

**AMENDED
ARTICLES OF INCORPORATION
OF**

ST. PETER FOOD COOPERATIVE

The following Articles of Incorporation are hereby amended pursuant to Chapter 308B of Minnesota Statutes.

ARTICLE I

NAME

The name of this cooperative association shall be St. Peter Food Cooperative.

ARTICLE II

PURPOSE

The purpose of the association shall be to engage in a mercantile and marketing business to supply and furnish to its members and patrons on a cooperative basis such supplies, commodities, properties and services as they may require to market, store, warehouse, acquire, transport, distribute, process, produce and otherwise engage in any activity connected with or related to its purposes.

For these purposes it shall have the power to:

- (a) Borrow money from its members and others upon adequate security; to issue bonds, debentures, notes and other obligations and to secure the same by pledge, mortgage, or trust deed on any property of the association; to draw, make, accept, endorse, guarantee, execute and issue promissory notes, bills of exchange, drafts, warrants, warehouse receipts, certificates and other obligations and negotiable or transferable instruments for any purpose deemed necessary to further the objects for which the association is formed.
- (b) Acquire, purchase, hold, lease, encumber, sell, exchange, and convey such real estate, buildings and personal property as the business of the association may require.
- (c) Purchase, sell, transfer and own capital stock, bonds, and obligations of other corporations.
- (d) Join with other cooperative corporations or associations to form district, state, national or international purchasing, marketing and service organizations; and to purchase obligations of such organizations.
- (e) Do and perform every act and thing necessary and proper to the conduct of its business for the accomplishment of the purposes set forth herein or permitted by the laws of Minnesota applicable to the association, and to have and exercise all of the powers conferred upon the association by the laws of Minnesota under which it was organized, and acts amendatory thereof and supplemental thereto.

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ARTICLE III

LOCATION, REGISTERED AGENT

Section 1. Place of Business. The principal place of business of the association shall be in the City of St. Peter, County of Nicollet, State of Minnesota. Branch offices may be located at other points.

Section 2. Registered Agent. The registered agent of the association shall be Margo O'Brien.

Section 3. Registered Office. The registered office of the association shall be 119 West Broadway Avenue, St. Peter, MN 56082.

ARTICLE IV

DURATION

The period of the continuance of this association shall be perpetual.

ARTICLE V

CAPITAL

Section 1. The amount of the authorized Capital Stock of the association shall be two million six hundred thousand dollars (\$2,600,000.00), and shall be divided into ten thousand (10,000) shares of Voting Stock of the par value of five dollars (\$5.00) each, and five hundred thousand (500,000) shares of Nonvoting Stock of the par value of five dollars (\$5.00) each, and five million (5,000,000) shares of one or more classes or series of Stock of the par value of one cent (\$.01) each and shall be paid at such time and in such manner as the directors of the

association shall order, but no share shall be issued for less than its par value, nor until the same has been paid for in cash or its equivalent, and such payment has been deposited with the treasurer of the association. The Board of Directors may identify one or more classes or series as provided in Section 7 of this Article V.

Section 2. Voting Stock may be sold for cash to members as provided in the Bylaws. Only holders of Voting Stock shall have voting power and each holder of Voting Stock shall be entitled to only one vote regardless of the number of shares owned. Voting by proxy shall not be permitted. No dividends shall be paid on the Voting Stock of this association.

Section 3. Nonvoting Stock may be sold for cash or issued in payment of patronage refunds or exchanged for Voting Stock as provided in the Bylaws. The holders thereof shall have no voting power and no dividend shall be paid on Nonvoting Stock.

Section 4. Only the holders of the Voting Stock shall be deemed to be members of the association, and Voting Stock may be issued to patron and non-patron members so long as the interests in governance of non-patron members do not exceed 20% of all governance interests held by both patron and non-patron members. The association shall have a prior lien with the right of enforcement of ordinary liens, upon all outstanding stock for any indebtedness due the association, and no stock shall be sold or transferred except with the consent and approval of the Board of Directors. Capital Stock shall be subject to redemption as provided by law in the 3 manner as the Bylaws shall prescribe. The Capital Stock of this association shall be non-assessable.

