

**BY-LAWS**  
**OF THE**  
**FARMERS UNION OIL COMPANY OF**  
**CIRCLE, MONTANA**  
**CIRCLE, MONTANA**  
**2007**

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**BY-LAWS  
OF  
FARMERS UNION OIL COMPANY  
OF CIRCLE, MONTANA  
CIRCLE, MONTANA**

**ARTICLE I  
STOCKHOLDERS' MEETINGS**

**Section 1. Time and Place** The Annual Meeting of the Stockholders of this Company shall be held at an appropriate meeting room, in the town of the company headquarters for business, on a day in June determined by the directors. The term, "Stockholder", when used in these By-laws, unless specifically termed, "Preferred Stockholders", shall refer to the common Stockholders of the company.

**Section 2. Fiscal Year** The fiscal year of this company shall terminate on the last day of February of each year.

**Section 3. Notice** The Secretary shall give Notice of such meeting by mail to each and every Stockholder personally at his last known post office address not less than ten (10) days previous to the date of such meeting. Upon the mailing of any Notice of a regular or special meeting of the Stockholders of the company as herein provided, the Secretary shall execute a Certificate setting forth a correct copy of such Notice and showing the date of the mailing thereof and that the same was mailed within the time and in the manner prescribed by Law. Failure of any Stockholder to receive any such Notice shall not invalidate any action which may be taken by the Stockholders at any such meeting.

**Section 4. Quorum.** A quorum for the transaction of business at any regular annual meeting or at any special meeting shall be five percent (5%) in number of the Stockholders.

**Section 5. Votes** A Stockholder shall not be entitled to more than one (1) vote, which shall be cast in person, or by mail and not by proxy. Provided that only Stockholders of record on the books of the Corporation for at least ten (10) days shall be entitled to vote at any meeting.

**Section 6. Vote by Mail** A Stockholder may cast a written vote and forward the same by mail to the Secretary of the Corporation, which vote must be signed by said Stockholder, and may be read at any regularly called general or special meeting of the Stockholders, provided such Stockholder has been previously notified in writing of the exact motion or resolution upon which such vote is taken and a copy of the same is forwarded with and attached to the vote so mailed by him.

**Section 7. Order of Business** At such meeting, reports covering the business of the company for the previous fiscal year shall be submitted to the Stockholders by the Officers. Directors shall be elected and other business may be transacted. The order of business shall be substantially as follows:

1. Roll Call and Registration
2. Reading of Minutes
3. Reports of Officers and Committees

4. Election of Directors
5. Unfinished Business
6. New Business
7. Adjournment

**Section 8. Special Meeting** Special meetings of the Stockholders may be called by a majority vote of the Directors of the company or upon the written petition of at least twenty percent (20%) of the Stockholders, in which case it shall be the duty of the President to cause Notice to be given as above provided. Such Notice shall state the time, place and purpose of the presentation of such petition, and such Special Meeting shall be held not less than seven (7) nor more than thirty (30) days from and after the date of presentation of such petition.

## ARTICLE II

### BOARD OF DIRECTORS

**Section 1.** The government of this Corporation and the management of its affairs shall be vested in a Board of Directors composed of seven (7) Members who shall be elected at the Annual Meeting of such Members and hold office for three (3) years. The three (3) year terms of Directors shall be staggered in such a way to cause (as nearly as possible) an equal number of terms to expire each year. All Directors shall hold office until their successors are elected and qualified. Vacancies in the Board of Directors shall be filled by the Board until the next annual meeting. No person may be elected a Director of this Corporation, unless he is also a Shareholder in the Corporation.

As indicated above, the Board of Directors shall serve staggered terms. The initial Board under these By-laws shall be chosen as follows:

Seven (7) Directors shall be elected by the Members and their terms shall be determined as follows:

- a) There shall be placed in a box or hat seven (7) numbers, three (3) of them being the No. 1, two (2) of them being the No. 2 and two (2) being the No. 3.
- b) Each of the seven (7) elected Directors shall then choose one number and his term shall be for the number of years corresponding to the number chosen by him.
- c) Thereafter, upon the expiration of any term of a Director, all terms shall be for periods of three (3) years unless an unexpired term is being filled.

