

## ARTICLE I: DEFINITIONS

**The Cooperative** shall refer to this Cooperative Association, as operated by these bylaws.

**Qualified Members** shall refer to any individual or group eligible to be a member of the Cooperative under Article II, Section 1 of these bylaws and any and all other eligibility requirements presented elsewhere in these bylaws or in the Cooperative's Articles of Organization.

**Patron-Member Directors** shall refer to those Directors who are elected exclusively by the Patron Membership.

**Directors at Large** shall refer to those Directors who are elected by the Membership as a whole.

**Patronage Refund** shall refer to the money returned to Patron Members under Article II, Section 4(F).

**Nonpatron Distribution** shall refer to any financial return provided by the Cooperative to the Nonpatron Membership as an allocation of the Cooperative's profits.

**Total Return** shall refer to all money returned to the membership as either a Nonpatron Distribution or Patronage Refund, as outlined in Article VI Section 2 and elsewhere throughout these bylaws.

## ARTICLE II: MEMBERSHIP

**Section 1: Qualifications.** Any individual over the age at which consumption of alcohol is permitted in Minnesota, firm, company, corporation, or cooperative may become a member pursuant to terms established by the Board of Directors. 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 Organization of this cooperative and these Bylaws, whether or not the same is expressly referred to in said transaction. The Cooperative shall not discriminate on social or political grounds, on the basis of race, creed, age (except as noted herein above), sex, handicap, sexual preference or marital status.

**Section 2: Current Address.** Every member agrees to provide his or her current address and to keep the Cooperative apprised of any changes to that member's address. The Board of Directors shall establish a method by which a member can update their address electronically and receive an electronic confirmation. If the Cooperative has not updated the members' address in its records and the member has not received an electronic confirmation, then that member's address shall not be deemed to be updated under these bylaws. A member may also update his or her address by sending a letter by certified mail

through the United States Postal Service that both explicitly requests that the member's address be updated and provides a complete updated mailing address.

**Section 3: Classes of Members.** There shall be two classes of members.

(A). Nonpatron Members will be those individuals who own membership interest in the Cooperative and have been approved by the Board of Directors as Nonpatron Members. Nonpatron Members may also be, but do not need to be, Patron Members.

(B). Patron Members will be those individuals who join the cooperative with the intent of consuming any product produced by the Cooperative or otherwise doing business with the Cooperative in any way.

**Section 4: Patron Membership**

(A). Eligibility Requirements. Any Qualified Member residing within the State of Minnesota may become a Patron Member.

(B). Application and Purchase Requirement. Application for membership shall be made in writing on a form provided by the Cooperative or through some electronic means provided by the Cooperative. Pending approval by the board, a Qualified Member shall sign a member purchase agreement for 1 unit of Patron Membership interest and shall provide appropriate payment as determined by the Board of Directors. The Board of Directors shall have complete discretion to approve or disapprove of a prospective Patron Member's application for any reason.

(C). Approval. The Board of Directors, or a group of individuals delegated such authority by the Board of Directors, shall act upon applications for membership at the first Board Meeting after the application is received. The application may be approved or rejected based upon policies established by the Board of Directors, subject to the restrictions in Section 1. The Board of Directors may, at its sole discretion, provide a means of providing some, but not necessarily all, membership benefits to prospective members on an expedited basis upon receiving appropriate payment but before official approval by the Board of Directors.

(D). Voting Rights. For all votes, Patron Members shall have one vote in the affairs of the Cooperative regardless of how many Patron Membership interests are owned by the Qualified Member.

(1). The Patron Membership shall have the exclusive right to vote for Patron-Member Directors.

(2). For elections of Directors at Large and all other matters submitted to a vote of all of the Cooperative's members, the Patron Membership's vote shall be awarded in a block comprising 15% of the total voting power of the Cooperative, and this vote shall be apportioned to whichever candidate receives a plurality of the Patron Membership's vote.

(E). Termination.

(1). A Patron Member may terminate his or her membership by providing notice to the Cooperative through either an electronic method provided by the Cooperative for the express purpose of termination or by certified mail. Patron Membership shall also terminate automatically upon the death of a member. A Patron Member who has not provided his or her current address for a period of 2 consecutive years shall be determined to have abandoned his or her membership and gifted it to the Cooperative.

(2). The Board of Directors may, by a majority vote, terminate a Patron Membership at any time for any reason that they deem appropriate, including, but not limited to situations where the member has:

- (a). intentionally or repeatedly violated any provision of the Articles of Incorporation, Bylaws or Board policies of this cooperative;
- (b). materially breached any contract with this cooperative;
- (c). remained indebted to this cooperative for ninety (90) days after such indebtedness becomes payable;
- (d). willfully obstructed any lawful purpose of the Cooperative;
- (e). been convicted of any criminal offense related to the consumption of alcohol.

(3). Patron Members subject to termination of membership by the Board of Directors shall be given at least 30 days notice and an opportunity to be heard by the board prior to the effective date of termination. However, in the event a Patron Member is convicted of a criminal offense related to the consumption of alcohol, then the Board of Directors has complete discretion to terminate the Patron Member's

membership immediately without notice or chance for a hearing.

