

BY-LAWS
OF
NORTHEAST TEXAS FARMERS CO-OP

ARTICLE I
Purposes

The purposes for which this association is incorporated are those set forth in the Articles of Incorporation.

ARTICLE II
Place of Business

The place where the principal business of the association will be transacted is Hopkins County, Texas.

ARTICLE III
Board of Directors

Section 1. Number and Qualification of Directors. The corporate powers, business and property of the association shall be conducted, controlled and managed to the extent authorized by law and by the Articles of Incorporation and these By-Laws, by a board of nine (9) directors, each of whom shall be a member of this association or an authorized representative of an incorporated member.

Section 2. Election of Directors. At the time of adopting these By-Laws there are nine (9) directors and such directors shall continue in office for the terms which they have been elected and at each annual meeting hereafter, two directors will be elected filling vacancies from districts and one shall be elected to fill the vacancy at large. All of their respective terms shall be for 3 years.

This association is divided into six districts, each district shall have one director and there shall be three directors at large.

Definition of Districts. The area is to be divided east and west by State Highway 67 from Greenville east and Highway 380 from Greenville west. One north-south line shall be extended Hunt-Hopkins County Line. That area west of that line and north of Highway 67 and Highway 380 shall be known as District V. The area west of the Hunt-Hopkins Line and south of Highway 67 and Highway 380 shall be known as District VI. The area east of the Hunt-Hopkins Line, north of Highway 67 and west of Highway 19 shall be known as District IV. The area east of the Hunt-Hopkins Line, south of Highway 67 and west of Highway 154 shall be known as District I. The

area north of Highway 67 and east of Highway 19 shall be known as District III. The area south of Highway 67 and east of Highway 154 shall be known as District II.

Not more than one director-at-large can serve from any one district at a time. Not more than one director elected from each district can serve at one time. District directors shall be nominated by members from that district and elected by entire membership at annual meetings. Directors-at-large shall be nominated and elected by the entire membership at annual meetings. The nominee receiving the greatest number of votes shall be elected. Directors shall hold office until their successors have been duly elected and qualified.

All directors shall be elected by a secret ballot and the nominee receiving the greatest number of votes for each position shall be elected. Directors shall hold office until their successors have been duly elected and qualified. Any director who ceases to be a member of the Association, or who owns voting stock in a competing company (not a cooperative), who is indebted to the cooperative, or who is guilty of any conduct detrimental to the welfare of the Association, shall not be deemed to qualify as Director, and if he fails to resign, shall be removed in accordance with Section 52.103 of the Agriculture Code (Cooperative Marketing Association Act) of the State of Texas.

Section 3. Vacancies. Whenever a vacancy occurs in the board of directors, other than from the expiration of a term of office, the remaining directors shall appoint a member of the association to fill the vacancy, until the next regular meeting of the members.

Section 4. Special Board Meetings. Special meetings of the board shall be held upon call of the president or upon the written notice of at least three (3) members of the board. Such written notice shall be signed by the members making the same, shall state the purpose of such meeting, the time and place where it is to be held and shall be addressed and delivered to the secretary of the association. Written notice of all special meetings shall be given to all members of the board at least two (2) days prior to the date of such meeting, provided, however, that such written notice of any meeting may be waived by the directors, by unanimous consent.

Section 5. Board Meetings. The board of directors shall meet at least once each month at the time and place set by the board of directors.

Section 6. Quorum. A majority of the board of directors shall constitute a quorum at any meeting of the board.

Section 7. Depository. The board of directors shall have the power from time to time to select one or more banks to act as depositories of the funds of the association, to determine the manner of receiving, depositing and disbursing the funds of the association, the form of checks to be used and the person and persons who shall be authorized to sign such checks.

Section 8. Employees. The board of directors shall have the power to employ or to authorize the employment of a manager and such other employees as may be deemed necessary, to prescribe the duties thereof and to fix their compensation. No director or member of a director's

immediate family shall serve as a manager or employee by the association without the unanimous consent of the board of directors 100% approval.

Section 9. Bonds. The board of directors shall require all officers, employees and agents of the association handling funds or property belonging to, or in the possession or under the control of the association, to be bonded with a satisfactory bond of indemnity, indemnifying the association and its members against any fraudulent, dishonest or unlawful act on the part of such officers and employees. Such bonds shall be furnished by a responsible bonding company and shall be approved by the board of directors.

