

**BYLAWS  
of the  
HOP QUALITY GROUP  
A California Nonprofit Mutual Benefit Corporation**

**ARTICLE I  
NAME**

- 1.1 The name of this corporation is the **HOP QUALITY GROUP**.

**ARTICLE II  
OFFICES OF THE CORPORATION**

2.1 **Principal Office.** The principal office for the transaction of the activities and affairs of the corporation is located in Sonoma County, California, at 1812 Ferdinand Court, Santa Rosa, CA 95404. The board of directors (Board) may change the principal office from one location to another. Any change of location of the principal office shall be noted by the secretary on these bylaws opposite this section, or this section may be amended to state the new location.

**ARTICLE III  
PURPOSES AND LIMITATIONS**

3.1 **General Purposes.** This corporation is a non-profit mutual benefit corporation organized under the Nonprofit Mutual Benefit Corporation Law of the State of California. The purpose of this corporation is to engage in any lawful act or activity, other than credit union business, for which a corporation may be organized under such law.

3.2 **Specific Purposes.** Without limiting the generality of the foregoing, the purposes and objectives of the corporation shall be to foster the study and understanding of hops used in the craft brewing industry (CBI) in the United States; to promote the improvement of quality in the cultivation of hops for the CBI and the establishment of quality standards for hops growers, suppliers and processors in connection with hops utilized by the CBI; to promote unity and effectiveness of effort among all concerned with craft brewing; to cooperate with other organizations and institutions engaged in similar or related activities; to increase the knowledge base in the industry and the general public in the area of hops quality and its contribution to the CBI and their products; to act as a clearing house for information not only in regard to research on hops quality and standards, but also in regard to hops cultivation in general; to prepare and publish to its membership, studies and reports which will increase the knowledge of the corporation Members and the public in the area of hops quality, and to do all other such things as the corporation may consider necessary, incidental or conducive to the attainment of the above objects.

3.3 **Corporation Status.** This corporation is a NONPROFIT MUTUAL BENEFIT CORPORATION organized under the Nonprofit Mutual Benefit Corporation Law of the State of California, and shall be operated exclusively for educational, charitable, and scientific purposes within the meaning of §501(c)(6) of the Internal Revenue Code of 1986, as now in effect or as may hereafter be amended ("the Code").

3.4 **Limitations.** Notwithstanding any of the above statements of purposes, nothing contained in the foregoing statement of purposes shall be construed to authorize this corporation to carry on any activity for the profit of its members, or to distribute any gains, profits, or dividends to any of its members as such, except upon dissolution or winding up of the corporation. The corporation shall not carry on any activities not permitted to be carried on (i) by a corporation exempt from federal income taxation under Section 501(c)(6) of the Code, and (ii) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Code. No part of the net earnings of the corporation shall inure to the benefit of any member or individual. No substantial part of the activities of the corporation shall be carrying on propaganda, or otherwise attempting to influence legislation, except as may be permitted under Section 501(h) of the Code, and the corporation shall not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of or in opposition to any candidate for public office.

## ARTICLE IV MEMBERS

### 4.1 **Qualifications and Rights of Membership**

a. **Qualifications.** The corporation shall have one class of members. Members are sometime referred to herein as "Members" and sometimes as "Certificate Holders." Any person who holds a valid and active Brewer's Notice approved by the Alcohol and Tobacco Tax and Trade Bureau, of the U.S. Department of the Treasury, together with such corresponding licenses and/or permits as are required by the states in which the prospective Member produces malt beverages, shall be eligible for membership on timely payment of such dues and fees as the Board may fix from time to time.

b. **Voting Certificate Holders.** All Certificate Holders in good standing who hold current, validly issued Membership Certificates shall have the right to vote, as set forth in these bylaws, on the election of directors, on the disposition of all or substantially all of the corporation's assets, on any merger and its principal terms and any amendment of those terms, and on any election to dissolve the corporation. In addition, those Certificate Holders shall have all rights afforded members under the California Nonprofit Mutual Benefit Corporation Law. If the corporation is dissolved, those Members shall receive a prorate distribution of all assets, exclusive of those held in charitable trust, remaining after payment or provision for payments of the obligations and debts of the corporation and provision for any other payment required under applicable law.

4.2 **Dues, Fees and Assessments.** Each Certificate Holder must pay, within the time and on the conditions set by the Board, the dues, fees, and assessments in amounts to be fixed from time to time by the Board. The dues, fees, and assessments shall be equal for all Certificate Holders.

4.3 **Good Standing.** Those Certificate Holders who have paid the required dues, fees and assessments in accordance with these bylaws and who are not suspended shall be Certificate Holders in good standing.

4.4 **Termination of Membership.** A membership shall terminate on occurrence of any of the following events:

- a. Resignation of the Member;
- b. Expiration of the period of membership, unless the membership is renewed on the renewal terms fixed by the Board;
- c. The Member's failure to pay dues, fees or assessments as set by the Board within 30 days after they are due and payable;
- d. Any event that renders the Member ineligible for membership, or failure to satisfy membership qualifications; or
- e. Termination of membership under this Section 4.4e of these bylaws based on the good faith determination by the Board, or a committee or person authorized by the Board to make such a determination, that the Member has failed in a material and serious degree to observe the rules of conduct of the corporation, or has engaged in conduct materially and seriously prejudicial to the corporation's purposes and interests.

