

Amended October 30, 2014
**AMENDED AND RESTATED ARTICLES OF INCORPORATION
OF MISSISSIPPI MARKET COOPERATIVE, INC.**
Saint Paul, Minnesota

ARTICLE I NAME

The name of the cooperative shall be Mississippi Market Cooperative, Inc.

ARTICLE II PURPOSES

The purpose of the cooperative shall be to engage in a mercantile, marketing, manufacturing, processing and warehousing business to supply and furnish to its members and patrons on a cooperative basis such supplies, food, clothing, hardware, household and garden supplies, goods, wares, and merchandise as they may require. In order to accomplish this goal, the cooperative shall buy, sell, market, store, warehouse, acquire, transport, distribute, process, produce and otherwise engage in any activity connected with or related to its purpose.

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 secure the same pledge, mortgage or trust deed on any other property of the cooperative; 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 cooperative is formed.
- (b) Acquire, purchase, hold, lease, encumber, sell, exchange, and convey such real estate, buildings and personal property as the business of the cooperative may require.
- (c) Purchase, sell, transfer and own capital stock, bonds, and obligations of other cooperatives.
- (d) Join with other cooperative corporations or associations to form district, state, national, or international purchasing, marketing and service organizations; and to purchase, acquire, and hold capital stock, bonds, and other 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 under which it was organized, and acts amendatory thereof and supplemental thereto.

ARTICLE III PLACE OF BUSINESS

The principal place of business of the cooperative shall be 622 Selby Avenue, Saint Paul, County of Ramsey, State of Minnesota 55104. Branch offices may be located at other points.

ARTICLE IV DURATION

The period of the continuance of the cooperative shall be perpetual.

ARTICLE V CAPITAL

Section 1. The amount of authorized capital stock of the cooperative shall be thirty-six million dollars (\$36,000,000) and shall be divided into three classes of stock. Class A shall consist of five hundred thousand (500,000) shares of voting stock with a par value of six dollars (\$6.00) per share for a total of \$3,000,000. Class B shall consist of five million (5,000,000) shares of non-voting stock with a par value of six dollars (\$6.00) per share for a total of \$30,000,000. Class C stock shall consist of six thousand (6,000) shares with a par value of five hundred dollars (\$500.00) per share for a total of \$3,000,000.

Section 2. Class A stock may be issued for cash to any person, household, firm, cooperative, nonprofit corporation, or other corporation to qualify him, her or it as a member if he, she or it is eligible therefor. Only holders of Class A stock shall be deemed to be members of the cooperative. Class A stockholders shall have voting power and each holder of Class A stock shall be entitled to only one vote regardless of the number of shares owned of Class A or other classes of stock. Voting by proxy shall not be allowed. Voting by mail or voting by electronic means shall be allowed on all matters which members are entitled to vote if authorized by the Board of Directors. No dividends shall be paid on Class A stock.

Section 3. Class B stock may be issued for cash, in payment of patronage refunds or in exchange for outstanding Class A stock to any person, firm or corporation not eligible for membership in the cooperative. Class B stock shall have no voting power and no dividends shall be paid thereon.

Section 4. Class C stock may be issued to holders of Class A stock. Class C stock shall have no voting power. Dividends may be paid on Class C stock at the discretion of the Board of Directors, not to exceed eight percent (8%) per annum. Dividends, if declared, shall not be cumulative.

Section 5. No share of stock shall be issued for less than its par value, nor until the same has been paid in cash or its equivalent, and each share of stock shall be paid for at such a time and in such manner as the Board of Directors of the cooperative shall require. The cooperative shall have a prior lien on the outstanding stock for any indebtedness due it. Stock shall not be sold or transferred except back to the cooperative with the consent and approval of the Board of Directors. Capital stock shall be subject to redemption as provided by law and by the Bylaws of the cooperative. The capital stock of the cooperative shall be non-assessable.

