

BYLAWS OF LINDEN HILLS CO-OP (Effective October 25, 2005)

ARTICLE I MEMBERSHIP

Section 1. Qualifications. Any individual of age eighteen (18) or older, household (consisting of two or more adults who share a residence), firm, cooperative or nonprofit corporation may, upon approval or pursuant to the authorization of the Board of Directors, become a member of this 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, disability, sexual orientation or marital status. Each transaction between this cooperative and each member shall be subject to and shall include as part of its terms each provision of the Articles of Incorporation of this 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 this cooperative. Each corporate or household member shall designate one person to vote on its behalf.

Section 3. Current Address. Each member agrees to provide such member's current address to this cooperative and to keep this cooperative informed of any changes to the member's address.

Section 4. Admission of New Members.

(a) **Application and Investment Requirement.** Application for membership shall be made in writing on a form provided by this cooperative. Pending approval by the Board of Directors of the membership application, each prospective member shall purchase four (4) shares of Class A stock with a par value of twenty dollars (\$20) and provide payment for a minimum of two (2) shares or forty dollars (\$40) with the application.

(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 this cooperative.

Section 5. Termination of Membership.

(a) **By Member.** Membership may be terminated voluntarily by a member upon notice to this cooperative. Membership shall terminate automatically if a member dies, ceases to exist, or fails to patronize this cooperative for a period of three (3) years. A member who fails to inform this cooperative of such member's current address shall be determined to be an inactive member by the Board of Directors. A member who is inactive for three (3) or more years shall be deemed to make a gift to this cooperative of such member's equity and membership interest in this cooperative, and his or her membership shall automatically terminate.

(b) **By Board of Directors.** Membership of a member may also be terminated by the Board of Directors at its discretion whenever the Board of Directors finds that the member has:

(i) failed to comply with the provisions of the Articles of Incorporation, Bylaws, membership agreement or Board policies of this cooperative;

(ii) breached any contract with this cooperative; or

(iii) remained indebted to this cooperative for ninety (90) days after such indebtedness becomes payable.

Section 6. Actions Upon Termination. When a member is terminated, this 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 this cooperative; or (b) recalling the Class A stock of the member by issuing to the member, or to the member's heirs or successors, non-voting stock or a non-voting certificate of interest, or some combination of both, together with any cash portion of a patronage dividend due or unpaid, less any indebtedness due this cooperative. Regardless of the reasons for termination, repurchase

of this 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 this cooperative. No action taken hereunder shall impair the obligations or liabilities of either party under any contract with this 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 this cooperative, the stock of the member can be transferred only to this cooperative and only upon approval of the Board of Directors. The stock of this cooperative is not transferable under any other circumstances. This cooperative shall repurchase a terminating member's stock when this cooperative has received replacement capital from new or continuing members.

ARTICLE II MEETINGS OF MEMBERS

Section 1. Annual Meetings. The annual meeting of the members shall be held in the territory served by this cooperative and shall be held at a time and place fixed by the Board of Directors.

Section 2. Special Meetings. Special meetings of the members of this cooperative may be called by the Board of Directors or upon the written petition of twenty percent (20%) of the members. A special members' meeting shall be held at the time and place specified in the notice of the meeting, and the notice shall also state the purpose of the special members' meeting. No business shall be considered at a special members' meeting except as mentioned in the notice of the meeting.

Section 3. Notice of Meeting. Notice shall be given by the Secretary of all meetings of the members by publication in a legal newspaper published in the county of the principal place of business of this cooperative, or by publication in a magazine, periodical or house organ regularly published by or on behalf of this cooperative and circulated generally among its members, or by mailing a notice thereof to each member at the member's last known address, at least two weeks prior to the date of the meeting. If a special meeting is called by member petition, the notice of the time, place and purpose of the special meeting shall be issued within ten (10) days following receipt of the petition by the President, and the special meeting shall be held within thirty (30) days following receipt of the petition by the President. The notice shall state the date, time and place of the meeting, and in the case of a special meeting, the purposes for which the meeting is called. The Secretary shall execute a certificate that contains a copy of the notice, shows the date of mailing or publication (as the case may be) of the notice, and states the notice was mailed or published (as the case may be) as prescribed by these Bylaws. The certificate shall be made a part of the minutes of the meeting. The failure of any member to receive notice shall not invalidate any action which may be taken by the members at a meeting.

Section 4. Voting. Each member shall have one vote upon any matter submitted to a vote of the members. Voting by mail shall be allowed on all matters that members are entitled to vote upon. Members may also vote on any matter by electronic means if an electronic vote is authorized by the Board. There shall be no voting by proxy.

