

BYLAWS OF AMERICAN LUGGAGE DEALERS COOPERATIVE, INC.

as revised March 6, 2006

ARTICLE I — OFFICE

The corporation shall maintain a registered office and agent in the State of California as required by California law. The corporation may have other offices within or without the state.

ARTICLE II - PURPOSES

The purposes of the corporation shall be as stated in its Articles of Incorporation.

ARTICLE III - MEMBERS

Section 1. Eligibility for Membership — Membership in the corporation shall be open to merchants, i.e., distinguishable business entities as defined by the board of directors, who are creditworthy and who are and have been for at least two years primarily engaged in the sale of luggage, small leather goods, and related gift items at retail, and who carry a full and varied current line of merchandise, including merchandise sold by a representative sample of manufacturers advertising in the corporation's primary catalog within the past two (2) years. All applicants for membership shall agree as a condition of consideration of their application and continued membership to abide by these bylaws and all policies, procedures, rules and regulations the board of directors may establish from time to time.

Section 2. Classes of Membership - There may be two or more classes of memberships as determined by the board of directors. The board may distinguish such classes based on participation in one or more Programs, and may provide different dues, voting rights and Program participation rights based on class of membership.

Section 3. Election of Members — Members shall be elected by the board of directors by a two-thirds vote in accordance with rules and procedures established by the board, and shall become members upon payment of such membership fee as the board may determine.

Section 4. Voting Rights - Each member with voting rights shall be entitled to one (1) vote on each matter submitted to a vote of the members. Members having multiple stores are, nevertheless, entitled to only one (1) vote. Upon election, and from time to time thereafter, the member shall designate, in such manner as the board of directors may require, individuals as "member representatives," the number of whom may be limited by the board of directors, to exercise the member's voting rights and participate in the corporation to the extent allowed by the board of directors. Notwithstanding the number of member representatives a member has designated, the member shall have only one

vote, to be exercised by its member representatives as the member may determine in its sole discretion. Where a member's participation in the organization is limited by law, the articles of incorporation, or the bylaws, member representative participation shall also be so limited.

Section 5. Expulsion, Termination or Suspension of Membership - The board of directors, by an affirmative vote of two-thirds of all of the members of the board, may censure, suspend or expel a member for cause, and may, by a majority vote of those present at any regularly constituted meeting, terminate the membership of any member who becomes ineligible for membership, or suspend or expel any member who shall be in default in the payment of dues or other financial obligations owed. Prior to any expulsion, termination or suspension of any member, the member shall be given at least fifteen (15) days' prior notice of the expulsion, termination or suspension and the reasons therefore, and shall be provided an opportunity to be heard by the board or by a person or committee appointed by the board, orally or in writing, not less than five (5) days before the effective date of the expulsion, termination or suspension.

Section 6. Resignation - Any member may resign by filing a written resignation with the Executive Director, but such resignation shall not relieve the resigning member from any obligation for charges incurred, services or benefits actually rendered, dues, assessments, fees, or other charges theretofore accrued and unpaid.

Section 7. Reinstatement - Upon receipt of a written request of a former member by the Executive Director, the board of directors may reinstate such former member to membership. Such a former member shall be treated in the same manner as a new applicant for membership.

Section 8. Transfer of Membership —

8.1 Membership in the corporation is not transferable without approval by a two-thirds vote of the board of directors and upon the payment of such transfer fee as the board may determine.

8.2 A sale or change in ownership of a member constituting a change of control, generally a fifty percent (50%) or greater change in ownership unless otherwise defined at the sole discretion of the board of directors, including any change in controlling stock ownership of a corporate member, shall constitute a transfer of membership for purposes of section 8.1. The corporation's principal office must be notified within thirty (30) days of any sale or change in ownership of a member constituting a transfer of membership. Failure to comply with the above requirement shall be grounds for loss of membership and all privileges.

8.3 Paragraphs 8.1 and 8.2 of this section do not apply when transfer of ownership is within a family, as defined and determined by the board of directors.

Section 9. Redemption of Membership - Memberships in the corporation are redeemable only as provided in Article X of these bylaws.

