

MIKE BEEBE
GOVERNOR

A. HEATH ABSHURE
COMMISSIONER



HERITAGE WEST BUILDING, SUITE 300
201 EAST MARKHAM STREET
LITTLE ROCK, ARKANSAS 72201-1692
TELEPHONE: (501) 324-9260
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ARKANSAS SECURITIES DEPARTMENT

January 28, 2010

Eric N. Anderson
Clark, Mize, & Linville, CHTD.
129 S. Eighth
PO Box 380
Salina, KS 67402-0380

RE: The Heartland Voluntary Advertising Group Cooperative Exchange
No-Action 10-90000395-NA01

Dear Mr. Anderson:

The Arkansas Securities Department ("Department") is in receipt of your request dated November 20, 2009, ("Request") regarding The Heartland Voluntary Advertising Group Cooperative Exchange ("Coop"), and the stock ("Stock") it plans to issue. The Request seeks a no-action letter from the Staff of the Department ("Staff"), concerning the Coop's stock. It is your position that the Stock is not a security and thus would not require registration within the registration provisions of the Arkansas Securities Act ("Act"), located at Ark. Code Ann. §§ 23-42-101 through 23-42-509. The Department has attached a copy of the Request to avoid reciting or summarizing the facts that you have presented.

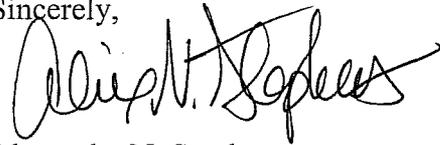
After a thorough review of the specific elements of the offering as presented in your Request, the Staff will not recommend to the Securities Commissioner that formal action be initiated should the proposed transaction by the Coop take place in Arkansas without the benefit of securities registration in this State. However, for purposes of this no-action letter, the Staff takes no position as to whether the Stock is a security as defined under the Act.

Please note that the position of the Department is based solely upon the representations in your correspondence and applies only to the transactions and facts as represented in the Request. Different facts or circumstances might, and often would, require a different response. The Staff only expresses its position as to the recommendation of formal enforcement action by the Department and does not purport to be a legal opinion or formal conclusion.

Eric N. Anderson
January 28, 2010
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If you have any questions or need additional information, please do not hesitate to contact me at 501-324-9260. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Alexandra N. Stephens". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Alexandra N. Stephens
Staff Attorney

ANS/

Enclosure

RECEIVED

09 NOV 24 AM 8:25

**CLARK, MIZE & LINVILLE**
CHARTERED

ATTORNEYS AT LAW

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TELEPHONE: (785) 823-6325
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C.L. CLARK (1908 - 2004)
JAMES P. MIZE (1910 - 1988)

AUBREY G. LINVILLE
L.O. BENGTON
RETIRED

ARKANSAS SECURITIES DEPT.

PETER L. PETERSON
JOHN W. MIZE
GREG A. BENGTON
MICKEY W. MOSIER
PAULA J. WRIGHT
ERIC N. ANDERSON
DUSTIN J. DENNING
MICHAEL P. ALLEY
PETER S. JOHNSTON
JARED B. JOHNSON
JARED T. HIATT
JOSHUA C. HOWARD

November 20, 2009

Mr. David Smith, Esq.
Chief Counsel
Arkansas Securities Department
201 E. Markham, Suite 300
Little Rock, AR 72201

RE: The Heartland Voluntary Advertising Group Cooperative Exchange

Dear Mr. Smith:

As per my conversation with Felicia West of your office, enclosed for your review and comment is a copy of the Articles of Incorporation and Bylaws for The Heartland Voluntary Advertising Group Cooperative Exchange ("Coop"). Specifically, we are requesting that your office issue an "no action" opinion letter concerning the stock to be issued by the Coop. It is our opinion that the stock is not a security and, as such, should not be subject to registration requirements.

Summary of Organization

The corporation was organized under the Kansas Cooperative Corporation Code (K.S.A. 17-1501 et seq.) by grocers who are supplied and serviced by Affiliated Foods Midwest ("AFM") and who advertise under the AFM/Shurfine Foods banner for the purpose of affiliating to create economies of scale in product advertising. At this juncture, AFM supplies grocery stores in 9 states: Kansas, Missouri, Nebraska, Iowa, South Dakota, North Dakota, Colorado, Oklahoma, and Wyoming. Thus, a similar letter has been sent to the Securities Commissioner offices in each of those states soliciting a similar "no action" opinion or a "discretionary exemption" from filing requirements. All of those states have responded in the affirmative. Please note that at this point, the Articles of Incorporation have not yet been filed in Arkansas, but ultimately will be filed as a foreign corporation doing business in Arkansas.

The Articles of Incorporation contain the threshold requirements provided by Kansas statutes governing cooperative corporations. However, the statutes concerning such corporations were promulgated nearly 100 years ago, with very few subsequent changes. Generally, the following provisions must be present in the Articles:

Mr. David Smith, Esq.
Chief Counsel
Arkansas Securities Department
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- **Name of the entity** (which must start with the word “The” and end with one of the following words: “association,” “company,” “corporation,” “exchange,” “society,” or “union.”)
- **Names and residence addresses for the persons who will form the corporation** (which must include at least 20 members)
- **The purpose of the organization** (which must include as two of its components the requirement to pay a fixed dividend on its stock and the requirement that the remainder of its profits prorated to its stockholders upon their purchases from or sales to the organization, i.e. patronage dividend)
- **Principal place of business**
- **Amount of authorized capital stock**
- **Number of shares to be issued and par value assigned to the stock**
- **Number of directors – at least 5**
- **Names and addresses of initial directors**
- **Time for which the corporation is to exist, which cannot exceed 50 years**

It is our opinion that the enclosed Articles of Incorporation meet the Kansas requirements.