Section 4. Presiding Officer. The President or his or her designee shall preside at all meetings of the members.

Section 5. 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 holders of voting stock of this cooperative, except that when the number of members shall exceed five hundred (500), fifty (50) members shall constitute a quorum. Both members in actual attendance at the meeting and members voting by mail shall be counted toward a quorum.

ARTICLE III DIRECTORS

Section 1. Board of Directors. The business and affairs of this cooperative shall be governed by the Board of Directors, which shall consist of no less than five (5) and no more than nine (9) directors. The Board of Directors shall exercise all of the powers of this 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. Director Qualifications. The qualifications for the office of director shall be as follows:

- (a) The individual must be a member of this cooperative.
- (b) Only one individual per household or corporate membership may serve on the Board of Directors at any

given time.

(c) No paid employee of this cooperative or any member of a paid employee's household may serve on the Board of Directors.

Section 3. Election of Directors. At each annual meeting of the members of this cooperative, directors shall be elected to fill vacancies created by expired terms. The term of office of such 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 practicable, so that approximately one-third (1/3) of the directors shall be elected each year.

Section 4. 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 5. Removal.

(a) **Automatic Removal.** The failure by a director to attend meetings of the Board of Directors either (i) two times in succession, or (ii) one-third of the Board meetings in one year, shall result in automatic removal of the director from office, unless a majority of the remainder of the Board determines that the director's absences were due to good cause.

(b) **Removal by Members for Cause.** Any director of this 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 the affirmative vote of two-thirds (2/3) 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 at the same meeting.

(c) **Removal by Board of Directors for Cause.** Any director of this cooperative may, for cause related to the duties of the position of director, at any regular or special meeting of the Board of Directors, be removed from office by a vote of three-fourths (3/4) of all of the remaining directors. No director shall be removed from office under this subsection 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 of a director by action of the Board, the Board may fill the resulting vacancy until the next meeting of the members of this cooperative.

Section 6. Meetings. The Board of Directors shall meet regularly at such times and places as the Board may determine. Special meetings may be called by the President or any three (3) directors. All meetings shall be held on such notice as the Board may prescribe, provided that any business may be transacted at any meeting without specification of such business in the notice of such meeting. Directors may participate in any such meeting by means of a conference telephone conversation or other comparable method of communication by which all persons participating in the meeting can hear and communicate with each other; and for purposes of taking any action at the meeting, any such directors shall be deemed present in person at the meeting.

Section 7. Quorum and Voting. A quorum shall consist of a majority of the directors. A majority vote of the directors present shall decide all questions except where a greater vote is required by the Articles of Incorporation, by these Bylaws or by law.

Section 8. Action Without Meeting. Any action required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting if all directors consent thereto in writing and the writing or writings are held with the minutes or proceedings of the Board of Directors.

Section 9. Limited Tenure. No director may serve more than three (3) consecutive full terms (plus any partial term to fill a vacancy). Upon completion of such tenure, a member shall not be eligible for election to the Board of Directors until the interval between two (2) annual meetings has elapsed.

ARTICLE IV OFFICERS

Section 1. Election of Officers. Promptly following each annual meeting of the members, the Board of Directors shall elect from its membership a President, one or more Vice Presidents, a Secretary-Treasurer and such other officers as it shall deem necessary, with such authority and duties as may be prescribed by the Board of Directors. Other than the offices of President and Vice

President, one person may hold one or more of the offices of this cooperative if eligible to hold each such office. If any vacancy occurs among the officers of this cooperative, it shall be filled by the Board of Directors at its next regular or special meeting following the vacancy.

Section 2. President. The President shall preside at all meetings of the members and the Board of Directors. The President shall have such authority to execute all certificates, contracts and other documents on behalf of this cooperative as may be delegated to the President by the Board of Directors.

Section 3. Vice President. In the absence or disability of the President, the Vice President shall perform the duties of the President. The Vice President shall have such other duties as may be assigned to him or her by the President or the Board of Directors.

Section 4. Secretary. The Secretary shall keep complete minutes of each meeting of the members and of the Board of Directors, and shall sign with the President all notes, deeds and other conveyances of real estate. 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 this 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 this cooperative, ensure that complete records of all financial transactions of the association are kept, ensure timely preparation of all financial reports of this cooperative to the Board of Directors and to the members, ensure timely preparation of the budget, 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 this 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 and Treasurer are combined, 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 this cooperative. The General Manager shall have general charge of the ordinary and usual business operations of this cooperative subject to the direction and approval of the Board of Directors. The General Manager shall properly maintain all business records and accounts of this 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 this 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. Certificates or Proof of Membership. Certificates of stock in this cooperative shall be issued when such stock is fully paid for. Each certificate shall state the class and par value of such stock, the number of shares represented, the name of the person who owns the stock, shall bear the signature of the President and Secretary, and shall be numbered and issued in numerical order. This cooperative shall retain the right to terminate all memberships as provided in these Bylaws and to purchase or recall all stock of this cooperative. Redemption of capital stock by this cooperative is subject to any indebtedness owed to this cooperative by the member or holder thereof.