(4). Upon a Patron Member's withdrawal from the Cooperative, or other termination of a Patron Member's membership interest, the membership interest of the Patron Member shall be transferred to the Cooperative under any terms as provided by the Board of Directors. Membership interests and Patron Membership rights of the Cooperative are not transferable or assignable under any other circumstances.

(5). Upon termination the Cooperative shall purchase the Patron Member's membership interest at par or book value, whichever is lower, together with any cash or other distribution due or unpaid, less any indebtedness due to the Cooperative. The Cooperative shall repurchase a terminating member's membership interest only when it has received replacement capital from new or continuing members. Regardless of the reasons for termination, repurchase of this cooperative's membership interest from a terminated member shall be subject to the same terms and limitations governing all membership interest repurchases, including availability of replacement capital and the discretion of the Board of Directors to determine terms of repurchase.

(6). Upon termination of membership, the Patron 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 the Cooperative, which may be terminated only as provided therein.

(F). Patronage Refund

(1). The Board of Directors shall establish a means by which certain proceeds of the Cooperative are returned to each Patron Member on the basis of business done with the Cooperative. The Cooperative is not obligated to provide any such Patronage Refund in any particular year. The Board of Directors may direct that such returns are provided in the form of a credit against future purchases.

(2). The Board of Directors, if it determines that it is in the interest of the Cooperative and/or its members, shall have discretion to issue a return to all Patron Members that is distributed equally to all Patron Members.

(3). The amount returned to the Patron Membership as a Patronage Refund shall not be less than 15% of the Cooperative's total Profits in the fiscal year.

(4). A Patron Member's financial rights to distributions are not transferable to anyone except the Cooperative.

(G). Household Memberships

(1). The board of directors may establish a process by which no more than two members of a household may become joint Patron Members under the same membership.

(2). Under such a Household Membership, both members shall be bound by all the same terms of these bylaws as well as the Cooperative's Articles of Organization.

(3). Under such a Household Membership, both members shall have all the same rights and privileges of any other Patron Member, except that they shall have no more than one vote between them.

(4). Nothing in this subsection shall be read to prevent multiple members of the same household from otherwise becoming separate individual members.

**Section 5: Nonpatron Membership**

(A). Eligibility Requirements. Any Qualified Member may become a Nonpatron Member.

(B). Application and Purchase Requirement. A prospective Nonpatron Member shall make an application to purchase a Nonpatron membership interest in writing to the Cooperative. The application shall indicate, at least, the amount of money, services, or other consideration the prospective Nonpatron Member intends to provide the Cooperative as well as identifying information about the prospective Nonpatron Member. Upon approval by the board, the prospective Nonpatron Member shall sign a membership interest purchase agreement for the number of units of Nonpatron membership interest that have been agreed upon by the Cooperative and the potential Nonpatron Member.

(C). Approval. Upon the affirmative vote of the Board of Directors and execution by the prospective Nonpatron Member applicant of the Cooperative's then current member control agreement, the Board of Directors shall accept the purchase agreement of the Nonpatron

Member and accept the money, services, or other consideration offered in exchange for nonpatron membership.

(D). Voting Rights. Each Nonpatron member shall have a vote in the affairs of the Cooperative in an amount proportional to such Nonpatron Member's membership interest in the Cooperative.

(E). Transfer. The Board of Directors shall create whatever policies it deems necessary restricting the transfer of Nonpatron Member interests. The Board of Directors shall publish these policies to Nonpatron Members in any manner it deems necessary, including but not limited to, notification by post, electronic communication, notification in a regular publication provided to Nonpatron Members, or production on the Cooperative's website. Under no circumstances may a Nonpatron Membership interest be transferred or assigned except as provided in the policies created by the Board of Directors. The Board of Directors may at its sole discretion authorize the repurchase of membership interests of any willing Nonpatron Member.

(F). Distribution of Profits or Losses. If the Board of Directors decides to issue a return to the membership, then 85% of the Total Return shall be distributed to the Nonpatron Membership. This distribution shall be divided proportionally among the holders of outstanding Nonpatron Membership interests according to their share of such interests.

## ARTICLE II: MEETINGS OF MEMBERS

**Section 1: Annual & Special Meetings**. The Cooperative shall hold an annual meeting at a time and place fixed by the Board of Directors. A special meeting may be called by a majority vote of the Board of Directors or by written petition of either a majority of the Patron Members or 20% of the total membership. Such a written petition shall state the purpose of the special meeting. The special member's meeting shall then be held at a time and place specified either by the Board of Directors or by the written petition not less than 7 days and not more than 30 days after the vote by the Board of Directors or submission of the member petition. Notice of the meeting shall be provided to all members in accordance with Section 2 of this Article and notice shall also state the purpose of the meeting. No business shall be considered at a special meeting other than as mentioned in the notice of the meeting.