Section 5. When it is determined by the association that it has sufficient working capital, Nonvoting or Stock may be called for payment as provided in the Bylaws, provided always that at the time of calling Nonvoting or Stock for payment, the total amount of Capital Stock remaining after deduction of the amount called, plus the permanent surplus of the association, shall at least equal the total liabilities of the association exclusive of such Nonvoting or Stock then outstanding. The Voting Stock of the association may be called for redemption or retirement in the manner provided in the Bylaws.

Section 6. In the event of dissolution or liquidation of the association, there shall be given a preference to Stock as determined by the Board pursuant to Section 7 of this Article V. There shall be equal preference or treatment for holders of Voting and Nonvoting Stock.

Section 7. The Board of Directors without Member or Stockholder approval is granted the express authority, by resolution, to fix and establish the designations, powers, preferences, and governance and veto rights including Member or Stockholder voting rights and rights to appoint or elect Directors to the Board, qualifications, limitations or restrictions of each additional Class of Stock (and the corresponding obligation to fix and establish these designations, powers, preferences, governance and other rights, qualifications, limitations and restrictions whenever any additional Class is established). The power of the Board extends to and includes the express authority to create Classes and Series, without Member or Stockholder approval, which have terms granting the additional Class and/or the Series (and the holders of thereof) rights, powers, preferences and privileges greater than the rights, powers, preferences and privileges associated with any previously established and designated Class or Series, including but not limited to creating patron and non-patron Class and Series designations. The rights, powers, preferences and privileges are the same for all Series within a Class except as expressly provided otherwise in the Class designation approved by the Board, or the subscription or other agreement regarding the Series approved by the Board. In no case may the patrons'

interest in governance rights be reduced below 80% of the governance rights of all patron and non-patron members.

ARTICLE VI

ALLOCATION TO MEMBER PATRONS

Section 1. All or any part of the patronage refund declared by the association at any time may be paid in Nonvoting Stock, by allocated equity reserve or by the issuance of capital interest certificates, or by any other media determined by the Board of Directors.

Section 2. All of the annual net savings from member patronage income, including patronage refunds received by this association from other cooperative associations, available for distribution, shall belong to its member-patrons and shall be allocated to them on the basis of patronage as provided in the Bylaws.

Section 3. In the event of liquidation or dissolution of the association, all debts and liabilities shall first be paid according to their respective priorities. Holders of Stock shall then 4

be paid the par value of their shares as provided by the rights, if any, that are determined by the Board of Directors in Section 7 of these Articles of Incorporation, and holders of Voting and Nonvoting Stock shall be paid the par value of their shares on an equal basis with neither class of stock having priority over the other. Any allocated surplus or reserve shall then be paid to the member or former member according to their recorded interest. The remainder of the property, if any, shall be paid to an organization operating on a cooperative basis or a non-profit organization that is exempt from taxation under Section 501 (c) of the Internal Revenue Code as the Board of Directors or Trustees of the association shall determine.

ARTICLE VII

DIRECTORS, ANNUAL MEETINGS

Section 1. The governance of this association and the management of its affairs shall be vested in a Board of not less than five (5) Directors who shall be elected by ballot by the members from their own number at the annual meeting. The exact number of Directors and their terms on the Board shall be prescribed in the Bylaws.

Section 2. The annual meeting of the members shall be held in the territory served by this association within four (4) months after the date of the close of the fiscal year on such date and time as the Board of Directors shall select in each year.

Section 3. Vacancies in the Board of Directors, except in cases of removal by the members, may be filled by the remaining members of the Board, the person or persons so appointed to hold office until the next annual meeting of the members and until their successors have been elected and qualified.

Section 4. A Director is not personally liable to the cooperative association or its members for monetary damages for breach of fiduciary duty except in the following circumstances: (a) for a breach of the Director's duty of loyalty to the cooperative association or its members; (b) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; (c) for a transaction from which the Director derived an improper personal benefit; or (d) for an act or omission occurring prior to the date these amended Articles of Incorporation became effective.