Section 2. Non-Transferability. All shares of stock of this cooperative shall be transferable only to this cooperative with the consent and approval of the Board of Directors. Shares of stock may not be transferred in any other manner.

Section 3. Lost or Destroyed Certificates. In the event a holder's certificate has been lost or destroyed, the Board of Directors may require the holder to furnish an indemnifying bond protecting this cooperative against any loss or damage by reason of issuing a new certificate, and may further require the holder to make an affidavit that the holder has not sold, transferred, assigned or hypothecated the stock.

Section 4. Refund or Repurchase by this Cooperative. This cooperative shall repurchase all shares of stock of terminating members, whether for cause or for voluntary or involuntary reasons, provided that this cooperative has received replacement capital from new or continuing members. The Board of Directors may establish additional conditions and terms for repurchase of members' shares of stock, provided such conditions and terms apply to all members equitably.

Section 5. Classes and Issuance. To further the cooperative character of this cooperative and provide a means by which its members will finance its activities, this cooperative is authorized to issue non-voting Class B and Class C stock, equity reserve or capital interest certificates, or any other media as determined by the Board of Directors and as permitted by law. Funds and credits arising from the issue of such stock, certificates or other media may be used for creating a revolving fund for the purpose of creating working capital to meet this cooperative's financing needs. Whenever this cooperative determines that all of its funds are not necessary for the proper financing of its operations, the Board of Directors may choose to retire Class B or Class C stock, or liquidate equity or capital reserves or any other media previously issued. If this cooperative determines that funds are available for that purpose, all or any Class B or Class C stock, certificates of indebtedness or interest, or any other media, may be retired: (1) in full or on a pro rata basis by retiring the oldest outstanding stock in the order of issuance by years, in which case all of the stock of either class issued in a single year shall, as nearly as practicable, be retired at the same time; (2) or on the basis of a percentage of all of the outstanding stock, in which case the same percentage of the stock of each class held by each persons shall be retired at the same time; or (3) by determining that each class of stock will be retired separately by using one of the above methods.

Section 6. Order of Payment Upon Dissolution or Liquidation. Upon dissolution or liquidation of this cooperative, the debts and liabilities of this cooperative shall first be paid according to their respective priorities. Stockholders or other holders of equity of capital reserve credits or other media issued by the Board of Directors 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 association doing business on a cooperative basis or a nonprofit organization exempt from taxes under Section 501(a) of the Internal Revenue Code, as shall be determined by the Board of Directors.

ARTICLE VI DISTRIBUTION OF SURPLUS

Section 1. Annual Net Savings.

(a) **Gross Receipts.** Gross receipts shall be all proceeds from the sale of goods and services to members and non-members and all other sums received (including patronage dividends and all non-patronage income).

(b) **Deductions From Gross Receipts.** This cooperative shall deduct from gross receipts all expenses incurred in generating said gross receipts, including but not limited to marketing expenses, costs of goods or services sold, taxes, depreciation, reserves for doubtful accounts and all other necessary expenses.

(c) **Total Annual Net Savings.** The amount remaining after reducing the gross receipts in subsection (a) by the deductions in subsection (b) shall constitute the annual net savings (net earnings) of this cooperative.

Section 2. Member Patronage Income.

(a) **Member Patronage.** The annual net savings of this cooperative shall be divided into (1) annual net savings from member patronage; (2) annual net savings from non-member patronage; and (3) non-patronage sources. Annual net savings from member patronage shall be determined by multiplying the percentage of gross receipts attributable to business done with or for members (including patronage dividends, etc.) by the total annual net savings minus non-patronage savings. The resulting amount shall be the annual net savings from member patronage, which shall be distributed to the members of this cooperative in proportion to the amount of business done by each member with the cooperative, subject only to the deductions 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 the 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 non-member patronage and non-patronage income as an educational fund to promote and encourage cooperative associations.