#### 4.5 **Suspension of Membership Certificate.**

a. **Suspension of Membership Certificate.** A Membership Certificate may be suspended under subsection (b) below of these bylaws based on the good faith determination by the Board, or a committee or person authorized by the Board to make such a determination, that the holder of the Membership Certificate has:

- (1) defaulted, violated or failed to observe, to a material and serious degree, any of the corporation's rules and regulations set forth in these bylaws or adopted pursuant thereto, and thereafter failed to cure or correct such default or violation within 10 days following written notice from the corporation;
- (2) has engaged in conduct materially and seriously prejudicial to the purposes and interests of the corporation; or
- (3) has failed to pay any assessment or other charge fixed by the Board pursuant to these bylaws.

Upon and during suspension of a Membership Certificate, no holder of the suspended Membership Certificate will be permitted to vote and there shall be no delivery or provision of reports and studies, or any other tangible or intangible product created by the corporation for the benefit of its Members, to any holder of a suspended Membership Certificate until reinstatement of said Member's Membership Certificate.

b. **Procedure for Suspension.** If grounds appear to exist for suspension of a Membership Certificate under subsection (a) above of these bylaws, the procedure set forth below shall be followed:

- (1) The holder of the Membership Certificate as shown on the records of the corporation shall be given at least fifteen (15) days' prior notice of the proposed suspension and the reasons for the proposed suspension. Notice shall be given by any method reasonably calculated to provide actual notice and shall be deemed adequate if given by certified

or registered mail, return receipt requested, to the Certificate Holder's last address as shown on the corporation's records.

(2) The holder of the Membership Certificate shall be given an opportunity to be heard, either orally or in writing, at least five (5) days before the effective date of the proposed suspension. The hearing shall be held, or the written statement considered, by the Board to determine whether the suspension should take place.

(3) The Board shall decide whether or not the Membership Certificate should be suspended and the terms and conditions of reinstatement and shall cause a record of such suspension and terms and conditions of reinstatement to be entered into the records of the corporation. The decision of the Board shall be final. A Membership Certificate shall not be suspended if, prior to the date of the proposed suspension, the Certificate Holder corrects or cures the reasons for the proposed suspension.

(4) Any action challenging a suspension, including a claim alleging defective notice, must be commenced within six (6) months after the date of the commencement of the suspension.

(5) The corporation may disclose to any person inquiring about a Membership Certificate, the existence of any suspension of such certificate and the terms and conditions of reinstatement thereof.

c. **Reinstatement.** All of the rights and privileges pertaining to a suspended Membership Certificate shall be reinstated promptly upon compliance, prior to forfeiture of the suspended Membership Certificate, with the terms and conditions of reinstatement thereof as established by the Board, which shall include:

(1) Correction, at the sole cost and expense of the holder of the suspended Membership Certificate, of any breaches or violations of the bylaws and the rules and regulations adopted pursuant thereto with respect to the suspended Membership Certificate which were specified as a basis for the suspension;

(2) Payment to the corporation of all fees, charges and assessments fixed by the Board pertaining to such Membership Certificate (including without limitation any assessments and fees, if any, which may have been assessed or otherwise charged subsequent to the date of suspension), together with interest thereon until paid at the rate of 10% per annum; and

(3) The reimbursement to the corporation of all actual out-of-pocket costs incurred by the corporation in connection with the enforcement of these bylaws and the rules and regulations adopted pursuant thereto which were specified as a basis for the suspension.

**4.6 Transfer of Memberships.** No membership or right arising from membership shall be transferred. Under Section 4.4 of these bylaws, all rights of membership cease on the Member's death, suspension, termination, or dissolution.

#### 4.7 Meetings of Certificate Holders.

a. **Place of Meeting.** Meetings of the Certificate Holders shall be held at any place within or outside the State of California designated by the Board or by the written consent of all Certificate Holders entitled to vote at the meeting, given before or after the meeting. In the absence of any such designation, Certificate Holders' meetings shall be held at the corporation's principal office. The Board may authorize Members who are not present in person to participate by electronic transmission or electronic video communication.

b. **Authority for Electronic Meetings.** If authorized by the board in its sole discretion, and subject to the requirements of consent in Corporations Code §20(b) and guidelines and procedures the board may adopt, members not physically present in person (or, if proxies are allowed, by proxy) at a meeting of members may, by electronic transmission by and to the corporation or by electronic video screen communication, participate in a meeting of members, be deemed present in person (or, if proxies are allowed, by proxy), and vote at a meeting of members whether that meeting is to be held at a designated place or in whole or in part by means of electronic transmission by and to the corporation or by electronic video screen communication, subject to the requirements of these bylaws.

