

AMENDED AND RESTATED BY-LAWS
OF
NEW ULM COMMUNITY MARKET AND COOPERATIVE

A Cooperative Duly Organized
Under the Laws of the State of Minnesota

ARTICLE I
Name and Purpose

Section 1. Name. This association shall be formally known as “New Ulm Community Market and Cooperative”. (Hereinafter referred to as the “Cooperative”).

Section 2. Purpose. The purpose of the cooperative shall be to engage in any activity with the purposes for which cooperatives may be organized according to the laws of the state of Minnesota, Chapter 308A.

Section 3. Articles of Incorporation. The Articles of Incorporation shall be made a part of these By-Laws, the same as if they were recited verbatim herein. If there is a conflict between the provisions of these By-Laws and the Articles of Incorporation, the Articles of Incorporation shall control.

Section 4. Place of Business. The registered office of said association shall be in the City of New Ulm, County of Brown, State of Minnesota. Branch offices may be located at other points.

Section 5. Duration. The period of the continuance of this cooperative shall be perpetual.

ARTICLE II
MEMBERSHIP

Section 1. Qualifications.

(a) Natural Persons. Any natural person aged eighteen (18) years or older, or business entity, including any registered business entity or bona fide general partnership, may apply for and, upon compliance with the membership requirements set forth in Section 2 of Article II, hold a membership in this Cooperative on terms established by the Board. Such membership may be held jointly in the names of not more than two persons, in which one person on the Class A stock certificate or subscription agreement shall have the right to cast the vote for that Membership.

(b) Purchase of Stock Required. Upon compliance with membership requirements by a natural person or eligible business entity the prospective Member shall purchase one (1) share at Ten dollars (\$10.00) of Class A stock in the Cooperative, and nine (9) shares at Ten dollars (\$10.00) each, total Ninety dollars (\$90.00) of Class B stock on terms set by the Board. The Board shall adopt and implement a method or methods, including but not limited to such mechanisms as scholarships, sponsorships, and matching funds, to encourage the participation of persons of low income as Members of the Cooperative to the greatest extent possible. To this end the Board shall adopt and implement a Low Income Membership Policy.

(c) Nondiscrimination. This Cooperative shall not discriminate on social or political grounds or on the basis of race, creed, income, age, sex, size, disability, handicap, sexual preference, gender orientation, economic status, marital status, or social status.

Section 2. Application.

(a) Application for membership shall be made in writing on a subscription agreement form approved

by the Board. The subscription agreement shall state that the applicant subscribes to and agrees to comply with the requirements of the Cooperative's Articles of Incorporation, By-Laws and Membership Policy, agrees to notify the Cooperative of any change of address, and wishes to peacefully and democratically participate in the Cooperative. Along with submission of application for membership in this Cooperative the applicant must include payment of a nonrefundable application fee in the amount of fifty dollars (\$50.00).

(b) This Cooperative shall offer a low income membership. A Member holding a low income membership shall enjoy all benefits of ownership in accordance with the terms of these By-Laws and any Low Income Membership Policy devised by the Board. Qualifications for a low income membership shall be determined by the Board and as stated in the Low Income Membership Policy.

Section 3. Definition. Only a Class A stockholder is and may be referred to as a Member of the Cooperative. Only Class A stockholders have voting power, and each such stockholder is entitled to only one vote, regardless of the number of shares owned.

Section 4. Approval.

(a) Each application for membership shall be acted on by the Board within sixty (60) days after the Cooperative's receipt of the application. The Board shall have full authority to approve, reject or limit the benefits of a membership application based on policies established and approved by the Board.

(b) The applicant for membership may pay amounts due for the required stock to be purchased for membership and the application fee described above in one installment or in \$25.00 monthly installments payable monthly over a period of 6 months. Payments by the applicant shall be first applied to Class B stock and then to Class A stock.

Section 5. Information. Each new Member shall be provided a copy of the Cooperative's current Articles of Incorporation, By-Laws and Membership Policy.

Section 6. Current Address. Each Member agrees to provide to the Cooperative his or her current address and to keep the Cooperative informed of any changes in address. This obligation shall continue even after a membership has been terminated as long as the Member has any interest in the Cooperative.

Section 7. Termination. Membership may be terminated voluntarily by a Member upon notice to the Cooperative. The Board may elect to terminate a membership if:

- (a) a Member dies or in the case of an organization, ceases to exist;
- (b) a Member fails to maintain a current address on file for one year;
- (c) a Member fails to renew a low income membership;
- (d) a Member fails to repay debts to the Cooperative in a timely manner;
- (e) a Member fails to comply with the requirements of these By-Laws and/or of the Membership Policy as promulgated by the Board.