ARTICLE IV - CERTIFICATE OF MEMBERSHIP

Section 1. Certificate of Membership - The board of directors may issue certificates evidencing membership in the corporation. Specimen copies of such certificates containing information sufficient to comply with California law's disclosure requirements or an actual disclosure document shall be issued to all prospective members and shall be in such form as may be determined by the board to comply with California law. Certificates of membership may be signed by the President or as otherwise determined by the board of directors. In any case, the name and address of each member shall be entered on the records of the corporation. A specimen copy of whatever means the corporation uses to satisfy the disclosure requirement shall be maintained in the books and records of the corporation..

Section 2. Issuance of Certificates — When a member has been elected to membership and has paid fees and dues that may be required, a certificate of membership shall be issued in the member's name and delivered by the Executive Director.

Section 3. Bylaws - A copy of the current bylaws of the corporation shall be sent to all members. Similarly, a copy of these bylaws shall be sent to new members upon joining the corporation.

ARTICLE V - MEETINGS OF MEMBERS

Section 1. Annual and Regular Meetings - An annual meeting of the members and one other regular meeting of the members shall be held at such times and places as may be fixed by the board of directors. The purpose of the annual meeting shall be the election of officers and a board of directors and the transaction of such other business as may come before the members.

Section 2. Special Meetings - Special meetings of the members may be called by the President, the executive committee or the board of directors, or ten percent (10%) or more of the members.

Section 3. Notice of Meetings — Written notice stating the place, date, and time of any meeting of members shall be given to each member entitled to vote at such meeting not less than ten (10) nor more than ninety (90) days before the date of such meeting. If notice is given by mail other than by first class, registered, or certified, then not less than twenty (20) days' notice shall be given. In case of a special meeting or when required by statute or by these bylaws, the purpose for which the meeting is called shall be stated in the notice. If mailed, the notice of a meeting shall be deemed delivered when deposited in the United States mail addressed to the member at the member's address as it appears on the records of the corporation, with postage thereon prepaid.

Section 4. Record Date - The record date for any meeting of the members shall be the date on which notice is delivered.

Section 5. Quorum - The members holding one-third of the votes which may be cast at any meeting shall constitute a quorum at such meeting. If a quorum is not present at any meeting of members, a majority of the members present may adjourn the meeting at any time without further notice. At any adjourned meeting at which a quorum shall be

present, any business may be transacted which might have been transacted at the original meeting. Withdrawal of members from any meeting shall not cause failure of a duly constituted quorum at that meeting. However, any action taken at such meeting must be approved by at least a majority of the members required to constitute a quorum.

Section 6. Mail Ballot - The members may vote by mail ballot, or as otherwise allowed by law, on any action which may be taken at a regular or special meeting of the members unless otherwise prohibited by the Articles of Incorporation or these bylaws. A mail ballot or other means of voting shall be distributed or communicated to all members entitled to vote. The ballot shall state the number of responses needed to meet the quorum requirement and, with respect to ballots other than for election of directors, shall state the percentage of approvals necessary to pass the measure submitted. The ballot shall also state the proposed action, and provide for approval or disapproval. Ballots shall be returned by members within twenty (20) days. Approval by mail ballot or otherwise as allowed by law shall require sufficient votes to constitute a quorum at a meeting, and sufficient votes cast in favor to obtain approval at a membership meeting at which a quorum was present.

Section 7. Elections by Mail - Election of directors and/or officers may also be conducted by mail in such manner as the board of directors shall determine and in accordance with applicable law and these bylaws.

ARTICLE VI - BOARD OF DIRECTORS

Section 1. General Powers — The activities and affairs of the corporation shall be conducted and all corporate powers shall be exercised by or under the direction of the board of directors.

Section 2. Number, Tenure and Qualifications —

2.1 The members of the board of directors shall consist of the immediate past President, President, Secretary, Chief Financial Officer and five (5) additional member representatives qualified to serve as directors. The past presidents, other than the immediate past president, and any other corporation positions designated by the board of directors shall be eligible to participate as directors ex officio in a nonvoting capacity.

2.2 The President, Secretary and Chief Financial Officer shall be elected for one-year terms, and shall hold office until their successors are elected and qualified or until their death, resignation, or removal. Officers may be reelected to one additional consecutive term in the same office and may serve in other offices at the conclusion of their respective terms.