c. **Requirements for Electronic Meetings.** A meeting of the members may be conducted, in whole or in part, by electronic transmission by and to the corporation or by electronic video screen communication (1) if the corporation implements reasonable measures to provide members in person (or, if proxies are allowed, by proxy) a reasonable opportunity to participate in the meeting and to vote on mailers submitted to the members, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with those proceedings, and (2) if any member votes or takes other action at the meeting by means of electronic transmission to the corporation or electronic video screen communication, a record of that vote or action is maintained by the corporation. Any request by a corporation to a member pursuant to Corporations Code §20(b) for consent to conduct a meeting of members by electronic transmission by and to the corporation shall include a notice that absent consent of the member pursuant to Corporations Code §20(b), the meeting shall be held at a physical location in accordance with Section 4.7a. of these bylaws.

d. **Annual Meeting.** An annual meeting shall be held on the third Monday following the first day of each calendar year, unless the Board fixes another date or time and so notifies Certificate Holders as provided in these bylaws. If the scheduled date falls on a legal holiday, the meeting shall be held the next full business day. At this meeting, directors shall be elected and any other proper business may be transacted, subject to applicable provisions of these bylaws. At the meeting, directors shall be elected and other proper business may be transacted, subject to Section 4.7f.(ii) of these bylaws.

e. **Special Meetings.**

(i) **Persons Authorized to Call.** A special meeting of the Certificate Holders for any lawful purpose may be called at any time by the Board or the president, or by three (3) or more of the Certificate Holders.

(ii) **Calling Meetings.** A special meeting called by any person (other than the Board) entitled to call a meeting shall be called by written request, specifying the

general nature of the business proposed to be transacted, and submitted to the president or any vice president or the secretary of the corporation. The secretary shall cause notice to be given promptly to the Certificate Holders entitled to vote, stating that a meeting will be held at a specified time and date fixed by the Board, provided, however, that the meeting date shall be at least 35 but no more than 90 days after receipt of the request. If the notice is not given within 20 days after the request is received, the person requesting the meeting may give the notice. Nothing in this section shall be construed as limiting, fixing, or affecting the time at which a meeting of Certificate Holders may be held when the meeting is called by the Board.

(iii) **Proper Business of Special Meeting.** No business, other than the business the general nature of which was set forth in the notice of the meeting, may be transacted at a special meeting.

f. **Notice Requirements for Certificate Holders' Meetings.**

(i) **General Notice Requirements.** Whenever Certificate Holders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given, in accordance with Section 4.7f.(iii) of these bylaws, to each Certificate Holder entitled to vote at that meeting. The notice shall specify the place, date, and hour of that meeting and, (1) for a special meeting, the general nature of the business to be transacted, and no other business may be transacted, or (2) for the annual meeting, those matters that the Board, at the time notice is given, intends to present for action by the Certificate Holders, but except as provided in Section 4.7f. (ii) of these bylaws, any proper matter may be presented at the meeting.

(ii) **Notice of Certain Agenda Items.** Approval by the Certificate Holders of any of the following proposals, other than by unanimous approval by those entitled to vote is valid only if the notice or written waiver of notice states the general nature of the proposals:

- (1) Removing a director without cause;
- (2) Filling vacancies on the Board;
- (3) Amending the articles of incorporation; or
- (4) Electing to wind up and dissolve the corporation.
- (5) Approving a contract or transaction between the corporation and one or more directors, or between the corporation and any entity in which a director has a material financial interest; or
- (6) Approving a plan of distribution of assets, other than money, not in accordance with liquidation rights of any class or classes as specified in the articles or bylaws, when the corporation is in the process of winding up.

(iii) **Manner of Giving Notice.** Notice of any meeting of Certificate Holders shall be in writing and shall be given at least 10 but no more than 90 days before the meeting date. The notice shall be given either personally or by first-class, registered, or certified

mail, or by other means of written communication, charges prepaid, and shall be addressed to each Certificate Holder entitled to vote, at the address of that Certificate Holder appearing on the books of the corporation or at the address given by the Certificate Holder to the corporation for purposes of notice. If no address appears on the corporation's books and no address has been so given, notice shall be deemed to have been given if sent to that Certificate Holder by first-class mail to the address then appearing on the Sonoma County Tax Assessors Rolls pertaining to tax notices for the property to which the Membership Certificate is appurtenant.

g. **Quorum**

(i) **Percentage Required.** Any amount greater than Fifty percent (>50%) percent of the voting power, shall constitute a quorum for the transaction of business at any meeting of Certificate Holders.

(ii) **Loss of Quorum.** Subject to Section 4.7f.(ii) of these bylaws, the Certificate Holders present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, even if enough Certificate Holders have withdrawn to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the Certificate Holders required to constitute a quorum.

h. **Adjournment and Notice of Adjourned Meetings.** Any Certificate Holders' meeting, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of the Certificate Holders represented at the meeting, either in person or by proxy. No meeting shall be adjourned for more than 45 days. When a Certificate Holders' meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place of which the meeting is adjourned are announced at the meeting at which adjournment is taken. If after adjournment a new record date is fixed for notice of voting, a notice of the adjourned meeting shall be given to each Certificate Holder who, on the record date for notice of the meeting, is entitled to vote at the meeting. At the adjourned meeting, the corporation may transact any business that might have been transacted at the original meeting.

i. **Voting.**

(i) **Eligibility to Vote.** Subject to the provisions of the California Nonprofit Mutual Benefit Corporation Law, Certificate Holders entitled to vote at any meeting of Certificate Holders shall be those Certificate Holders in good standing as of the record date determined pursuant to Cal. Corp. Code §7611.