**Section 2. Monthly Meetings** The Board of Directors shall meet regularly at the Office of the company on the third Tuesday of each month of the fiscal year at 7:00 o'clock P.M., or at such other time and place as the board may fix by Resolution.

**Section 3. Special Meetings** Special meetings of the Board of Directors may be called by the President or by a majority of the Board. Each member of the Board shall be duly notified of such meetings.

**Section 4. Quorum** Four (4) Directors or a majority of its members shall constitute a quorum of the Board, and a majority vote of the members present shall decide all questions.

## ARTICLE III

### OFFICERS

**Section 1. Executive Officers** The Officers of this Corporation shall be President, Vice President, and Secretary-Treasurer. The President and Vice President must be Directors.

**Section 2. Election** Executive Officers shall be elected upon vote by the Board of Directors at a reorganizational meeting following the Annual Meeting.

**Section 3. Term of Office** The Officers shall hold their offices for the term of one (1) year and until their successors are elected and qualified.

**Section 4. Vacancies** Vacancies in any executive office shall, except as herein otherwise provided, be filled by the Board of Directors upon Notice at a regular or special meeting called for that purpose.

**Section 5. Removal** An Officer or a Director may be removed from office by a vote of two-thirds (2/3) of the Stockholders at a General or Special Meeting held for that purpose after previous Notice of the time and place and of the intention to propose such removal. Meetings of the Stockholders for this purpose may be called by the President or by a majority of the directors, or by Members or Stockholders holding at least one-half (1/2) of the votes. Such cause must be stated in writing and addressed to the Secretary who shall thereupon give Notice of the time, place and object of the meeting, and by whose order it is called.

## ARTICLE IV

### EMPLOYEES

**Section 1. Manager and Help** The Board of Directors may employ a Manager and provide for other help under such contracts of employment and compensation as they deem advisable, and may terminate such employment at their discretion subject to the terms thereof. Unless otherwise provided in a written Employment Contract between the Corporation and the Manager, the Manager may not expect any continued employment and he shall at all times be considered an, "at will" employee. The Manager of the company shall be directly responsible to the Board of Directors, which Board of Directors shall supervise the conduct of the business of this company and in particular the conduct of the Manager. The Board of Directors shall hold themselves responsible as such for the management of the company and for the conduct of the Manager when acting in his official capacity.

## ARTICLE V

### CAPITAL STOCK

**Section 1. Amount** The amount of the authorized Stock of this cooperative shall be \$6,000,000.00 which shall be divided into shares of Preferred Stock, Preferred Stock A and Common Stock of a par value of not less than \$25.00. The accumulated stock credits of those Members eligible to hold Common Stock shall be invested as follows:

The first \$25.00 shall be invested in one (1) share of Common Stock, the balance shall be invested in one (1) or more shares of Preferred Stock. The Common and Preferred Stock shall be of undetermined classification, subject to classification into the proper shares at such time as will be deemed necessary.

**Section 2. Terms and Limitations** The Common Stock of this corporation shall only be sold and issued not to exceed one (1) share to subscribers:

1. Who are agricultural producers.
2. Cooperative associations whose Members are agricultural producers.

Each Common Stockholder shall be entitled to one (1) vote, which vote must be cast in person and not by proxy, except that any such Stockholder who is absent from any meeting of the Stockholders, but not otherwise, may vote by mail as provided herein.

**Section 3. Preferred Stock** Preferred Stock may be sold and issued to holders of one (1) share of Common Stock and to subscribers not eligible to hold Common Stock, but such Preferred Stock shall have no voting powers or rights and shall not entitle the holder thereof to participate in the management of the affairs of the Association.