2.3 The directors, other than the officers, past President, and those serving officio shall be elected for two-year terms, and shall hold office until their successors shall have been duly elected and qualified or until their death, resignation, or removal.

2.4 Members shall be entitled to cast one vote for each director position to be filled. The candidates receiving the highest number of votes for the available positions shall be elected.

2.5 In order to be eligible for election to the board, a candidate's business must have been a member of the corporation or any predecessor corporation for one (1) year.

Section 3. Annual Meeting - An annual meeting of the board of directors shall be held, without other notice than these bylaws, immediately before the annual meeting of the membership.

Section 4. Other Regular Meetings - The board of directors may provide by resolution the time and place for the holding of additional regular meetings of the board without other notice than such resolution.

Section 5. Special Meetings - Special meetings of the board of directors may be called by or at the request of the President or the executive committee. The person or persons authorized to call special meetings of the board may fix any place as the place for holding any special meeting of the board called by them.

Section 6. Notice— Notice of any special meeting of the board of directors shall be given at least four (4) days previously thereto if by first class mail or forty-eight (48) hours previously thereto if delivered personally or by telephone or telegraph to each elected director at the address or telephone number shown for such director on the records of the corporation. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage thereon prepaid. If notice shall be given by telegram or other electronic transfer medium, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company or electronic transfer medium. Notice of any special meeting of the board of directors may be waived in writing signed by the person or persons entitled to such notice either before or after the time of the meeting. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board need be specified in the notice or waiver of notice of such meeting, unless specifically required by law or by these bylaws.

Section 7. Quorum - At all meetings of the board of directors, a majority of the total number of elected directors authorized in the bylaws shall constitute a quorum for the transaction of business, provided that if less than a majority of the directors is present at any meeting, a majority of the directors present may adjourn the meeting to another time and place. If the meeting is adjourned for more than twenty—four (24) hours, notice of any adjournment to another time and place must be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

Section 8. Manner of Acting - The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors, unless the act of a greater number is required by statute, the articles of incorporation or these

bylaws. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting.

Section 9. Action Without Meeting - Any action required or permitted to be taken by the board may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed individually or collectively by all the directors entitled to vote with respect to the subject matter thereof.

Section 10. Attendance by Telephone - Directors may participate in any meeting through the use of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

Section 11. Open Meetings - Members not represented on the board of directors may attend board meetings but are not entitled to participate or vote. The board of directors may go into executive session whenever the board deems necessary. Individual members may petition the board for a hearing in executive session.

Section 12. Removal of Officer or Director - An officer or director may be removed for cause by an affirmative two—thirds vote of the entire board of directors. The officer or director so charged shall be entitled to a hearing by the board of directors before any such action is taken, but shall not be entitled to vote on the removal decision. An officer or a director may be removed from office without cause by an affirmative two—thirds vote of the membership represented in person or by proxy and voting at a membership meeting at which a quorum is present.

Section 13. Vacancies — Any vacancy occurring in the board of directors shall be filled by the President, subject to the approval of the board of directors. A director chosen to fill a vacancy shall serve for the unexpired term of his or her predecessor.

Section 14. Compensation - Directors shall not receive any stated salaries for their services, but by resolution of the board of directors a fixed sum and expenses of attendance, if any, may be paid for each regular or special meeting of the board, provided that nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity and receiving reasonable compensation therefor.

ARTICLE VII - EXECUTIVE COMMITTEE

Section 1. Composition — The executive committee shall consist of the President, immediate past President, Secretary and Chief Financial Officer.

Section 2. Manner of Acting - The executive committee, shall have and exercise the authority of the board of directors in the management of the corporation as delegated by the board; but the designation of such committee and the delegation thereto of authority shall not operate to relieve the board of directors, or any individual director, of any responsibility imposed upon it or him or her by law. Specifically excluded from the authority that may be exercised by the executive committee are the approval of any action requiring membership approval, the filling of vacancies on the board or in any committee which has the authority of the board, the fixing of compensation of the directors, the

amendment or repeal of bylaws or the adoption of new bylaws, the amendment or repeal of any resolution of the board which by its express terms is not amendable or repealable, the appointment of committees of the board or the members thereof, and the expenditure of corporate funds to support a nominee for director after there are more people nominated for director than can be elected. Such committee may fix the time and place of its meetings, specify what notice of meetings, if any, shall be given, and fix its rules of procedure, which shall not be inconsistent with these bylaws or with rules adopted by the board of directors.