(ii) **Manner of Casting Votes.** Voting may be by voice or ballot, except that any election of directors must be by ballot if demanded by any Certificate Holder at the meeting before the voting begins.

(iii) **Voting.** There shall be one vote for each separate Membership Certificate. The holder or holders of each Membership Certificate entitled to vote shall be entitled to cast a single vote for such Membership Certificate on each matter submitted to a vote of the Certificate Holders, and if there is more than one person who is a Certificate Holder for a single Membership Certificate, the entire vote for that Membership Certificate shall be cast in accordance with the agreement of all such person or if there is not agreement, then in accordance with the majority of such persons represented at a meeting or other vote.

(iv) **Approval by Majority Vote.** If a quorum is present, the affirmative vote of a majority of the voting power represented at the meeting, entitled to vote and voting on any matter, shall be the act of the Certificate Holders, unless the vote of a greater number, or voting by classes, is required by the California Nonprofit Mutual Benefit Corporation Law or by the articles of incorporation.

j. **Waiver of Notice or Consent by Absent Certificate Holders.**

(i) **Written Waiver or Consent.** The transactions of any meeting of Certificate Holders, however called or noticed and wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (1) a quorum is present either in person or by proxy, and (2) either before or after the meeting, each Certificate Holder entitled to vote, not present in person or proxy, signs a written waiver of notice, a consent to the holding of the meeting, or an approval of the minutes of the meeting. The waiver of notice, consent, or approval need not specify either the business to be transacted or the purpose of any meeting of Certificate Holders, except that if action is taken or proposed to be taken for approval of any of those matters specified in Section 4.7(d)(ii) the waiver of notice, consent, or approval shall state the general nature of the proposal. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

(ii) **Waiver by Attendance.** A Certificate Holder's attendance at a meeting shall also constitute a waiver of notice of and presence at that meeting, unless the Certificate Holders objects at the beginning of the meeting to the transaction of any business because the meeting was not lawfully called or conveyed. Also, attendance at a meeting is not a waiver of any right to object to the consideration of matters required to be included in the notice of the meeting but not so included, if that objection is expressly made at the meeting.

4.8 **Action by Unanimous Written Consent.** Any action required or permitted to be taken by the Certificate Holders may be taken without a meeting, if all Certificate Holders consent in writing to the action. The written consent or consents shall be filed with the minutes of the proceedings of the Certificate Holders. The action by written consent shall have the same force and effect as the unanimous vote of the Certificate Holders.

4.9 **Proxies.**

a. **Right of Certificate Holders.** Each Certificate Holder entitled to vote shall have the right to do so either in person or by one or more agents authorized by a written proxy, signed by the person and filed with the secretary of the corporation. A proxy shall be deemed signed if the Certificate Holder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission, or otherwise) by the Certificate Holder or the Certificate Holder's attorney-in-fact.

b. **Requirement That General Nature of Subject of Proxy Be Stated.** Any proxy covering matters for which a vote of the Certificate Holders is required, including amendments of the articles of incorporation or bylaws changing proxy rights; certain other amendments of the articles of incorporation; removal of directors without cause; filling vacancies on the Board of directors; the sale, lease, exchange, conveyance, transfer, or other dispositions of all or substantially all of the corporate assets, unless the transaction is in the usual and regular



course of the corporation's activities; the principal terms of a merger or the amendment of a merger agreement; or the election to dissolve the corporation, shall not be valid unless the proxy sets forth the general nature of the matter to be voted on or, with respect to an election of directors, the proxy lists those who have been nominated at the time the notice of the vote is given to the Certificate Holders.

c. **Revocability.** A validly executed proxy shall continue in full force and effect until (a) revoked by the Certificate Holder executing it, before the vote is cast under that proxy, (i) by a writing delivered to the corporation stating that the proxy is revoked, or (ii) by a subsequent proxy executed by that Certificate Holder and presented to the meeting, or (iii) as to any meeting, by that Certificate Holder's personal attendance and voting at the meeting; or (b) written notice of the death or incapacity of the maker of the proxy is received by the corporation before the vote under that proxy is counted, provided, however, that no proxy shall be valid after the expiration of 11 months from the date of the proxy, unless otherwise provided in the proxy, except that the maximum term of a proxy shall be three years from the date of execution. A proxy may not be irrevocable.

## **ARTICLE V DIRECTORS**

### **5.1 Powers.**

a. **General Corporate Powers.** Subject to the provisions and limitations of the California Nonprofit Mutual Benefit Corporation Law and any other applicable laws, and subject to any limitations of the articles of incorporation or bylaws regarding actions that require approval of the Certificate Holders, the corporation's activities and affairs shall be managed, and all corporate powers shall be exercised, by or under the direction of the Board.

b. **Specific Powers.** Without prejudice to the general powers set forth in Section 5.1(a) of these bylaws, but subject to the same limitations, the directors shall have the power to:

(1) Appoint and remove, at the pleasure of the Board, all corporate officers, agents, and employees; prescribe powers and duties for them as are consistent with the law, the articles of incorporation and these bylaws; fix their compensation; and require from the security for faithful service.