ARTICLE VIII

OFFICERS

The officers of this association shall be a president, one or more vice presidents, a secretary, a treasurer and a membership clerk who shall be elected annually by and from the directors. The offices of secretary and treasurer may be combined, and when so combined, the person filling such office shall be termed "Secretary-Treasurer."

ARTICLE IX

DISSOLUTION, AMENDMENTS

Section 1. This association may be dissolved in the manner as provided by law.

Section 2. These Articles of Incorporation may be amended as provided by law.

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ARTICLE X.

AMENDMENT TO CONFORM TO 308B OF MINNESOTA STATUTES

These Articles of Incorporation are amended to conform with Minnesota Statutes 308B for the purpose of removing the Cooperative from governance under Chapter 308A and bringing it within the ambit of Chapter 308B of the statutes. RESOLVED FURTHER, that the proper officers and employees of the association be and they hereby are authorized to take whatever action may be necessary and proper to make said amendments to the Articles of Incorporation effective.

BYLAWS FOR

ST. PETER FOOD COOPERATIVE

ARTICLE I NAME AND PURPOSE

Section 1. Name. This association shall be formally known as ST. PETER FOOD COOPERATIVE.

Section 2. Purpose. The purpose of the association shall be to provide whole foods, bulk foods, local produce and other goods for its members. To this end, the association shall operate a store at St. Peter, Minnesota known generally as St. Peter Food Co-op.

ARTICLE II MEMBERSHIP

Section 1. Qualifications. Any natural person, cooperative, non-profit organization, partnership or business corporation, may, on approval of his, her or its application by the Board of Directors, be accepted into membership on terms established by the Board of Directors. This association shall not discriminate on social or political grounds or on the basis of race, creed, age, sex, handicap, sexual preference, or marital status. Upon approval by the Board of Directors of the membership application, the prospective member shall purchase shares of stock of the association as determined by the Board of Directors.

Section 2. Application. Application for membership shall be made in writing on a form provided by the association. A prospective member must sign a stock-purchase agreement for forty (40) shares of stock with a par value of five dollars (\$5.00) and provide payment for a minimum of five (5) shares or twenty-five (\$25.00) dollars with the application. Upon acceptance of the member by the Board of Directors, the member shall be issued one share of Voting Stock in the association and the number of shares of Nonvoting Stock which were paid for.

Section 3. Board Action. Each application shall be acted on by the Board of Directors at the first meeting after it is received.

Section 4. Receipt of Bylaws. Each new member shall receive a copy of the articles and bylaws of this association, and may be required to attend an orientation meeting.

Section 5. Voting. A membership may be held jointly in the names of two or more persons. When a membership is held jointly, the first person named on the membership shall have the right to cast the vote for that membership, unless such right is given in writing by the person so first named to another person listed on the membership. If the member is not a natural person, the member shall appoint a natural person to cast its vote.

Section 6. Current Address. Each member agrees to provide to the association his, her or its current address and to keep the association informed of any changes in his, her or its address. This obligation shall continue as long as the member has any interest in the association.

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A member who fails to inform the association of his, her or its current address agrees that a failure to provide the current address is a decision on his, her or its part to make a gift to the

association of his, her or its equity in the association and will result in a gift to the association of any equity or other interest the member may have in the association.

Section 7. Inactive Members. Once a year, preceding the annual meeting, the Board of Directors shall determine those members who have not kept a current address on file with the association. These members shall be deemed inactive members.

Section 8. Termination or Withdrawal of Membership. If a member fails to comply with the requirements of these bylaws or the terms of the membership agreement, or indicates in writing the intent to withdraw from the association, the association through its Board of Directors may elect to terminate his, her or its membership, either by:

(a) Purchasing the Voting Stock of such member by tendering to him, her or it the par value thereof, or the book value thereof if less than the par value, together with any dividend and the cash portion of any patronage refund due or unpaid, less any indebtedness due the association; or
(b) Recalling the Voting Stock of such member and issuing to him, her or it Nonvoting Stock in an amount to be ascertained as specified above.