Section 3. Quorum - A majority of the whole committee shall constitute a quorum and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee.

Section 4. Action Without Meeting - Any action which may be taken at a meeting of the committee may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the members of the committee entitled to vote with respect to the subject matter thereof.

Section 5. Attendance by Telephone - Members of the committee may participate in any meeting through the use of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

ARTICLE VIII - OFFICERS

Section 1. Enumeration — The elected officers of the corporation shall be the President, the Secretary and the Chief Financial Officer.

Section 2. President - The President shall be the chief executive officer of the corporation. Subject to the direction and control of the board of directors, the President shall have general supervision, direction and control of the business and affairs of the corporation and shall perform all duties incident to the office of President and such other duties as may be assigned to him or her by the board of directors. Except in those instances in which the authority to execute is expressly delegated to another officer or agent of the corporation or a different mode of execution is expressly prescribed by the board of directors, the President may execute for the corporation any contracts, deeds, mortgages, bonds, or other instruments which the board of directors has authorized to be executed, and he or she may accomplish such execution either under or without the seal of the corporation and either individually or with any other officer authorized by the board of directors, according to the requirements of the form of the instrument. The President may vote all securities which the corporation is entitled to vote except as and to the extent such authority shall be vested in a different officer or agent of the corporation by the board of directors.

Section 3. Secretary - The Secretary shall provide oversight to the taking of minutes, giving of notices, and maintaining of records of the corporation and shall perform such duties and have such other powers as shall be assigned to him/her by the President or the board of directors. Further, in the absence of the President or in the event

of his or her inability or refusal to act, the Secretary shall perform the duties of the President and, when so acting, shall have all the powers of and be subject to all the restrictions upon the President.

Section 4. Chief Financial Officer - The Chief Financial Officer shall provide oversight to the handling of the finances of the corporation and shall perform such duties and have such other powers as shall be assigned to him or her by the President or the board of directors. Further, in the absence of both the President and Secretary or in the event of their inability or refusal to act, the Chief Financial Officer shall perform the duties of the President and, when so acting, shall have all the powers of and be subject to all the restrictions upon the President.

Section 5. Executive Director — The Executive Director shall be appointed by the board of directors and shall be compensated for services rendered. Under the ultimate direction of the board of directors, the Executive Director shall conduct business affairs of the corporation as delegated by the President, the executive committee, or the board of directors. The Executive Director shall keep the minutes of the meetings of the membership, the executive committee, and the board of directors; shall see that all notices are duly given in accordance of these bylaws; and shall be the custodian of the corporation records subject to the oversight of the Secretary. The Executive Director at the option of the executive committee shall be bonded by the corporation; shall have charge and custody of and be responsible for all funds and securities of the corporation; shall receive and give receipts for moneys due and payable to the corporation from any source whatsoever; shall deposit all such moneys in the name of the corporation in such banks, trust companies, or other depositories as shall be selected by the board of directors subject to the oversight of the Chief Financial Officer; and in general shall perform such other duties as from time to time may be assigned by the President, executive committee, or board of directors.

ARTICLE IX - COMMITTEES

Section 1. Composition, Powers and Duties — The board of directors may appoint such other committees consisting of directors and/or other individuals, as the board deems advisable, with such powers and duties as the board may establish from time to time.

Section 2. Term of Office — Each member of such a committee shall continue as such for a term as determined by the board not to exceed two (2) years and until his or her successor is appointed, unless the committee shall be sooner terminated, or unless such member be removed or resigns from such committee or unless such member shall cease to qualify as a member thereof. Committee members may succeed themselves, at the board's discretion.

Section 3. Appointments – Each Committee Chairman shall be appointed by the President with the advice of the board. Committee members may be appointed by the President and/or the Committee Chairman.

Section 4. Vacancies — Vacancies in the membership of any committee may be filled by appointments made in the same manner as provided in the case of the original appointments.