Section 6. When it is determined by the Board of Directors of the cooperative that it has sufficient working capital, Class B and Class C stock may be called in for payment at par. Such stock may be called in for payment in chronological order with reference to date of issue, in which case all of such stock issued in a given fiscal year shall, as nearly practicable, be called in at the same time; or such stock may be called on the basis of percentage of all of said stock outstanding, in which case the same percentage of said stock held by each owner shall be called in at the same time, without regard to the date of issue; or the Board of Directors may create separate revolving funds to redeem Class B and Class C stock as the Board deems proper. Any redemption of Class B stock is subject to the requirement that at the time of redemption the total amount of stock remaining outstanding after deduction of the amount of stock redeemed, plus the permanent surplus of the cooperative, shall at least equal the total liabilities of the cooperative.

Section 7. In case of dissolution or liquidation of the cooperative, there shall first be given a preference to holders of Class C stock. Preference shall then be given to holders of Class B stock. Holders of Class A shall have the lowest priority

ARTICLE VI ALLOCATIONS TO MEMBERS

Section 1. All or any part of the patronage refund declared by the cooperative at any time may be paid in cash or in equity (usually Class B stock), or any combination thereof designated by the Board of Directors.

Section 2. All of the annual net saving for patronage, including patronage refunds received by the cooperative from other cooperatives, available for distribution, shall belong to its members and shall be allocated to them on the basis of patronage and as provided in the bylaws.

Section 3. In the event of liquidation or dissolution of the cooperative, all debts and liabilities shall be first paid according to the respective priorities. Holders of capital stock shall then be paid the par value of their shares in order of priority herein specified, and the remainder of the property shall be paid and distributed among the members, and stockholders of the cooperative in accordance with their respective interest in the reserves and surplus of the cooperative as shown by its records. Any remaining assets shall be contributed to an association doing business on a cooperative basis or a nonprofit corporation which is exempt from income taxes under Section 501(a) of the Internal Revenue Code as the Board of Directors of the cooperative shall determine.

**ARTICLE VII
BOARD OF DIRECTORS**

Section 1. The government of the cooperative and the management of its affairs shall be vested in a Board of Directors, who shall be elected by ballot by the members from their own number. The size of the Board of Directors and the terms of its members shall be prescribed by the Bylaws.

Section 2. Vacancies in the Board of Directors, except in cases of removal by the members, may be filled by the persons remaining on the Board of Directors, 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 3. A director is not personally liable to the cooperative 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 or its members; (b) from 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) from an act or omission occurring prior to the date of these amended articles of incorporation became effective.

Section 4. The annual meeting of the members shall be held in the territory served by the cooperative on such a date and time as the Board of Directors shall select in each year.

ARTICLE VIII OFFICERS

The officers of the cooperative shall be a president, one or more vice presidents, a secretary and treasurer, who shall be elected annually by the directors. The president and the vice presidents shall be members of the Board of Directors. The secretary and treasurer need not be members of the Board of 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. The cooperative may be dissolved in the manner provided by law.

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

**BYLAWS OF
MISSISSIPPI MARKET COOPERATIVE, INC.**
Saint Paul, Minnesota

**ARTICLE I
Membership**

Section 1. Qualifications. Any individual, household, firm, cooperative, nonprofit corporation or other corporation may, upon approval or pursuant to the authorization of the Board of Directors, become a member of the Cooperative pursuant to terms established by the Board of Directors. This Cooperative shall not discriminate in its membership on social or political grounds, or on the basis of race, creed, age, sex, handicap, sexual preference or marital status. Each transaction between the Cooperative and each member shall be subject to and shall include as part of its terms each provision of the Articles of Incorporation of the Cooperative and these Bylaws, whether or not the same be expressly referred to in said transaction.

Section 2. One Class of Members. There shall be one class of members in the Cooperative. Each corporate or household member shall designate one person to vote on its behalf.

Section 3. Admission of New Members.

(a) Application and Investment Requirement.