When a membership is terminated, the Cooperative shall either:

- (a) Purchase the Class A stock of the Member by tendering to the Member, or his or her heir or

successor, the par value or the book value, whichever is less, together with any cash portion of a patronage dividend due or unpaid, less any indebtedness due the Cooperative; or

(b) Purchase the Class A stock of the Member by tendering to the Member, or his or her heir or successor, Class B stock, together with any cash portion of a patronage dividend due or unpaid, less any indebtedness due the Cooperative.

Regardless of the reason for termination, repurchase of the Cooperative's stock, including Class B and Class C stock, by the Cooperative shall be subject to the same terms and limitations governing all stock repurchases, including availability of replacement capital and the discretion of the Board to determine terms of repurchase. In any case, the Class A stock of the Member shall be cancelled and he or she shall no longer have voting rights in the Cooperative.

Section 8. Restriction on Withdrawal and Transfer of Membership. Upon joining this Cooperative, every Member agrees that, in case the Member shall desire to withdraw his or her membership in the Cooperative, his or her stock can only be transferred to the Cooperative and only upon approval by the Board. The stock of this Cooperative is not transferable in any other event.

Section 9. Inactive Status. A member who becomes delinquent in meeting his or her share purchase obligation to an extent determined by the Board, shall, no sooner than thirty days after delivery of written notification, be placed into inactive status. His or her participation rights shall then be suspended. A member in inactive status may attain good standing only upon full correction of all delinquencies. References herein to the rights and entitlements of members shall be understood to refer only to members in good standing.

Section 10. Donation of Interest. Any Member or ex-Member who fails to comply with the provisions of Section 6 of this Article II, by failing to inform the Cooperative of his or her current address, and fails to respond to general notification of extinguishment of interest published in the Cooperative's newspaper or on its website, makes a donation to the Cooperative of any interest the Member or ex-Member may have in the Cooperative whether that interest is represented by Class A, Class B, or Class C stock or any other capital contributions or equity in the Cooperative.

Section 11. Right to Appeal Termination of Membership. Written notice shall be mailed through the United States mail or hand delivered to any Member whose membership the Board of Directors decides to terminate pursuant to Section 10 of Article II. If the Member objects, the Member shall, within thirty (30) days, after the written notice of termination has been given, have the right to notify the Board of Directors in writing that the Member objects to termination and request an appeal. In that case, the appeal shall be heard at the next Members' meeting by the Members present. A majority vote of the Members present to uphold the action of the Board shall terminate the membership.

ARTICLE III MEMBER MEETINGS AND VOTING

Section 1. Annual Meeting. The annual meeting of Members shall be held in the territory served by this Cooperative within four (4) months of after the close of the fiscal year, at such time and place as determined by the Board.

Section 2. Special Meetings. The President of the Cooperative shall call a special meeting of the Members upon either:

(a) A majority vote of the directors, or

(b) The written petition of at least twenty percent (20%) of the Members.

Notice of the meeting shall be given by the President as provided in Section 3 of Article III, and shall state the time, place and purpose of the special meeting. If the meeting is called pursuant to a Member petition, then the notice shall be issued within ten (10) days from receipt of the petition by the President, and the special meeting shall be held within thirty (30) days from receipt of the petition by the President. No business shall be considered at a special meeting except that mentioned in the meeting notice.

Section 3. Notices of Meetings. The secretary of the Cooperative shall give notice of all meetings of the Members:

(a) By publication in a legal newspaper published in the county of the principal place of business of the Cooperative at least two (2) weeks before the date of the meeting, or

(b) By publication in a magazine, periodical or house organ regularly published by or on behalf of the Cooperative and circulated generally among its Members at least two (2) weeks before the date of the meeting, or

(c) By mailing notice thereof to each Member at such Member's last known address, not less than fifteen (15) days before the date of the meeting. The secretary shall document compliance with this provision by preparing a copy of the notice given to Members with proof of mailing or publication attached. The failure of any Member to receive any such notice shall not invalidate any action that may be taken by the Members at such regular or special meeting.

Section 4. Presiding Officer. The President of the Cooperative, or his or her designee, shall preside at all meetings of the Members and the Board.

Section 5. Quorum. At any meeting of the Members, a quorum necessary for the transaction of business shall be:

(a) Ten percent (10%) of the total number of Members in the Cooperative, when the number of Members does not exceed five hundred (500); or

(b) When the Cooperative has more than five hundred (500) Members, one hundred (100) Members present; or

(c) Such other number as may be and if required by law.

Only Members in actual attendance at the meeting shall count towards a quorum, except for matters submitted to the membership by mail or other means approved by the Board, in which case the ballots cast shall be counted toward fulfillment of the quorum requirement.