(2) Change the principal office or the principal business office in California from one location to another; cause the corporation to be qualified to conduct its activities in any other state, territory, dependency, or country; conduct its activities in or outside California; and designate a place in or outside California for holding any meeting of members.

(3) Adopt and use a corporate seal; prescribe the forms of Membership Certificates; and alter the forms of the seal and Membership Certificates.

(5) Suspend Membership Certificates, establish the terms and conditions of reinstatement of Membership Certificates, and reinstate Membership Certificates in accordance with the provision set forth in these bylaws.

(6) Establish, fix, levy and collect regular and special assessments and user fees and enforce the collection of such assessments and fees by sale, suspension and/or forfeiture of Membership Certificates as provided in these bylaws.

(7) The approval, adoption and implementation of an annual budget and the establishment of an annual base rate for purposes assessments.

c. **Limitations.** The following activities of the Board shall require Approval by a Majority Vote, as described in Section 4.7i.(iv):

(1) The borrowing of money and incurring indebtedness on behalf of the corporation and entering into any promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecation, and other evidences of debt or securities, whether for maintenance, repairs or other expenses associated with the operations of the corporation.

5.2 **Number and Qualification of Directors.** The authorized number of directors shall be at least three (3) and no more than nine (9), elected by the Certificate Holders.

5.3 **Election and Term of Office.** All directors shall be elected annually at the annual meeting of the Certificate Holders, to hold office until the next annual meeting. Each such director, including a director elected to fill a vacancy, shall hold office until expiration of the term for which designated and until a successor has been elected and qualified. Certificate Holders shall be allowed to hold concurrent terms. A director may also serve concurrently as an officer of the corporation.

5.4 **Nomination of Directors.** The President, with the approval of the Board, shall appoint a Nominating Committee, consisting of at least four (4) individuals which shall be responsible for nominating qualified individuals for election or appointment to the Board of Directors. The Nominating Committee shall make a report to the Board of Directors identifying its nominees at least thirty (30) days before the annual meeting. The Board of Directors shall approve or disapprove the nominees, and if approved by the Board, the nominees shall be submitted to the Members at the annual meeting for election to the Board. Any Member may nominate additional candidates for election to the Board at the annual meeting.

5.5 **Vacancies on Board.**

a. **Events Causing Vacancy.** A vacancy or vacancies on the Board shall exist on the occurrence of the following: (i) the death or resignation of any director; (ii) the declaration by resolution of the Board of a vacancy in the office of a director who has been declared of unsound mind by an order of court, convicted of a felony, or found by final order or judgment of any court to have breached a duty under Article 3 of Chapter 2 of the California Nonprofit Mutual Benefit Corporation Law.

b. **Resignations.** Except as provided below, any director may resign by giving written notice to the President. The resignation shall be effective when the notice is given unless it specifies a later time for the resignation to become effective. If a director's resignation is effective at a later time, the Board may designate a successor to take office as of the date when the resignation becomes effective. Except on notice to the Attorney General of California, no director may resign if the corporation would be left without a duly elected director or directors.

c. **Filling Vacancies.** Except for a vacancy created by the removal of a director by the full Board, vacancies on the Board may be filled by a majority of the directors then in office, whether or not less than a quorum, or by a sole remaining director. Any director so appointed by the Board shall serve until the next annual meeting of Certificate Holders.

d. **No Vacancy on Reduction of Number of Directors.** No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

## 5.6 Directors' Meetings.

a. **Place of Meetings.** Meetings of the Board shall be held at any place within or outside of California that has been designated by resolution of the Board or in the notice of the meeting or, if not so designated, at the principal office of the corporation.

b. **Meetings by Telephone.** Any meeting may be held by conference telephone, video screen communication, or other similar communication equipment, as long as all directors participating in the meeting can hear one another. All such directors shall be deemed to be present in person at such a meeting if all the following apply:

(1) Each member participating in the meeting can communicate concurrently with all other members.

(2) Each member is provided the means of participating in all matters before the Board, including the capacity to propose, or to interpose an objection to, a specific action to be taken by the corporation.

c. **Annual Meeting.** Immediately after each annual meeting of Certificate Holders, the Board shall hold a regular annual meeting at the same location, for purposes of organization, election of officers, and transaction of other business. Notice of this meeting is not required.

d. **Other Regular Meetings.** Other regular meetings of the Board may be held without notice at such time and place as the Board may fix from time to time.