Section 5. Quorum - Unless otherwise provided in the resolution of the board of directors designating a committee, a majority of the whole committee shall constitute a quorum and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee.

Section 6. Rules -. Each committee may adopt rules for its own governance not inconsistent with these bylaws or with rules adopted by the board of directors.

Section 7. Temporary Committees – Nothing herein shall prevent the President or the Board of Directors from appointing temporary committees or task forces for the purpose of advising and making recommendations to the Board of Directors or the Corporation on matters of pertinence.

ARTICLE X - CAPITAL CONTRIBUTIONS

Section 1. Issuance of Certificate of Interest - This corporation is organized without capital stock but it shall have the power to issue to members certificates of interest representing contributions to the capital of this corporation made in the form of dues, assessments, membership fees or transfer fees. Alternatively, at the discretion of the board of directors, dues, assessments, membership fees or transfer fees may be designated as non-repayable additions to unallocated reserves. Dues, assessments, membership fees or transfer fees may be used to build up a capital fund as may be deemed necessary by the board of directors from time to time or as otherwise determined to be needed by the board of directors. Certificates of interest may contain such terms and conditions not inconsistent herewith as may be prescribed from time to time by the board of directors of the corporation and shall be issued in annual series. Each certificate in each series shall be identified upon its face by the year in which it is issued, the amount of capital represented thereby and the name of the member to whom it is issued.

Section 2. Annual Dues — The board of directors may determine from time to time the amount of annual dues, assessments, membership fees and transfer fees payable to the corporation by members.

Section 3. Payment of Dues - Dues shall be billed in January prior to the beginning of the fiscal year; payable by March 1, and delinquent April 1.

Section 4. Default — When a member's dues or other financial obligations are not paid within sixty (60) days from the beginning of the fiscal year or period in which such dues or financial obligations become payable, (a) the member's membership may thereupon be suspended or terminated by the board of directors in the manner provided in Article III, Section 5 of these bylaws, and (b) the member shall be liable for the corporation's costs of collection, including reasonable attorney's fees..

Section 5. Retirement of Certificates of Interest - Each series of certificates of interest shall be retired fully or on a pro rata basis only at the discretion of the board of directors of the corporation in the order of issuance by years as funds are available for

that purpose. The method herein provided for the revolving of certificates of interest shall constitute the sole and exclusive method whereby a member or other holder of certificates of interest shall be entitled to convert into cash its capital in the corporation, either prior to or after withdrawal or expulsion from the corporation, and shall be in lieu of any right or power any such person may have or be entitled to assert, to have its equities appraised by the board of directors or otherwise and be paid therefore on the basis of such appraisal within any given period of time.

Section 6. Transfer — Certificates of interest shall be transferable only on the books of the corporation and no transfer of any certificate shall be binding upon the corporation unless so transferred upon its books.

Section 7. Dissolution - Upon dissolution or winding up of affairs of the corporation in any manner, after payment of all other debts including patronage refunds, all outstanding certificates of interest shall be retired in full or on a pro rata basis without priority.

ARTICLE XI -PATRONAGE REFUNDS AND PATRONAGE ACCOUNTS

Section 1. Patronage Programs — The corporation shall have one or more patronage programs as determined at the sole discretion of the board of directors, regardless of the variety of goods or services available through the corporation.

Section 2. Patronage Accounts — The corporation shall establish separate patronage accounts for each patronage program.

Section 3. Patronage Program Receipts - All sums received from patrons of a patronage program for supplies, services, goods, and other property in connection with that program shall be deemed to be gross patronage receipts from that program and shall be received and held by the corporation for and as the property of its members participating as patrons of that program subject to the deductions therefrom and distribution thereof hereinafter provided.

Section 4. Patronage Program Proceeds — The corporation shall deduct from the gross patronage program receipts:

4.1 The actual cost of supplies, goods, services, or any other property procured or performed for patrons, and proportionate amounts of the following indirect costs:

4.1.1 Operating expenses and costs; and

4.1.2 Taxes and all other expenses.

The balance of patronage program receipts remaining after said deductions, calculated upon a yearly basis, shall be deemed annual net patronage program proceeds. All of the patronage program proceeds shall belong to and be held for the members participating as patrons of the program, and shall be allocated to them as a patronage refund as hereinafter provided.

