

ARTICLES OF INCORPORATION
OF
FREDERICK COUNTY CONSUMER COOPERATIVE, INC

FIRST: That we, the undersigned, Randall Williams, Charles Warner, Barry Stup, Hal Horstman, Dallas Roody, Charles Dunnell and Barry Kissin, whose post office addresses are 4310 Buckeystown Pike, Frederick, Maryland 21701; 9529 Hansonville Road, Frederick, Maryland 21701; 10687 Daysville Road, Walkersville, Maryland 21793; 6806 Maryland Avenue, P.O. Box 365, Braddock Heights, Maryland 21714; Route 2, Box 119, Brownsville Road, Knoxville, Maryland 21758; 248 Dill Avenue, Frederick, Maryland, 21701; and 17225 B Harbaugh Valley Road, Sabillasville, Maryland 21780; respectively, each being at least eighteen (18) years of age, do hereby form a consumer cooperative organized under the general laws of the State of Maryland and in particular under Title 5, Subtitle 6A of the Corporations and Associations Article of the Annotated Code of Maryland.

SECOND: The name of the consumer cooperative (hereinafter called the Consumer Cooperative) is: FREDERICK COUNTY CONSUMER COOPERATIVE, INC.

THIRD: The purposes for which the Consumer Cooperative is formed are as follows:

- (a) To establish and operate cooperatively owned and managed not-for-profit facilities for the production, purchase and distribution of goods and services for the primary and mutual benefit of members of the Consumer Cooperative as ultimate consumers as well as for the benefit of patrons. Facilities shall include, but not be limited to a grocery store.
- (b) To promote sound nutrition by providing wholesome foods at low cost to members and patrons, and by providing nutrition and health information to assist members and patrons in their food choices.
- (c) To promote community development by encouraging small-scale ventures on the part of members which follow ecologically sound, healthful, energy-efficient practices.
- (d) To educate members and prospective members to the principles and methods of cooperative enterprise.
- (e) To cooperate with other cooperative societies which have compatible goals

FOURTH: That the post office address of the principal office of the Consumer Cooperative in Maryland is: 248 Dill Avenue, Frederick, Maryland 21701; that the resident agent of the Consumer Cooperative is Charles Dunnell whose post office address is 248 Dill Avenue, Frederick, Maryland 21701. Said resident agent is a citizen of the State of Maryland and actually resides therein.

FIFTH: That the Consumer Cooperative is authorized to establish one class of nonstock voting membership upon such terms and conditions as may be established or amended by the Board of Directors from time to time, but is also organized with capital stock. The total authorized capital stock of the Consumer Cooperative shall be 10,050,000 shares divided into the following classes:

Authorized Capital Stock. The authorized capital stock of this cooperative consists of 50,000] shares of Class A Membership Stock, with a par value of One Cent (\$0.01) per share; with a par value of One Cent (\$0.01) per share; and 10,000, 000 shares of Class C Preferred Stock, with a par value of One Cent (\$0.01) per share. The Board of Directors of this cooperative has the authority and power to establish and issue one or more series of shares within a class, to set forth the designation of series of such shares, to fix the relative rights, preferences, privileges and limitations of each series of shares; and to establish and maintain such capital reserve, nonstock revolving capital, unit retains, and other types of equity credits as may be further provided in these Articles, the Bylaws and applicable law. The cost, rights and responsibilities, of each membership, whether represented through the issuance of Class A Membership Stock or reflected by a nonstock voting membership shall be determined according to the By-laws and in conformity with these Articles of Incorporation. No dividend shall be paid on memberships. The property rights of members shall be equal. No member shall hold more than one membership or have more than one vote, regardless of the number of shares of capital stock such member may own or hold.

- A. Class A Stock.** SECTION 1: The Consumer Cooperative may, but need not, issue Class A Membership Stock as evidence of membership in the Consumer Cooperative, upon payment

of such membership fee or price as may be determined by the Board of Directors. No person may hold more than one share of Class A Membership Stock. No dividends shall be payable on Class A Membership Stock. Only a holder of a nonstock membership in the Consumer Cooperative or the owner of Class A Membership Stock issued as evidence of membership shall be entitled to vote. Shares of Class A Membership Stock shall not be transferable in any manner or by any device whatever and cannot be pledged or used as security for any obligation of a member. In the event a holder of Class A Membership Stock issued as evidence of membership in the Consumer Cooperative ceases to be eligible to be a member of the Consumer Cooperative, the member's Class A Membership Stock shall be canceled upon termination of such member's membership.

SECTION 2: No holder of Class A Membership Stock has any right whatsoever to require the redemption of its Class A Membership Stock. The Class A Membership Stock may be redeemed only at the option of the Board of Directors in accordance with the provisions of these Articles and the Bylaws. The Board of Directors has the authority to establish a redemption policy on terms and conditions it deems advisable in its sole discretion; provided, however, that the Class A Membership Stock may never be redeemed for more than the value of the consideration for which the Class A Membership Stock was issued.

SECTION 3: The Board of Directors has the authority to establish such additional terms and conditions, qualifications, methods of acceptance, duties, rights and privileges of holding Class A Membership Stock of this cooperative as it may from time to time deem advisable.

B. Class C Stock.

SECTION 1: Class C Preferred Stock shall be capital stock without voting rights, except voting rights as provided in Maryland Consumer Cooperative Act, Title 5-5A-08 and may be held by any party, whether or not a member of the Consumer Cooperative or eligible for membership in the Consumer Cooperative. The rate of dividend upon Class C Stock shall be determined and established by the Board of Directors at the time of the creation of any series or subclass of Class C Preferred Stock, but shall not exceed [8%] of its par value per year. Dividends on Class C Stock shall not be cumulative unless otherwise determined by the Board of Directors at the time of the creation of any series or subclass of Class C Preferred Stock.

SECTION 2: The cooperative reserves the prior right to acquire any Class C Preferred Stock offered for sale by any shareholder, or a right to recall the Class C Preferred Stock of any shareholder. The consideration paid for Class C Preferred Stock recalled by the cooperative shall be the price paid upon original issuance of such shares plus any accrued unpaid dividends. Class C Stock may be transferred only on the books of the cooperative.

SIXTH: That the number of directors of the Consumer Cooperative shall be seven, which number may be increased or decreased pursuant to the By-laws. The following persons shall act as directors until the first annual meeting of the members, at which time directors shall be duly chosen and qualified: Randall Williams, Charles Warner, Barry Stup, Hal Horstman, Dallas Roody, Charles Dunnell and Barry Kissin.

SEVENTH: If the Consumer Cooperative is dissolved, the Consumer Cooperative's debts and expenses shall be paid first; then the amounts paid in upon any issuance of Class C Preferred Stock plus the amount of any declared but unpaid dividends shall be paid, then the amounts paid in upon any issuance of Class B Stock shall be paid, then the amounts paid in upon any issuance of Class A Common Stock and the amounts paid in on memberships by the members shall be paid, pro rata. Any remaining surplus shall then be donated to organizations having cooperative and not-for-profit purposes or to organizations to which a deductible contribution may be made according to the Internal Revenue Code.

EIGHTH: The duration of the Consumer Cooperative shall be perpetual.