Section 10. Removal. Any members may bring charges against an officer, director or member of the association by filing the same in writing with the secretary of the association together with a petition signed by at least ten percent (10%) of the members of the association, requesting the removal of the officer, director or member in question. The secretary of the association shall give such officer, director or member written notice of the charges, at least ten (10) days prior to the date of the meeting at which the charges will be considered and voted upon. At the next regular or special meeting of the association, a hearing shall be held and such charges shall be considered. The person charged and the persons bringing the charges against him shall be given an opportunity to be heard in person or through counsel and to present witnesses. At the conclusion of such a hearing a majority vote of the members shall decide the issue.

Section 11. Compensation of Directors. Directors shall be reimbursed for expenses incurred in connection with the business of the association. The board of directors may, by resolution, authorize payment of a fee to each director for each meeting of the association which he attends.

Section 12. Audit. It shall be the duty of the manager of the association to furnish the board of directors, at least once each month, a statement of assets and liabilities as of the end of the preceding month with a statement of income and expense covering the period from the end of the last fiscal year to the end of the preceding month. Immediately after the end of each fiscal year the board of directors shall employ a practicing public accountant who shall make a complete and certified audit of the association's records and furnish the board of directors with a report thereof. The board of directors may employ an auditor to make other audits which need not be certified.

ARTICLE IV Officers

Section 1. Manner of Election. The board of directors shall elect from their number a president and a vice-president. They shall also elect a secretary and treasurer, who need not be directors. The offices of secretary and treasurer may be combined by the board of directors, and the combined office shall be designated as "secretary-treasurer." They shall also elect an assistant secretary-treasurer.

Section 2. Tenure of Office. The officers shall hold office at the discretion of the board of directors, subject to the power of removal by stockholders as provided in these By-Laws and as authorized and allowed by law.

Section 3. Duties.

- (a) The President shall:
- (1) Preside over all meetings of the association and of the board of directors.
 - (2) Call special meetings of the board of directors and of the stockholders.
 - (3) Perform all acts and duties usually performed by an executive officer of a corporation.
 - (4) Serve as ex-officio member of all committees of the association.
 - (5) Sign all stock certificates and such other papers and documents as he may be authorized or directed to sign by the board of directors.
- (b) The vice-president shall perform the duties of the president at such time or times as the president shall be absent or disabled. In case of the death, resignation or total disability of the president to perform the duties of his office, the board of directors may declare the office vacant and elect his successor.
- (c) The secretary-treasurer or assistant secretary-treasurer shall keep a complete record of all meetings of the stockholders of the association and of all meetings of the board of directors. He shall have general charge and supervision of the books and records of the association. He shall attest or sign as secretary all stock certificates and such other papers pertaining to the association as he may be authorized or directed to do by the board of directors. The secretary-treasurer or assistant secretary-treasurer shall serve all notices required by law and by these By-Laws and shall make a full report of all matters and business pertaining to the association to the stockholders at their annual meeting. He shall keep a proper stock record showing the name and address of each stockholder of the association, the number of his stock certificate(s) or book credits and the date of issuance, surrender, cancellation or forfeiture thereof. 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 of directors. He shall keep in the office of the association all books and records of the association, and shall maintain a

separate permanent file containing copies of the audit reports, letter of exception, charter, By-Laws and amendments thereto. He shall keep a complete record of all financial transactions of the association and perform such other duties and exercise such other Powers as the board of directors may authorize or direct. Upon the election of his successor, the secretary-treasurer and/or assistant secretary-treasurer shall deliver to him all books and other property of the association in his possession belonging to the association.

ARTICLE V

Members

Section 1. Qualification of Membership. Any person, firm, partnership, corporation or association, including landlords and tenants, who is a bona fide producer of products handled by this association, or a producer of agricultural products who is a purchaser of supplies and/or services provided by this association may become a member of this association if found acceptable by the board of directors, by purchasing one share of common stock, signing such marketing or purchasing agreements as the board of directors may prescribe from time to time, and by agreeing to comply with the requirements of the Articles of Incorporation and this code of By-Laws.