Section 6. Order of Business. The order of business at the annual and, so far as practicable, at all other meetings of the Members shall be according to Robert's Rules of Order.

Section 7. Reports. Reports covering the Cooperative's business for the previous fiscal year shall be submitted to the Members within four (4) months after the close of the fiscal year.

Section 8. Voting. No Member shall have more than one vote, regardless of the number of shares owned. Members who jointly own shares shall vote as prescribed in Section 1(a) of Article II of these By-Laws. No Member shall be allowed to vote by proxy. Voting by mail or by other means as approved by the Board shall be allowed on

all matters upon which Members are entitled to vote. The Board may prescribe a form of ballot to be used which ballot shall comply with requirements of the laws governing Cooperatives. If a ballot is received on or before the due date, it shall be accepted and counted.

For purposes of electing the staff representative director, the employees shall vote in accordance with the terms of these By-Laws governing Member voting. For example, each employee has one vote. There must be a quorum of employees present at the annual employee meeting. The employees must be give notice of the annual employee meeting. The board may provide other reasonable policies with regard to employee voting and the annual employee meeting. A staff representative director shall be elected once every three (3) years or more frequently in the event of a vacancy in this position.

ARTICLE IV BOARD OF DIRECTORS

Section 1. Powers, Numbers and Election of Directors. The management of the Cooperative is vested in the Board of Directors. The Board may delegate to other persons such power and duties not inconsistent with these By-Laws. The Board shall consist of no less than nine (9) and no more than fifteen (15) directors. A director must be a Member of the cooperative. Only one individual named on the membership application shall be eligible to be elected to the Board at any one time. The Members shall elect the directors by ballot and directors shall hold office until their successors are elected subject to any earlier resignation or removal of a director. There shall be one (1) director that sits as a staff representative on the Board, which staff representative director shall be elected at the annual meeting of employees and not by the Members.

Section 2. Tenure of Directors. Directors shall be elected to terms of three (3) years. If any director shall cease to be a member, his or her office shall be automatically vacated. No director may serve more than three (3) consecutive three (3) year terms, plus any partial term served to fill a vacancy. A former Director may be re-elected to the Board after at least one (1) year has elapsed since the end of his or her last previous term. Terms shall be arranged so that one-third (1/3) of them expire annually. The Board may appoint honorary directors without voting power who serve at its pleasure.

Section 3. Vacancies. Any vacancy in the Board may be filled by Board appointment of another Member until the next regularly scheduled Board election. When filling vacancies caused by resignation, the position (s) will be filled for the remainder of the original term(s). At the next regular or special members' meeting, the members must elect a director to fill the unexpired term of the vacant director's position.

Vacancies in the staff representative director position are to be filled by Board appointment out of a pool of eligible employees that make a formal request in writing to the Board to be considered for the position of staff representative director. This replacement staff representative director shall only fulfill the term of the staff representative director who caused the vacancy. After the term of the replacement staff representative director, a new staff representative director will be selected in the manner described in Section 1 of Article IV.

Section 4. Removal.

(a) No more than three (3) directors of the Cooperative may, for cause related to the duties of the director, at an annual or special meeting of the Members, be removed from office by a majority vote of the Members voting at any annual or special meeting called for that purpose. The Members may fill the vacancy caused by the removal of the director. A quorum of Members shall be present at any such meeting.

(b) No director shall be removed from office at either an annual or special meeting unless he or she has been informed of the meeting at which the matter is to be considered at least ten (10) days before such meeting.

Such notice shall be by certified mail addressed to him or her at his or her last known address, and he or she shall be entitled to be heard at such meeting.

(c) Failure of a director to attend two consecutive Board meetings or one third of the Board meetings during a year, except for cause as determined by a majority vote of the remainder of the Board, shall result in automatic removal from office.

(d) Any individual Director may be removed from his or her position on the Board of Directors for neglect of duty, misconduct, or malfeasance or conflict of interest in office, after being given a written statement of charges and an opportunity to be heard. Removal of a Director requires the affirmative vote of a majority of the Board of Directors to which notice stating such purpose has been given. In the case of the Board or any one or more Directors be so removed, new Directors may be appointed at the same meeting as provided in these By-Laws.

Section 5. Director Resignation. Resignation from the Board must be in writing and received by the Secretary thirty (30) days in advance of the effective date of the resignation. Such resignation shall take effect at the time specified therein, or if no time is specified, 30 days from the time of its receipt by the Secretary. The acceptance of a resignation shall not be necessary to make it effective. Any vacancies arising on the Board of Directors, including vacancy created by increase in the number of voting Directors shall be filled by the Board of Directors. A Director appointed to fill a vacancy upon the resignation or demise of a Director shall serve for the unexpired term of his or her predecessor. Absence from three (3) Board meetings in a year without providing prior notification shall constitute resignation from the Board.

