

BYLAWS FOR AUSTIN TEA COOPERATIVE, a TEXAS COOPERATIVE ASSOCIATION

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Preface

The purpose of Austin Tea Cooperative is to establish and maintain a community operated tea house, make tea available to the community in a financially sustainable way, provide jobs for those interested, and support tea endeavors. The tea house is a space to provide tea and tea services, host events, share our knowledge of tea, personal practices, perceptions, and gifts.

Austin Tea Cooperative is a self-reliant, self-empowering community of people that will grow and promote a transformation of society toward cooperation, justice, and non-exploitation. We are committed to serving a broad range of people by providing them goods and services, using efficient methods that avoid manipulation of the consumers and minimize exploitation of the producers or damage to the environment. The primary focus for this mission is supplying high-quality tea and tea-related goods and non-doctrinaire information about tea to consumers.

Austin Tea Cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and cooperative enterprise.

Article I – Organization

1.1 Name. These bylaws constitute the code of rules adopted by the Austin Tea Cooperative (hereinafter, the “Cooperative” or “Co-op”) for the regulation and management of its affairs.

1.2 Purpose. To conduct any business or activity which lawfully may be conducted by a cooperative association organized under Chapter 251 (Cooperative Associations) of the Texas Business Organizations Code, whether or not related to those purposes described in the following:

- To establish and maintain a community run tea house to be operated without restriction virtually, or in a mobile, temporary, Co-op owned or leased location.
- To provide tea and tea services.
- Host events.
- Share our knowledge of tea, personal practices, perceptions, and gifts.
- Make more tea available to the community in an affordable way.
- Provide jobs for those interested and
- Support other tea-related endeavors.

1.3 Cooperative Principles. The Co-op shall be operated in accordance with the cooperative principles adopted by the 1995 General Assembly of the International Co-operative Alliance, such principles being: (i) voluntary and open ownership without arbitrary discrimination; (ii) democratic governance; (iii) economic participation by owners; (iv) autonomy and independence of the Co-op; (v) providing education and training; (vi) cooperation with other cooperatives; and (vii) concern for community.

1.4 Nondiscrimination. The Co-op shall not discriminate on the basis of race, nationality, religion, age, gender, sexual orientation, or political affiliation.

1.5 Fiscal Year. The fiscal year of the Co-op shall begin on the first day of January in each year and end on the last day of December of the succeeding year unless otherwise determined by the Board of Directors.

Article II – Ownership

2.1 Owner/Members. The terms "owner" and "ownership" shall mean "member" and "membership" (respectively) as those terms are used in the provisions of the Texas Business Organizations Code, as amended (the "Code"), applicable to cooperative associations.

2.2 Eligibility and Acceptance. A natural person or household, an unincorporated group or other entity organized on a cooperative basis, or a nonprofit group, upon approval of application and the receipt of any required payments, as established by the Board of Directors, may be accepted into ownership on terms established by the Board of Directors. Residency in Texas is not a requirement for Membership in the Co-op. Membership eligibility is open to anyone who meets the other criteria required for consideration. Any prospective member that operates, controls, or is an officer for a competing business or tea company shall require Majority Board Approval in addition to the normal application process. Each owner that is not an individual shall designate a person to act on the owner's behalf in

conducting the affairs of this Co-op, which designation shall remain in effect until written notice of a properly authorized change in the designated person is received by the Co-op.

2.3 Rights. Each owner in good standing shall have one vote in the affairs of the Co-op. Each owner in good standing shall be eligible for other benefits as may be offered from time to time by the Co-op. An owner who has paid any required ownership fees and member capital in full (or is paying required ownership fees and member capital in a manner approved by the Board of Directors) shall be an owner in "good standing." Failure by an owner to provide the Co-op with a current mailing address may result in that owner not receiving Co-op notices and loss of other owner benefits not guaranteed by law, as may be determined by the Board of Directors.

2.4 Member Benefits. The board may determine various membership benefits, including discounts for events and products, early access to sales, ability to book space etc.

2.5 Code of Conduct. The Board of Directors shall create and provide to all Members a Co-operative "Members Code of Conduct". All Members shall be required to read and sign/acknowledge the Code of Conduct and violations of its terms may result in the board taking action to Terminate the Member pursuant to the Expulsion procedure described in section 2.8.