As per K.S.A. 17-1512, there is not a great deal of direction given as to what must, or should, be included in the corporation’s Bylaws. Thus, we have adopted general corporation Bylaws with a few modifications to reflect the following cooperative corporation concepts outlined in the statutes:

- a. Eligibility to Own Stock. Once a grocery store meets the threshold test of being affiliated with AFM, Article 2, Section 1 of the corporation’s Bylaws creates the specific eligibility requirements to be met by the owner of the store before the privilege of owning stock in the corporation will be permitted. As indicated by the last bullet point of that list, a prospective stockholder must ultimately receive a favorable vote from a majority of the board of directors before the stock can be purchased.
- b. Application for Shareholder Status. Article 2, Section 2 of the Bylaws states the manner in which a prospective grocer can apply for shareholder status.
- c. No cumulative voting. Neither the Articles of Incorporation, nor the Bylaws (Article 2, Section 6) permit cumulative voting.
- d. Limitations on Transfer of Stock. Paragraph 4 of the Articles of Incorporation briefly touches on the issue of the limitations on the transfer of stock, but the details of the transfer restrictions are found in Article 5 of the Bylaws. As indicated therein, stock in the Coop cannot be freely transferred.
- e. Patronage Distribution. The essence of the cooperative corporation is the method by which the patronage is divided. Article 6 of the Bylaws outlines the

Mr. David Smith, Esq.
Chief Counsel
Arkansas Securities Department
November 20, 2009
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advertising concepts and patronage dividend distribution concepts that will be applicable to all stockholders. Specifically, the board of directors will set the specific price per case of advertised items purchased from AFM that will be paid to the shareholders as patronage. The stockholder will then receive such patronage on a monthly basis based upon the previous month's purchases.

It is our opinion that the Bylaws conform to the requirements of Kansas statutes and accurately reflect the concepts of a cooperative corporation.

Stock in Coop is Not a Security

The stock in the Coop will be available to grocers in the states serviced by AFM. And, because the equity is in a corporation, the ownership of that equity is referred to as "stock." However, it is our opinion that the "stock" in the Coop is not a security.

As outlined by the United States Supreme Court in *United Housing Foundation, Inc. v. Forman*, 421 U.S. 837, 851, 95 S.Ct. 2051, 2060, 44 L.Ed.2d 621 (1975), the typical characteristics of common stock are as follows:

- the right to receive dividends contingent upon an apportionment of profits,
- negotiability,
- the ability to be pledged or hypothecated,
- voting rights, and
- the capacity to appreciate in value.

The following is an analysis of those five characteristics applied to the Coop:

1. Right to receive dividends contingent upon an apportionment of profits. As per Kansas statute, there is a fixed dividend per share of \$50 so that if there would ever be earnings and profits for distribution and if dividends were declared by the board of directors, each share of stock would be entitled to a \$50 per share dividend. However, there is a limit on the number of shares a person can own – one share for each qualifying grocery store. Thus, there is no ability for a person to acquire large numbers of shares of stock in order to realize a correspondingly large dividend. More importantly, the bulk of the earnings and profits will be distributed in the form of patronage distributions, and the patronage distributions to a stockholder will be based solely on the amount of business done by that stockholder through AFM and the Coop. Thus, there is not, in our opinion, a general right to receive dividends based upon the apportionment of profits.

2. Negotiability. As per Article 5, Section 1 of the Bylaws, the stock in the corporation is not transferable. If at any time the owner of the stock ceases to meet the eligibility criteria to own stock (as stated in Bylaws, Article 2, Section 1) or otherwise loses control of the entity that owns the Coop stock, the corporation can force either a

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Chief Counsel
Arkansas Securities Department
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redemption of the stock or the transfer of the stock to an eligible person. Thus, there is no free transferability or negotiability of the stock.

3. Ability to be pledged or hypothecated. Because of the restrictions on who is eligible to own stock and the general restrictions on the transfer of such stock, as stated in the Bylaws, it is our opinion that the stock cannot be pledged or hypothecated by a stockholder as collateral for a debt.

4. Voting Rights. There are indeed voting rights granted to the owners of the stock in the corporation. Those rights are one vote per share with no cumulative voting rights.

5. The capacity to appreciate in value. Because the redemption of the stock is at its par value and the stock cannot be freely sold, it is our opinion that there is no capacity for the stock to appreciate in value. The only time whereby a stockholder could possibly receive more in return for his/her stock than the \$200 purchase/redemption price would be upon the final dissolution and liquidation of the Coop. If the Coop has any retained earnings upon dissolution, those stockholders owning stock at the time of dissolution will receive a pro-rated share of the remaining assets, as would be the case with any for-profit entity upon dissolution. Other than that isolated scenario, however, there is no ability for the stock to appreciate in value.

In addition, the risk of loss in this case is minimal. The purchase price for the stock is \$200 and the redemption price is \$200.

Based upon the above analysis it is our opinion that the stock in the Coop does not meet the *Foreman* criteria as a “security”. The Court in *Forman* concluded that although the equity in that case was called “stock,” the owners were not likely to believe that they were purchasing investment securities and that the inducement to purchase that stock was solely to acquire the rights to certain accommodations and not to invest for a profit.

In addition to the *Forman* criteria, the United States Supreme Court in *S.E.C. v. W.J. Howey Co.*, 328 U.S. 293, 66 S.Ct. 1100, 90 L.Ed. 1244 (1946) established the following criteria whereby an “investment contract” could be considered as security:

If a person:

- invests money,
- in a common enterprise,
- and is led to expect profits,
- solely from the efforts of the promoter or third party.

In the case of the Coop, the stock is purchased by persons, they will certainly be investing money in a common enterprise, and they will have an expectation of the distribution of profits, but such profits will not be created solely from the efforts of a promoter or third party. The cooperative

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Chief Counsel
Arkansas Securities Department
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corporation concept is such that the profits are distributed in the form of patronage. Thus, the distribution of profits is based solely on the efforts of the investor not the efforts of the promoter or third party.

It is our opinion that the stock in the Coop is not a security because it fails to meet the *Howey* test as an investment contract.

Conclusion

As indicated above, the corporation is being organized as a Kansas entity, however, there will be stockholders in several states. The purpose of the Coop is to allow similarly situated independent grocers to band together to create economies of scale for advertising purposes. All owners of stock in the entity must purchase a certain amount of their products from AFM, which will create some degree of uniformity of products being offered for sale to the consumer. In short, the essence of the Coop is more of a "club" to which certain grocers can become members. By incorporating the "club," the owners create a more formal organization that should give them *bona fides* in their advertising programs. However, in creating the more formal organization, which includes the issuance of "stock" to memorialize the membership in the organization, the issue of whether that "stock" is a "security" is triggered.