Application for membership shall be made in writing or electronically on a form provided by the Cooperative. Pending approval by the Board of Directors of the membership application, each prospective member shall purchase one (1) share of Class A stock and such number of shares of Class B stock as may be determined from time to time by the Board of Directors. Payments for membership shall be paid in full at the time of joining or in installments pursuant to a payment plan approved by the Cooperative. Failure to make the required equity investment shall result in the termination of membership in the Cooperative as provided in Section 5(c) below.

(b) Approval of Application. Each application shall be acted on by the Board of Directors at the first meeting of the Board following receipt of the application. The Board of Directors shall have full authority to approve or reject a membership application based on policies established and approved by the Board.

(c) Information. Each new member shall receive a copy of the Articles of Incorporation and Bylaws of the Cooperative.

Section 4. Inactive Members. Any member who fails to patronize the Cooperative for a period of eighteen (18) months may have his, her or its membership status changed from active to inactive. Upon a determination by the Board of Directors that a member is inactive, the member's Class A stock shall be reclassified as Class B stock. An inactive member may return to active member status upon request to the Cooperative and completion of any outstanding stock purchase obligation.

Section 5. Termination of Membership. Membership may be terminated in one of the following ways: (a) voluntarily by a member upon written notice to the Cooperative; (b) automatically if a member dies or ceases to exist; (c) for cause, including but not limited to violations of the Bylaws or policies of the Cooperative or failure to pay any indebtedness due to the Cooperative, at the discretion of and by action of the Board of Directors. Members who are to be terminated by action of the Board of Directors shall be given notice of the proposed termination and provided an opportunity to remedy the cause of the proposed termination.

Section 6. Actions Upon Termination. When a member is terminated, the Cooperative shall either: (a) purchase the Class A stock of the member by tendering to the member, or to the member's heirs or successors, the par value or the book value of the member's Class A stock, 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 to the member's heirs or successors, Class B stock, together with any cash portion of a patronage dividend due or unpaid, less any indebtedness due the Cooperative. Regardless of the reasons for termination, repurchase of the Cooperative's stock from a terminated member shall be subject to the same terms and limitations governing all stock repurchases, including availability of replacement capital and the discretion of the Board of Directors to determine terms of repurchase. Upon termination of membership, the member shall thereafter have no voting rights in the Cooperative. No action taken hereunder shall impair the obligations or liabilities of either party under any contract with the Cooperative which may be terminated only as provided therein

Section 7. Restrictions on Withdrawals and Transfers of Membership.

Upon a member's withdrawal from membership in the Cooperative, the stock of the member can be transferred only to the Cooperative and only upon approval of the Board of Directors. The stock of the Cooperative is not transferable under any other circumstances.

Section 8. Current Address. Each member agrees to provide to the Cooperative his, her, or its current address and to keep the Cooperative informed of any changes in address. This obligation shall continue even though the membership has been terminated as long as the member has any interest in the Cooperative

Section 9. Donation of Partial Equity Investments.

Any member who fails to fully pay its required equity investments prior to the termination of its membership in the Cooperative shall have any equity investment the member may have made in the Cooperative (whether that equity investment is represented by Class A, Class B, or Class C stock or any other equity in the Cooperative) donated to the Cooperative or to an organization that is exempt from taxation, in the manner determined by the Board of Directors. This Section shall apply only to equity investments made by members as a requirement of membership, and shall not apply to equity allocated to members as a result of business done by them with the Cooperative on a patronage basis.

Section 10. Unclaimed Property. Rather than paying or delivering the unclaimed property that comes into its possession to the Minnesota Commissioner of Commerce, the Cooperative will instead distribute that unclaimed property to tax exempt corporations or organizations that are eligible to receive distributions of unclaimed property from cooperatives under Minnesota law. The Board of Directors shall have the discretion and the authority to administer all aspects of the Cooperative's unclaimed property distributions, including but not limited to determining the corporations or organizations that will receive distribution of unclaimed property from the Cooperative, determining the amounts of the distributions that those corporations or organizations will receive, and determining the times that distributions of unclaimed property will be made by the Cooperative.