**Section 4. Preferred Stock and Preferred Stock A** Preferred Stock and Preferred Stock A may be issued to any person, association or corporation but neither class of Preferred Stock shall have any voting power or rights to participate in the management of the affairs of the Cooperative. No interest or dividends shall be paid on the Common or Preferred Stock. Dividends not exceeding 6% per annum may be paid upon Preferred Stock A if and when declared from savings, which dividends shall not be cumulative. Dividends may be changed or adjusted biannually upon vote of the Board of Directors.

**Section 5. Transfers** Transfers of Stock shall be made only with the approval of the Board of Directors and shall be made upon the books of the cooperative only by the Stockholders in person or by Power of Attorney duly executed and acknowledged and filed with the Secretary, and on surrender of any Share Certificates. No transfer of Stock shall be made unless and until any and all indebtedness owing to the cooperative by the Stockholder has been paid in full.

**Section 6. Distribution** The total annual net savings of this Association shall be distributed annually to the extent and in the manner provided in the By-laws.

**Section 7. Retirement of Stock** The outstanding Common Stock, Preferred Stock and Preferred Stock A of the cooperative may be retired in whole or in part, as to each Class, at any time, as determined by the Board of Directors upon paying to its holder, the par value thereof upon surrender of the Certificates evidencing such Shares, and the cooperative may select the particular Shares of Common, Preferred or Preferred Stock A it will so retire. The Board of Directors shall maintain an active Stock Retirement Policy until said Capital Stock reaches ten (10) years of age, thereafter, Capital Stock shall be retired on a year by year basis maintaining Stock no older than ten (10) years.

**Section 8. Dissolution** In the event of dissolution, the assets of the cooperative shall be distributed as follows:

- a) To pay all costs of dissolution.
- b) To pay all liabilities.
- c) To pay the par value of the outstanding Preferred Stock A.
- d) To pay the par value of the outstanding Preferred Stock.
- e) To pay the par value of the outstanding Common Stock.
- f) Any remaining assets, including reserves, shall be distributed among the patrons as shown by the records of this cooperative and as determined by the Board of Directors.

**Section 9. Loss of Right to Vote** If at any time a holder of Common Stock ceases to be a farmer for one (1) year, or ceases to patronize the association for one (1) year, the Board of Directors shall notify such holder that his right to vote no longer exists and request him to surrender his Shares of common Stock in exchange for a like amount of Preferred Stock and thereupon such Stockholder's right to vote shall terminate.

**Section 10. Payment** The capital stock shall be paid in at such times and in such manner as the Board of Directors may determine, but no share shall be issued for less than its par value or until the same has been paid for in cash or its equivalent and such payment has been deposited with the Treasurer of the company. The company shall have a first lien upon the Stock of every Member to secure any debt such Member may owe the company, and the Board of Directors may cancel the Stock of any Member who fails to pay his indebtedness to the company after ten (10) days Notice.

**Section 11. Unclaimed Capital Stock** Notwithstanding any other provision of the By-laws or other provision of the Membership Certificate, if any member or former member fails to claim any cash retirement of capital stock or other payment from the cooperative within five (5) years after payment of the same has been made available to him by notice at their last address furnished by them to the cooperative, such failure shall be and constitutes an irrevocable assignment and gift by such member of such capital stock or other payment to the cooperative. Such gifts shall be used for charitable and civic causes within the community. Failure to claim any such payment within the meaning of this section shall include the failure of such member or former member to cash any check mailed to them by the cooperative at the last address furnished by them to the cooperative. The assignment and gift provided for under this section shall become effective only upon the expiration of five (5) years from the date when such payment was made available by check to member or former member without claim therefore, and only after the further expiration of sixty (60) days following the giving of a notice by mail and or publication that unless such payment is claimed within said sixty (60) day period, such gift to the cooperative shall become effective. The notice by mail herein provided shall be one mailed by the cooperative to such member or former member at the last known address. If notice by publication is given, such publication shall be one insertion in a newspaper circulated in the service area of the cooperative, which may be the cooperatives newsletter.