Section 2. Termination of Membership. At the end of each fiscal year the common stockholders of the association shall be reviewed by the board of directors, and any member who has not delivered products or purchased supplies from the association during the preceding twenty-four (24) months may have his common stock and voting rights terminated unless the member shall show good cause why his or its membership should be terminated. In the event of the death of a member, his membership shall immediately terminate. The board of directors may suspend or terminate a membership at any time when it finds, based on reasonable grounds, that continuance would prejudice the interest or hinder or obstruct the purposes of the association or that the member does not meet the qualifications for membership.

Section 3. Annual Membership Review. The board of directors shall review annually its official membership record and shall determine the membership eligibility status of all persons holding common stock of the association. Such stockholders who are found to be ineligible for membership in the association as provided for in these By-Laws shall be notified thereof and given an opportunity to show cause why their common stock should not be called in by the association.

Section 4. Non-Member Business. The association, if it elects to do business with nonmember, may do so, but the association may not do over 50% in Dollar Volume of its business with or for nonmember.

Section 5. Consent to Report Allocations. Each person or cooperative who hereafter applies for and is accepted to membership in this cooperative on the effective date of this By-Law who continues as a member after such date shall, by such act alone, consent that the amount of any distribution with respect to his patronage occurring after October 31, 1963, which are made in

written notices of allocation (as defined in 26 use 1388) and which are received by him from the cooperative, will be taken into account by him at their stated dollar amounts in the manner provided in 26 USC 1385(a) in the taxable year in which such written notices of allocation are received by him.

ARTICLE VI Capital Structure

Section 1. Capital Stock. The association shall have a capital stock as prescribed in its Charter. In lieu of preferred stock the association may issue "book credits" which shall have the same and exact status as preferred stock certificates.

Section 2. Qualifications of Member-Stockholders. The qualification of common stockholders shall be prescribed in the By-Laws of the association, but no stockholder shall be permitted to own more than one share of common stock of the association nor shall said common stock be issued except to producers of agricultural products. Each member-stockholder of the association shall be required to pay for one share of common stock.

Section 3. Issuance of Stock. All common stock and all preferred stock shall be issued only for cash paid into the association in an amount equal to the par value of the stock so issued or as a patronage dividend to members as provided in the By-Laws of this association. Book credits may be issued in lieu of preferred stock but the same shall have the same and exact status as preferred stock.

Section 4. Transfer of Stock. No stock or book credit of this association shall be transferred except in the books of the association, and in no event shall common stock be transferred to or owned by any person not engaged in the production of agricultural products. These restrictions shall be printed on every stock certificate subject thereto.

Section 5. Voting Rights. All voting rights shall be vested in the holders of common stock. No common stockholder shall have more than one vote in the affairs of the association or in the election of its directors.

Section 6. Dividends. No dividends shall be paid on common stock. No dividends shall be paid on preferred stock and/or book credits of the association.

Section 7. Retirement of Common Stock. Common stock shall be subject to cancellation and retirement in the manner provided by the By-Laws of the association, but in the event of the death of a member or the expulsion of a member or termination of the membership of a member, the board of directors shall call and cancel the common stock in the association owned by such former member and in its discretion pay therefor the par value of such stock in cash or issue to such former member preferred stock of the association having an aggregate par value equal to the par value of the common stock held by such former member.

Section 8. Retirement of Preferred Stock. The board of directors is authorized at any time and in its sole discretion on thirty (30) days notice by the association to call for retirement in whole or in part on a pro rata basis at par of preferred stock theretofore issued by the association; provided further that this association shall not be required to retire any preferred stock which it has issued by reason of receiving stock from any other cooperative until the other cooperative retires its stock held by Northeast Texas Farmers Cooperative, Inc. and until the lending institution that is financing the association approves such retirement payment. Payment in cash shall be made for called shares immediately on delivery, and failure of the owners or holders to deliver certificates called for shall entitle the association as the owner's agent or otherwise to cancel the shares called for retirement at the expiration of thirty (30) days after the call has been made. In the event of such cancellation and failure of the stockholder to surrender the called certificate(s), (whether common or preferred stock certificates), the proceeds of such canceled stock shall be placed to the credit of such stockholder in a special account and shall be held by the association for the owner who shall be entitled to the amount held at any time thereafter within the period of limitation under the laws of this State.

Section 9. Exclusion of Method. The method herein provided for the retirement of capital shall constitute the sole and exclusive method whereby a stockholder of the association shall be entitled to convert into cash his equities (property interests) in the association either prior to or after his withdrawal or expulsion from the association and shall be in lieu of any right or power any stockholder might have or be entitled to assert to have his equities appraised by the board of directors or otherwise and be paid therefor on the basis of such appraisal within any given period of time.