ARTICLE II

Membership Meetings

Section 1. Annual Meeting. The annual meeting of the members shall be held in the territory served by the Cooperative at such time and place as may be determined by the Board of Directors.

Section 2. Special Meetings. The president shall cause a special meeting of the members to be called 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 such special meeting shall be issued within ten days from and after the presentation of such petition, and such special meeting shall be held within thirty days from and after

the presentation of 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 Meeting. Notice of the meeting shall be given by the secretary of all meetings of the members by publication in a legal newspaper published in the county of the principle place of business of the Cooperative, or by publication in a magazine, periodical, or house organ regularly published by or on the behalf of the Cooperative 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 day of the meeting. 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, regardless of the number of shares owned. The Board of Directors may authorize a mail ballot or voting by electronic means for voting on all matters that members are entitled to vote upon, including voting to elect directors. If authorized, mail ballots or ballots for voting by electronic means shall be sent to all members with the notice of a meeting. If a ballot is received on or before the date of the meeting, it shall be accepted and counted. There shall be no proxy voting.

Section 5. Presiding Officer. The president or his or her designee shall preside at all meetings of the members.

Section 6. Quorum. At any regular or special meeting of the members, a quorum necessary for the transaction of business shall be at least ten percent (10%) of the total number of members of the Cooperative, except that when the number of members shall exceed five hundred, fifty 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 ballot or voting by electronic means, in which case mail ballots or votes cast by electronic means shall be counted toward fulfillment of the quorum requirement.

ARTICLE III

Board of Directors

Section 1. Board of Directors. The business and affairs of the Cooperative shall be governed by the Board of Directors, which shall consist of seven (7) to nine (9) directors, as established by the Board from time to time. The Board of Directors shall exercise all of the powers of the Cooperative except such as are by law, the Articles of Incorporation or these Bylaws conferred upon or reserved to the members. The Board of Directors may adopt such policies, rules, regulations and actions not inconsistent with law, the Articles of Incorporation or these Bylaws, as it deems advisable. The Board of Directors may establish one or more committees having such powers and authority as are delegated to it by the Board of Directors.

Section 2. Eligibility and Qualifications. The qualifications for the office of director shall be as follows: (a) The individual must be a member in good standing of the Cooperative or a duly authorized representative of an entity that is a member in good standing of the Cooperative. If any director (or the entity represented by the director) shall cease to be a member in good standing, then the office of the director who has lost his or her eligibility to serve as a director shall thereupon be automatically and immediately vacated.

(b) Only one individual per household or corporate membership may serve on the Board of Directors at any given time.

(c) No more than one (1) director may be a paid employee of the Cooperative at any given time. The General Manager, or members of the Management Team in the absence of a General Manager, is not eligible for

election or appointment to the Board of Directors.

Section 3. Election of Directors. At each annual meeting of the members, directors shall be elected to fill vacancies created by expired terms or otherwise. Each member may cast one (1) vote for each director position to be filled. There shall be no nominations from the floor or write-in director candidates whose names do not appear on the election ballot. There shall be no cumulative voting. The director candidates with the highest vote totals shall be considered elected, until all of the director positions to be filled have been filled. No director needs to receive a majority of the votes cast in order to be elected, provided that his or her vote totals are high enough to result in his or her election through the procedures described above. Tie votes between director candidates shall not be broken, unless breaking the tie is necessary to elect the correct number of directors. The Board of Directors shall establish procedures for breaking a tie vote when necessary, and may modify such procedures in its sole discretion. The Board of Directors may adopt additional procedures for matters such as the nomination and election of directors and the use of written and electronic ballots, consistent with the Cooperative's Articles of Incorporation, these Bylaws, and the Minnesota Cooperative Law.