### e. **Special Meetings.**

(1) **Authority to Call; Notice.** Special meetings of the Board for any purpose may be called at any time by the president, or any vice president, the secretary or any two directors. Notice of the time and place of special meetings shall be given to each director, at least five (5) days before the meeting, by one of the following methods: (i) by personal delivery of written notice; (ii) by first-class mail, postage prepaid; (iii) by telephone, either directly to the director or to a person at the director's office who would reasonably be expected to communicate the notice promptly to the director; (iv) by facsimile; (v) by electronic mail; or (6) other electronic means. All such notices shall be given or sent to the director's address or telephone number as shown on the records of the corporation. The notice shall state the time of the meeting, and the place if the place is other than the principal office of the corporation. It need not specify the purpose of the meeting.

(2) **Waiver of Notice.** Notice of a meeting need not be given to any director who, either before or after the meeting, signs a waiver of notice, a written consent to the holding of the meeting, or an approval of the minutes of the meeting. The waiver of notice or consent need not specify the purpose of the meeting. All such waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meetings. Notice of a meeting need not be given to any director who attends the meeting and does not protest, before or at the commencement of the meeting, the lack of notice to him or her.

5.7 **Action Without a Meeting.** Any action that the Board is required or permitted to take may be taken without a meeting if all members of the Board consent in writing to the action; provided, however, that the consent of any director who has a material financial interest in a transaction to which the corporation is a party and who is an "interested director" as defined in Section 5233 of the California Corporations Code shall not be required for approval of that transaction. Such action by written consent shall have the same force and effect as any other validly approved action of the Board. All such consents shall be filed with the minutes of the proceedings of the Board.

5.8 **Compensation and Reimbursement.** Directors shall serve without compensation, but may be reimbursed for reasonable expenses incurred to attend any meeting of the Board or of the Shareholders, as the Board may establish by resolution.

5.9 **Quorum.** A majority of the authorized number of directors shall constitute a quorum for the transaction of any business except adjournment. Every action taken or decision made by a majority of the directors present at a duly held meeting at which a quorum is present shall be an act of the Board, subject to the more stringent provisions of the California Nonprofit Mutual Benefit Corporation Law, including, without limitation, the provisions on (1) approval of contracts or transactions between this corporation and one or more directors or between this corporation and any entity in which a director has a material financial interest, (2) creation of any appointments to committees of the Board, and (3) indemnification of directors. A meeting at which a quorum is initially present may continue to transact business, despite the withdrawal of some directors, if any action taken or decision made is approved by at least a majority of the required quorum of that meeting.

## **ARTICLE VI ASSESSMENTS**

6.1 **Budget; Base Rate.** Each year, prior to the annual meeting of the members, the Board shall prepare, or have prepared, a proposed budget based on the projected cost of the operation of the corporation in the coming year. The budget shall include a proposed base rate (the "Base Rate") for the upcoming year, which base rate shall be an equal allocation among all Certificate Holders of the proposed costs and expenses for the upcoming year as set forth in the budget. The secretary of the corporation shall distribute, at least forty-five (45) days prior to the next annual meeting, a copy of the proposed budget to each Certificate Holder of record in the corporation. The adoption of a final budget and Base Rate for the upcoming year shall take place at the annual meeting of the Certificate Holders, subject to Approval by a Majority Vote, as described in Section 4.7i.(iv).

6.2 **Special Assessments.** The Board may institute a special assessment (i) in the event of an emergency situation, which shall mean an extraordinary expense as determined necessary to cover unforeseen costs or expenses that were not included in the annual budget, provided that the special assessment in this case shall not exceed five percent (5%) of the total annual budget.

6.3 **Regular Assessments.**

a. Once the budget and Base Rate have been established and approved for the following year, the secretary shall, in a written notice served to each holder of record of each Membership Certificate:

- (1) specify the amount thereof and to whom and where it is payable;
- (2) fix a date on which the assessment, or monthly portion thereof, is payable;
- (3) fix a date, not less than 30 nor more than 60 days from the date on which the assessment is payable, on which such assessment becomes delinquent if not paid; and
- (4) fix a date, not less than 15 nor more than 60 days from the date on which the unpaid assessment becomes delinquent, for the suspension of Membership rights and privileges in the corporation. Assessments and initiation fees shall not be refunded to removed or resigning Certificate Holders.

b. **Penalty to Cure.** If payment is made after delinquency and before the sale, the Certificate Holder shall pay a penalty of five percent (5%) of the amount of the assessment on the Membership Certificate in addition to the assessment.

c. **Surrender of Certificate.** After a suspension or forfeiture of Membership Certificates for nonpayment of an assessment, the holder or owner of delinquent Membership Certificates shall surrender the Membership Certificates to the corporation for cancellation or and shall have no further rights with respect to such Membership Certificates. This duty may be enforced by order or decree of court and such holder or owner shall be liable for damages to the corporation for failure to surrender the Membership Certificate for cancellation upon demand without good cause or excuse. Any certificate not so surrendered forthwith becomes null and void and ceases to be evidence of the right or title of the holder or any transferee to the Membership Certificates purporting to be represented thereby, and neither the corporation nor the purchaser of such Membership Certificates incurs any liability thereon to any such transferee.

d. **Defects.** An assessment is not invalidated by a failure to serve the notice of assessment, nor by the nonperformance of any act required in order to enforce the payment of the assessment; but in case of any substantial error or omission in the course of proceedings for collection of an assessment on any Membership Certificates, all previous proceedings, except the levy of the assessment, are void as to such Membership Certificates, and shall be taken anew.