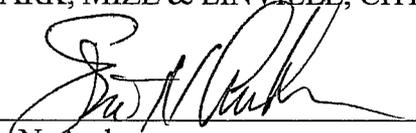
It is our opinion, based upon the above arguments, that the stock in the Coop is not a security and should not be subject to the various regulatory requirements attendant to securities. Before proceeding to filing the Articles of Incorporation in Arkansas, we are seeking a "no action" opinion from your office that hopefully confirms that the stock in the Coop is not a security and that your office will take "no action" concerning the enforcement of any security registration requirements.

Please review this letter and the enclosed corporate documentation and respond accordingly. If there is additional information that you need to assist you in making your decision, please do not hesitate to contact me at the address or telephone number listed above. Our understanding is that your office endeavors to provide "no action" opinion letters within 30 days after your receipt of such a request.

We look forward to your response.

Very truly yours,

CLARK, MIZE & LINVILLE, CHTD.

By 
Eric N. Anderson

RON THORNBURGH

Secretary of State



Memorial Hall, 1st Floor
120 S.W. 10th Avenue
Topeka, KS 66612-1594
(785) 296-4564

STATE OF KANSAS

January 16, 2007

FRANCIE LAMBERT
CLARK MIZE & LINVILLE CHARTERED
129 S. EIGHTH
PO BOX 380
SALINA KS 67402

ARKANSAS SECURITIES DEPT
09 NOV 24 AM 8:23

RE: THE HEARTLAND VOLUNTARY ADVERTISING GROUP COOPERATIVE EXCHANGE
ID. # 4026092 (USE IN ALL CORRESPONDENCE WITH OUR OFFICE)

Enclosed is a certified copy of your cooperative society articles of incorporation. Your corporation's identification number is at the top of this page. The identification number should be used in all correspondence with this office.

Every corporation must file an annual report with this office. However, if a corporation has not been incorporated for six months prior to its first tax year end, a report is not required for that year. If your corporation operates on a tax period other than the the calendar year, you must notify our office in writing prior to December 31.

If an annual report is required, it must be filed when your corporation files its Kansas income tax return. If your corporation applies to the Internal Revenue Service for an extension of its deadline for filing its income tax return, an extension for the annual report will be granted by our office provided that a copy of the IRS Form 7004 is filed with this office within 90 days after the due date of the annual report.

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**ARTICLES OF INCORPORATION
OF
THE HEARTLAND VOLUNTARY ADVERTISING GROUP
COOPERATIVE EXCHANGE**

1. Name. The name of the corporation is The Heartland Voluntary Advertising Group Cooperative Exchange.

2. Registered Office and Registered Agent. The location of its registered office and principal place of business in Kansas is 1011 Poyntz, Manhattan, Riley County, 66502, and the resident agent in charge thereof at such address is The Heartland Voluntary Advertising Group Cooperative Exchange.

3. Nature of Business. This corporation is organized FOR profit and the nature of its business or purposes to be conducted or promoted is for the shareholders to operate as an association of supermarkets, supplied and serviced by Affiliated Foods Midwest, all of whom have with similar merchandising philosophies and who advertise under the AFM/Shurfine banner so that as a group, the corporation can realize additional strength in buying power, merchandising, and advertising, and to engage in any lawful act or activity for which corporations may be organized under the Kansas Cooperative Corporation Code.

4. Capital Stock. The Corporation is authorized to issue 1,000 shares of common stock having a par value of \$200.00 per share. The common stock of this corporation may be purchased, owned, or held only by owners of grocery stores located in Kansas, Missouri, Nebraska, Iowa, South Dakota, Colorado, Oklahoma, Illinois, Wisconsin, Minnesota, North Dakota, Wyoming or such other state as authorized by the Board of Directors, that are supplied by Affiliated Foods Midwest Cooperative and who meet the ownership guidelines as prescribed in the Bylaws, and only such persons shall be regarded as eligible shareholders. If any of the stock is held by a person who has ceased to be an eligible shareholder, the corporation shall have the right to redeem the stock in the manner prescribed in the Bylaws. No person shall purchase, own or hold more than one share of stock per grocery store location owned or controlled by the shareholder, but no person shall own more than 10% of all issued and outstanding stock as of the date the shareholder purchases such stock. Each stockholder shall be entitled to only one vote in any meeting of the stockholders. The stock of the corporation shall be transferable only on the books of the corporation by the holder of the stock upon surrender of the stock certificate properly endorsed for transfer. Each share of common stock shall pay a fixed dividend of \$50.00 per share for those years in which there are earnings. Any profits remaining after payment of dividends shall be prorated to stockholders upon their purchases through the corporation in the manner prescribed by the Bylaws. Each certificate of common stock shall have the foregoing provisions of this paragraph printed thereon or attached thereto.

5. Incorporator. The name and mailing address of the incorporator is as follows:

Michael Moon	701 6 th Street, Osawatomie, KS 66064
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6. Initial Shareholders. The names and addresses of the persons associating themselves together to form and establish the Cooperative Corporation are as follows:

Willard's Inc.	701 6 th Street, Osawatomie, KS 66064
Jamboree Foods of Norton, Inc.	117 N. 2nd, PO Box 406, Norton, KS 67654
R G & S Foods, Inc.	423 Arizona, Holton, KS 66436
Williams Bros., Inc.	106 N. 4th, Atwood, KS 67730
C & S Market, Inc.	1402 Church St., PO Box 400, Eudora, KS 66025-0400
Clasen, Inc.	1400 S. Olive, Wichita, KS 67218
Kraus A.G., Inc.	219 East Chicago, Colwich, KS 67030
Kimball Co-Op Food Store	815 E. 3rd St., Kimball, NE 69145
Dyer Stores Co., Inc.	1003 Hwy 24, Wamego, KS 66547
DWB Co, Inc.	119 N. Broadway, Herrington, KS 67449
JMP Co., Inc.	1003 Hwy 24, Wamego, KS 66547
Whites Cimlodgco, Inc.	18309 E. Hwy 50, Cimmaron, KS 67835
Carlson's Grocery, Inc.	1121 East Main, Marion, KS 66861
Schroeder, Inc.	610 "C" Street, Fairbury, NE 68352
Hebron Central Market, Inc.	240 Lincoln Ave., Hebron NE 68370
Joe's Countryside Market, Inc.	3649 NE Hwy 13, Osceola, MO 64776
Manna Corporation	215 Harrison, Lindsborg, KS 67456
IRKS, Inc.	133 E. 2nd, Frankfort, KS 66427
Hays Market of Berthoud, LLC	919 Mountain Ave., Berthoud, CO 80513
Dutch's Food Market, Inc.	1105 W. Main St., Lyons, KS 67554
David Richardson	244 Circle Dr., Milan, MO 63556
Plaza Food Center, Inc.	1120 Sunset Drive, Norwalk, IA 50211
Richs IGA, Inc.	1106 Washington, Ellis, KS 67637
Baldwin City Market, Inc.	112 N. 8th, Baldwin City, KS 66006
Ord Grocery Kart, Inc.	136 N. 15th, Ord, NE 68862
Brush Grocery Kart, Inc.	1302 Edison, Brush, CO 80723
Don Fillmore	427 N. Line, Belle Plaine, KS 67013
Girard's	116 S.1st Street, Osborne, KS 67473
D & J James Corp.	706 Main, Box 187, Tabor, IA 51653
Bob Conrady	406 E. 14 th , Harper, KS 67058
Danks Broadway Market, LLC	505 Broadway, Marysville, KS 66508
H & W Market, Inc.	130 Main, Carterville, MO 64835
Brad Barridge	115 N. Nickerson, Nickerson, KS 67561
Websters Super Market, Inc.	319 Main, Stockton KS 67669
Alex and Yvonne Schmunk, Inc.	310 Main, Bridgeport, NE 69336
Norman's Food Store's, Inc.	2410 S 11th Street, Nebraska City, NE 68410

7. Board of Directors. The board of directors shall consist of seven persons who shall also serve as officers of the corporation. The decisions of the board of directors concerning the business and affairs of corporation shall be subject to review by the stockholders, as specified in the Bylaws. The names and mailing addresses of the persons selected for the first term of the board of directors are:

Michael Moon	701 6 th Street, Osawatomie, KS 66064
John Dycr	3960 Windmill Run, Wamego, KS 66547

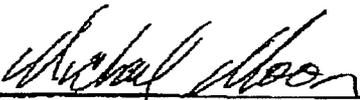
D. Pat White	858 E. Ave. D. Kingman, KS 67-68
Kirby Vaughn	133 E. 2nd, Frankfort, KS 66427
Michael L. Braxmeyer	106 N. 4th, Atwood, KS 67730
Gene Clasen	14000 S. Oliver, Wichita, KS 67218
Steven Anderson	240 Lincoln Ave., Hebron NE 68370

The length of any term for the Board of Directors shall be determined by the Bylaws. Voting for directors shall not be by written ballot, unless requested by any shareholder.

8. Term. The term for which this corporation is to exist is 50 years.

9. Bylaws. The power to adopt, repeal and amend the bylaws of this corporation shall reside in the Board of Directors of this corporation.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name this 15TH day of JANUARY, 2007.



Michael Moon

Notary Public for the State of Kansas
My commission expires on _____
I hereby certify that the original of this
certificate was filed on Jan. 16, 2007
and that I am a Notary Public for the State of Kansas

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09 NOV 24 AM 8:25
ARKANSAS SECURITIES DEPT.

**BYLAWS
OF
THE HEARTLAND VOUNTARY ADVERTISING GROUP
COOPERATIVE EXCHANGE**

**Article 1
Offices**

Section 1. Principal Office. The principal office for the transaction of the business of the corporation is hereby located at 1011 Poyntz Ave., Manhattan, Riley County, Kansas 66502.

Section 2. Registered Office. The corporation, by resolution of its Board of Directors, may change the location of its registered office as designated in the articles of incorporation to any other place in Kansas. By like resolution the resident agent at such registered office may be changed to any other person or corporation, including itself. Upon adoption of such a resolution, a certificate certifying the change shall be executed, acknowledged and filed with the Secretary of State.

Section 3. Other Offices. Branch or subordinate offices may at any time be established by the Board of Directors at any place or places where the corporation is qualified to do business.

**Article 2
Shareholders**

Section 1. Eligibility to Own Stock. The common stock of this corporation may be purchased, owned, or held only by owners of grocery stores located in Kansas, Missouri, Nebraska, Iowa, South Dakota, Colorado, Oklahoma, Illinois, Wisconsin, Minnesota, North Dakota, Wyoming, or such other state as authorized by the Board of Directors, that are supplied by Affiliated Foods Midwest Cooperative ("AFM") and who meet the following criteria:

- Store must be at least a 5,000 square feet facility;
- Store must have average weekly sales of at least \$20,000;
- Store must commit to participation in the corporation's sale bill program;
- Store's primary grocery supplier is AFM;
- Store must provide the Board of Directors with verification of the store's AFM purchases for a period of up to six months;
- Store must commit to printing and distributing a minimum of 1,000 copies of weekly corporation sale bills;
- Store must commit to providing proof (in the manner determined by the Board of Directors from time to time) of distribution of weekly sale bills to the Board of Directors;
- Store must be located further than a 15-mile radius from an existing stockholder's store, unless that stockholder waives this point.
- Store must agree not to divert any product under a similar agreement with AFM, the violation of which shall cause the offender to immediately forfeit his stock;

- Store must agree to abide by the rulings and votes of the stockholders and Board of Directors; and,
- The applicant must receive a favorable vote for stock ownership from a simple majority of the entire Board of Directors.

Persons who meet the above criteria may be permitted by the Board of Directors to purchase one share of stock in the corporation, per qualifying store, for a price of \$200.00 per share. The Board of Directors, by favorable vote of two-thirds of the entire Board of Directors, may deviate from the above criteria for good cause shown. The "owner" of the grocery store can be an entity, such as a corporation, limited liability company, general partnership, etc., however, the majority owner of the entity shall be included in the application for stockownership.

Section 2. Application for Shareholder Status. A prospective stockholder may apply to purchase stock in the corporation in one of the following ways:

- Direct written request to the corporation's Advertising Coordinator;
- Nomination by an AFM associate; or
- Nomination by another stockholder.

A representative of the corporation will then make a visit to the applying shareholder and will set up an interview with the applying shareholder to discuss the corporation and its goals and stock ownership requirements. The representative will then report to the corporation's Board of Directors. A majority vote of the Board of Directors will then determine whether the applicant will be permitted to purchase stock in the corporation.