Section 5. Patronage Program Refunds - The annual net patronage program proceeds shall be allocated to the member patrons annually as a patronage refund on the

basis of their patronage in the patronage program. The net proceeds so allocated shall be distributed to member patrons as follows:

5.1 The board of directors may create reasonable reserves for necessary purposes and set aside up to eighty percent (80%) of the annual net patronage program proceeds in such reserves. This corporation is authorized to issue and may issue patronage refund certificates to member patrons evidencing their proportionate allocation of the net patronage program proceeds so reserved as provided in Section 6 of this Article.

5.2 The remainder of the net patronage proceeds shall be distributed to the member patrons in cash in accordance with the ratio which their patronage bears to total member patronage in the patronage program.

Section 6. Patronage Refund Certificates — Patronage refund certificates may contain such terms and conditions not inconsistent herewith as may be prescribed from time to time by the board of directors of the corporation and shall be issued in annual series. Each certificate in each series shall be identified upon its face by the year in which it is issued, the patronage program to which it related if there are more than one patronage programs, the amount of refund represented thereby, and the name of the member. Each series shall be retired fully or on a pro rata basis only at the discretion of the board of directors of the corporation in the order of issuance by years as funds are available for that purpose. The method herein provided for the revolving of patronage refund certificates shall constitute the sole and exclusive method whereby a member or other holder of patronage refund certificates shall be entitled to convert into cash its patronage refund certificates, either prior to or after its withdrawal or expulsion from the corporation, and shall be in lieu of any right or power any such business may have or be entitled to assert, to have its equities appraised by the board of directors or otherwise and be paid therefore on the basis of such appraisal within any given period of time.

Section 7. Transfer — Patronage refund certificates shall be transferable only on the books of the corporation and with the approval of the board of directors subject only to board's sole discretion and no transfer of any certificate shall be binding upon the corporation unless so transferred upon its books.

Section 8. Dissolution - Upon dissolution or winding up of the affairs of the corporation in any manner, after payment of all other debts, all outstanding patronage refund certificates shall be retired in full or on a pro rata basis without priority.

ARTICLE XII — REVOLVING CERTIFICATES OF INTEREST AND PATRONAGE REFUND CERTIFICATES

Section 1. Annual Study of Capital Fund - The board of directors shall make a study of the capital fund each year and shall determine whether any certificates of interest shall be revolved. Following such study, the board shall direct the disposition to be made of such certificates, make a record of such action in the minutes of such board meetings, and shall issue proper and necessary instructions pursuant thereto.

Section 2. Revolving Certificates of Interest - Whenever it shall appear to the board of directors that the capital fund is adequate for its designated purposes, the board may direct that said fund be revolved in whole or in part by taking out of such fund whatever amount the board may direct and paying the same to the members according to their certificates of interest. The amount so revolved shall not exceed fifteen percent (15%) of the capital fund in any given year. Such certificates of interest shall be revolved out of such fund, on a pro-rata basis if necessary, in the date order by annual series in which they were allocated. Whether certificates of interest or patronage refund certificates are to be revolved in any particular year, or if any are to be revolved at all, shall be at the total discretion of the board of directors based on the board's determination of equitable treatment of members and patronage program patrons and the best interest of the corporation, including the corporation's interests in developing or expanding patronage programs for the overall and long-term benefit of its members.

Section 3. 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 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 such action in the minutes of such board meetings, and shall issue proper and necessary instructions pursuant thereto.

Section 4. Revolving Patronage Refund Certificates Whenever it shall appear to the board of directors that an established reserve is adequate for its designated purposes, 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 member patrons according to their patronage refund certificates. Such patronage refund certificates shall be revolved out of such reserve in the date order by annual series in which they were allocated.

Section 5. Consent - Each merchant which hereafter applies for and is accepted to membership in this corporation and each member of this corporation on the effective date of this bylaw which continues as a member after such date shall, by such act alone, consent that the amount of any distributions with respect to its patronage occurring after January 9, 1989, which are made in written notices of allocation (as defined in 26 USC 1388), i.e. patronage refund certificates, and which are received from the corporation, will be taken into account 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.