Section 10. Stock Retirement in the Event of Death. Notwithstanding the provisions of Sections 7, 8 and 9 of the Articles of Incorporation, in the event of the death of a member of the association, the board of directors may, in its discretion, retire common and/or preferred stock owned by such deceased member having an aggregate par value of not to exceed Five Hundred (\$500.00) Dollars and pay the par value thereof in cash to the heirs or legal representatives of the deceased upon surrender of the stock certificate or certificates so canceled and retired, and upon the submission of satisfactory evidence that such heirs or legal representatives are the sole persons entitled to receive such funds. Such stock, up to the amounts specified, may be so called, canceled and retired regardless of the date of issuance thereof.

Section 11. Liquidation. In the event of liquidation, all legal debts of the association shall first be paid; then all preferred stock and/or book credits shall be paid; then all common stock shall be paid. Any property then remaining after the payment of all the above mentioned shall be distributed among the members who patronize the association, as far as practical, on the basis of their respective patronage as shown by the books and records of the association.

If the assets of the association are insufficient to retire all the preferred stock and/or book credits or common stock at face value, all available funds shall be prorated equitably to such class, regardless of the date of issue of the same.

Section 12. Right of Offset. All stock, patron earning notices, book credits and equities shall be liable for the indebtedness of the holder of such stock notices, credits and equities to the association, and in the event of the retirement or cancellation of such notices in the manner provided in previous sections of these By-Laws, the association is authorized, directed and empowered to deduct from the amount otherwise due to the holder of such retired or canceled notices the amount which such member or patron owes to the association as shown on the books and records of the association.

Section 13. First Lien Retained. The association shall have a first lien on all stock, patron earning notices, book credits and equities, and upon all dividends declared upon its equity capital for any indebtedness of the holders of such equity to the corporation. A notation to this effect shall be printed, stamped or typed on all stock, patron earning notices, or other evidences of equity ownership issued by the association. All equity capital of whatever kind and all dividends or credits may, in the conclusive discretion of the board of directors be applied against the indebtedness or any member or patron of the association whether or not such indebtedness is then due.

ARTICLE VII Meeting of Stockholders

Section 1. Annual Meeting. The regular annual meeting of the member-common stockholders of the association shall be held at a time and place to be set by the board of directors but no later than ninety (90) days after the close of the fiscal year.

Section 2. Special Meetings. Special meetings of the members may be called by the president or by a majority of the board of directors. Each such call shall be in writing and shall state the time, place and purpose of such meeting. No business shall be transacted at any special meeting other than that stated in the purpose for the call.

Section 3. Notice of Meetings. Notice of each regular and special meeting of the stockholders shall be given by notice published in two (2) weekly publications of the weekly newspaper of Hopkins and Hunt Counties of the greatest circulation for two (2) consecutive publications, the first of such publications shall be at least ten (10) days prior to the date of filing for which the notice is given. The notice of all meetings shall state the time and place, and notice of special meeting shall state the purpose of the meeting, provided if there be no weekly newspaper of general circulation, then such notice shall be published in the daily newspaper of Hopkins and Hunt Counties, of the greatest circulation.

Section 4. Quorum. Twenty (20) common stockholders shall constitute a quorum for the transaction of business at any meeting, either regular or special. If on first call twenty (20) common stockholders fail to attend, then a second meeting shall be called at which the common stockholders present shall constitute a quorum.

Section 5. Voting. No votes by proxy or power of attorney shall be permitted except as herein provided. All ballots in connection with the election of directors shall be cast by members in

person in attendance at the stockholders I meeting at which such election is being held. It shall be permissible, however, in connection with any other matter of business of the association, except the election of directors, for the board of directors to cause to be prepared ballots in writing to be cast by the members and transmit such ballots to the members by mail for their further handling. Ballots so transmitted shall contain a clear and concise statement of each issue to be voted upon and shall provide a place where the members may indicate their vote in favor of or against each such issue. Such ballots must be signed by the member casting the ballot and may be transmitted by him through the United States mail to the secretary in person to be by him placed in the ballot box of the office of the association prior to the date of the regular or special stockholders' meeting at which such issues are to be voted upon. The envelopes containing the ballots so cast shall not be opened until the vote is counted, at which time such envelopes containing such ballots shall be opened by the counters appointed by the chairman of the meeting.