2.6 Member Minimum Participation Requirements. Members are expected to be actively involved in the Co-op. The Board of Directors shall determine and provide to all Members a written explanation of the expectation for participation. Failure to meet or exceed the minimum participation thresholds as defined in the Boards explanation may result in the board taking action to Terminate the Member pursuant to the Expulsion procedure described in section 2.7. Failure to participate in Co-op affairs or patronize the Co-op for a period of more than two (2) years shall be deemed a failure to meet minimum member participation requirements.

2.7 Voluntary Termination. Ownership may be terminated voluntarily by an owner upon written notice to the Co-op or automatically if an owner shall fail to patronize or participate in the Co-op for a period of time not less than two years in accordance with procedures, including those for reinstatement, that may be determined by the Board of Directors.

2.8 Involuntary Termination. Ownership may be terminated involuntarily through the expulsion procedure provided for in Section 251.152 of the Code as follows:

- (a) A member of Co-op may be expelled by the vote of a majority of the cooperative association's members voting at a regular or special meeting.
- (b) Not later than the 11th day before the date of the meeting, the Co-op shall give the member written notice of the charges. The member is entitled to be heard at the meeting in person or by counsel.
- (c) If the Co-op votes to expel a member, the Board of Directors shall cause the cooperative association to purchase the member's capital holdings at par value if the purchase does not jeopardize the cooperative association's solvency."

Regardless of the reasons for termination, upon termination all ownership rights of the terminated owner shall cease.

Article III - Meetings and Decision-Making

3.1 Decision-making Methods. There shall be two separate methods by which the general ownership of the Co-op shall make binding ownership decisions: (i) votes of the ownership at Ownership Meetings and (ii) Co-op Votes. An owner must be in good standing in order to vote.

3.2 Ownership Meetings. The Board of Directors shall call an annual meeting of owners in each fiscal year. A special meeting of the owners may be requested by a majority vote of the Board of Directors or by written petition signed by at least 500 or five percent (5%) of the total number of owners in good standing, whichever is fewer. The petition must state the purpose of the special meeting. The Secretary shall call a special meeting to be held within thirty days after receipt of a valid petition for the special meeting.

3.2.1 Notice of Meetings. Owners shall be notified of all regular and special meetings not later than the 10th day and not earlier than the 60th day before the date of the meeting. Notification of meetings shall be given in a manner prescribed by the Board of Directors in compliance with requirements of the Code and shall be posted at all Co-op locations (physical and internet). Notices may be delivered to electronic and/or postal addresses provided by the owners, as reflected in the ownership records of the Co-op. Each notice shall include the date and time of the meeting, the proposed agenda, and the location of the meeting, which shall be in Austin, Texas. Notice of a special meeting must specify the purpose for which the meeting is called. No business shall be transacted at any special meeting other than that referred to in the notice.

3.2.2 Voting at Meetings. Each owner shall be entitled to one vote upon any matter proposed at a meeting, and no votes by proxy shall be allowed. Owners may cast ballots in person at a meeting, or they may vote by facsimile transmission, by electronic message, or by mail as provided in Code Sections 251.256 (b) and (c), or by any combination of those methods.

3.2.3 Meeting Quorum. At any regular or special meeting of the owners, a quorum necessary for the transaction of business shall be at least 500 or five percent (5%) of the total number of owners in good standing, whichever is fewer. Votes cast by any method specified in Bylaw Section 3.2.2 above upon any question presented at a regular or special meeting shall be counted towards fulfillment of the quorum requirement, provided such votes are submitted within the designated timeframe.

3.3 Co-op Vote. The voting process described in this Bylaw Section 3.3 (a "Co-op Vote") can be used to vote on any matter that may be considered at a regular or special meeting of the owners.