Section 4. Capital Reserve. The Board of Directors shall annually set aside all annual net savings from non-member patronage and non-patronage sources less any deductions for the educational reserve as a capital reserve. In addition, the Board of Directors may also place into the capital reserve fund all annual net savings from member patronage attributable to members who are unidentified, or who do not consent to take into account patronage dividends from this cooperative in the manner provided in 26 U.S.C. Section 1385, or who so consent but whose patronage dividends are equal to or less than three dollars (\$3.00) in any fiscal year. Amounts previously set aside as capital reserves shall not be allocated to the members but shall be kept in the general reserve fund of this cooperative. The Board of Directors may, by resolution duly adopted prior to the beginning of the fiscal year, set aside other reasonable amounts as a capital reserve.

Section 5. Patronage Dividend Distribution.

(a) The annual net savings from member patronage, less any deductions or exceptions as determined by Sections 3 or 4 of this Article, may, at the discretion of the Board of Directors, be distributed annually to the members of this cooperative. Members shall, by their ongoing membership in this cooperative, consent to include in their income such patronage distributions from this cooperative in the manner provided in and to the extent required by 26 U.S.C. Section 1385.

(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. Equity distributions (usually Class B stock) may be paid or redeemed in whole or in part at such time, in such manner and such order as shall be determined by the Board of Directors in its sole discretion. The Board of Directors may establish policies and programs for the payments of or redemption of such equities. No transfer or assignment of such equity (usually Class B stock) shall be allowed without the approval of this cooperative.

Section 6. Allocation of Losses. If this cooperative sustains an annual loss in net savings from member patronage, the Board of Directors shall have the power and authority to allocate such losses from member business in the following manner: (1) to the members for such year or years on a patronage basis and apply such losses against the equity credits or stock of said members; (2) to apply the loss to this cooperative's capital reserve; or (3) to carry such loss forward or back to other years.

**ARTICLE VII
CONSENT BY MEMBERS**

Each member of this cooperative shall, by becoming a member, consent that the amount of any distributions with respect to such member's patronage occurring in any fiscal year which are made by qualified written notices of allocation (as defined in 26 U.S.C. Section 1388) received by such member from the cooperative shall be included in such member's income in the manner provided in 26 U.S.C. Section 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 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
INDEMNIFICATION**

Section 1. Indemnification. This cooperative shall indemnify each person who is or was a director, officer, manager, employee or agent of this cooperative, and any person serving at the request of this cooperative as a director, officer, manager, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred, to the fullest extent to which such directors, officers, managers, employees or agents of a cooperative may be indemnified under Minnesota law.

Section 2. Insurance. This cooperative may purchase and maintain insurance on behalf of any person who is or was a director, officer, manager, employee or agent of this cooperative, or is or was serving at the request of this 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 this cooperative shall end on June 30.

Section 2. Borrowing. The Board of Directors shall have power to authorize and approve the borrowing of money and the pledging and mortgaging of any or all of the assets of this cooperative as security for the sums so borrowed.

Section 3. Stipends and Reimbursement of Expenses. The amount of any stipends paid to members of the Board of Directors shall be reviewed annually by the Board prior to the annual meeting of members and the election of new directors. All decisions regarding directors' stipends shall be announced to the members of this cooperative at the annual meeting of members and shall be effective following the annual meeting of members and election of new directors. Officers and directors shall also be entitled to reimbursement for actual expenses incurred in attending Board meetings or other business of this cooperative. Such expense claims shall be approved by a majority of the Board. Compensation and reimbursement paid to directors shall not constitute payments to them as employees.

Section 4. Bonds and Insurance. The Board of Directors may require the officers, agents or employees charged by this cooperative with responsibility for the custody of any of its funds or property to give adequate bonds. Such bonds, unless cash security is given, shall be furnished by a responsible bonding company and approved by the Board of Directors and the cost thereof shall be paid by this cooperative. The Board of Directors shall maintain in effect property and liability insurance for this cooperative.

Section 5. Audit. The Board of Directors shall review all financial statements prepared and presented by management at their regular meetings but no less than four times a year. The Board may, in addition, have the books audited or reviewed at least annually by a certified public accountant. Such audit or review shall be made between the date of the close of the fiscal year and the date of the annual meeting of members, and a report of findings, containing at least a statement of assets and liabilities showing the financial condition of this cooperative at the close of the fiscal year and a statement of income and expenses for the year, shall be submitted to the members at the annual meeting.

Section 6. Depository. The Board of Directors may select one or more financial institutions to act as depositories of the funds of this cooperative, and to determine the manner of receiving, depositing, and disbursing the funds of this cooperative, the form of checks, and the person or persons by whom such checks shall be signed, with the power to change such financial institutions and the person or persons signing such checks and the form thereof at will.

ARTICLE X AMENDMENT

These Bylaws may be amended, repealed or altered in whole or in part by a majority vote of a quorum of the members present at a meeting or voting by mail.