Section 3. Place of Meetings. All annual meetings of shareholders and all other meetings of shareholders shall be held at such location, either in Kansas or elsewhere, as designated by the Board of Directors.

Section 4. Annual Meetings. The annual meetings of the shareholders shall be held on the last business day in January in each year at such time as the shareholders decide. At such meeting, directors shall be elected, reports of the affairs of the corporation shall be considered, and any other business may be transacted which is within the power of the shareholders. Written notice of each annual meeting shall be given to each shareholder entitled to vote, either personally or by mail or other means of written communication, charges prepaid, addressed to such shareholder at his address appearing on the books of the corporation or given by him to the corporation for the purpose of notice. If a shareholder gives no address, notice shall be deemed to have been given if sent by mail or other means of written communication addressed to the place where the principal office of the corporation is situated, or if published at least once in some newspaper of general circulation in the county in which said office is located. All such notices shall be sent to each shareholder entitled thereto not less than 10 days nor more than 60 days before each annual meeting, and shall specify the place, the day and the hour of such meeting, and shall state such other matters, if any, as may be expressly required by statute.

Section 5. Special Meetings. Special meetings of the shareholders, for any purpose or purposes whatsoever, may be called at any time by the president or by the Board of Directors, or by shareholders holding not less than one-fifth of the voting power of the corporation. Except in special cases where other express provision is made by statute, notice of such special meetings

shall be given in the same manner as for annual meetings of shareholders. Notices of any special meeting shall specify in addition to the place, day and hour of such meeting, the general nature of the business to be transacted.

Section 6. Voting. All persons owning stock in the corporation as of the date of any stockholders' meeting shall be entitled to vote. If the articles of incorporation permit the election of directors without written ballot, then such elections of directors shall be without written ballot, unless requested by any shareholder, in which case the election of directors shall be by written ballot. The candidates receiving the highest number of votes up to the number of directors to be elected shall be elected.

Section 7. Quorum. The presence in person or by proxy of persons entitled to vote a majority of the voting shares at any meeting shall constitute a quorum for the transaction of business. The shareholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

Section 8. Action Without Meeting. Any action which under any provision of the Kansas Corporation Code may be taken at a meeting of the shareholders, except approval of an agreement for merger or consolidation of the corporation with other corporations, or a sale of all or substantially all of the corporate property, may be taken without a meeting if authorized by a writing signed by all of the persons who would be entitled to vote upon such action at a meeting, and filed with the secretary of the corporation, or such other procedure followed as may be prescribed by statute.

Section 9. Proxies. Every person entitled to vote or execute consents shall have the right to do so either in person or by one or more agents authorized by a written proxy executed by such person or his duly authorized agent and filed with the secretary of the corporation; provided that no such proxy shall be valid after the expiration of three years from the date of its execution, unless the person executing it specified therein the length of time for which such proxy is to continue in force.

Section 10. Inspection of Corporate Records. The stock ledger or duplicate stock ledger, the books of account, and minutes of proceedings of the shareholders, the Board of Directors and of executive committees of directors shall be open to inspection upon the written demand of any shareholder or the holder of a voting trust certificate within five days of such demand during ordinary business hours if for a purpose reasonably related to his interests as a shareholder, or as the holder of such voting trust certificate. The list of shareholders entitled to vote shall be kept by the secretary of the corporation, and shall be open to inspection by any shareholder during ordinary business hours. Such inspection may be made in person or by an agent or attorney authorized in writing by a shareholder, and shall include the right to make abstracts. Demand of inspection other than at a shareholders' meeting shall be made in writing upon the president, secretary, assistant secretary or general manager of the corporation.

Section 11. Inspection of Bylaws. The corporation shall keep in its principal office for the transaction of business the original or a copy of these Bylaws as amended or otherwise altered to date, certified by the secretary, which shall be open to inspection by the shareholders at all reasonable times during ordinary business hours.

Article 3
Directors

Section 1. Powers. Subject to any limitations of the articles of incorporation, of the Bylaws, and of the Kansas Corporation Code as to action which shall be authorized or approved by the shareholders, and subject to the duties of directors as prescribed by the Bylaws, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation shall be controlled by, the Board of Directors. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the directors shall have the following powers:

- **If allowed by the articles of incorporation, to alter, amend or repeal the Bylaws of the corporation.**
- **To select and remove all the other officers, agents and employees of the corporation, prescribe such powers and duties for them as may not be inconsistent with law, or with the articles of incorporation or the Bylaws, fix their compensation, and require from them security for faithful service.**
- **To conduct, manage, and control the affairs and business of the corporation, and to make such rules and regulations therefor not inconsistent with the law, or with the articles of incorporation or the Bylaws, as they may deem best.**
- **To change the principal office and registered office for the transaction of the business of the corporation from one location to another as provided in Article 1 hereof; to fix and locate from time to time one or more subsidiary offices of the corporation within or without the State of Kansas, as provided in Article 1, Section 3 hereof; to designate any place within or without the State of Kansas for the holding of any shareholders' meeting or meetings except annual meetings; to prescribe the forms of certificates of stock, and to alter the forms of such certificates from time to time, as in their judgment they may deem best, provided such certificate shall at all times comply with the provisions of law.**
- **To authorize the issue of shares of stock of the corporation from time to time, upon such terms as may be lawful, in consideration of money paid, labor done or services actually rendered, debts or securities canceled, or tangible or intangible property actually received, or in the case of shares issued as a dividend, against amounts transferred from surplus to stated capital.**
- **To borrow money and incur indebtedness for purposes of the corporation, and to cause to be executed and delivered therefor, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor.**
- **To appoint an executive committee and other committees, and to delegate to such committees any of the powers and authority of the board in the management of the**

business and affairs of the corporation, except as limited by K.S.A. 17-6301(c). Any such committee shall be composed of two or more directors.

Section 2. Number and Qualification of Directors. The authorized number of directors of the corporation shall be not less than five nor more than seven until changed by amendment to this Bylaw. Directors shall be shareholders.