3.3.1 Procedure for Co-op Vote. The Board of Directors shall define procedures consistent with these Bylaws for Co-op Votes to assure that owners are properly informed and have a fair opportunity to participate. A Co-op Vote may be initiated by a majority of the Board of Directors, by a majority of owners voting at a regular or special ownership meeting where a quorum is present, or by petition as described in Bylaw Section 3.3.3 below. The exact content of any proposal being submitted for a Co-op Vote shall be made available to the ownership at least fourteen days before the vote commences. The vote shall terminate at a date and time specified in the notice by which the vote was initiated (described

in Bylaw Section 3.3.2), not less than 60 days from commencement of the vote. The Board of Directors shall schedule a Co-op Vote Confirmation Meeting open to the ownership to be held at the conclusion of the Co-op Vote, in accordance with Board of Directors policies, at which the Co-op Vote will be concluded. The Board of Directors may provide for Co-op Votes to include ballots cast in the store, ballots cast at ownership meetings or events, votes by mail, votes by electronic transmission, or other means provided that appropriate measures shall be taken to assure that each owner has only one vote and no votes by proxy are allowed, as required by the Code.

3.3.2 Notice of Co-op Vote. Notification of Co-op Votes shall be posted on prominent signs at all locations maintained by the Co-op and shall be given in a manner prescribed by the Board of Directors in compliance with requirements of the Code for regular and special meetings. Such notice may include delivery to electronic and/or postal addresses provided by the owners, as reflected in the ownership records of the Co-op.

3.3.3 Petitions. Any matter that the owners wish to put before the ownership via a Co-op Vote may be placed on the ballot by a petition signed by at least 500 or five percent (5%) of the total number of owners in good standing, whichever is fewer. Proposals initiated by such a petition shall be included in the next regularly scheduled Co-op Vote, except that if a petition is signed by at least 1,000 or ten percent (10%) of the total number of owners in good standing, whichever is fewer, then the Co-op Vote shall be scheduled to commence no sooner than thirty days and no later than 60 days from the date the petition is submitted.

Article IV - Annual Reports and Owner Review

4.1 Annual Financial Condition Report. Within 120 days after the end of its fiscal year, Austin Tea Cooperative shall have on file at its principal office an Annual Report of the Co-op's financial condition stating, at a minimum:

- (1) the name of the Co-op;
- (2) the address of the Co-op's principal office;
- (3) the name, address, occupation, and date of expiration of the term of office of each officer and director;
- (4) any compensation paid by the Co-op to each officer or director of the Co-op;
- (5) the amount and nature of the authorized, subscribed, and paid-in capital;
- (6) the total number of shareholders;
- (7) the number of shareholders who were admitted to or withdrew from the Co-op during the year;
- (8) the par value of the Co-op's shares;
- (9) the rate at which any investment dividends have been paid;
- (10) the total number of owners;
- (11) the number of owners who were admitted to or withdrew from the Co-op during the year;
and
- (12) the amount of ownership fees received.

4.1.1 Additional Requirements. The Annual Financial Condition Report must also (1) include a balance sheet and income and expense statement; and (2) be signed by the President and Secretary of the Co-op.

4.1.2 Filing Requirements. If the number of Owners exceeds 3,000 or the Co-op's annual revenues exceed \$750,000, the Co-op must file a copy of the Annual Financial Condition Report with the Texas Secretary of State.

4.2 Annual Report to Member/Owners. The Co-op shall provide to its owners annually and at each annual meeting an Annual Report which, at a minimum, must contain:

- (1) a balance sheet;
- (2) an income and expense statement;
- (3) the amount and nature of the Co-op's authorized, subscribed and paid-in capital;
- (4) the total number of member/owners;
- (5) the total number of member/owners who were admitted to or withdrew from the Co-op in the year;
- (6) the par value of the Co-op's shares;
- (7) the rate at which any investment dividends have been paid;
- (8) the total number of member/owners;
- (9) the number of member/owners who were admitted to or withdrew from the Co-op during the year;
- (10) the amount of membership/ownership fees received; and
- (11) any compensation paid by the Co-op to each officer or director of the Co-op.

4.3 Review Committee. The Board of Directors shall appoint a committee of owners who are not principal bookkeepers, accountants or employees of the Co-op to review the Co-op's books and records. Such committee shall report on the quality of the Annual Report and the bookkeeping system of the Co-op at the annual meeting.

Article V - Board of Directors

5.1 Number, Eligibility. The Co-op shall have a Board of Directors consisting of seven members, each of whom shall be an owner of the Co-op in good standing.

5.1.1 Competitors' Conflict of Interest. No person shall be eligible for nomination, election or appointment as a director if that person is determined by a majority of disinterested directors to have a substantial conflict of interest arising from an affiliation with any enterprise that is in competition with the Co-op.