Section 6. Board Meetings and Quorum. Regular meetings of the Board of Directors shall be held at such time and place and place as the Board of Directors, by proper resolution duly adopted and recorded upon the minutes, shall from time to time determine. A majority of the Directors shall constitute a quorum at all meetings of the Board, and a majority vote of the members present shall decide all questions. Presence at a meeting shall constitute a waiver of notice of such meeting. The Board shall have at least ten (10) regular meetings during each fiscal year.

Section 7. Special Meetings of the Board. Special meetings of the Board may be called by the President or by a majority of the Board of Directors. Each member of the Board shall be duly notified of all such meetings.

Section 8. Action without a Meeting. Decisions of the Board may be made without a meeting if a consent in writing, stating the action to be taken, is signed by all directors or transmitted electronically by each director and filed with the Minutes.

Section 9. Compensation and Reimbursement. Directors shall serve without compensation. Nothing herein shall preclude any Director from serving the Cooperative in any other capacity and receiving compensation therefore. The Board of Directors may, at any time and from time-to-time, provide for the payment or reimbursement of expenses incurred by any Director and for the payment or reimbursement of expense incurred by any Officer, agent, or employee of this Cooperative for personal services rendered to this Cooperative, or for any expense necessarily paid or incurred by any such Director, Officer, agent, or employee, but only if and to the extent that the performance of such service or the incurring of such expenses is directly in furtherance of the purposes of this Cooperation and the compensation of the amount of expense paid or reimbursed, as the case may be, is reasonable and not excessive.

Section 10. Standard of Conduct. A Director shall discharge the duties of the position of Director in good faith, in a manner the Director reasonably believes to be in the best interests of the Cooperative, and with care an ordinary prudent person in a like position would exercise under similar circumstances. A person who so performs these duties is not liable by reason of being or having been a Director of the Cooperative.

Section 11. Participation by Remote Communications: Meeting Held Solely by Means of Remote Communication. Any meeting of the Board of Directors may be conducted solely by one or more means of remote communication (including electronic mail or messaging) through which all of the Directors may participate with each other during the meeting, if the notice is given of the meeting as required by this Article, and if the number of

Directors participating in the meeting is sufficient to constitute a quorum at a meeting. Participation in a meeting by that means constitutes presence at the meeting.

Section 12. Participation by Remote Communications: Participation in Meetings by Means of Remote Communication. A Director may participate in a meeting of the Board of Directors by means of conference call or, if authorized by the Board, by such other means of remote communication, in each case through which the Director, other Directors so participating, and all Directors physically present at the meeting may participate with each other during the meeting. Participation in a meeting by that means constitutes presence at the meeting.

Section 13. Indemnification of Directors. To the fullest extent of a director's right to indemnification under Minnesota law, the Cooperative shall indemnify each person who is serving or who has served at the request of this Cooperative as a director or officer, including his or her heirs, executors or administrators, against: expenses, including but not limited to reasonable attorneys' fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by such director or officer in connection with any suit, action or process arising out of, resulting from or connected to such office or directorship, and whether or not such suit, action or process arises out of the conduct of such director or officer.

ARTICLE V DUTIES AND POWERS OF THE BOARD

Section 1. Management of Business. The Board shall govern the business and affairs of the Cooperative and make all necessary rules and regulations not inconsistent with law or with these By-Laws. The Board shall have the power to employ and dismiss a general manager, and/or a managing agent and to determine their duties and fix their compensation. The duties of the Board include, but are not limited to:

- Direct the hiring of employees, approve the makeup of the hiring committee, approve job descriptions, and approve a hiring policy;
- Select officers and fill Board vacancies as needed;
- Create and approve an operating budget annually;
- Monitor the financial health of the Cooperative;
- Appoint standing and special committees;
- Authorize appropriate agents to sign contracts on behalf of the Cooperative;
- Review, revise, and adopt Cooperative plans;
- Approve major capital projects;
- Adopt major policy changes;
- Adopt policies to foster member involvement;
- Authorize major debt obligations of the Cooperative;
- Ensure compliance with all cooperative obligations, including the keeping of cooperative records and filing all necessary documents;

- Ensure adequate audits of Cooperative finances;
- Maintain free flowing communication between the Board, committees, employees, and Members;
- Adopt policies which promote achievement of the mission statement and goals of the Cooperative;
- Resolve organizational conflicts after all other avenues of resolution have been exhausted;
- Establish and review the Cooperative's goals and objectives;
- Provide an annual report to the Members to include a financial report, committee reports, and a summary of other significant events held and actions taken by the Cooperative during the year.