Section 3. Election and Term of Office. Directors shall be elected and shall generally serve four year terms with no limitation as to the number of consecutive terms. However, three of the initial seven directors shall serve an initial two year term, and then four year terms thereafter. The other four initial directors shall serve four year terms. Elections for directors shall take place at annual meetings of the shareholders, but if any such annual meeting is not held, or the directors are not elected thereat, the directors may be elected at a special meeting of shareholders held for that purpose as soon thereafter as conveniently may be. All directors shall hold office until their respective successors are elected. A director can be removed from office at any time for cause, however, by a majority vote of the shareholders.

Section 4. Vacancies. Vacancies on the Board of Directors may be filled by a vote of the shareholders at either an annual or special meeting of the shareholders. If at any time, by reason of death, resignation, or other cause, the corporation should have no directors in office, then any officer or any shareholder or any executor, administrator, trustee or guardian of a shareholder or other fiduciary entrusted with like responsibility for the person or estate of a shareholder may call a special meeting of the shareholders in accordance with the provisions of these Bylaws, or may apply to the District Court for a decree summarily ordering election as provided for by the Kansas Corporation Code. Each director so elected shall hold office until his successor is elected at an annual or a special meeting of the shareholders.

A vacancy or vacancies on the Board of Directors shall be deemed to exist in case of the death, resignation or removal of any director, or if the authorized number of directors be increased, or if the shareholders fail at any annual or special meeting of shareholders at which any director or directors are elected to elect the full authorized number of directors to be voted for at the meeting, or if any director or directors elected shall refuse to serve. The shareholders holding at least 10 percent of the outstanding voting stock may call a meeting at any time to fill any vacancy or vacancies not filled by the directors in accordance with the above procedures. If the Board of Directors accepts the resignation of a director tendered to take effect at a future time, the board or the shareholders shall have the power to elect a successor to take office when the resignation is to become effective.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of his term of office.

Section 5. Place of Meeting. Regular and special meetings of the Board of Directors shall be held at such location, either in Kansas or elsewhere, which has been designated from time to time by resolution of the board or by written consent of all members of the board. In the absence of such designation, all meetings shall be held at the principal office of the corporation.

Section 6. Annual Meeting. Immediately following each annual meeting of shareholders, the Board of Directors shall hold an annual meeting for the purpose of election of officers and the transaction of other business. Notice of such meeting is hereby waived.

Section 7. Other Regular Meetings. Other regular meetings of the Board of Directors shall be held approximately once a quarter or as deemed necessary by the Committee. Notice of all such regular meetings of the Board of Directors is hereby waived.

Section 8. Special Meetings. Special meetings of the Board of Directors for any purpose(s) shall be called at any time by the president or, if he is absent or unable or refuses to act, by the secretary or by any other director. Notice of such special meetings, unless waived by attendance thereat or by written consent to the holding of the meeting, shall be given by written notice mailed at least five days before the date of such meeting or be hand-delivered or sent by telegram at least two days before the date such meeting is to be held. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail with postage thereon addressed to the director at his residence or usual place of business. If notice be given by telegraph, such notice shall be deemed to be delivered when the same is delivered to the telegraph company.

Section 9. Waiver of Notice. The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present, and if, either before or after the meeting, each of the directors not present signs a written waiver of notice, or a consent to holding such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 10. Quorum. A majority of the total number of directors shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, unless a greater number be required by law or by the articles of incorporation. The directors present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum.

Section 11. Meetings by Telephone. Members of the Board of Directors of the corporation, or any committee designated by such board, may participate in a meeting of the Board of Directors by means of conference telephone or similar communications equipment, by means of which all persons participating in the meeting can hear one another, and such participation in a meeting shall constitute presence in person at the meeting.

Section 12. Action without Meeting. Any action which under any provision of the Kansas Corporation Code may be taken at a meeting of the Board of Directors, may be taken without a meeting if authorized by a writing signed by all of the persons who would be entitled to vote upon such action at a meeting, and filed with the secretary of the corporation, or such other procedure followed as may be prescribed by statute.

Section 13. Votes and Voting. All votes required of directors hereunder may be by voice vote or show of hands, unless a written ballot is requested, which request may be made by

any one director. Each director shall have one vote. Every reference to a majority or other proportion of directors shall refer to a majority or other proportion of the votes of such directors.

Section 14. Inspection of Books and Records. Any director shall have the right to examine the corporation's stock ledger, a list of its shareholders entitled to vote and its other books and records for a purpose reasonably related to such director's position as a director. When there is any doubt concerning the inspection rights of a director, the parties may petition the District Court, which may, in its discretion, determine whether an inspection may be made and whether any limitations or conditions should be imposed upon the same.

Section 15. Fees and Compensation. Directors shall receive a stated salary for their services as directors of \$500 per year, along with reimbursement of all out-of-pocket expenses (including mileages) incurred as a result of serving as a director. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise, and receiving compensation therefor.

Article 4 Officers

Section 1. Officers. The officers of the corporation shall be a president, a secretary, and a treasurer. The corporation may also have, at the discretion of the Board of Directors, one or more vice presidents, one or more assistant secretaries and one or more assistant treasurers, and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article 4. Any number of offices may be held by the same person. All officers shall be directors.

Section 2. Election. The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Section 3 or Section 5 of this Article 4, shall be chosen annually by the Board of Directors, and each shall hold his office until he shall resign or shall be removed or otherwise disqualified to serve, or his successor shall be elected and qualified.

Section 3. Subordinate Officers, etc. The Board of Directors may appoint such other officers as the business of the corporation may require, each of whom shall have authority and perform such duties as are provided in these Bylaws or as the Board of Directors may from time to time specify, and shall hold office until he shall resign or shall be removed or otherwise disqualified to serve.

Section 4. Compensation of Officers. Officers and other employees of the corporation shall receive such salaries or other compensation as shall be determined by resolution of the Board of Directors, adopted in advance or after the rendering of the services, or by employment contracts entered into by the Board of Directors. The power to establish salaries of officers, other than the president, may be delegated to the president or a committee.

Section 5. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to such office.

Section 6. Removal and Resignation. Any officer may be removed, either with or without cause, by a majority of the directors at the time in office, at any regular or special meeting of the board. Any officer may resign at any time upon written notice to the corporation.