## ARTICLE VI

### DISTRIBUTION OF SAVINGS

#### Section 1.

a) **Gross Receipts from Patronage** Gross receipts of the corporation from patronage shall be all proceeds from the sale of products marketed for patrons, all sums received for supplies, equipment, commodities and other property procured for patrons, all sums received for services performed for patrons and all sums received (including patronage dividends received) which reduce costs and expenses incurred in connection with these activities.

1. Those gross receipts which reduce the costs and expenses incurred in connection with patronage shall be used to reduce the deductions from gross receipts enumerated in Section 1 (b) of this Article.
2. All other gross receipts from patronage shall be distributed by the corporation to its patrons, subject to the deductions therefrom and to the exception thereto hereinafter provided.

b) **Deductions from Gross Receipts from Patronage** The corporation shall deduct from "gross receipts from patronage":

1. All necessary marketing expenses.

2. The actual cost of supplies, commodities, equipment and other property procured for patrons.
  3. The actual cost of services performed for patrons, and
  4. Amounts, attributable to gross receipts from patronage of:
    - (i) Taxes, other than taxes based on income.
    - (ii) All other necessary expenses.
    - (iii) Reasonable and necessary additions to reserves for depreciation, for depletion, for obsolescence of physical property, for doubtful accounts, and for the valuation reserves, all established and computed in accordance with generally accepted accounting principles.
  5. The amounts expended for the purpose of teaching and promoting cooperation, if, and to the extent provided in these By-laws.
- c) **Annual Net Savings from Patronage** The amount remaining after reducing the “gross receipts from patronage” by the deductions specified in Section 1 (b) of this Article, shall constitute the annual net savings (net earnings) from patronage, which shall be distributed to the patrons of this corporation, subject only to the deductions therefrom and the exceptions thereto provided in Sections 4 and 5 of this Article.

**Section 2.**

- a) **Gross Receipts from Sources Other Than Patronage** Gross receipts of the corporation from all sources other than those described in Section 1 (a) of this Article shall constitute “gross receipts from sources other than patronage”. They shall be subject to the deductions therefrom hereinafter provided, and any net amount thereof shall be held or used for the purposes and in the manner hereinafter provided.
- b) **Deductions from Gross Receipts from Sources Other Than Patronage**  
The corporation shall deduct from “gross receipts from sources other than patronage” amounts, attributable to gross receipts from sources other than patronage of:
- 1) Taxes, other than taxes based on income.
  - 2) All other necessary expenses, and
  - 3) Reasonable and necessary additions to reserves for depreciation, for depletion, for obsolescence of physical property, for doubtful accounts and for other valuation reserves, all established and computed in accordance with generally accepted accounting principles.
- c) **Annual Net Savings from Sources Other Than Patronage** The amount remaining after reducing the “gross receipts from sources other than patronage” by the deductions specified in Section 2 (b) of this Article shall constitute the annual net savings (net earnings) from sources other than patronage.

**Section 3.**

**Total Annual Net Savings** The sum of annual net savings from patronage and annual net savings from sources other than patronage shall be known as the “Total Annual Net Savings”.

**Section 4.**

**Capital Reserve** The Board of Directors shall annually set aside an amount equal to 10% of the total annual net savings as a statutory capital reserve until such reserve (including all allocated and unallocated portions thereof) equals 30% of the paid up capital stock. Following the adoption of these By-laws, the amount so set aside shall

not be allocated to the credit of the patrons of the corporation. The amounts so set aside shall be accumulated from the following sources. (If the following sources (a) through (e) should total more than the required 10%, the total amount thereof shall nevertheless be placed in the capital reserve).