Section 9. Restrictions. Every member upon uniting with this association agrees that in case the member shall desire to dispose of her, his or its shares of stock in the association, that the stock can only be transferred to the association upon association is not transferable in any other event.

ARTICLE III MEMBERSHIP MEETINGS

Section 1. Annual Meeting. The annual meeting shall be held in St. Peter, MN within four (4) months of the close of the fiscal year.

Section 2. Special Meetings. The president shall call a special meeting of the membership upon a written request of at least twenty percent (20%) of the members, or upon a majority vote of the directors. The notice of the time, place and purpose of a special meeting called by member petition shall be issued within ten (10) days from and after the presentation of such petition, and such special meeting shall be held within thirty (30) days from and after the date of presenting such petition. No business shall be considered at such meeting except as may be mentioned in the call and included in the notice of the meeting.

Section 3. Notice of Meetings. Notice of all meetings of the membership shall be given by the secretary by publication in a legal newspaper published in the county of the principal place of business of the association, or by publication in a magazine, periodical, or house organ regularly published by or on behalf of the association and circulated generally among its members, or by mailing a notice thereof to each member at his, her, or its last known address, at least two weeks prior to the date of the meeting.

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The secretary shall execute a certificate setting forth a correct copy of such notice and showing the date of mailing or publication thereof. The failure of any member to receive any such notice of the annual or special meeting of the members shall not invalidate any action which may be taken by the members at any such annual or special meeting.

Section 4. Voting. Each member shall have one vote upon any matter submitted to a vote of the members. Voting may be by written ballots which must be sent to all members with the notice of a meeting, if authorized by the Board of Directors. There shall be no proxy voting.

Section 5. Quorum, Members. At any regular or special meeting of the voting members, a quorum necessary for the transaction of business shall be at least ten percent (10%) of the total number of voting members of the association, except that when the number of

members shall exceed five hundred (500), fifty (50) voting members present shall constitute a quorum. Only members in actual attendance at the meeting shall count towards a quorum, except for matters submitted to the membership by mail. Mail ballots cast shall be counted towards fulfillment of the quorum requirement.

Section 6. Order of Business. The order of business at the annual meeting and so far as practicable at all other meetings of the members shall be:

- (a) Call to order
- (b) Taking of attendance to check for a quorum
- (c) Proof of notice of meeting
- (d) Reading of agenda and setting the order of consideration of items on the agenda
- (e) Approval of minutes of the previous meeting
- (f) Annual reports of officers and committees
- (g) Election of directors
- (h) Unfinished business
- (i) New business
- (j) Adjournment

ARTICLE IV BOARD OF DIRECTORS

Section 1. Number, Qualifications. The Board of Directors shall consist of nine voting members of the association elected at the annual meeting by the voting membership without regard to race, color, religion, national origin, sex, marital status, or age, exception that the minimum age of eighteen (18) applies. A member who is not a natural person may select a natural person to represent it on the Board of Directors.

Section 2. Term. The term of office of a Director shall be three years. Election of Directors should be scheduled so that three positions will be filled annually. No limitation shall be placed as to the number of consecutive terms of office that a Director may hold.

Section 3. Employees on Board. No more than one-third of the membership of the Board of Directors may be paid employees of the association.

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Section 4. Removal by Board. Each director shall fully comply with the Board of Director's policy manual established by the Board of Directors. The Board of Directors, not including a director thought to be in violation of the manual, may remove a director who is disqualified by the policies in that manual. The remaining directors may also fill any vacancy caused by such removal until the next annual meeting of the members. This removal power shall be in addition to the power of the members under Sections 4 and 6 above, but the process for removal under this Section 11 shall be governed exclusively by the policy manual.

Section 5. Vacancies. Any vacancy on the Board of Directors, except as may be caused by removal by the members, may be filled by a majority vote of the remainder of the Board. The person(s) so elected will serve until the next annual meeting.