Section 2. Audits. The Board shall examine all financial statements prepared for the Cooperative at their regular meetings at least four (4) times a year. In addition, they may have the books audited or reviewed at least once a year by a certified public accountant. Such audit or review shall preferably be made between the date of the close of the fiscal year and the date of the annual meeting. Annually, a report of audit or review findings, containing at least a balance sheet showing the financial condition of the Cooperative at the close of the fiscal year and a summarized statement of income and expenses for the year, shall be submitted to the members at their annual meeting or, if not available at the annual meeting, mailed to the members.

Section 3. General Manager. The Board shall employ and supervise the general manager of the Cooperative. The general manager shall have general charge of the ordinary and usual business operations of the Cooperative subject to the direction and approval of the Board. The general manager shall be required to maintain all business records and accounts in such a manner that the accurate condition of the business may be determined whenever practical. He or she shall provide annual and periodic reports in a form and manner prescribed by the Board. The general manager shall employ and discharge employees subject to direction and guidelines approved by the Board. The general manager shall, in the manner and form prescribed by the Board, handle and account for all monies belonging to the Cooperative that come into his or her possession. The primary responsibilities of the General Manager and employees under the General Manager's direction include, but are not limited to:

- Keep the store functioning and open regular hours;
- Present comprehensive financial statements to the board quarterly or as requested;
- Maintain accounting records in accord with generally accepted accounting principles;
- Maintain accurate and up to date cooperative records, articles, by-laws, board meeting minutes, membership meeting minutes, staff meeting minutes, and required reports; and make these documents accessible to members.
- Maintain accurate and up to date membership records including names, addresses, fee records, and dues records;
- Maintain accurate and up to date records of the names and addresses of all creditors;
- Maintain adequate insurance and bonding;

- Regularly propose to the Board updated personnel policies and employee benefit programs;
- Maintain systems for control of all operations;
- Maintain adequate channels for taking and responding to member suggestions, commendations, and complaints;
- Maintain all facilities in good repair and in sanitary and safe condition;
- Provide effective and consistent programs for consumer and Cooperative information;
- Maintain free flowing communication between Staff, Board, committees, and the membership;
- Carry out Board decisions, directives, and/or membership decisions made in compliance with these By-Laws;
- Carry out all activities and act in accordance with applicable law, the Articles of Incorporation, the By-Laws and Membership Policy of the Cooperative.

ARTICLE VI OFFICERS OF THE BOARD

Section 1. Number. The Officers of the Cooperative shall be a President, Vice President, Secretary, and Treasurer, each of whom shall be elected by the Board of Directors. The offices of Secretary and Treasurer may be combined and, when so combined, shall be termed the Secretary-Treasurer. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board of Directors and shall exercise such powers and perform such duties as shall be determined from time to time by the Board. Every Officer shall at the expiration of his or her term of office surrender all property of the Cooperative in his or her possession at the time to his or her successor.

Section 2. Election and Term of Office. The Officers of the Cooperative shall be elected annually by the Board of Directors at its first meeting next following the annual Membership Meeting, or as soon thereafter is convenient. If the election of Officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient. Each Officer shall hold office until his or her successor shall have been elected and qualified. New offices may be created and filled at any meeting of the Board of Directors. Each officer shall hold office until a successor is duly elected and qualified or the office is duly abolished.

Section 3. Removal. Any Officer elected or appointed by the Board of Directors may be removed by an affirmative vote of the majority of the members of the Board of Directors whenever in its judgment, the best interests of the Cooperative would be served thereby.

Section 4. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

Section 5. Resignation. An Officer may resign by giving thirty (30) days advance written notice to the Board of Directors. The resignation is effective without acceptance thirty (30) days from when the notice is given to the Board of Directors, unless a later effective date is named in the notice.

Section 6. President. The President shall be the principal executive officer of the Cooperative and, subject to the control of the Board of Directors, and shall in general supervise and control all of the business and affairs of the Cooperative. He or she shall, when present, preside at all meetings of the Board of Directors. He or she shall assist in preparing agenda for Board meetings and in conducting new Board member orientations. He or she may sign,

with the Secretary or any other proper Officer of the Cooperative thereunto authorized by the Board of Directors, any deeds, mortgages, bonds, contracts, and, as applicable, all certificates of stock of the Cooperative which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these by-laws to some other Officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed. In general, he or she shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 7. Vice President. In the absence of the President or in the event of the President's death, inability, or refusal to act, the Vice President shall perform 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 President shall perform such other duties as from time to time may be assigned to him or her by the President or Board of Directors.