Section 6. Undeliverable Refunds - In the event that the corporation is unable to make payment to any member patron of patronage refunds or other sums due such member patron because of inability to locate the member patron or incapacity of the member patron to receive the same, or other cause beyond the control of the corporation, such unpaid amounts shall be placed to the credit of such member patron in a special account and held by the corporation subject to the owner's order, in accordance with the laws of the state of California.

Section 7. Losses — In the event of a loss in one or more patronage programs of this corporation while one or more other patronage programs are profitable, such loss or losses may be prorated against each of the profitable patronage programs on the basis of

their respective percentage of the total net proceeds during such fiscal year.* In the event this corporation shall incur a net loss in any fiscal year, such net loss may be charged first against any unallocated reserves other than valuation reserves. If such loss exceeds the total of said unallocated reserves, or, in any event, if the board of directors so elects, the amount of such loss may be carried forward or back, or may be recovered from prior or subsequent years' net margins, including future years' patronage margins. The corporation may carry forward losses incurred in one or more patronage programs to offset profit in the same or other patronage programs in future years, notwithstanding that certain members may have terminated their membership after the loss year.

Alternatively, the board of directors shall have the authority to make assessment against patrons of any patronage program generating a loss, including by reducing the individual equity accounts of the patrons, by billing the loss to the patron's accounts, or by making deductions from future distributions to those patrons. Notwithstanding the specific provisions above, the allocation of losses is generally left to the discretion of the corporation's board of directors, which shall allocate losses equitably and in the best interests of the corporation, provided such allocation are in compliance with the law. This section shall not be construed or administered in such a way as to deprive the corporation 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 state taxing statutes

ARTICLE XIII - CONTRACTS, CHECKS, DEPOSITS AND FUNDS

Section 1. Contracts — The board of directors may authorize any officer or officers, agent or agents of the corporation, in addition to the officers so authorized by these bylaws, to enter into any contracts or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

Section 2. Checks — All checks, drafts or orders for the payment of money, notes, or other indebtedness issued in the name of the corporation shall be signed by such officer or officers, agent or agents of the corporation, authorized by the board. The Executive Director may sign any check or authorize any disbursement up to the amount of five thousand dollars (\$5,000), or as otherwise increased from time to time by the board of directors. All other checks and disbursements must be signed or otherwise authorized by the Executive Director and the Chief Financial Officer or one (1) other authorized signer as designated by the board of directors.

* NOTE: Internal Revenue Code Section 1388(j)(1) provides that the net earnings of a cooperative may, at its option, be determined by offsetting patronage losses that are attributable to one or more allocation units (patronage programs) against patronage earnings of one or more other allocation units... Patronage losses that may be used to offset patronage gains include patronage losses carried to that year. To exercise its option under Section 1388(j)(1) to net gains and losses, a cooperative must provide its patrons with written notice on or before the 15th day of the ninth month following the close of the taxable year which; (1) states that the cooperatives has offset earnings and losses from one or more allocation units (patronage programs) so that the amount of taxable and distributable patronage refund to the patrons of profitable patronage program(s) is reduced; (2) states the identity of the offsetting allocation units (patronage programs); and (3) states briefly what rights, if any, its patrons may have to additional financial information under the terms of the cooperative's articles of incorporation, or bylaws, or under any provision of law.

Section 3. Deposits — All funds of the corporation shall be deposited from time to time to the credit of the corporation in such banks, trust companies, or other depositories as the board of directors may elect.

Section 4. Gifts - The board of directors may accept on behalf of the corporation any contribution, gift, bequest, or devise for the general purposes or for any special purpose of the corporation.

ARTICLE XIV - INDEMNIFICATION AND INSURANCE

Section 1. General Indemnification The corporation may indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation), by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation, or who is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or who was a director, officer, employee or agent of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation, against expenses (including attorneys' fees), judgments, fines and other amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, if such person acted in good faith and in a manner he or she reasonably believed to be in the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in, or not opposed to, the best interests of the corporation, or, with respect to any criminal action or proceeding, that the person had reasonable cause to believe that his or her conduct was unlawful.