Section 6. Removal by Members. Any Director may be removed, with cause, by a majority vote at a membership meeting. No Director shall be removed from office at an annual or special meeting unless that proposed action has been stated in the notice of the meeting and he or she has been informed of the meeting at which the matter is to be considered at least fifteen (15) days before such meeting. In case of removal of a director by the members, the members shall fill the vacancy for the unexpired term of the Director at the same meeting at which the Director was removed.

Section 7. Compensation. The compensation, if any, of the Board of Directors and officers shall be determined by the voting members of the association at any annual or special meeting called for that purpose. Such officers and Directors shall, however, be entitled to reimbursement for actual expenses incurred in attending to association business.

Section 8. Board Meetings. Regular meetings of the Board of Directors shall be

held at such time and place as the Board of Directors, by proper resolution duly adopted and recorded upon the minutes, shall from time to time determine.

Section 9. Special Board Meetings. Special meetings of the Board of Directors may be called by the president or by a majority of the Board. No business except that mentioned in the call for a special meeting of the Board of Directors shall receive final action at said meeting. Each member of the Board shall be duly notified by mail or phone in advance of any such meeting.

Section 10. Board Quorum. A majority of the Directors shall constitute a quorum at all meetings of the Board, and a majority of the Directors present shall decide all questions. Presence at a meeting shall constitute a waiver of notice of such meeting.

Section 11. Mail and/or Electronic Ballots. It is the policy of this Cooperative that mail and/or electronic ballots may be used in the process of electing directors and shall be used in the process of removing directors. When used, electronic and/or mail ballots shall be signed by the Member casting the ballot. Any mail ballot without a signature or whose signature is illegible shall be void and not counted for any purpose. In the case of elections, nominations must be made before the ballot is prepared, and the Board of Directors shall establish a process for notifying patrons for the nomination process not less than 30 days prior to preparation of the mail and/or electronic ballot. Nominees must be voting members in good standing. The Board of

Directors may adopt additional rules, if any, that it deems necessary to further implement the process of using mail or electronic ballots, which rules shall be published in the main office of the Cooperative 30 days prior to any director election.

ARTICLE V RULES

Section 1. Parliamentary procedure shall govern all meetings of the membership and of the Board. In cases of dispute, Robert's Rules of Order shall be the guide.

ARTICLE VI OFFICERS

Section 1. Officers. The officers of the Board shall be a president, one or more vice presidents, a treasurer, a secretary, and a membership clerk.

Section 2. Election. The officers shall be Directors and shall be elected by the Board after each annual meeting.

Section 3. Removal. The Board may remove an officer from office, but not from the Board, by a majority vote at any Board meeting.

ARTICLE VII DUTIES OF OFFICERS

Section 1. President. The President shall preside at all membership and Board meetings. He or she may be authorized by a majority vote at any legally constituted membership or Board meeting to issue statements on behalf of the co-op regarding its activities and policies. He or she shall sign as legal representative of the co-op, along with one other officer, all notes, deeds, conveyances and other documents as is necessary.

Section 2. Vice President. In the absence or disability of the president, the vice president shall preside and perform the duties of the president. If there is more than one vice president, the Board shall designate a line of succession.

Section 3. Treasurer. The treasurer shall be responsible for:

- keeping all accounts;
- presenting quarterly financial statements to the Board;
- posting and publishing annual financial statements for discussion at the annual meetings;
- filing all necessary financial statements, reports, and returns with all governmental bodies;

(e) The Board of Directors may delegate the duties enumerated in this section to some employee or employees of the association.

Section 4. Secretary. The secretary shall be responsible for:

- taking and transcribing the minutes of all membership and Board meetings;
 - making all mailings required by these Bylaws;
 - The Board of Directors may delegate the duties enumerated in this section to some employee or employees of the association.
- Section 5. Membership Clerk.** The membership clerk shall be responsible for:
- maintaining a membership file which will include name, address, telephone number, volunteer hours worked, and voting status for all members;
 - acting as ballot judge for all elections;
 - maintaining the stock register;
 - The Board of Directors may delegate the duties enumerated in this section to some employee or employees of the association.