Section 4. Terms of Office. The term of office of the directors shall be three (3) years and until their respective successors are elected and qualified. The terms of office of the directors shall be staggered to the extent possible, so that approximately one-third (1/3) of the directors shall be elected each year. Directors shall be eligible to serve two (2) consecutive terms. A director elected or appointed to serve a portion of a term shall count that as one term if the portion of the term is greater than one (1) year. Portions of terms less than one (1) year shall not be counted as a term for purposes of this term limit restriction. A director who has served two terms, or one term and a portion of another term greater than one year, shall be eligible for appointment or to run for the Board of Directors again after an absence from the Board of at least one year.

Section 5. Vacancies. Each vacancy occurring on the Board of Directors may be filled by the remaining directors until the next annual meeting of the members, at which time the members shall elect a director to serve for the unexpired term; provided, however, that vacancies on the Board created by an increase in the number of directors pursuant to an amendment of the Articles of Incorporation or Bylaws shall be filled at the annual meeting of the members next following the adoption of such amendment unless otherwise provided in the amendment.

Section 6. Removal. Any director of the Cooperative may, for cause related to the duties of the position of director, at any annual or special meeting of the members, be removed from office by a majority vote of the members present and entitled to vote. No director shall be removed from office by the members 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 given 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. In case of removal by action of the members, the members shall fill the vacancy for the unexpired term of such director by special election.

Section 7. Regular Directors' Meetings. The Board of Directors shall meet within thirty (30) days after each annual meeting of members, for the installation of new directors and election of officers. Regular meetings of the Board of Directors shall be held at such time and place as the Board of Directors shall from time to time determine.

Section 8. Special Directors' Meetings. Special meeting of the Board of Directors may be called by

the president or by any three (3) directors. Each member of the Board of Directors shall be duly notified of all such meetings. No business except that mentioned in call for special meeting of the Board of Directors shall received final action at said meeting.

Section 9. Quorum. A majority of the directors shall constitute a quorum at all meetings of the Board, and a majority vote of the directors present shall decide all questions except where a greater vote is required by the Articles of Incorporation, these Bylaws or by law. Presence at a meeting shall constitute a waiver of notice of such meeting. Directors may participate in any such meeting by means of a telephone conference or other comparable methods of communication by which all persons participating in the meeting can hear and communicate with each other; and for purposes of taking action at the meeting, any such directors shall be deemed present in person at the meeting.

Section 10. Action Without Meeting. "Action Without A Meeting. An action required or permitted to be taken at a board meeting, other than an action requiring member approval, may be taken by written action, or voting by electronic means, signed by a majority of all directors. When written action is taken by less than all directors, all directors must be notified immediately of its text and effective date. A director who does not sign or consent to the written action has no liability for the actions taken by the written action."

ARTICLE IV

Duties and Powers of Officers

Section 1. Election of Officers. At its first meeting after the annual meeting of members, the Board of Directors shall elect from their number a president and one or more vice presidents. The Board shall also elect a secretary and a treasurer (or a secretary-treasurer) who need not be directors. Officers shall hold office until their successors shall have been elected and qualified. Any officer may be removed by the Board whenever in its judgment the best interests of the Cooperative shall be served.

Section 2. President. The president shall preside over all meetings of the members and the Board of Directors. The president shall sign, with the secretary or secretary-treasurer, all notes, deeds and conveyances of real estate, as well as all certificates of stock of the Cooperative.

Section 3. Vice President. In the absence of or disability of the president, the vice president shall preside and perform the duties of the president. The vice president shall perform such other duties as may be required by the Board of Directors.

Section 4. Secretary. The secretary shall keep a complete record of the meetings of the Cooperative and of the Board of Directors. The secretary shall sign, with the president, all notes, deeds and other conveyances, as well as all certificates of stock of the Cooperative, and affix the corporate seal (if any) to all documents requiring attestation. The secretary shall keep a record of all business of the Cooperative and shall prepare and submit to the annual meeting of the members a report of the previous fiscal year's business. The annual report shall contain a statement of assets and liabilities, a statement of income and expenses, and such other statements and statistical memoranda as the Board of Directors shall require. The secretary shall give all notices as required by law. The secretary shall perform such other duties as may be required by the Board of Directors. The Board of Directors may delegate, or authorize the secretary to delegate, to any other officer or employee of the Cooperative, under the supervision of the secretary, any or all of the duties enumerated in this section.