5.1.2 Staff Directors. No more than half of the Board of Directors shall be paid employees (staff) of the Co-op.

5.2 Nominations. The Board of Directors may establish a procedure to solicit and qualify applications for nomination to the Board of Directors in accordance with policies established by the Board of Directors. This procedure may (but is not required to include) a Board of Directors nominating committee. Regardless of any procedure which may be created by the Board, all nominations for Board of Directors shall be made exclusively by the existing Board of Directors, except that owners in good standing not qualified through the Board of Directors procedure shall be placed on the ballot upon submitting a petition signed by 100 or one percent (1%) of the total number of owners in good standing, whichever is greater.

5.3 Terms, Limits. Director's terms shall be three years. Directors may not serve more than three consecutive 3-year terms and thereafter shall not be eligible to serve again until two full years have elapsed. No Director may serve more than eleven consecutive years within a 13-year period.

5.4 Staggered Board. The Co-op shall have a classified Board, with three classes of directors. At the first election of directors after adoption of these Bylaws and periodically thereafter as may be necessary, directors shall be elected for one, two or three year terms such that not all of the terms of the directors shall expire in the same year. While the size of the Board is seven members, two Directors shall be in Class I, three Directors in Class II and two Directors in Class III. At least 20% but no more than 40% of the Board will be elected each year following the first election. The first term of office of the Class I Directors will expire at the Co-op's first annual meeting following the adoption of these By-laws and election of the Board of Directors. The first term of office of the Class II Directors will expire at the Co-op's second annual meeting. The first term of office of the Class III Directors will expire at the Co-op's third annual meeting. Thereafter, each director shall serve a term of three (3) years.

5.5 Election. All directors shall be elected by confidential ballot in a Co-op Vote, and each owner may vote for as many nominees as there are positions to be filled. Those nominees with the most votes will be elected without a run-off, as follows: if there are any positions to be filled in addition to the terms regularly scheduled to expire, the 3-year terms will be filled by the nominees with the most votes, and the next longest terms will be filled by the nominees with the next most votes, respectively. In case of a tie, the Board of Directors will draw straws to determine which nominee will serve on the Board of Directors and/or which term lengths will be filled by each, as necessary, unless the nominees can come to agreement on these matters amongst themselves.

5.6 Vacancies. Any vacancy on the Board of Directors may be filled by appointment by the Board of Directors. A director so appointed shall serve until the next election and seating of a director to complete the vacated term.

5.7 Meetings. Regular meetings of the Board of Directors shall be held at least quarterly, at such times and places as the Board of Directors may determine. The Board of Directors shall meet within thirty-five (35) days after the annual election of directors is concluded. The Board of Directors shall operate according to the rules and procedures decided upon by the Board of Directors, except that Robert's Rules of Order, Revised, as amended by previous Board of Directors policy, shall be used upon request by 1/3 of the Directors present. Board of Directors decisions shall be made by majority vote, except where these Bylaws or the Rules of Order provide otherwise. Meetings of the Board of Directors shall be open to owners, except that on the determination of the Board of Directors, sessions of a meeting may be closed as to matters of a confidential or sensitive nature, including without limitation personnel matters and matters the disclosure of which could compromise business transactions of the Co-op. For all regular meetings, a draft of the meeting agenda shall be made available to owners at least four days in advance of the meeting.

5.8 Action Without a Meeting. Decisions of the Board of Directors may be made without a meeting if unanimous written consent, stating the action to be taken, is signed and dated by all directors. Any such resolution of the Board of Directors so adopted shall be filed with the Secretary in person or via electronic mail and included with the minutes of the next Board of Directors meeting.

5.9 Special Meetings. A special meeting of the Board of Directors shall be held whenever called by the president or by a majority of the directors. Each call for a special meeting shall be in writing, shall be signed by the person or persons calling the meeting, shall be addressed and delivered to the Secretary, and shall state the time and place of such meeting. Only the business specified in the written notice shall be transacted at a special meeting. For all special meetings, a meeting agenda shall be made available to owners at least four days in advance of the meeting or as soon as practicable.

5.10 Notification. Written notice of each meeting of the Board of Directors shall be given to each director by, or under the supervision of, the President or the Secretary of the Co-op not less than seventy-two (72) hours prior to the time of meeting. Notice may be waived by any director, and appearance at a meeting shall constitute a waiver of notice.