Section 6. Employees. The Board of Directors shall have power to employ and dismiss the general manager of the association. The general manager shall have general charge of the ordinary and usual business operations of the association, under and subject to the direction, approval and control of the Directors.

- The manager shall be required to maintain his or her records and accounts in such manner that the true and correct condition of the business may be ascertained therefrom at any time. He or she shall render annual and periodical statements in the form and manner prescribed by the Directors. He or she shall carefully preserve all books, documents, correspondence and records of whatever kind pertaining to the business which may come into his or her possession.
- The manager shall employ and discharge employees not specifically employed by the Directors.
- The manager shall handle and account for all monies belonging to the association, which come into his or her possession, in the manner and form prescribed by the Directors.

ARTICLE VIII MANAGEMENT OF BUSINESS

Section 1. Management of Business. The Board of Directors shall manage the business and the affairs of the association and make all necessary rules and regulations not inconsistent with law or with these Bylaws, for the management of the business and the guidance of the officers, employees, and agents of the association.

Section 2. Bonds of Employees. The Board of Directors may require the manager and all other officers, agents and employees charged by the association with responsibility for the custody of any of its funds or property to provide a fidelity bond in such sum as the Board of Directors shall determine. Such bond shall be furnished by a responsible bonding company or other surety satisfactory to the Directors, and the cost thereof shall be paid by the association.

Section 3. Audits. The Board of Directors shall examine all accounts at their regular meetings. In addition, the books shall be audited as often as deemed appropriate by the Board by a competent auditing service. Such audit shall be made between the date of the close of the fiscal year and the date of the annual meeting, and a report of such audit shall be submitted to the members at their annual meeting in either typewritten, mimeographed, or printed form, and shall contain at least a balance sheet showing the financial condition of the association at the close of the fiscal year and a statement of income and expense for the year, and such statistical memoranda as may be desired by the Board of Directors.

Section 4. Declaration of Patronage Refund. The Board of Directors shall have the

authority to declare the patronage refund and the manner and time of payment.

ARTICLE IX CAPITAL STOCK AND SURPLUS

Section 1. Book Entry System. No certificates of stock shall be issued by the association. Instead, the association shall keep a record of the name and address of each person or entity that owns stock in the association, as well as the amount of each class or stock owned by each person or entity. The association shall provide to each owner of stock information about the class and amount of stock owned upon written request by the person or entity.

Section 2. Stock Issued or Transferred. Stock shall be transferable only to the association with the consent and approval of the Board of Directors. Shares of stock may not be transferred in any other manner.

ARTICLE X REVOLVING FUNDS AND RECORDS

Section 1. Revolving Fund. In order to further the cooperative character of this association and provide a means whereby its current and active patrons will finance the

association, this association is authorized to issue Nonvoting Stock, and equity reserve or capital interest certificates, or any other media as determined by the Board of Directors and as permitted by the laws under which the association is organized. Funds and credits arising from the issue of such stock or certificates or other media may be used for creating a revolving fund for the purpose of building up such an amount of working capital and such an interest in other wholesale or central cooperative associations as this association may from time to time deem necessary, and for revolving such capital. Such funds, or funds derived by the association from any other sources, whenever the association determines that all of such funds are not necessary for the proper financing of the operations of the association, may be devoted to retiring Nonvoting Stock, Preferred Stock, liquidating equity reserves or capital interest certificates or certificates of interest, or any other certificates of indebtedness, or any other media previously issued to evidence patronage refunds. The Board of Directors may retire all or part of each class of stock as it so determines thus creating a preference for one class of stock over another. The Board may, in its discretion, choose one method of retiring for one class of stock and another method for the other class of stock. However, only one method may be used for each class of stock.

