

Shareholder Agreement

THE COMMUNITY MERCANTILE DBA THE MERC CO+OP

This agreement is entered into by and between the Community Mercantile, Inc., a Kansas corporation, (herein after referred to as “The Merc Co+op” or “the co-op” and the share purchaser, designated above as Shareholder/ Member (herein after referred to as “Owner”, for the purchase of stock in The Merc Co+op. In exchange for the total consideration paid, received from the Owner on the date of share purchase, and in further consideration for the Owner’s agreement to fulfill and abide by all ownership requirements of The Merc Co+op, the co-op agrees to issue the above-enumerated number of shares of common stock as fully paid and non-assessable and to confer full privileges and benefits of ownership in The Merc Co+op to the Owner in accordance with the following terms and conditions:

The Owner enters into this agreement with the understanding that the money received by The Merc Co+op in connection with this share transaction is to be used to expand the range of goods and services which the co-op can offer to the community. The Owner enters into this transaction for the sole purpose of supporting The Merc Co+op as a community resource and its expansion as a community service, with no expectation and no representation that the share(s) purchased will ever appreciate in value or result in economic gain for the Owner. The Owner further warrants that the purchase of shares in The Merc Co+op is not done with a view toward distribution. The Owner further understands that they risk the potential loss of all or part of the consideration paid for this share purchase. The Owner understands that common stock in The Merc Co+op is not registered as a security with state and federal securities regulatory commissions, pursuant to “no action” letters received from those commissions.

By virtue of entering into this Shareholder/Membership Agreement and by complying with the terms and conditions thereof, the above-named Owner agrees to be and is a fully-paid Owner of common stock and an Owner of The Merc Co+op, entitled to the rights, benefits and privileges of ownership, and bound by and subject to the obligations, responsibilities, and conditions of ownership, all set forth in the articles of incorporation, bylaws, this agreement, or any other corporate document or policy, now or hereafter in effect.

An Owner must be a natural person and own a minimum of one fully-purchased share of common stock in The Merc Co+op, purchased at a price of \$75 per share. Each Owner of the co-op is entitled to one vote at all meetings of the Owners, regardless of the number of shares owned.

The Owner understands that ownership, cooperation and participation are crucial to the success of The Merc Co+op. The Owner further understands that participation by a minimum of one-third of the ownership of the co-op is necessary to conduct the corporation’s business at any ownership meeting. The Owner agrees to make a good faith effort to support The Merc Co+op by attending ownership meetings and voting, or voting by proxy if unable to attend any meeting.

The Owner agrees to keep The Merc Co+op apprised of the Owner’s current address, phone number and email address. Changes may be made at the Customer Service Desk, by mail or email to the Owner Services Coordinator or through the website at www.TheMerc.Coop.

The Board of Directors of The Merc Co+op shall authorize disbursement of an annual patronage rebate to Owners based upon the financial condition of the corporation and in accordance with The Merc Co+op’s bylaws and the Internal Revenue Code. In no event will an Owner derive any patronage rebate benefit from purchases attributable to other Owners or to non-Owners.

By acceptance of ownership in The Merc Co+op, and for the duration of said ownership, each Owner agrees to include in his or her taxable income the entire allocation of patronage rebates allocated to the Owner to the extent required under the Internal Revenue Code of 1986, as amended. The Internal Revenue Code currently says that rebates for certain kinds of purchases are taxable and some are not. Patronage rebates based on purchases for personal, living, or family items are not taxable and do not need to be included in taxable income.

The Merc Co+op may decide to increase the equity investment requirement for ownership at some future date. In such event, The Merc Co+op may require mandatory redemption of existing shares, with new shares being issued to those Owners who choose to increase their equity investment.

The Owner understands that common stock of The Merc Co+op may not be sold, assigned, transferred, traded, pledged, encumbered, or otherwise transacted except in accordance with the articles of incorporation, bylaws and directives of the Board of Directors of The Merc Co+op. Common stock and ownerships may not be transferred by inheritance or gift.

In the event of death of an Owner or encumbrance of an Owner share through levy or execution on the share, appointment of a receiver for the share, assignment of the share for the benefit of creditors, or the commencement of voluntary or involuntary insolvency proceedings, the Owner or the Owner's administrator, executor, successor or other representative shall notify The Merc Co+op of the occurrence of such event. Such notice shall be in writing and be delivered to the registered agent (general manager) of the corporation at its principal office. Share redemption shall be mandatory in such cases.

Each Owner has the right to terminate their ownership in The Merc Co+op at any time by giving written notice to the corporation's registered agent (general manager) at its registered office. The Merc Co+op shall redeem the share of any Owner requesting same.

Within 60 days following notice for either mandatory or voluntary share redemption, The Merc Co+op shall determine the redemption value of the share to be redeemed. The Merc Co+op may offset any debt owed by the Owner to the corporation. The Merc Co+op agrees to complete the share redemption, if at all practicable, within 90 days of the determination of the redemption value of the stock.

The Merc Co+op agrees to issue an ownership card to the Owner. The Owner agrees to surrender their share certificate and/or ownership card prior to any payment by the corporation for share redemption. If the Owner fails to surrender the shareholder card, the Owner hereby indemnifies The Merc Co+op for any and all use of the card subsequent to the termination of ownership. If the Owner fails to surrender and/or endorse their share certificate and/or ownership card, they agree that such failure or omission may be reasonably construed by the co-op as constructive surrender and endorsement and further indemnifies The Merc Co+op with regard to said share. These indemnities shall survive termination of ownership.