Section 7. President. Subject to such supervisory powers, if any, as may be given by the Board of Directors, the president shall be the chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the Board of Directors, have general supervision, direction and control of the business and officers of the corporation. He shall preside at all meetings of the shareholders and at all meetings of the Board of Directors. He shall be ex officio a member of all the standing committees, including the executive committee, if any, and shall have the general powers and duties of management usually vested in the office of president of a corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

Section 8. Vice President. In the absence or disability of the president, the vice president or vice presidents, if there be such an officer or officers, in order of their rank as fixed by the Board of Directors, or if not ranked, the vice president designated by the Board of Directors, shall perform all 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. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors or these Bylaws.

Section 9. Secretary. The secretary shall keep, or cause to be kept, a book of minutes at the principal office or such other place as the Board of Directors may order, of all meetings of directors and shareholders, with the time and place of holding, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at directors' meetings, the number of shares present or represented at shareholders' meetings and the proceedings thereof.

The secretary shall keep, or cause to be kept, at the principal office or at the office of the corporation's transfer agent, a stock ledger, or a duplicate stock ledger, showing the names of the shareholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all the meetings of the shareholders and of the Board of Directors required by these Bylaws or by law to be given, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

Section 10. Treasurer. The treasurer shall keep and maintain or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, surplus and shares. Any surplus, including earned surplus, paid-in surplus and surplus arising from a reduction of stated capital, shall be classified according to source and shown in a separate account. The books of account shall at all reasonable times be open to inspection by any director.

The treasurer, or his designee, shall deposit all monies and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the Board of Directors. He shall disburse the funds of the corporation as may be ordered by the Board of Directors, shall render to the president and directors, whenever they request it, an account of all of his transactions as treasurer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws. He shall be bonded, if required by the Board of Directors.

Section 11. Advertising Coordinator. An Advertising Coordinator as selected and retained by the Board of Directors and shall have such duties as assigned by the Board of Directors. The Advertising Coordinator will have no voting power but may help, through discussion, break tie votes on advertising related issues only.

Article 5 **Transfer of Stock**

Section 1. No Transfer of Stock. The capital stock owned by a shareholder shall not be transferable. However, a shareholder may, without the written approval of any other Shareholder, transfer title to his or her stock to an entity, such as a corporation, limited liability company, general partnership, etc., over which the shareholder has control of the management, or to a trust of which the shareholder is the sole grantor and income beneficiary. If at any time the shareholder loses control of the entity to which the stock was transferred, or if the owner of the stock shall be redeemed by the corporation.

Section 2. Redemption of Stock. If a shareholder ceases to be eligible to own stock by

- ceasing to comply with the eligibility criteria for stock ownership as described above;
- losing control over an entity to which stock in the corporation was transferred; or,
- if the majority owner of an entity to which the stock in the corporation was originally titled no longer has control over that entity,

then the Board of Directors shall send notice to the offending shareholder giving that shareholder 30 days to cure the eligibility defect. If that eligibility defect is not cured within that time, then the shareholder shall have no rights or privileges on account of such stock or vote or voice in the management or affairs of the corporation (other than the right to participate in accordance with law in the case of dissolution and to receive the par value of such stock in the event of its sale or transfer as herein provided), and the corporation shall have the right to either:

(a) repurchase such stock from the ineligible shareholder at its par value, in which event the corporation shall remit payment within 30 days of a vote to redeem stock, or

(b) require the transfer of any such stock at par value to any person eligible to hold the same, and if such holder fails to deliver the certificate evidencing such stock, the corporation may cancel the same on its books and issue a new certificate in lieu thereof to the person entitled to receive the stock.

Section 3. Written Restriction on Security. The following language shall be written on each stock certificate:

The stock of the corporation shall be transferable only on the books of the corporation by the holder of the stock upon surrender of the stock certificate properly endorsed for transfer, and shall not be pledged or hypothecated. Each share of common stock shall pay a fixed dividend of \$50.00 per share for those years in which there are earnings. Any profits remaining after payment of dividends shall be prorated to stockholders upon their purchases from the corporation in the manner prescribed by the Bylaws.

Section 4. Forced Redemption of Stock Due to Shareholder Misbehavior. If the Board of Directors has evidence that a shareholder is, in some manner, exhibiting business or personal practices contrary to and detrimental to the corporation and the other shareholders, the Board of Directors may send a letter of reprimand to offending shareholder outlining the detrimental conduct and demanding the shareholder to cease the detrimental practice. If practice persists, or if the Board of Directors, in its sole discretion, deems the shareholder's behavior to particularly egregious (such as fraud or dishonesty against corporation, conviction of a felony, willful or wanton infliction of injury to or embarrassment of the corporation), the Board of Directors, upon a favorable vote from two-thirds of the entire Board of Directors, may expel that shareholder from the corporation, in which case the corporation shall redeem the shareholder's stock at par value.

Article 6 Advertising and Distribution of Patronage

Section 1. Advertising. The corporation believes that a 'managed aggressive' position of its advertising gives its shareholders a tool to effectively compete in their respective markets. This advertising, coupled with the condition, appearance, management, and promotion at the store level, will allow stockholders to compete and thrive. To that end, each shareholder shall receive a recommended advertising and sale promotion program, complete with a weekly sale bill. Each shareholder shall pay the same basic price per piece for the sale bill, excluding extra charges particular to a shareholder's store.

Section 2. Advertising Meetings. Meetings to discuss and set weekly advertisements will be scheduled as needed, with a goal of establishing a practice of having conference calls to set these advertisements. Any shareholder, and/or a shareholder's store manager, may attend or participate in any advertising meeting and each shareholder, in attendance, either in person or by telephone, will have one vote.

Section 3. Patronage Distribution. The Board of Directors shall set a specific price per case of advertised items purchased from AFM that will be paid to the shareholders as patronage from time to time. In addition, vendors, from time to time, will provide rebates on cases of products purchased by a store. Each week the per case amount of AFM purchases, and the per item amount of vendor rebates offered by certain vendors for purchases of their products,

shall be multiplied by the individual store's purchases to determine each shareholder's share of the reimbursement. Direct store deliveries shall not be used in the calculation of such reimbursement. From the total of all available funds, all operating expenses (including without limitation the Advertisement Coordinator's fee and related expenses, along with the price per case, per item vendor rebate expenses) shall be subtracted, with all excess funds being retained by the corporation for future needs. The total amount payable to each shareholder shall be referred to herein as the shareholder's "patronage distribution." The total patronage distribution calculated for a particular month shall be paid by the last week of the following month to allow for sufficient cash flow, billing and check writing expense.