5.11 Quorum. A simple majority of the Board of Directors shall constitute a quorum at any meeting of the Board of Directors.

5.12 Compensation. The compensation, if any, of the directors shall be determined by the Board of Directors. Compensation shall be disclosed annually in the Annual Report and within a reasonable time following any change in compensation amount. Changes in director compensation shall not take effect until the beginning of the next Board of Directors term. The Co-op may reimburse directors for reasonable expenses incurred in carrying out their duties and responsibilities.

5.13 Removal. A Director who fails to attend three or more regular meetings in any 12-month period may be removed by the action of the majority of the other Directors. Any Director of the Co-op may be removed from office for cause, by a 2/3 majority vote of the remainder of the Board of Directors, or by a majority vote of the owners voting at any ownership meeting where a quorum as defined in Bylaw Article III is present, provided any Director so removed shall first be given a chance to be heard at the ownership meeting.

5.14 Conflicts of Interest. Directors are under affirmative obligation to disclose any actual, potential or perceived conflicts of interest. The remaining directors by majority vote shall determine the process for participation, if any, by those with such conflicts. If a director or member of the immediate family or immediate household of any director is engaged by the Co-op in any capacity other than as a director, this capacity shall be fully disclosed in a manner sufficient for the voting owners and other Directors to determine whether a conflict of interest might arise. Directors with actual and substantial conflicts of interest may not participate in the discussion or decision in matters related to the conflict.

Article VI – Officers

6.1 Designation and Qualifications. The principal officers of the Co-op shall consist of President, Secretary and Treasurer. The Board of Directors may designate other officers or assistant officers.

6.2 Election, terms and removal. Following the annual election of the Board of Directors, officers shall be elected by and from the Board of Directors at the Board of Directors meeting when the newly elected Directors are seated. Officers shall serve for terms of one year or until the election of their successors. Officers may be removed and replaced by the Board of Directors at any time whenever the best interests of the Co-op would thereby be served. The Secretary and President may not be the same person.

6.3 Duties. In addition to signing or attesting to formal documents on behalf of the Co-op as authorized by the Board of Directors, officers shall have the duties described in this Bylaw Section 6.3 and such additional duties as are determined by the Board of Directors. The officers shall perform such duties as are ordinarily assigned to such officers in the normal course of business, except that the President, Secretary and Treasurer shall have authority to sign all documents only within the scope of the express authorization of the Board of Directors, the Code, and the Certificate of Formation and Bylaws of the Co-op.

Article VII - Member Capital

7.1 Authorization. The Board of Directors is authorized to establish capital investment requirements for various categories of ownership. Capital investment requirements for owners are intended to assure a sound level of capital funding and may be changed from time to time by a 2/3 majority vote of the Board of Directors.

7.2 Transfer and Refunds. Ownerships are not transferable, and membership capital may only be transferred between existing ownership accounts by written authorization of the owner of the account from which the funds are proposed to be transferred. Membership capital is refundable to owners, by request, upon termination of their ownership, provided that the total membership capital remaining is adequate to meet current and projected needs of the Co-op as determined by the Board of Directors and subject to offset by any debt owed by the owner to the Co-op. Any additional conditions and terms for the refund of membership capital that may be established by the Board of Directors shall apply to all owners equitably.

7.3 Evidence of Ownership. The Co-op is organized without a requirement for membership certificates. Ownership cards may be issued as evidence of ownership in the Co-op and the various categories of ownership. Records shall be maintained of each owner's investment, and an accounting shall be provided within a reasonable time to any owner upon request.

Article VIII - Investor Shares

8.1 Authorization. The Board of Directors is authorized to issue investor shares upon the terms and conditions set forth in this Bylaw Article VIII.

8.2 Legal Requirements for Issuance. Prior to the issuance of any investor shares, the Board of Directors must assure itself that all legal requirements concerning the issuance of investor shares, including the provisions of Article VIII of the Certificate of Formation, as amended, have been met.