## ARTICLE VII OFFICERS

7.1 **Officers of the Corporation.** The officers of the corporation shall be President, Vice President, Secretary and Treasurer. Any number of offices may be held by the same person, except that neither the secretary nor the treasurer may serve concurrently as the President.

7.2 **Election of Officers.** The officers of the corporation shall be chosen annually by the Certificate Holders, to hold their positions until the next annual meeting. Any director may concurrently serve as an officer of the corporation.

7.3 **Removal of Officers.** Without prejudice to any rights of an officer under any contract of employment, any officer may be removed with or without cause by the Board or by the Approval by Majority Vote as set forth in Section 4.7i.(iv).

7.4 **Resignation of Officers.** Any officer may resign at any time by giving written notice to the corporation. The resignation shall take effect as of the date the notice is received or at any later time specified in the notice and, unless otherwise specified in the notice, the resignation need not be accepted to be effective. Any resignation shall be without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

7.5 **Vacancies in Office.** A vacancy in any office because of death, resignation, removal, disqualification, or any other cause may be filled by the Board, by a majority vote, such officer shall serve until the next annual meeting at which time the officers shall be chosen in the manner prescribed in these bylaws for regular appointments to that office.

7.6 **Responsibilities of Officers.**

a. **President.** The President shall be the chief executive officer of the corporation, shall preside at all meetings of the directors and members, shall, ex-officio, be a member of all directors' committees and shall, subject to the control of the Board, have general supervision, direction control of the ordinary business of the corporation and shall have such other powers and duties as may be provided for by law, by the Board or these bylaws. The President may incur reasonable expenses on behalf of the corporation in the course of business, provided that the amount of such expenses or liabilities incurred on behalf of the corporation shall be consistent with the annual budget and no one expenditure shall exceed the sum of \$5,000 without the prior Approval by Majority Vote, as set forth in Section 4.7i.(iv).

b. **Secretary.**

(1) **Book of Minutes.** The secretary shall keep or cause to be kept, at the corporation's principal office or such other place as the Board may direct, a book of minutes of all meetings, proceedings, and actions of the Board, and of Certificate Holders' meetings. The minutes of meetings shall include the time and place that the meeting was held, whether the meeting was annual, regular, or special, and, if special, how authorized, the notice given, the names of those present at Board meetings, and the number of Certificate Holders present or represented at Certificate Holders' meetings. The secretary shall keep or cause to be kept, at the

principal office of the corporation, a copy of the articles of incorporation and bylaws, as amended to date.

(2) **Membership Records.** The secretary shall keep or cause to be kept, at the corporation's principal office or at a place determined by resolution of the Board, a record of the corporation's Certificate Holders, showing each Certificate Holder's name, address, and telephone number.

(3) **Notices, Seal, and Other Duties.** The secretary shall give, or cause to be given, notice of all meetings of the Board or other meetings as required by these bylaws to be given. The secretary shall keep the corporate seal in safe custody and shall have such other powers and perform such other duties as the Board or the bylaws may prescribe.

c. **Treasurer.**

(1) **Books of Account.** The treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and accounts of the corporation's properties and transactions. The treasurer shall send or cause to be given to the directors such financial statements and reports as are required to be given by law, by these bylaws, or by the Board. The treasurer shall assist the Board in the preparation of an annual budget proposal and determination of the Base Rate.

(2) **Deposit and Disbursement of Money and Valuables.** The treasurer shall deposit, or cause to be deposited, all money and other valuables in the name and to the credit of the corporation with such depositories as the Board may designate, shall disburse the corporation's funds as the Board may order, shall render to the President, if any, and the Board, when requested, an account of all transactions as chief financial officer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as the Board or the bylaws may prescribe. The treasurer shall have the power to pay debts and liabilities incurred in the normal course of operation or, for expenditures equal to or exceeding the limit in 7.6a, above, with Approval by a Majority Vote, as described in Section 4.7i.(iv).

d. **Other Officers.** The Board may appoint such other officers as it, in its discretion, deems in the best interests of the corporation, granting such powers and prescribing such duties as it may deem proper. Such other officers are not, ex officio, directors of the corporation.

## ARTICLE VIII CERTIFICATES OF MEMBERSHIP

8.1 **Certificates of Membership.** Certificates of Membership ("Membership Certificate") shall be issued upon acceptance of the application of a Certificate Holder as provided in these Bylaws. All Membership Certificates shall be signed by any two of the duly elected officers.

8.2 **Form.** All Membership Certificates shall be substantially in the following form:

**Certificate of Membership**

**HOP QUALITY GROUP**  
**A California Nonprofit Mutual Benefit Corporation**  
Certificate No \_\_\_\_\_

This Certifies that \_\_\_\_\_ is a member of the HOP QUALITY GROUP, a nonprofit mutual benefit corporation, incorporated under the laws of the State of California. The holder of this certificate is entitled to all of the rights and privileges and subject to all of the restrictions and conditions provided in the articles of incorporation and the bylaws of the corporation, pursuant to which this certificate is issued. Copies of said articles of incorporation and of said bylaws are on file at the office of the corporation and the holder hereof is entitled to examine the same. The corporation may not make distributions to its members except upon dissolution. This certificate is transferable only in compliance with the limitations and restriction set forth in the articles of incorporation and bylaws of the corporation and when properly endorsed by the holder in accordance with the provisions of said bylaws.

