

THE HOMESTEAD EXCHANGE – MEMBER DISCLOSURE DOCUMENT

1. Cooperative Status

The Homestead Exchange Cooperative, Inc., DBA Ukiah Natural Foods is a cooperative corporation organized under the Consumer Cooperative Corporations Law of California.

2. Copy of Articles and Bylaws

A copy of the Cooperative's Articles of Incorporation and its Bylaws will be furnished without charge to each Member upon written request. Requests should be sent to Ukiah Natural Foods, 721 South State Street, Ukiah, CA 95482, the Cooperative's office address.

3. Assignment or Transfer

No share or membership of this Cooperative may be assigned or transferred. Any attempted assignment or transfer shall be wholly void and shall confer no rights on the intended assignee or transferee.

Bylaw Section 2.06 Transfers Prohibited

No Member may transfer his or her Membership or any right arising there from.

Bylaw Section 3.03 Prohibition and Transfer of Shares

No shares of this Cooperative may be assigned or transferred. Any attempted assignment or transfer shall be wholly void and shall confer no rights on the intended assignee or transferee.

4. Membership Fee

Bylaw Section 2.04 Membership Fee

A one-time non-refundable Membership fee, in an amount set from time to time by the Board of Directors, may be charged to and collected from each Member upon joining the Cooperative.

5. Partial Withdrawal of Shares

Bylaw Section 3.04 Partial Withdrawal

A Member having a monetary amount in his or her Sustaining ("B") share account in excess of the "Fair Share" amount to be determined from time to time by the Board of Directors may cause the Cooperative to purchase his or her excess share amount upon written request to the Directors. Subject to Section 3.05 of these Bylaws, the Directors must, within one (1) year of such request, pay the amount the Member requests in cash or other property or both. The exact form of payment is within the discretion of the Directors.

Bylaw Section 3.05 Insolvency Delay

The Cooperative shall delay the purchase of shares as described in section 3.04 and 4.04 of these Bylaws if the Cooperative, in making such purchase is, or as a result thereof would be, likely to be unable to meet its liabilities (except those whose payment is otherwise adequately provided for) as they mature.

6. Termination of Membership

Bylaw Section 4.01 Voluntary Withdrawal

A Member shall have the right to resign from the Cooperative and terminate his or her Membership by filing with the Secretary of the Cooperative a written notice of resignation. The resignation shall become effective immediately without any action on the part of the Cooperative.

Bylaw Section 4.02 Death or Dissolution

A Membership shall immediately terminate upon the death of a Member.

Bylaw Section 4.03 Expulsion

(a) A Member may be expelled from the Cooperative by resolution adopted by a two-thirds (2/3) vote of all Directors for:

- (1) Failure to comply with the Bylaws, rules or regulations of the Cooperative;
 - (2) Failure to pay the required Membership fees;
 - (3) Failure to timely purchase the required Membership ("A") and Sustaining ("B") shares;
 - (4) Failure to patronize the Cooperative during the immediately preceding fiscal year of the Cooperative in the amount of at least \$50.00.
 - (5) Any other justifiable reason.
- (b) Expulsion shall become effective immediately unless the Board of Directors shall, in the resolution, fix another time. On expulsion, the name of the Member expelled shall be stricken from the Membership register and all of his or her rights shall cease except as provided in Section 4.04 of these Bylaws.
- (c) Prior to expulsion of a Member, the Board of Directors shall give such Member at least fifteen (15) days notice prior thereto and the reasons therefore. Such Member shall have the opportunity to be heard, orally or in writing not less than five (5) days before the effective date of expulsion by the Board of Directors.
- (d) The notice required, pursuant to subsection (b) of this section of these Bylaws, may be given by any method reasonably calculated to provide actual notice. Any notice given by mail must be given by first-class or registered mail sent to the last known address of the Member shown on the Cooperative's records.

Bylaw Section 4.04 Settlement of Share Interest

If a Membership is terminated for any reason set forth in this Article of these Bylaws, the share interest held by the Member shall be purchased by the Cooperative, subject to Section 3.05 of these Bylaws, within one (1) year of the date of termination to the extent of the paid-up value of the Member's shares on such date. The Board of Directors, in so settling the Member's share interest, shall have the right to set off any and all indebtedness of the Member to the Cooperative. The paid-up value of the Member's share interest is the monetary amount of such interest (including fractional shares) that the Member has been issued in accordance with Section 3.01 of these Bylaws.

7. Proprietary Interests of Members

A Member's proprietary interest in the Cooperative is equal to the unredeemed (1) total of money received by the Cooperative in exchange for all shares purchased by such Member, and (2) the monetary amount of any shares allocated to a Member by the Cooperative. Each Member shall have one vote in the affairs of the Cooperative regardless of the number of shares owned, and no Member may own more than four percent (4%) of Membership ("A") shares.

Article V Articles of Incorporation

"RESOLVED: That Article V of the articles of incorporation of the corporation to be amended to read as follows:

Class A- membership shares

Class B- sustaining shares

The Total number of shares which this corporation is authorized to issue is one hundred thousand (100,000) shares.

The number of membership shares shall be ten thousand (10,000) shares.