ARTICLE VIII

Reserves, Allocation and Distribution of Patronage Refunds

Section 1. Margins. It is the ultimate aim of this association to render services to its members at cost. In order to operate on a nonprofit and cooperative basis with respect to business done with or for members and at the same time to insure the solvency and financial stability of the association, adequate margins shall be withheld by the association on all transactions. Such margins shall at all times be either subject to allocation to the members entitled thereto in the manner provided by law and in accordance with these By-Laws. On all margins that are allocated the same shall be so allocated within such period of time as may be prescribed from time to time by the Internal Revenue Code and Regulations thereunder.

Section 2. Reserves. From the margins retained by the association the board of directors in its discretion may create and authorize the establishment of reasonable reserves for necessary purposes. All capital reserves so established shall be allocated on the books of the association to the accounts of the various members on the basis of the amounts contributed by them to such reserves, and each member to whom such allocation is made shall be given notice thereof. While the valuation reserves which are established need not be allocated, the records and accounts of the association shall be so kept as to afford a means of making accurate allocations of such reserves on the basis of the contributions thereto if such reserves are not needed for the purposes for which they were created.

Section 3. Allocation of Reserves. Amounts of savings or margins retained by the association in capital reserves and allocated to the members shall have the same status as though they had been paid to the members in cash pursuant to a legal obligation to do so and the members had then furnished corresponding amounts of money to the association to be placed in such reserve. The association shall be obligated to repay such capital advances to the members making the same pursuant to the terms and conditions of these By-Laws.

Section 4. Annual Study of Reserve Accounts. The board of directors shall make a study of all reserve accounts following each annual audit and shall determine whether any of such reserves shall be retained, increased, reduced and/or revolved. Following such study the board shall direct the

disposition to be made of such reserves, make a record of that action in the minutes of such board meetings, and shall issue proper and necessary instructions pursuant thereto.

Section 5. Revolving Reserve Accounts. Whenever it shall appear to the board of directors that an established reserve is adequate for its designated purpose, the board may direct that said reserve be revolved in whole or in part by taking out of such reserve whatever amount the board may direct and pay the same to the members according to their allocated equities in the reserve. Such equities shall be revolved out of such reserve in the date order in which they were allocated. The amounts so revolved out of such reserve account shall be replenished from margins retained during the current year's operations, which amount so retained shall be allocated on the basis of the contributions of the members to such reserve.

Section 6. Reducing Established Reserves. Whenever in the discretion of the board of directors conditions justify reducing an established reserve in whole or in part, the board shall order such reduction and direct that the amount of such reduction be distributed to members according to their equities therein in the order in which such equities were allocated.

Section 7. Department. If the business of this association varies between marketing and supplies or if various or different types of marketing functions are performed, then the activities of this association may be divided into different and varying departments in accordance with the law and in accordance with good accepted accounting procedures by the board of directors in its sole and exclusive discretion.

Section 8. Net Savings. The net savings of the association shall be determined for each fiscal year and allocated to members on a patronage basis in accordance with the amount of business done for or with the association. The net savings of the association shall be determined for each fiscal year in accordance with accepted procedures, but not including dividends paid on stock. If the board of directors, in its sole and exclusive discretion chooses to departmentalize the association, then the net savings of each department for each fiscal year shall be ascertained by charging to each department its fair share of all the overhead, maintenance and operating expenses of every character in accordance with accepted accounting procedures, but not including dividends to be paid on stock. Carry-overs and carry-backs may be made in computing income taxes in any losses in any one department.

Section 9. Savings on Member and Non-Member Business. The net savings of the association shall be divided on an equitable basis in accordance with the accepted accounting procedures between business done with members and that done with non-members. No patronage dividends or refunds shall be paid on non-member business, but all savings on non-member business done with the association shall be carried to an unallocated surplus.

Section 10. Dividends or Patronage Refunds to Members. The annual net savings or margins resulting from the transaction of the business of the association with members in excess of the reserve fund requirements as provided above shall be apportioned to and distributed among the members as a cooperative refund for the year, on a patronage basis, as shown upon the books and

accounts of the association. On all allocated margins accurate patronage records shall be maintained and if the association is departmentalized the records shall be maintained on a departmental basis. Such records to be kept in order to comply with the requirements of these By-Laws. Said cooperative refund shall be paid or credited to the account of the person entitled thereto at least once each year.