This Certificate of Membership is subject to suspension in accordance with the provisions set forth in the bylaws of the corporation. Any transferee of this certificate may contact the corporation to determine if this certificate is suspended and if so, the terms and conditions of reinstatement.

IN WITNESS WHEREOF, the said corporation has caused this certificate to be executed by its duly authorized officers, and its corporate seal to be hereunto affixed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
SECRETARY

\_\_\_\_\_  
PRESIDENT

**ARTICLE IX**  
**INDEMNIFICATION**

9.1 **Right of Indemnity.** To the fullest extent permitted by law, this corporation shall indemnify its directors, officers, employees, and other persons described in Section 7237(a) of the California Corporations Code, including persons formerly occupying any such position, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any "proceeding," as that term is used in that section, and including an action by or in the right of the corporation, by reason of the fact that the person is or was a person described in that section. "Expenses," as used in this bylaw, shall have the same meaning as in Section 7237(a) of the California Corporations Code.

9.2 **Approval of Indemnity.** On written request to the Board by any person seeking indemnification under Section 7237 (b) or Section 7237 (c) of the California Corporations Code, the Board shall promptly determine under Section 7237 (e) of the California Corporations Code



whether the applicable standard of conduct set forth in Section 7237 (b) or Section 7237 (c) has been met and, if so, the Board shall authorize indemnification.

**9.3 Advancement of Expenses.** To the fullest extent permitted by law and except as otherwise determined by the Board in a specific instance, expenses incurred by a person seeking indemnification under Sections 8.1 and 8.2 of these bylaws in defending any proceeding covered by those Sections shall be advanced by the corporation before final disposition of the proceeding, on receipt by the corporation of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the corporation for these expenses.

## **ARTICLE X INSURANCE**

**10.1** The corporation shall have the right to purchase and maintain insurance to the full extent permitted by law on behalf of its officers, directors, employees, and other agents, against any liability asserted against or incurred by any officer, director, employee, or agent in such capacity or arising out of the officer's, director's, employee's, agent's status as such.

**10.2** The corporation shall have the right to purchase insurance for public liability and property damage in amounts determined by the Board.

## **ARTICLE XI RECORDS AND REPORTS**

**11.1 Maintenance of Corporate Records.** The corporation shall keep:

- a. Adequate and correct books and records of account; and
- b. Written minutes of the proceedings of its Board.

**11.2 Maintenance and Inspection of Articles and Bylaws.** The corporation shall keep at its principal office, or if its principal office is not in California, at its principal business office in this state, the original or a copy of the articles on incorporation and bylaws, as amended to date, which shall be open to inspection by the directors. If the principal office of the corporation is outside California and the corporation has no principal business office in this state, the secretary shall, on the written request of any Certificate Holder, furnish to that Certificate Holder a copy of the articles of incorporation and bylaws, as amended to date.

**11.3 Inspection by Directors; Certificate Holder.** Every director and every Certificate Holder shall have the absolute right at any reasonable time to inspect the corporation's books, records, documents of every kind, physical properties, and the records of each of its subsidiaries. The inspection may be made in person or by the director's or Certificate Holder's accountant or attorney. The right of inspection includes the right to copy and make extracts of documents.

**ARTICLE XII  
CONSTRUCTION AND DEFINITIONS**

12.1 Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the California Nonprofit Corporation Law shall govern the construction of these bylaws. Without limiting the generality of the preceding sentence, the masculine gender includes the feminine and neuter, the singular includes the plural, the plural includes the singular, and the term "person" includes both a legal entity and a natural person.

**ARTICLE XIII  
AMENDMENTS**

13.1 **Amendment by Certificate Holders.** New bylaws may be adopted, or these bylaws may be amended or repealed, by approval of the Certificate Holders. Any provision of these bylaws that requires the vote of a larger proportion of the Certificate Holders than otherwise is required by laws may not be altered, amended, or repealed except by the vote of that greater number. No amendment may extend the term of a director beyond that for which the director was elected. Any provision of these bylaws providing for the designation or selection, rather than election, of any director or directors may be adopted, amended, or repealed only by approval of the Certificate Holders, subject to the consent of the person or person entitled to designate or select any such directors.

**CERTIFICATE OF SECRETARY**

THIS IS TO CERTIFY:

That I am the duly elected and acting Secretary of Hop quality group, a California nonprofit mutual benefit corporation, that the above bylaws, consisting of 18 pages, are the bylaws of this corporation as adopted by the Certificate holders on January 20, 2011, and that they have not been amended or modified since that date.

Executed on January 20, 2011, at Santa Rosa, California.

  
\_\_\_\_\_  
CHRISTIAN HOLBROOK, SECRETARY