8.2.1 Written Evidence. Before any investor shares shall be issued, each prospective investor must first furnish evidence to the Board of Directors, the sufficiency of which shall be determined by the Board of Directors, that (1) the investor is an owner of the Co-op, (2) the investor is a bona fide resident of the State of Texas, and (3) the investor is acquiring the share(s) for investment purposes only and not with a view toward a public distribution of shares. The Board of Directors shall require a written statement to that effect from each prospective investor.

8.2.2 Consideration. The consideration received by the Co-op for any investor shares issued by the Co-op shall be equal at least to the par value of the share(s) to be issued.

8.3 Restriction on Transfer; Option to Repurchase. Investor shares may not be transferred, except by gift to an immediate family member, unless the shareholder first gives the Board of Directors written notice offering to sell the shares to the Co-op at par value. The Board of Directors shall have 90 days from receipt of such notice to exercise the Co-op's right of first refusal; if the Co-op does not elect to repurchase the investor shares, or any part thereof, the investor shares not so re-purchased by the Co-op may be sold, transferred or conveyed to another owner of the Co-op, provided the proposed transferor shall have first furnished written evidence reasonably satisfactory to the Board of Directors to the effect that the proposed sale, transfer, or conveyance would not violate the Securities Act of 1933, as amended, or the Texas Securities Act, as amended, or any other applicable securities law, rule, regulation, or administrative order. Any purported transfer in violation of any provision of these Bylaws shall be void and ineffectual, shall not operate to transfer any interest or title to the purported transferee, and shall give the Co-op an immediate option to purchase such investor shares in the manner and on the conditions provided herein. Each transferee of investor shares or of any interest in investor shares shall hold such investor shares subject to the terms and provisions of these Bylaws.

8.4 Certificates. The certificates evidencing the issuance of investor shares shall contain the full corporate name of the Co-op, the fact that it is incorporated as a cooperative association under the Code, the par value for investor shares, the number of investor shares being issued, and the name of the record shareholder. The certificates shall be numbered in the order they are issued. Each investor share certificate must state plainly on its face that the shares represented by the certificate are non-assessable when fully paid, are non-voting, are without preemptive rights, and that investors must be owners. Investor share certificates shall be dated and executed by the President and by the Secretary.

8.4.1 Legend on Certificates. The following legend shall be printed on each certificate. If printed on the back of the certificate, a boldfaced reference thereto shall be printed on the front of the certificate. The restrictive legend shall include the following statement:

"These shares have not been registered for sale with either the United States Securities and Exchange Commission, the Texas Securities Board or other securities agency. The shares represented by this certificate may not be transferred except in accordance with Article VIII of the Cooperative's Bylaws, including a 90-day right of first refusal by the cooperative, and then only if such sale would be exempt from all applicable registration requirements. During the period in which the securities represented by this certificate are part of an issue being offered and sold by the Cooperative, as issuer, and for a period of 9 months from the date of the last sale by the Cooperative of such securities, all resales of any part of the issue, by any person, shall be made only to persons resident within the State of Texas."

8.5 Transfer of Records. Within a reasonable time after the occurrence of any authorized transfer of investor shares, the Co-op shall reflect the transfer on its share records.

8.6 Redemption and Dividend Terms. The Board of Directors shall have the power to set the redemption and dividend terms and rates for investor shares, consistent with the provisions in Bylaw Section 8.7. If the Board of Directors so specifies, the dividend rates may exceed 8% and dividends may be cumulative.

8.7 Changes in Redemption and Dividend Terms. Any change in dividend or redemption policy that applies to previously issued shares shall not take effect until 60 days after notice has been mailed to all shareholders affected by the change. To qualify as notice, such mailing must prominently show (1) the terms in the old policy that are being changed, (2) the terms adopted in their place in the new policy,

and (3) the method by which shareholders can notify the Co-op that they request redemption of their shares under the terms of the old policy. If a shareholder requests redemption of some or all shares, the dividend and redemption policies that exist at the time of the redemption request will continue to apply to those shares until redeemed.