- a) Annual net savings from sources other than patronage.
- b) Annual net savings from patronage on business done for the United States or any of its agencies.
- c) Annual net savings from patronage attributable to patrons who are unidentified.
- d) Annual net savings from patronage attributable to patrons who do not consent to take into account patronage dividends from the corporation in the manner provided in 26 U.S.C. Section 1385.
- e) Annual net savings from patronage attributable to patrons who so consent, but which are, as to any one patron, less than the minimum amount of \$10.00.
- f) If the total amount of allocated and unallocated capital reserve equals or exceeds 30% of the paid-up capital stock, then no additional amount over and above the amounts required by items (a) through (e) above shall be set aside.

If the total amount of said capital reserve is less than 30% of the paid-up capital stock, and if the above items (a) through (e) do not equal the required 10% addition to the capital reserve, then an amount sufficient to produce a total addition to the capital reserve equal to the 10% of the Total Annual Net Savings shall be set aside from the annual net savings from patronage.

- g) Amounts which have been placed in the Capital Reserve prior to the effective date of this amendment, and which have been allocated, shall remain allocated on the books of the corporation unless and until retired.
- h) Taxes based on income shall be charged to the unallocated portion of the capital reserve. Notwithstanding any provisions to the contrary, if the unallocated portion of the capital reserve is insufficient to pay taxes based on income, the deficiency shall be paid from the total annual net savings.

**Section 5. Dividends on Stock** If this Corporation shall have outstanding any Preferred Stock A, any dividends paid shall be paid from the annual net savings from patronage remaining after having been reduced by any additions to the capital reserve provided for by Section 4 of this Article.

**Section 6. Distribution** The annual net savings from patronage, less any deductions therefrom or exceptions thereto as determined by Sections 4 and 5 of this Article, shall be distributed annually (except as hereinafter provided) to the patrons of the corporation who consent to take into account distributions from the corporation in the manner provided in 26 U.S.C. Section 1385, on the basis of their respective patronage, and said patrons shall be notified thereof.

- 1) In making such distribution, due regard shall be given to the sources from which savings accrue and separate allocations and distributions shall be made for the marketing and purchasing operations as separate divisions of the corporation.
- 2) Patronage dividends shall be distributed in cash or in written notices of allocation or by any combination thereof designated by the Board of Directors. The amount stated in written notices of allocation shall be applied toward the purchase of capital stock of the

corporation (but not Preferred Stock A) at its par value or shall be in such other form as is permitted by Law.

- a) Annual net savings from patronage attributable to consenting patrons, which are, as to any one patron, less than the amount specified in Section 4 (e), shall be placed in the capital reserve and not distributed to the patrons.

## **ARTICLE VII**

### **EDUCATIONAL FUND**

**Section 1. Educational Fund** Upon vote of the Board of Directors and under the terms of these By-laws, an amount not to exceed five percent (5%) may be deducted from the total net saving of any fiscal year and set aside as an educational fund for the purpose of teaching and promoting cooperation.

## **ARTICLE VIII**

### **DUTIES OF OFFICERS**

**Section 1. President** The President will preside over all meetings of the company and the Board of Directors and will be ex-officio member of all committees. He will sign with the Secretary all Certificates of Stock and all Notes and Conveyances of real estate. He shall perform such other duties as usually pertain to his office. The President must be a Director of this Corporation.

**Section 2. Vice President** In the absence or disability of the President, the Vice President shall perform his duties. The vice President must be a Director of this Corporation.

**Section 3. Secretary** The Secretary shall keep the corporate records of the company and the Minutes of all meetings of the Stockholders and of the Board of Directors. He shall serve all Notices required by Law. He shall sign with the President all Certificates of Stock and all Notes and Conveyances of real estate, affixing the Corporate Seal to all instruments requiring the same. He will perform such other duties as may be required of him by Law or by the Board of Directors.

**Section 4. Treasurer** The Treasurer shall be the custodian of all funds, property and securities of the company, except his own bond which shall be deposited with the President. He shall deposit all funds, in the name of the company, in a reliable bank previously designated by the Board of Directors and disburse the same upon the authority of the Board. He shall perform such other duties as may be required of him by the Board of Directors or By-laws.