At the discretion of the board of directors, funds revolved out of reserves and/or patronage refunds provided in the preceding paragraph shall be paid to the members entitled thereto in whole or in part, in cash, in certificates of preferred stock or in book credits; provided, however, that in the distribution of such patronage refunds all members shall be treated alike. Following the end of each fiscal year the association shall notify each member of the association of all amounts allocated to him as a result of the operations of the association during such year, and of all amounts paid or to be paid to him as a dividend on his capital stock for such year. In the event of the payment of allocation of patronage refunds during such year of amounts earned in previous years but not theretofore allocated, the member shall be given notice thereof.

Section 11. Unclaimed Funds. A claim for money against the association shall be subject to the provisions of this section whenever the association is ready, able and willing to pay such claim and has paid or is paying generally claims arising under similar circumstances but payment of such claim cannot be made for the reason that the association does not know the whereabouts or mailing address of the one to whom it is payable or the one entitled to payment. It shall be the obligation of every patron of the association at all times to keep the association correctly informed concerning his whereabouts or correct mailing address in order that he might receive any sums due by the association to him on any account without delay.

No trust or fiduciary relationship shall exist between the association and its patrons concerning any unclaimed funds due by the association to any patron on account, but the relationship of debtor-creditor shall at all times exist between the association as the debtor and the patron as the creditor concerning such unclaimed funds. This same debtor-creditor relationship shall exist between the association and any business between the association and any patron. Upon the retirement of equity capital and/or book credits of this association or upon the declaring of any dividend and/or patronage refund to be paid in cash, or upon the attempted payment of any sum due to any person or to any patron on account of business done with any patron, the association acknowledges its indebtedness to the person entitled to receive such sums to the same extent as if it had on that date issued and delivered to such person its written promise to pay to such person the amount due on demand, and the same extent as if the person had accepted such written promise of the association as payment of the amount due. If payment of such claim cannot be made for the reasons indicated above or for any other cause beyond the control of the association, the association shall continue to be liable for the amount thereof without interest until the four year statute of limitations has run against such claim. The statute of limitations shall commence to run on the date of the retirement of stock and/or book credits or on the date the association declaring such dividend or refund attempts to make payment of any sum due to any such person as conclusively shown by the books and records of the association.

The association shall, after it has held funds for a period of two and one-half (2 1/2) years, send by certified or registered mail with return receipt requested a written notice addressed to the person appearing on the records of the association to be entitled to such funds at the last address of such person as shown on the records of the association for such person to claim such funds within a thirty (30) day period. If the person entitled to receive such sums as conclusively shown on the books and records of the association does not claim such sums within the thirty (30) day period from the date such letter is mailed, or if no claimant establishes his right to the satisfaction of the association to receive such sums within such thirty (30) day period, the association shall at the expiration of such thirty (30) day period, the association shall at the expiration of such thirty (30) day period no longer be liable for the payment of such claim and such claim in its entirety shall be extinguished and the association shall treat all such sums as incidental income, and the amount involved shall at that time be allocated to the patrons, members and nonmembers alike, of the association on the basis of their patronage with the association during that fiscal year, and the association shall notify each patron of the amount allocated to him.

Section 12. Losses. In the event the association shall suffer a net loss in its overall operations in any fiscal year, or if the association has been departmentalized and any department of the association suffers a loss in any fiscal year, the board of directors shall have the authority in its sole and exclusive discretion to prescribe the manner in which such loss shall be handled.

ARTICLE IX Miscellaneous

Section 1. Cooperative Association. This corporation shall be operated in all respects within the limitations of the Texas Cooperative Marketing Act, as amended or as hereafter amended, for the mutual benefits of its members as producers of agricultural products. The value of business conducted with members shall always be in excess of that conducted with nonmembers, and each member shall be limited to one vote.

Section 2. Contract with Member. The members of the association, by dealing with the association, acknowledge that the terms and provisions of the articles of incorporation and this code of By-Laws shall constitute a contract between the association and the members, and both the association and the members are bound by said contract as fully as though each patron had individually signed a separate instrument containing said terms and conditions.