Section 8. Secretary. The Secretary shall: (a) attend, keep the minutes of, and record all votes at the Board of Directors' meetings in one or more books provided for that purpose; (b) Sign as Secretary, with the President, all notes, deeds and other conveyances of real estate and, as applicable, all certificates of stock of the Cooperative. (c) see that all notices are duly given in accordance with the provisions of these by-laws or as required by law; (d) be custodian of the cooperative records; and (e) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him or her by the President or the Board of Directors.

Section 9. Treasurer. The Treasurer shall (a) have charge and custody of and be responsible for all funds and securities of the Cooperative; (b) receive and give receipts for monies due and payable to the Cooperative from any source whatsoever and deposit all such monies in the name of the Cooperative in such banks, trust companies, or other depositories as shall be selected in accordance with the provisions in Section 9 of Article IV; (c) chair the Finance Committee, if one exists, assist in the preparation of the budget, help develop fundraising plans, and facilitate the availability of financial information to the Board members and the public; (d) The Board may delegate the duties enumerated in this section to an agent or employee of the cooperative provided, however, that the treasurer shall retain the responsibility to review and supervise the execution of such duties by such agent or employee on a regular basis; and (e) in general perform all of the duties incident to the offices of Treasurer and such other duties as from time to time may be assigned to him or her by the President or the Board of Directors.

Section 10. Secretary-Treasurer. If the offices of the Secretary and Treasurer are combined, the duties shall be a combination of the duties of both such officers. The office shall be known as Secretary-Treasurer.

ARTICLE VII CONFLICT OF INTEREST

Section 1. Purpose. The purpose of the conflict of interest policy is to protect the Cooperative's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Cooperative or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to cooperative organizations.

Section 2. Definitions.

(a) Interested Person means any Director, Officer, or committee member who has a direct or indirect financial interest.

(b) Financial Interest means a person has, directly or indirectly, through business, investment, or family:

(i) an ownership or investment interest in any entity with which the Cooperative has a transaction or arrangement;

(ii) a compensation arrangement with the Cooperative or with any entity or individual with which the Cooperative has a transaction or arrangement; or

(iii) a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Cooperative is negotiating a transaction or arrangement.

(c) Compensation means direct and indirect remuneration, gifts, or favors that are not insubstantial.

(d) A financial interest is not necessarily a conflict of interest. Under Section 3b of Article VII, a person who has a financial interest may have a conflict of interest only if the Board or appropriate committee decides that a conflict of interest exists.

Section 3. Procedures.

(a) Duty to Disclose. In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.

(b) Determination of Whether a Conflict Exists. After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the Board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board or committee members shall decide if a conflict of interest exists.

(c) Procedures for Addressing a Conflict of Interest.

(i) An interested person may make a presentation at the Board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the conflict of interest.

(ii) The chairperson of the Board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

(iii) After exercising due diligence, the governing board or committee shall determine whether the Cooperative can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

(iv) If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Board or committee shall determine by a majority vote of the disinterested members whether the transaction or arrangement is in the Cooperative's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, the Board or committee shall make its decision as to whether to enter into the transaction or arrangement.

(d) Violations of Conflict of Interest Policy. If the Board or appropriate committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the Board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Section 4. Records of Proceedings. The minutes of the meeting of the Board and of any committee meeting

shall:

(a) contain the names of person(s) who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the Board's or committee's decision as to whether a conflict of interest in fact existed; and

(b) contain the names of the persons who were present for discussions and votes relating to the transaction, the content of the discussion, including any alternatives to the proposed transaction, and a record of any votes taken in connection with the proceedings.

Section 5. Compensation. A member of the Board who receives compensation, directly or indirectly, from the Cooperative for services is precluded from voting on matters pertaining to that member's compensation; provided, however, that no person who receives compensation, directly or indirectly, from the Cooperative, either individually or collectively, is prohibited from providing information to the Board or any committee regarding compensation.

Section 6. Annual Statements. Each Director, Officer, and committee member shall annually execute a statement which affirms that such person has received a copy of this conflicts of interest policy, has read and understands the policy, and agrees to comply with the policy.

Section 7. Periodic Reviews. To ensure the organization operates in a manner consistent with cooperative purposes and does not engage in activities that could jeopardize its tax status, periodic reviews shall be conducted. The periodic reviews shall include, but not be limited to, whether compensation arrangements and benefits are reasonable, based on competent information, and the result of arm's-length bargaining.

Section 8. Use of Outside Experts. When conducting the periodic reviews as provided for in Section 7 of Article VII, the Cooperative may, but need not, use outside advisors, including, but not limited to, legal counsel or certified public accountants. If outside experts are used, their use shall not relieve the Board of its responsibility for ensuring periodic reviews are conducted.