**Section 5. Bonds** Officers and employees have custody of or handling funds or property shall give fiduciary bond satisfactory to the Board of Directors at the expense of the cooperative.

**Section 6. Corporate Seal** The Corporate Seal shall bear the full corporate name of the company surrounding the words "Corporate Seal".

## ARTICLE IX

### DUTIES OF MANAGER

**Section 1. General Duties** The Manager shall perform such duties and shall have such powers as the Board of Directors may require of or may delegate to him. He shall have charge of all merchandise purchased for patrons and shall be responsible for the collection of the required deposits for such merchandise. The amount of the deposit, or the basis thereof, is to be fixed by the Board of Directors. In the performance of his duties, he shall comply with all legal and contract requirements.

**Section 2. Reports** The Manager shall make a report at such intervals as the Board of Directors shall fix, such report to be made in person or by mail to the Secretary and to be a report of all business transacted for the interval immediately preceding. Such report shall be made in such detail and upon such forms as prescribed by the Board of Directors.

**Section 3. Deposits** The Manager shall collect the amount of the deposits required to be made by the Board of Directors at the time of delivery of the merchandise or be responsible for the amount of the deposits.

## ARTICLE X

### ACCOUNTING

**Section 1. Fiscal Year** The fiscal year of this cooperative shall terminate on the last day of February of each year.

**Section 2. Records** The accounting shall contemplate and include suitable records which will disclose at all times the financial condition of the company and the business transacted by it.

**Section 3. Auditing** The Board of Directors shall have the books audited at least annually by a cooperative auditing service and shall submit its report to the stockholders at their annual meeting.

**Section 4. Reports** The proper officers will make and forward all reports required by Laws of the State.

## ARTICLE XI

### DUTIES OF MEMBERS

**Section 1. Support** It shall be the duty of all Members and Stockholders to loyally support this company and to patronize it in the purchase of all goods handled by it.

## ARTICLE XII

### AMENDMENTS

**Section 1.** These By-laws may be amended, or new By-laws may be adopted, at the Annual Meeting or at any other meeting of the Members called for that purpose by a vote representing a majority of the Members voting thereon. Such amendments approved shall be recorded in the Book of By-laws of this company.

**Section 2.** IT IS UNDERSTOOD AND AGREED that this power delegated to the Board shall be restricted in accordance with the above delegation of authority and shall continue in effect until rescinded by the affirmative vote of two-thirds (2/3) of the Stockholders of the company.

### **ARTICLE XIII**

#### **CONSENT**

**Section 1.** Each person (including individuals, partnerships and business or cooperative corporations) who hereafter applies for and is accepted to membership in this cooperative and each member of this cooperative on the effective date of these By-laws who continues as a Member after such date shall, by such act alone, consent that the amount of any distributions with respect to his patronage occurring in any fiscal year beginning after December 31, 1962, which are made in written Notices of allocations (as defined in 26 U.S.C. Section 1388, the Internal Revenue Code) and which are received by him from the cooperative, will be taken into account at their stated dollar amounts in the manner provided in 26 U.S.C. 1385 in the taxable year in which such written notices of allocation are received by him—it being the intent of this By-law to provide a consent binding on all members who retain or obtain membership in this association after the adoption of this By-law and receipt of a written notification and copy of this by-law, for the purpose of making such distributions “qualified written notices of allocation” within the meaning of the United States Income Tax Laws.

### **ARTICLE XIV**

#### **INDEMNIFICATION OF DIRECTORS AND OFFICERS**

**Section 1.** Any officer or director of this cooperative now or hereafter serving as such shall be indemnified by the cooperative against claims, liabilities, expenses and costs necessarily incurred by him in connection with the defense, compromise or settlement of any action, suit or proceeding, civil or criminal, in which he is a party by reason of being or having been such director or officer, except in relation to matters as to which he shall be adjudged in such action, suit or proceeding to be liable for intentional wrongdoing or misconduct in the performance of duty to the cooperative.