Section 2. Books and Records. The books and records of the association shall be kept on a fiscal year basis, and in such a manner that the patronage refunds of each patron of the association may be ascertained at any time. Whenever the association determines that its capital and reserves are in excess of the amount reasonably necessary for its operations on a sound financial basis, such excess, or so much thereof as shall be deemed proper by the association, may be applied to retiring the outstanding capital and reserve contributions of stockholders.

Section 3. Dissolution. Upon dissolution or liquidation of the association, the debts and liabilities of the association shall be paid and any remaining property shall be distributed as provided in the Articles of Incorporation.

ARTICLE XI ALLOCATION AND RESERVES

Section 1. Annual Net Income.

- Gross Receipts. Gross receipts of the association from all business done with members and non-members shall be all proceeds from the sale of goods and services to members and non-members, all sums received (including patronage dividends received) which reduce costs and expenses incurred in connection with these activities and all non-patronage income.
- Deductions from Gross Receipts. The association shall deduct from

“gross receipts” all expenses incurred in generating the “gross receipts” including, but not limited to, marketing expenses, costs of goods or services sold, taxes, depreciation, reserves for doubtful accounts and all other necessary expenses.

(c) Total Annual Net Savings. The amount remaining after reducing the “gross receipts” by the deductions contained in Section 1(b) of this Article shall constitute the annual net savings (net earnings) of the association.

Section 2. Member Patronage Income.

(a) Member Patronage. Total annual net savings shall be divided into (1) annual net savings from member patronage and (2) annual net savings from non-member patronage and non-patronage sources. Annual net savings from member patronage shall be determined by taking the percentage of gross receipts attributable to business done with or for members (including patronage dividends, etc.) and multiplying that percentage to total annual net savings. The amount resulting shall be annual net savings from member patronage, which shall be distributed to the member-patrons of this association in proportion to the amount of business done by them with the association, subject only to the deductions therefrom and the exceptions provided in Sections 3 and 4 of this Article.

(b) Non-member Patronage and Non-patronage Income. The difference between total annual net savings and net savings from member patronage shall be annual net savings from non-member patronage and non-patronage sources.

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Section 3. Educational Reserve. The Board of Directors may set aside a sum not to exceed five percent (5%) of the total annual net savings as an educational fund which shall be used for the purpose of promoting and encouraging cooperative associations.

Section 4. Capital Reserve.

(a) The Board of Directors shall annually set aside all annual net savings from non-member patronage and non-patronage sources less any deductions for the educational reserve as a capital reserve. In addition, the Board of Directors may also place into the capital reserve fund all annual net savings from member patronage attributable to member-patrons who are unidentified; all annual net savings from member patronage attributable to member-patrons who do not consent to take into account patronage dividends from the association in the manner provided in 26 U.S. C. Section 1385; and all annual net savings from member patronage attributable to member-patrons who so consent, but who have not made at least one hundred dollars (\$100.00) in purchases in the fiscal year. Following the adoption of these Bylaws, the amounts so set aside shall not be allocated to the member-patrons of the association and shall be kept in the general reserve fund.

(b) Amounts which have been placed in any reserve prior to the effective date of this amendment, and which have been allocated, shall remain allocated on the books of the association unless and until retired or disbursed.

(c) Notwithstanding anything in this Section to the contrary, the Board of Directors must, by resolution duly adopted within eight and one half (8½) months following the fiscal year end declare a distribution of patronage refunds that will be allocated on the basis of each member’s proportional patronage of the Cooperative. In the absence of a resolution, the annual net savings shall be added to the unallocated capital reserve.

Section 5. Patronage Dividend Distribution.

(a) The annual net savings from member patronage, less any deductions therefrom or exceptions thereto as determined by Section 3 or 4 of this Article, shall be distributed annually to the member-patrons of the association who consent to take into account patronage distributions from the association in the manner provided in 26 U.S.C. 1385, on the basis of their respective patronage in accordance with these Bylaws, and said member-patrons

shall be notified thereof.