ARTICLE VIII CAPITAL STOCK

Section 1. Certificates or Proof of Membership. Membership cards shall be issued, in lieu of certificates for Class A stock, when the initial required stock is fully paid for and the membership application has been approved and for payment of all required Class B equity stock. Class B stock received as patronage dividends shall be evidenced by written notice of allocation mailed to the Members. Purchase of Class C stock shall be evidenced by written notice of allocation and a certificate mailed to the Member. The Cooperative retains the right to terminate all memberships as provided in the By-Laws and to purchase or recall all stock. Redemption of capital stock by the Cooperative is subject to any indebtedness owing the Cooperative by the stockholder.

Class A stock consists of common stock which is voting stock with a par value of \$10.00. Class B stock consists of preferred nonvoting equity stock with a par value of \$10.00. Class C stock consists of preferred nonvoting equity stock with par value of \$900.00. Only Members may be eligible to purchase Class C stock.

Section 2. Non transferability. Shares of stock shall be transferable only to the Cooperative with the consent and approval of the Board. Shares of stock may not be transferred in any other manner.

Section 3. Repurchase by the Cooperative. The Cooperative shall repurchase all shares of stock of terminating Members, whether for cause or for voluntary or involuntary reasons, on the condition that the Cooperative has received replacement capital from new or continuing Members. The Board may establish additional conditions and terms for repurchase of Members' shares of stock, provided such conditions and terms apply to all Members.

Section 4. Retirement or Cancellation of Surrendered Stock. Any stock required to be surrendered back to the Cooperative according to Section 7, Article I of these By-Laws shall be retired and cancelled by the Board. Any other stock acquired by the Board from a stockholder of any class may be held as treasury stock or may be retired and cancelled.

Section 5. Classes and Issue. Whenever the Cooperative determines that all of its funds are not necessary for the proper financing of the operations of the Cooperative, the Board may choose to retire Class B or Class C stock, liquidate equity or capital reserves or any other media previously issued.

Section 6. Order of Payment Upon Dissolution or Liquidation. Upon dissolution or liquidation of the Cooperative, the debts and liabilities of the association shall first be paid according to their respective priorities. Stockholders or other holders of equity, capital reserve credits, or other media issued by the Board shall then be paid the par value of their shares or credits with payment made in the order of preference stated in the Articles of Incorporation. Any additional property remaining after stockholders and other equity holders have been paid shall be distributed to another cooperative doing business on a cooperative basis or to a cooperative organization under Section 501c of the Internal Revenue Code, as shall be determined by the Board.

Section 7. Revolving Fund. Funds and credits arising from the issuance of stock or other media may be used for creating a revolving fund for the purpose of building working capital, revolving such capital, and investing in other cooperatives as the Board may from time to time deem necessary.

If the Board determines that some of its funds from whatever sources are not necessary for the proper financing of the operations of the cooperative, it shall first redeem Class B stock that was tendered for Class A stock and then Class B stock which represents an ex-Member's initial capital contribution to the cooperative. This is done provided that the ex-Member has requested the redemption of this stock.

If additional funds remain available to redeem equity after all requests to redeem Class B stock representing the capital contributions of ex-Members have been honored, then the Board may redeem other Class B stock, Class C stock, and other capital interest media. The timing and method of all redemptions shall be at the Board's sole discretion and shall be fair and equitable.

Section 8. Books and Records. The books and records of the cooperative shall be kept on a calendar-year basis, and in such a manner that the interests of Members and ex-Members may be determined at any time.

Section 9. Subject to Securities Laws. Under Minnesota Statute section 308A.505 this Cooperative is subject to provisions of Minnesota Statute chapter 80A, except as provided in sections 80A.45 and 80A.46. The Board shall take steps to secure exemption from Securities Laws to the extent possible under Minnesota and Federal Law. Specifically, this Cooperative shall proceed under Minn. Stat. sections 80A.46(25), 80A.50(a)(3) and 80A.71.

ARTICLE IX PATRONAGE DIVIDENDS AND RESERVE FUNDS

Section 1. Annual Net Income.

(a) Gross Receipts. Gross receipts shall be all proceeds from the sale of goods and services to Members and nonMembers and all other sums received (including patronage dividends and all nonpatronage income).

(b) Deductions from Gross Receipts. The Cooperative shall deduct from “gross receipts” all expenses incurred in generating the “gross receipts” including, but not limited to, marketing expense, costs of goods or services sold, taxes, depreciation, reserves for doubtful accounts, and all other necessary expenses.