Article 7 **Dissolution**

Section 1. Resolution to Dissolve. At such time as the Board of Directors deem advisable to dispose of the corporation's property and assets and to dissolve the corporation, they may adopt a resolution to that effect and cause notice of the adoption of such a resolution to be published in a newspaper published in the county where the corporation has its principal place of business. Such publication shall be made once a week for three consecutive weeks next preceding the date of a shareholder's meeting called for the purpose of authorizing the Board of Directors to dispose of all assets and property and to dissolve the corporation. A copy of such publication notice shall be mailed the stockholders after the first date of publication.

Section 2. Disposition of Assets. If three-fourths of the shareholders voting at such meeting, in person or by proxy, vote in favor of authorizing the Board of Directors to dispose of all of the assets and property of the corporation and to dissolve the corporation, then the Board of Directors may proceed accordingly upon such terms and conditions as the Board of Directors shall deem advisable, or upon such terms and conditions as shall be required by the vote of three-fourths of the shareholders voting in person or by proxy at such meeting. (At least a quorum of shareholders must be present at the meeting.)

Section 3. Dissolution of Corporation. Upon disposal of all of the assets and properties of the corporation, the Secretary shall file an affidavit with the Kansas Secretary of State's office stating that all property and assets have been sold or disposed of in compliance with the requirements of the resolution to dissolve, and that the shareholders voted in favor of the dissolution. Accompanying the affidavit shall be a copy of the publication notice together with an affidavit or proof of publication from the newspaper. The corporation shall be deemed dissolved upon the date of the filing of the affidavit and proof of publication with the Kansas Secretary of State's office.

Section 4. Distribution in Redemption of Stock. Upon filing the dissolution affidavit and proof of publication with the Kansas Secretary of State's office, the Board of Directors shall cause the remaining cash to be distributed to the shareholders in full redemption of their shares of stock by dividing the total amount remaining to be distributed by the total number of outstanding shares. Each shareholder shall receive one distributive share of the assets for each share of stock owned in the corporation.

Article 8
Miscellaneous

Section 1. Indemnification of Directors and Officers. When a person is sued or prosecuted in a criminal action, either alone or with others, because he is or was a director or officer of the corporation, or of another corporation serving at the request of this corporation, in any proceeding arising out of his alleged misfeasance or nonfeasance in the performance of his duties or out of any alleged wrongful act against the corporation or by the corporation, he shall be indemnified for his reasonable expenses, including attorneys' fees incurred in the defense of the proceeding, if both of the following conditions exist:

(a) The person sued is successful in whole or in part, or the proceeding against him is settled with the approval of the court.

(b) The court finds that his conduct fairly and equitably merits such indemnity.

The amount of such indemnity which may be assessed against the corporation, its receiver, or its trustee, by the court in the same or in a separate proceeding shall be so much of the expenses, including attorneys' fees incurred in the defense of the proceeding, as the court determines and finds to be reasonable. Application for such indemnity may be made either by the person sued or by the attorney or other person rendering services to him in connection with the defense, and the court may order the fees and expenses to be paid directly to the attorney or other person, although he is not a party to the proceeding. Notice of the application for such indemnity shall be served upon the corporation, its receiver, or its trustee, and upon the plaintiff and other parties to the proceeding. The court may order notice to be given also to the shareholders in the manner provided in Article 2, Section 2, for giving notice of shareholders' meetings, in such form as the court directs.

Section 2. Checks, Drafts, etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the corporation, shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by resolution of the Board of Directors.

Section 3. Annual Report. No annual report to shareholders shall be required, but the Board of Directors may cause to be sent to the shareholders reports in such form and at such times as may be deemed appropriate by the Board of Directors.

Section 4. Contracts, Deeds, etc., How Executed. The Board of Directors, except as in these Bylaws otherwise provided, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances; and unless so authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose in any amount; provided, however, that any contracts, agreements, deeds or other instruments conveying lands or any interest therein, and any other documents shall be executed on behalf of the corporation by the president (or by a vice president, if there be one, serving in the absence of the president), or by any other specific officer or agent or attorney so authorized

under letter of attorney or other written power which was executed on behalf of the corporation by the president (or vice president serving in the absence of the president).

Section 5. Certificates of Stock. A certificate or certificates for shares of the capital stock of the corporation shall be issued to each shareholder when any such shares are fully paid up. All such certificates shall be signed by the president and the secretary.

Section 6. Representation of Securities of Other Corporations or Entities. The president or any vice president and the secretary or assistant secretary of this corporation are authorized to vote, represent and exercise on behalf of this corporation all rights incident to any and all securities of any other corporation or entity standing in the name of this corporation. The authority herein granted to said officers to vote or represent on behalf of this corporation any and all securities held by the corporation in any other corporation or entity may be exercised either by such officers in person or by any person authorized to do so by proxy or power of attorney duly executed by said officers.

Section 7. Fiscal Year. The Board of Directors shall have the power to fix and from time to time change the fiscal year of the corporation. In the absence of action by the Board of Directors, however, the fiscal year of the corporation shall end each year on the date which the corporation treated as the close of its first fiscal year, until such time, if any, as the fiscal year shall be changed by the Board of Directors.

Article 9 Amendments

Section 1. Power of Shareholders or Directors. The Bylaws of the corporation may from time to time be repealed, amended or altered, or new Bylaws may be adopted, by either of the following ways:

(a) By the shareholders, by two-thirds vote of all shareholders at any annual, regular, or special meeting of the shareholders; or

(b) By resolution adopted by the Board of Directors then in office, with notice of any such amendment of the Bylaws by the Board of Directors begin given to each shareholder having voting rights within 10 days after the date of such amendment by the board, and subject to the approval of two-thirds of the shareholders present at a meeting called for the purpose of approving the change in the Bylaws, among other things.

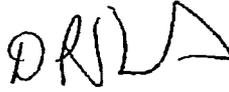
CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify:

(1) That I am the duly elected and acting secretary of The Heartland Voluntary Advertising Group Cooperative Exchange, a Kansas Corporation; and

(2) That the foregoing Bylaws, comprising 14 pages, constitute the original Bylaws of said corporation, as duly adopted at the first meeting of the Board of Directors thereof duly held on _____, 2007.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name on
January 17, 2007.



Secretary