest or dividend. Such credits are nontransferable, except as provided in the Articles of Association and (except as otherwise provided in paragraph 5(c) of this Section 10) shall be paid at such times and in such manner as the Board of Trustees shall, in their sole discretion, determine. It is the spirit and intent of this section that all parties who enjoy the benefits and services of the Association, whether boat owners or crew members and whether members of the Association or non-members, shall assist the Association by contributing to it funds which can be used for the purposes specified in the Articles of Association and in these Bylaws. For the purposes of this section, both boat owners and crew members, whether they are members of the Association or not, are "patrons".

- (b) **Revolving Capital Fund.** In addition to the capital investment fund and for the purpose of providing capital for the repayment of loan(s) obtained to purchase capital assets, there is hereby established a revolving capital fund. The total amount of such fund shall be equal to the total amount necessary to: (1) repay the principal on such loans; and (2) provide for the sound rotation of the certificates issued hereunder evidencing contributions to the revolving capital fund as determined from time to time by the Board of Trustees. Annual additions to this revolving capital fund shall be in an amount equal to the total annual principal payments on such loan(s) and/or such amount as the Board of Trustees may from time to time determine to be necessary or proper to provide for the sound rotation of the certificates evidencing contributions to such fund, and shall be made by retains from the annual net proceeds otherwise payable to patrons. Such retains will be evidenced by a certificate which shall not bear interest or a dividend. Each patron agrees to contribute an equal amount to such annual addition to the revolving capital fund. Each patron's certificates evidencing his contributions to the revolving capital fund shall be non-transferable, except as provided in the Articles of Association, and (except as otherwise provided in paragraph 5(c) of this Section 10) shall be redeemed in relation to year of origin as and when the capital requirements of the Association permit, as determined by the Board of Trustees.
- (c) **Death; Retirement; Loss of Vessel.** Notwithstanding the foregoing provisions concerning repayment of funds in the capital investment fund and the revolving capital fund, the Association may repay such equities early under the following circumstances: **Death**, one hundred percent (100%) immediate repayment; **Retirement from fishing at age sixty-two (62) or older**, repayment over three (3) years; **Loss of vessel**, fifty percent (50%) immediate repayment and the balance on the schedule otherwise applicable.

6. Right of Offset; Security Interest; Tax Consent.

- (a) The Association shall have the right to offset any indebtedness of a member or patron to the Association against: (1) any sums payable by the Association to such member or patron; (2) such member or patron's preferred stock, book credits, capital funds, allocated reserves and/or common stock in the Association; and/or (3) the cash portion of any patronage dividend payable by the Association to such member or patron. Each member and patron of the Association does hereby make, constitute and appoint the Association such member and patron's attorney-in-fact for him and in his name, place and stead, for his use and benefit, to sign, endorse and deliver to the Association such portion of the cash portion of such member or patron's patronage dividend as may be necessary to satisfy any indebtedness of such member or patron to the Association. In addition to the foregoing right of offset, each member or patron hereby grants to the Association a Uniform Commercial Code security interest in: (1) any sums payable by the Association to such member or patron; (2) such member or patron's preferred stock, book credits, capital funds, allocated reserves and/or common stock in the Association; and/or (3) the cash portion of any patronage dividend payable by the Association to such member or patron to secure repayment of any such indebtedness.
- (b) Each person who hereafter applies for and is accepted to membership in this Association and each member of this Association on the effective date of this Bylaw who continues as a member after such date shall, by such act alone, consent and agree as follows: (1) that the amount of any distributions with respect to his patronage which are made in written notices of allocation (as defined in 26 U.S.C. 1388) 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 26 U.S.C. 1385 (a) in the taxable year in which such written notices of allocation are received by him; and (2) that for purposes of determining the amount he has received from the Association in payment for his fish and/or other aquatic products or commodities, he shall treat the face amount of any per unit retain certificates issued to him on and after the effective date of this section as representing a cash distribution which he has constructively received and which he has reinvested in the Association. Written notification of the adoption of this Bylaw, a statement of its significance and a copy of the provision shall be given separately to each member and prospective member before he becomes a member of the Association.

7. Reserves.

- (a) The Board of Trustees shall have the power and authority to establish (by means of retains, either from margins or from product payments, or by any other means and on a basis which is either qualified or non-qualified under applicable Federal Income Tax Law) reasonable reserves for the necessary purposes of the Association (including its contingent costs and charges), but all such reserves not required to pay for the contingencies reserved against or the then remainder thereof, shall be returned to those supplying the same when no longer needed by the Association in the judgment of its Board of Trustees.

(b) The provisions of paragraph 6(b) of this Section 10 shall not apply with respect to any reserves or other amounts allocated to and/or retained from any member in the following two situations only: (1) when the Association does not, in writing, inform or notify such member of such retention or allocation; (2) when the Association does inform such member that such retention and/or allocation has been made pursuant to these Bylaws and does so by a writing revealing that it evidences “non-qualified”, or “non-qualifying” allocations or retentions.

8. Use of Funds. The Board of Trustees is hereby authorized to use any of the funds in the possession of the Association or any of the property or assets of the Association for any of the purposes or activities authorized by the Association’s Articles of Association or Bylaws. Nothing herein contained shall be deemed to require that any specific monies or funds be segregated or set apart, nor shall any such monies or funds be deemed a trust fund held for the owners of credits in such monies or funds.

9. Unclaimed Funds. Any monies or funds or rights or interest or property represented by any check (except one issued for the purpose of being a “qualified check” under the provisions of 26 U.S.C. § 1388), or draft or stock certificate or book credit, capital fund or allocated reserve or other certificate or other writing issued by the Association to any person, or called from such person for payment by the Association, which remains outstanding or uncashed or which after the Association has mailed such check, draft, certificate, notice of call or other writing to such person at his last known address remains unclaimed or undeliverable shall revert to the Association at any time after one year from the end of the fiscal year during which such distribution or redemptions have been declared, at the discretion of the Board of Trustees.

- *Section 11* -
LOAN ACCOUNT

Monies loaned to the Association, which the patron was not obligated to contribute to the Association in accordance with Section 10, shall bear interest at a rate determined by the Association payable each year on a date to be fixed by the Board of Trustees.

- *Section 12* -
AMENDMENTS

The Board of Trustees shall have authority to repeal and amend these Bylaws, and adopt new Bylaws. Each member shall be given notice of such change before the next annual meeting and shall be given an opportunity to indicate by ballot his assent or disapproval thereof. Any such repeal, amendment, or new Bylaw will be revoked by the Board of Trustees if a majority of the stockholders voting indicate their disapproval thereof.