(b) Patronage dividends shall be distributed in cash or in equity (usually Nonvoting Stock) or by any combination thereof designated by the Board of Directors. Such equity (usually Nonvoting Stock) may be paid or redeemed in whole or in part at such time, in such manner and in such order as shall be determined by the Board of Directors in its sole discretion. Without limiting the generality of the foregoing, the Board of Directors shall not be required to but may establish policies and programs for the payment of or redemption of such equities. No transfer or assignment of such equity (usually Nonvoting Stock) shall be binding upon the association without its consent.

Dividends may be paid on the non-patron equity capital of this cooperative, if any, provided that dividends on equity capital may not exceed fifteen percent (15%), nor may the

10 dividends paid exceed 20% of all the financial rights as between patron and non-patron members interests in patronage sourced earnings.

Section 6. Losses. If this association has sustained an annual loss in its memberpatron business, it shall have the power and authority to allocate such loss to the member-patrons for such year or years on a patronage basis and apply the same against the equity credits or Nonvoting Stock of said member-patrons, or to carry forward or back such loss, or allocate the loss against the capital reserves of the business as determined by the Board of Directors.

ARTICLE XII

TAX CONSENT

Each person (including individuals, partnerships, businesses, non-profit organizations or cooperative associations) who hereafter applies for and is accepted to membership in this association and each member of this association on the effective date of this Bylaw who continues as a member after such date shall, by such act alone, consent that the amount of any distributions with respect to his, her or its patronage occurring in any fiscal year beginning after December 31, 1962, which are made in written notices of allocation (as defined by 26 U.S.C. 1388, the Internal Revenue Code) and which are received by him, her or it from the association, will be taken into account by him, her or it at their stated dollar amounts in the manner provided in 26 U.S.C. 1385 in the taxable year in which such written notices of allocation are received. It is the intent of this Bylaw to provide a consent binding on all members who retain or obtain membership in this association after the adoption of this Bylaw, for the purpose of making such distributions “qualified written notices of allocation” within the meaning of the United States Income Tax Laws.

ARTICLE XIII

LIMITED LIABILITY AND INDEMNIFICATION

Section 1. Indemnification. This association shall indemnify each person who is or has been a director, officer or employee of this association, and each person who is serving or who has served at the request of this association as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys’ fees, judgments, fines and amounts paid in fullest extent of his or her right to indemnity under current Minnesota Corporation Law.

Section 2. Limited Liability. A director is not personally liable to the association or its members for monetary damages for breach of fiduciary duty except in the following circumstances: (a) for a breach of the Director’s duty of loyalty to the association or its members; (b) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; (c) for a transaction from which the Director derived an improper personal benefit; or (d) for an act or omission occurring prior to the date these amended articles of incorporation became effective.

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ARTICLE XIV FISCAL YEAR

Section 1. The fiscal year of the association shall begin on the first day of July and close on the last day of June of each year.

ARTICLE XV AMENDMENTS

Section 1. Amendment by Members. These Bylaws may be amended, repealed or altered, in whole or in part, by a majority vote of the members voting in person or by mail, if authorized by the Board of Directors, at any annual or special meeting of the members when such action has been announced in the call of the meeting as provided by law.

Section 2. Amendment by Board. The Board of Directors may amend any By-Law, which shall be effective when a resolution is adopted by the Board, but any such amendment shall be announced at the next annual meeting, and subsequently may be further amended, modified or repealed at an annual or special meeting of the members with prior notice.

ARTICLE XVI

NO ADDRESS BY-LAW

Whenever the Cooperative determines that it does not have a current address for the member or patron who purchased stock and/or was previously allocated equity of the Cooperative, or whenever a member or patron fails to maintain a current address at the Cooperative, then, in that case and before the previously acquired stock or previously allocated equity ever becomes payable, the stock or allocated equity will be deemed to be contributed to the Cooperative’s unallocated surplus and in the case of a dissolution of the Cooperative, the total surplus remaining, including these contributed amounts, if any, will be distributed to the members and patrons as surplus proceeds, all as determined by the Board of Directors and in accordance with the Articles of Incorporation and By-Laws of this Cooperative.