Section 3. Marketing and Pools. The board of directors of the corporation, in its conclusive discretion, shall have the right and power to provide pools through which the members of the corporation may sell their agricultural products; and shall also have the right and power to promulgate such rules and regulations as it shall deem necessary, suitable and advisable in the premises. If any such pools are not provided for in a written marketing contract, the board of directors may, nevertheless, provide for the same by a resolution passed at any regular or special meeting and duly entered upon its minutes thereof. The members agree to observe all such rules and regulations and to be bound thereby, and the failure to do so shall be grounds for expulsion from membership.

Section 4. Deferred Payment. If at anytime a patron enters into a marketing agreement with this cooperative to market a product for said patron, the patron, prior to delivery of said product to this cooperative for marketing under said agreement, is hereby given the right to defer the payment of any proceeds until the date agreed upon as specified in a written "Deferred Payment Contract" between the patron and this cooperative.

ARTICLE X
Corporate Seal

Section 1. The corporate seal of this association shall consist of two concentric circles surrounding a star. The name of the association shall be included therein.

ARTICLE XI
Amendments

These By-Laws may be amended or altered at any regular or special meeting of the members by the affirmative vote of a majority of the holders of the common stock present and voting. No amendment to the By-Laws shall be passed, however, unless notice in writing to the effect that the same will be voted upon has been mailed to the address of each holder of common stock of the association.

CERTIFICATE

I, the undersigned, Secretary of Northeast Texas Farmers Co-op, do hereby certify that this is a true and correct copy of the By-Laws of said association dated the 15th day of May, 2007.



Secretary

The Capper-Volstead Act

Enabling Cooperatives to Continue Providing Value

By Peter Janzen, Land O'Lakes General Counsel

Cooperatives are able to exist in large part because of essential legislation that was passed by Congress in the early 1920s – the Capper-Volstead Act.

Before its passage, as farmers worked in association with other farmers to bring their products to market, they found themselves defending, and losing, lawsuits. Courts ruled that these associations violated the broad scope of the Sherman Antitrust Act, which prohibits combinations and agreements in restraint of trade.

Recognizing the need to enable farmers to work together to enhance their relative market power and have greater control over their own economic destiny, Congress passed legislation that exempted agricultural organizations from antitrust laws – if those organizations were established for mutual help, did not have capital stock and were not operated on a for-profit basis. In 1922, Congress passed the Capper-Volstead Act to more clearly define the activities farmer organizations could engage in without violating federal antitrust laws and to extend the exemption to capital stock entities.

The Capper-Volstead Act specifically provides "that persons engaged in the production of agricultural products (as farmers, planters, ranchmen, dairymen, nut or fruit growers) may act together in associations, corporate or otherwise, with or without capital stock, in collectively processing, preparing for market, handling and marketing in interstate and foreign commerce [the products of the association's members]." The Capper-Volstead Act provides a narrow exemption to antitrust laws, and if associations do not meet all of the Capper-Volstead requirements or engage in activities beyond the scope of the Capper-Volstead Act, the exemption does not apply.

Capper-Volstead Qualification Requirements

- All members must be agricultural producers. Although non-members may deliver products to or purchase products from the cooperative, and in some instances non-members may even receive patronage earnings based on the business they

conducted, non-members may not participate in cooperative management or governance.

- The amount of business that the association conducts with members must exceed the amount of business it conducts with non-members.

- The association must either not pay dividends on stock / membership capital in excess of 8 percent or must not allow any member to have more than one vote based on the amount of stock or membership capital they own.

Permitted Activities under Capper-Volstead

- The Act only expressly protects the collective processing, handling and marketing of member products, and the courts have ruled that marketing includes setting the price for member products.

- Capper-Volstead also allows cooperatives to form marketing agencies in common with other qualified cooperatives to engage in Capper-Volstead permitted activities (e.g. two Capper-Volstead cooperatives could enter into a formal marketing agency to agree upon the prices they will collectively charge for their members' products). Given the penalties for failure to comply with Capper-Volstead requirements, all marketing agencies should be governed by formal, written documentation and should be overseen by a qualified attorney.

- Certain activities are not protected by Capper-Volstead, including fixing prices or allocating customers or territories by supply cooperatives, actions that manipulate prices or markets, coerced membership, and agreements to allocate membership or establish farm gate prices.

Understanding the protections and limitations of the Capper-Volstead Act is essential for cooperative members because it is fundamental to the ability of cooperatives to continue to operate and add value for members and the constituents they serve.