Article IX - Allocation and Distribution of Net Savings

9.1 Allocation. At least once a year, with a full reporting in the Annual Report to the ownership, the Directors shall apportion any net savings of the Co-op in the following order:

1. No net savings of any particular year may be distributed to Owner patrons unless the net worth of the Co-op exceeds the amount to be distributed.
2. The Board of Directors may use a portion of net savings for payment of investor dividends in accordance with the Board of Directors policy and the Code.
3. Of the amount of net savings not needed to produce positive retained earnings, a portion may be allocated by the Board of Directors to an education fund to be used in teaching cooperation.
4. A portion of the net savings may be set aside or disbursed for the general welfare of the ownership.
5. A portion of the net savings may be allocated to retained earnings for expansion of services, working capital needs, and otherwise for furthering the purposes of the Co-op.
6. Any remaining portion of the net savings shall be allocated by written notices of allocation (as defined in 26 U.S.C. 1388) at the same uniform rate to all eligible Owner patrons in the proportion each one's patronage bears to total patronage, provided that:
 - o (a) For eligible owner patrons with fully paid capital, the proportionate amount of net savings return distributed to the owner shall be in the form of cash for at least the minimum required by law and the remainder may be in the form of cash, property, ownership certificates, investment certificates, or in any combination of these.
 - o (b) For eligible owner patrons whose required capital investment is not yet fully paid, the proportionate amount of net savings return distributed to the owner shall be in the form of cash for at least the minimum amount required by law; the remainder may be credited to the owner's account until the amount of the required capital investment has been fully paid. If an owner has any savings return remaining after the minimum required cash distribution and the capital investment credit, that amount shall be distributed in the same form as the distribution for owners with fully paid capital.

9.2 Tax on Owner Allocations. Each person who hereafter becomes an owner of the Co-op and each owner of the Co-op on the effective date of this Bylaw Section 9.2 who continues as an owner after that date shall, by that act alone, be deemed for all purposes to have consented and agreed that the amount of any distributions with respect to their patronage occurring after the effective date of this Bylaw Section 9.2 which are made in written notices of allocation (as defined in 26 U.S.C. 1388) and which they receive from the Co-op, will be taken into account at their stated dollar amounts in the manner provided in 26 U.S.C. 1385(a) in the taxable years in which such written notices of allocation are received from the Co-op.

9.3 Donating Owner Allocations. The Board of Directors may establish a procedure for owners to donate all or a portion of their allocations to designated organizations.

Article X - Loss or Losses, Dissolution Distributions

10.1 Losses. In the event that the Co-op incurs a net loss in any fiscal year, the net loss may be charged against any one or more of the several equity accounts of the Co-op as the Board of Directors, in its discretion, may deem appropriate for the business needs of the Co-op. In any event, treatment of owners similarly situated shall be equivalent. This Bylaw Section 10.1 shall not be construed or administered in such a way as to deprive the Co-op of the right to carry back or carry forward net operating losses to past or future years, in accordance with the applicable provisions of the Internal Revenue Code or any state taxing statutes.

10.2 Dissolution Distributions. Upon liquidation, dissolution, or sale of all the assets of the Cooperative, this Cooperative shall distribute any surplus in accordance with Section 251.403 of the Texas Business Organizations Code. Specifically, any surplus held by this Cooperative shall be distributed in the following manner and order:

- (a) by paying all outstanding debts and expenses;
- (b) by repaying investors the par value of their capital;
- (c) by returning to each Owner the amount of patronage dividends credited to their Individual Capital Account;
- (d) by returning to each Owner their share capital; and
- (e) by distributing any remainder among the Members of the Cooperative who have been Members in the past six years preceding the date of dissolution, on the basis of their patronage during that period.

Article XI - Interpretation and Amendment of Bylaws

11.1 Interpretation. The Board of Directors shall have the power, with or without advice of legal counsel, to interpret these Bylaws, apply them to particular circumstances, and adopt policies in furtherance of them, provided that all such actions are reasonable and consistent with these Bylaws.

11.2 Severability. In the event that any provision of these Bylaws is determined to be invalid or unenforceable under any statute or rule of law, then such provision shall be deemed inoperative to such extent and shall be deemed modified to conform with such statute or rule of law without affecting the validity or enforceability of any other provision of these Bylaws.

11.3 Amendment. These Bylaws may be adopted, amended, or repealed by a simple majority vote of the owners. Bylaws amendments may be proposed by a 2/3 vote of the Board of Directors or by ownership voting at an ownership meeting.

CERTIFICATION

I hereby certify that these bylaws were adopted by the Members of the Austin Tea Cooperative at its meeting held on *[enter date here]*.


Secretary