Section 5. Treasurer. The treasurer shall oversee the receipt and disbursement of all funds of the Cooperative, ensure that complete records of all financial transactions of the association are kept, and perform such other

duties as may be required by the Board of Directors. The Board of Directors may delegate, or authorize the treasurer to delegate, to any other officer or employee of the Cooperative, under the supervision of the treasurer, any or all of the duties enumerated in this section.

Section 6. Secretary-Treasurer. In the event that the offices of secretary-treasurer are combined, then his or her duties shall be a combination of the duties of the secretary and the treasurer and his or her office shall be known as secretary-treasurer.

Section 7. General Manager. The Board of Directors shall employ and supervise a 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 of Directors. The General Manager shall properly maintain all business records and accounts of the Cooperative. He or she shall provide annual and periodic reports in a form and manner prescribed by the Board of Directors. The General Manager shall employ and discharge employees subject to direction and guidelines approved by the Board. The General Manager shall handle and account for all monies belonging to the Cooperative which come into his or her possession in the manner and form prescribed by the Board of Directors.

ARTICLE V Capital Stock

Section 1. Book Entry System. No certificates of stock shall be issued by the Cooperative. Instead, the Cooperative shall keep a record of the name and address of each person or entity that owns stock in the Cooperative, as well as the amount of each class of stock owned by each person or entity. The Cooperative 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. Transfer of Stock. Stock shall be transferable only to the Cooperative with the consent and approval of the Board of Directors. Shares of stock may not be transferred in any other manner.

Section 3. Revolving Fund and Records. In order to further the cooperative character of the Cooperative and provide a means whereby its current and active patrons will finance the Cooperative, the Cooperative is authorized to issue Class B and Class C stock or other capital interest media as determined by the Board of Directors and permitted by law. Funds and credits arising from the issuance of such stock or other media may be used for creating a revolving fund for the purpose of building up working capital, revolving such capital, and obtaining interest in other wholesale or central cooperatives as the Cooperative may from time to time deem necessary. Whenever the Cooperative determines that some of its funds, from whatever sources, are not necessary for the proper financing of the operations of the Cooperative, it may retire Class B or Class C stock or other capital interest media previously issued. The timing and method of all redemptions shall be in the Board of Directors' sole discretion and shall be fair and equitable.

Section 4. Order of Payment Upon Dissolution. Upon dissolution or liquidation of the Cooperative, the debts and liabilities of the Cooperative shall first be paid according to their respective priorities. Members and ex-members shall then be paid the par value of their stock, with payment to be made in the order of preference as stated in the Articles of Incorporation. If the Cooperative has issued any other media to represent equity of capital contributions to the Cooperative, these shall be paid their face value. The remainder of the property, if any, shall be distributed to another organization doing business on a cooperative basis or a nonprofit organization exempt for taxes under section 501(a) of the Internal Revenue Code as shall be determined by the Board of Directors.

ARTICLE VI

Patronage Dividends, Reserve Funds

Section 1. Annual Net Income.

(a) **Gross Receipts.** Gross receipts of the Cooperative from all business done with members and non-members shall be all proceeds from the sales of goods and services to members and nonmembers, all sums received (including patronage dividends received) which reduce costs and expenses incurred in connection with these activities and all non-patronage 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 expenses, cost of goods 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 in subsection (a) by the deductions in subsection (b) of this section shall constitute the annual net savings (net earnings) of the Cooperative.

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 members' 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 savings. The amount resulting shall be annual net savings from member patronage, which shall be distributed to the member-patrons of the Cooperative in proportion to the amount of business done by them with the Cooperative, subject to only 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.