(c) Total Annual Net Income. The amount remaining after reducing the “gross receipts” by the deductions contained in Section I(b) of this Article VII shall constitute the total annual net income (net earnings) of the Cooperative.

Section 2. Member Patronage Income.

(a) Member Patronage. Total annual net income shall be separated into:

(i.) Annual net income from Member patronage and patronage dividends and

(ii.) Annual net income from non-Member patronage and nonpatronage sources.

(b) Annual net income from Member patronage shall be determined by:

(i.) Taking the percentage of gross receipts attributable to business done with or for Members (including patronage dividends, etc.) and

(ii.) Multiplying that percentage by total annual net income. The amount resulting shall be annual net income from Member patronage, which shall be distributed to the Members of this Cooperative in proportion to the amount of business done by them with the Cooperative over the last year, subject only to the deductions and exceptions provided in Section 4 of this article.

(c) Non-Member Patronage and Non Patronage Income. The difference between total annual net income and net income from Member patronage shall be annual net income from non-Member patronage and nonpatronage sources.

Section 3. Education Reserve. The Board may set aside a sum from the annual net income from non-Member patronage and non-patronage sources as an education fund to promote and encourage cooperatives.

Section 4. Capital Reserve.

(a) The Board shall annually set aside the annual net income from non-Member patronage and nonpatronage sources, less any deductions for the education reserve, as a capital reserve.

(b) In addition, the Board may also place into the capital reserve fund:

(i.) All annual net income from Member patronage attributable to Members who have not provided current addresses to the cooperative;

(ii.) All annual net income from Member patronage attributable to Members that results in a distribution of less than the minimum amount of Five Dollars (\$5.00) to any Member.

(iii.) These amounts so set aside shall not be allocated to the Members of the cooperative

and shall be kept in the general reserve fund.

(c) Amounts which have been placed in any reserve and which have been allocated to a specific Member prior to the effective date of this Article shall remain so allocated on the books of the cooperative unless and until retired or disbursed.

(d) The Board may, by resolution duly adopted prior to the beginning of the fiscal year, set aside up to fifty percent (50%) of the total annual net income or other reasonable amount as a capital reserve.

Section 5. Patronage Dividend Distribution.

(a) The annual net income from Member patronage, less any deductions or exceptions as determined by Section 4 of this Article, shall be distributed annually to the Member patrons of the cooperative and said Member patrons shall be notified thereof.

(b) Patronage dividends shall be distributed in cash or in equity (usually Class B stock) or by any combination thereof designated by the Board. Equity distributions (Class B 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 in its sole discretion. No transfer or assignment of such retained patronage equity (Class B stock) shall be allowed without the approval of the Board.

Section 6. Allocation of Losses. If this Cooperative has sustained an annual net loss in net income from Member patron business, the Board shall have the power and authority to allocate such losses in the following manner:

(a) To the Member patrons in such year on a patronage basis and apply such losses against the retained patronage equity of said Member patrons, or

(b) To carry forward or to carry back such loss.

**ARTICLE X
TAX CONSENT BY MEMBERS**

Each Member of this Cooperative shall, by becoming a Member, consent that the amount of any distribution with respect to his or her patronage occurring in any fiscal year which are made by qualified written notices of allocation (as defined in 26 U.S.C. 1388) received by him or her from the Cooperative shall be included in his or her income in the manner provided in 26 U.S.C. 1385 during the taxable year in which the qualified written notices of allocation are received. It is the intent of this provision to provide a consent binding on all Members who retain or obtain membership in this Cooperative and who receive a written notification and copy of this Bylaw, for the purpose of making such distributions “qualified” within the meaning of the Internal Revenue Code.

**ARTICLE XI
MISCELLANEOUS PROVISIONS**

Section 1. Fiscal Year. The fiscal year of this Cooperative shall begin on the first day of January and close on the last day of December of each year.

Section 2. Amendments. These By-Laws may be amended or repealed and new By-Laws may be adopted

at any annual or special meeting of the members of the association by the vote of a majority of the members voting or represented by mail ballot at the meeting; provided, however, in the event the Board of Directors of this association declares, by resolution adopted by a majority of the directors present and voting, that the proposed amendment involves or is related to a hostile takeover, then the proposed amendment may be approved only upon the affirmative vote of eighty percent (80%) of the total voting power of the members of this association, whether or not present and/or voting on the proposed amendment. A quorum must be present at the meeting and the notice of meeting must contain a summary statement of the proposed amendment.

Section 3. Severability. In the event that any provision of these By-Laws is determined to be invalid or unenforceable under any statute or rule of law, then such provision shall be deemed inoperative to such extent and shall be deemed modified to conform with such statute or rule of law without affecting the validity or enforceability of any other provision of these By-Laws.