Section 2. Suits by or in the Right of the Corporation The corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or who was a director, officer, employee or agent of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of the predecessor corporation against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, if such person acted in good faith and in a manner he or she reasonably believed to be in the best interests of the corporation and with such care, including reasonable inquiry, as an ordinary prudent person in a like position would use under similar circumstances, provided that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his or her duty

to the corporation, unless, and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court shall deem proper.

Section 3. Defense Costs - To the extent that a director, officer, employee or agent of the corporation has been successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in Sections 1 and 2 of this Article, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

Section 4. Authorization - Any indemnification under Sections 1 and 2 of this Article (unless ordered by a court) shall be made by the corporation only as authorized in the specific case, upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Sections 1 and 2 of this Article. Such determination shall be made (i) by the board of directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (ii) by the members, entitled to vote, with persons to be indemnified not being entitled to vote thereon.

Section 5. Advance Payments — Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding, as authorized by the board of directors in the specific case, upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount, unless it shall ultimately be determined that he or she is entitled to be indemnified by the corporation as authorized in this Article.

Section 6. Other Rights and Continuation - The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any agreement, vote of disinterested directors, or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent, and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 7. Insurance - The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or who is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or who was a director, officer, employee or agent of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of the predecessor corporation, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify such person against such liability under the provisions of this Article.

Section 8. Reports - If the corporation has paid indemnity or has advanced expenses under this Article to a director, officer, employee or agent, the corporation shall

report the indemnification or advance in writing to the members entitled to vote with or before the notice of the next meeting of such members.

ARTICLE XV - MISCELLANEOUS

Section 1. Books and Records — The corporation shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its members, board of directors, and committees having any of the authority of the board of directors, and shall keep at the registered or principal office, a record giving the names and addresses of the members entitled to vote. All books and records of the corporation may be inspected by any member, or its agent or attorney, for any proper purpose at any reasonable time.

Section 2. Nonmember Business — The corporation, if it elects to do business with nonmembers, shall deal with nonmember patrons in all respects on the same basis as with members, with the exception that nonmember patrons are not entitled to patronage or other distributions. Not more than forty-nine percent (49%) of the corporation's business shall be done with nonmember patrons.

Section 3. Fiscal Year — The fiscal year of the corporation shall begin on the first day of April and end the last of March of each year.

Section 4. Waiver of Notice — Whenever any notice is required to be given by these bylaws, a waiver thereof in writing signed by the person or persons entitled to such notice, before or after the time for giving of notice, shall be deemed equivalent to the giving of such notice.

Section 5. Reports and Audits — It shall be the duty of the Executive Director to furnish the board of directors at least once each quarter with a statement of assets and liabilities as of the end of the preceding quarter, and with a statement of income and expenses covering the period from the end of the last fiscal year to the end of the preceding quarter. Immediately after the end of each fiscal year, the board of directors may, but need not, employ an auditor or accountant to make a complete audit, partial audit, review, or compilation of the corporation's records and furnish the board of directors with a report.

Section 6. Dissolution and Liquidation - Upon dissolution, liquidation or winding up of affairs of the corporation in any manner, after payment of all other debts including revolving of all patronage refund certificates and retiring all certificates of interest, any remaining assets of the corporation shall be distributed among the members and former members in proportion to their patronage during that period of years preceding the date of such distribution which the members determine to be practicable.

Section 7. Writing – Any requirement that a communication be “in writing” or “written” shall be satisfied by a facsimile or telegraphic communication, or by any electronic means valid under California law.

Section 8. Time of Notice - Any reference to the time a notice is given or sent means, unless otherwise expressly provided, the time a written notice by mail is deposited in the United States mails, postage prepaid; or the time any other written notice

is personally delivered to the recipient or is delivered to a common carrier for transmission, or actually transmitted by the person giving the notice by electronic means, to the recipient; or the time any oral notice is communicated, in person or by telephone or wireless, to the recipient or to a person at the office of the recipient who the person giving the notice has reason to believe will promptly communicate it to the recipient.

ARTICLE XVI - AMENDMENTS

The bylaws of this corporation may be amended, repealed, or added to, or new bylaws may be adopted by the vote or written assent of a majority of the members entitled to vote or by the vote of a majority of a quorum at a meeting duly called for that purpose. No amendment to the bylaws 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 member of the corporation.