The number of sustaining shares shall be ninety-thousand (90,000) shares.

The par value of all shares shall be ten dollars (\$10.00).

The aggregate par values of all shares shall be one million dollars (\$1,000,000).

Each shareholder shall have one vote regardless of the number of shares owned.

No shareholder shall own more than four (4) percent of the total number of membership shares issued and outstanding at any time.

The amount of capital with which this corporation will begin business is ninety (90) dollars."

Bylaw Section 2.01 Membership Rights and Qualifications

(a) Membership entitles a Member to one (1) vote in the affairs of the Cooperative, irrespective of the total number of shares a Member owns, and to all the rights of Membership as described by applicable law, the Articles of Incorporation, and these Bylaws.

(b) All meetings of the Board of Directors shall be open to all Members, except those meetings (or portions of meetings) provided for in Section 6.11.

Bylaw Section 2.02 Membership Qualifications

Any natural person may become and remain a Member of this Cooperative by:

- (a) Complying with such uniform conditions as may be prescribed by the Board of Directors, including any required purchases of Sustaining (“B”) shares;
- (b) Making full payment of any non-refundable Membership fee as set forth in Section 2.04;
- (c) Making full payment for one Membership (“A”) share of the Cooperative; and
- (d) Being a resident of California.

Each Membership shall consist of one natural person.

Bylaw Section 3.01 Share Issuance and “Fair Share” Status

Shares may be issued for money paid in an amount to be determined from time to time by the Board of Directors, subject to the following requirements:

- (e) Each Member may own only one Membership (“A”) share, and such Membership (“A”) share may be acquired only by cash purchase;
- (f) The Board of Directors may require the Members to acquire, through purchase or allocation, Sustaining (“B”) shares in the amount of \$10.00 each as a condition of achieving “Fair Share” Membership status. The Board of Directors shall determine from time to time the minimum monetary amount of Sustaining (“B”) shares that shall constitute such “Fair Share” Membership status. Sustaining (“B”) shares may be used to distribute all or a portion of dividends on such shares, patronage refunds (if and when such are distributed), or to effect other changes related to share holdings;
- (g) Any Sustaining (“B”) shares acquired by or distributed to a Member pursuant to subsection (b) of this Bylaw section shall be counted in determining the Member’s total investment toward his or her “Fair Share” amount; and
- (h) Once a Member reaches his or her “Fair Share” amount, he or she may make further purchases of, or receive distributions in additional sustaining “B” shares, only at the discretion of the Board of Directors.

Bylaw Section 3.04 Partial Withdrawal

A Member having a monetary amount in his or her Sustaining (“B”) share account in excess of the “Fair Share” amount to be determined from time to time by the Board of Directors may cause the Cooperative to purchase his or her excess share amount upon written request to the Directors. Subject to Section 3.05 of these Bylaws, the Directors must, within one (1) year of such request, pay the amount the Member requests in cash or other property or both. The exact form of payment is within the discretion of the Directors.

Bylaw Section 6.11 Special Meetings

- (a) Special meetings shall be held on four days’ notice by first class mail or forty-eight (48) hours notice delivered personally or by telephone, including a voice messaging system or by electronic trans-mission by the Cooperative (as defined in Section 20 of the California Corporations Code).
- (b) Notice of regular or special meetings of the Board of Directors need not be given to any Director who provides a waiver of notice or consent to holding the meeting or an approval of the minutes thereof in writing, whether before or after the meeting, or who attends the meeting without protesting, prior to such meeting or at its commencement, the lack of notice to such Director. All waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meetings.
- (c) Subject to the limitation provided by this subsection related to attendance, members of this Cooperative may attend any meeting of the Board of Directors, unless the Board by the affirmative vote of at least two-thirds of the Directors present, where a quorum exists, approves of limiting attendance to only Directors and specially approved other persons, where there is a finding by the Board that such limitation protects the interests of the members. Such approval may apply to any portion of the meeting at which the limitation is approved or to one or more future meetings

Section 10.3 Allocations and Distributions of Surplus

Note to future Board of Directors: If the Cooperative chooses to issue Patronage Refunds in the future, this article (and possibly other articles) of the bylaws needs to be extensively amended.

- (i) Before any dividends on Sustaining “B” shares are distributed, any surplus should first be allocated to any deficit in

Retained Earnings.

- (j) After any deficit in Retained Earnings has been eliminated, the Directors may declare a dividend upon Sustaining ("B") shares at a yearly rate not to exceed any maximum rate established by statute. No such dividends shall be cumulative.*
- (k) Any dividends declared under this Bylaw Section may be in the form of Sustaining "B" shares, in whole or in part, subject to subsections (d) and (e) of this Bylaw Section.*
- (l) If a Member owns shares in excess of an amount determined from time to time by the Board of Directors (pursuant to Section 3.01 of these Bylaws) as of the end of the fiscal year for which a distribution of dividends is made, such Member shall receive all of his or her dividends in cash. The foregoing amount as determined from time to time by the Directors shall be known as a Member's "Fair Share," as described in Section 3.01 of these Bylaws.*
- (m) If the cash payment to a Member for dividends would total less than one dollar (\$1.00), the dividends to such Member shall be distributed wholly in shares.*