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 members patronage attributable to member patrons who are unidentified; all annual net savings from members patronage attributable to member-patrons who do not consent to take into account patronage dividends for the Cooperative in the manner provided in 26 U.S.C. § 1385; and all annual net savings from member patronage attributable to member-patrons who so consent, but 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 Cooperative 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 provision, and which have been allocated, shall remain allocated on the books of the Cooperative unless and until retired or disbursed.

(c) Notwithstanding anything in this section to the contrary, the Board of Directors may, by resolution duly adopted prior to the beginning of the fiscal year to which

such savings are attributable, determine to set aside such other reasonable amount as a capital reserve but not more than fifty percent (50%) of the total annual net savings.

Section 5. Patronage Dividend Distribution.

(a) The annual net savings from member patronage, less any deductions therefrom of exceptions thereto as determined by sections 3 or 4 of this Article, shall be distributed annually to the member-patrons of the Cooperative who consent to take into account patronage distributions from the Cooperative in the manner provided in 26 U.S.C. § 1385, on the basis of their respective patronage in accordance of these Bylaws, 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 of Directors. Such equity (usually 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 of Directors in its sole discretion. Without limiting the generality of the foregoing, the Board of Directors shall not be required to but may by resolution establish policies and programs for the payment of or redemption of such equities. No transfer or assignment of such equity (usually Class B stock) shall be binding upon the Cooperative without its consent.

ARTICLE VII

Tax Consent

Each member of the Cooperative shall, by becoming a member, consent that the amount of any distributions with respect to his or her patronage, which are made in written notices of allocation (as defined in 26 U.S.C. § 1388) and which received by him or her for the Cooperative, will be taken into account by him or her 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 provision to provide a consent binding on all members who retain or obtain membership in this Cooperative and receive a written notification and copy of this provision, for the purpose of making such distributions qualified within the meaning of the Internal Revenue Code.

ARTICLE VIII

Limited Liability and Indemnification

Section 1. Indemnification. The Cooperative shall indemnify each person who is or has been a director, officer or employee of the Cooperative, and each person who is serving or who has served at the request of the Cooperative as a director, officer, employee, agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorney's fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by him or her to the fullest extent of his or her right to indemnification under Minnesota law.

Section 2. Limited Liability. A director is not personally liable to the Cooperative or its members for monetary damages for breach of fiduciary duty except for the following circumstances: (a) for a breach of the director's duty of loyalty to the Cooperative or its members; (b) for acts of omission not in good faith or that involve intentional misconduct or a knowing violation of law; or (c) for a transaction from which the director derived any improper personal benefit.

Section 3. Insurance. The Cooperative may purchase and maintain insurance on behalf of any person who is or was a director, officer, manager, employee or agent of the Cooperative, or is or was serving at the request of the Cooperative as a director, officer, manager, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against that person and incurred by that person in any such capacity.

ARTICLE IX

Fiscal Matters

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

Section 2 Compensation and Reimbursement. The compensation, if any, of the Board of Directors shall be determined by the members of the Cooperative at any regular or special meeting called for that purpose. Such directors shall, however, be entitled to reimbursement for actual expenses incurred in attending Board meetings or any other business of the Cooperative when such expense accounts have been approved by a four-fifths vote of the directors. Compensation of the officers who are not members of the Board of Directors shall be set by the Board of Directors.

Section 3. Bonds. The Board of Directors may require officers, agents and employees charged by the Cooperative with responsibility for the custody of any of its funds of 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 cost thereof shall be paid by the Cooperative.

Section 4. Audits. The Board of Directors shall examine all accounts at their regular meetings at least four times a year, and may, in addition, have the books audited at least once a year by a competent auditing service. Such audit, if only once a year, 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 and shall contain at least a balance sheet showing the financial condition of the Cooperative of 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. The Board of Directors shall have authority to have the books audited more frequently than once a year, and at such times as they may determine to be advisable.

ARTICLE X

Amendment

These Bylaws may be amended, repealed or altered, in whole or in part, as provided by law, by a majority vote of the members voting in person, by mail or by electronic vote, at any annual meeting of the members or at any special meeting of the members when such action has been duly announced in the call of the special meeting.