**Section 2: Notice**. Notice shall be given by the Records Officer of all members meetings by any or all of the following: 1) written letter to the registered address of each member; 2) electronic communication via e-mail or comparable technology to each member; or 3) publication in any regular periodical produced by

the Cooperative for benefit of and distribution to the membership as a whole. Notice shall be provided not less than 7 and not more than 60 days prior to the meeting, except in the case of special meetings according to Section 1. 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 Records Officer shall execute a certificate that contains a copy of the notice, shows the date of mailing, communication, or publication of the notice, and states that the notice was mailed, communicated, or published 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 that may be taken by the members at a meeting.

**Section 3: Voting.** The Board of Directors shall create a standard method of voting by mail and/or some electronic means. Vote by mail or electronic means will always be available for votes for members of the Board of Directors. The Board of Directors will have complete discretion to allow or disallow such remote voting in all other circumstances. Board members shall also be allowed to vote by proxy.

**Section 4: Presiding Officer.** The Chair or his or her designee shall preside at all meetings of the members. In the event of an emergency absence or incapacitation of the Presiding Officer, then the next most senior available Officer shall preside at all meetings until either the Chair is available or the Board of Directors appoints a new chair.

**Section 5: Quorum.** At any regular or special meeting of the members, a quorum necessary for the transaction of business shall be: (1) the lesser of 10% of the total number of Patron Members of the Cooperative or 50 such members if there are more than 500 such members; as well as (2) holders representing at least 10% of the total share of Nonpatron Membership of the Cooperative. Members who have already provided their vote by electronic or some other remote means shall be considered present for the purposes of quorum. Only members in actual attendance at the meeting shall count towards a quorum, except for matters submitted to the membership by mail or electronic voting.

### ARTICLE III: 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 7 directors. The Board of Directors may adopt any policies, rules, regulations, and may take any actions in furtherance of the Cooperative except where inconsistent with the law, Articles of Organization, or these Bylaws. The Board of Directors may establish any number of committees and vest in them any power and authority that it deems necessary.

**Section 2: Director Qualifications.** Each director shall be a member of the Cooperative. If the director is not the sole owner of his membership interest, then he or she must be the only director under that membership interest.

**Section 3: Election of Directors.** At each annual meeting a vote shall be held to fill any vacancies that will be created by the expiration of a director's term. All directors shall serve a term of 3 years, continuing until the annual meeting three years subsequent to their election. The Board of Directors may fix a shorter term for the Directors of the first full Board in order to stagger their terms and ensure that some Directors are elected each year. There shall be four directors elected exclusively by holders of Patron Membership interests. At least one of the directors elected exclusively by Patron Members shall be up for election each year. The remaining four directors shall be elected at large by a vote of all members.

**Section 4: Vacancies.** Each vacancy occurring on the Board of Directors may be filled, until the next annual meeting of members, by a vote of the remaining directors. At the next annual meeting of members, the members shall elect a director to serve for the unexpired term. Any vacancy created by an increase in the number of directors shall be filled at the next annual meeting of the members following the increase, unless otherwise specified by the amendment creating the increase.

**Section 5: Removal.**

(A). 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 a majority vote of the members present and who would have been entitled to vote on the director's seat. The members shall remove no director from office unless he or she has been informed of the meeting at which the matter is to be considered at least ten days before such meeting. 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 this meeting. In case of removal by action of the members, the members shall fill the vacancy for the unexpired term of the removed director by special election.

(B). 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 at least two-thirds 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 days before this meeting, unless the director has been charged with, arrested for, or

convicted of a crime related to the consumption of alcohol. 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. In the event that a director has been charged with, arrested for, or convicted of a crime related to the consumption of alcohol, the Board of Directors may remove him or her immediately without notice or chance for a hearing.

**Section 6: Meetings.** The Board of Directors shall hold regular meetings at any time or place that it determines is necessary. The Board of Directors shall hold an annual organizational meeting to install new directors and elect officers no less than thirty days after the annual membership meeting. Special meetings may be called at any time by the Chair or by any three directors. The Board of Directors may prescribe any method of notice for meetings that it deems sufficient. The Board of Directors may allow directors to participate in meetings remotely via telephone or any other electronic mode of communication. Directors may vote by proxy.

**Section 7: Quorum and Voting.** A quorum shall consist of a majority of the directors. A majority vote of the directors present when there is a quorum shall decide all questions before the Board of Directors except where otherwise proscribed by law, the Articles of Organization, or these bylaws.

**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 in writing and the writing or writings are held with the minutes or proceedings of the Board of Directors.

**Section 9: Audit Committee.** There shall be an Audit Committee comprised of three Directors. Members of the Audit Committee shall be appointed at the annual organizational meeting. The Audit Committee shall then appoint a chairperson to oversee the committee. The Audit Committee is charged with all financial oversight and reporting that the Board of Directors may need for any appropriate purpose. The Audit Committee may hire any consultants, accountants, or other outside advisors that it deems necessary to fulfill its duties. The initial audit committee shall be composed of the organizers of the Cooperative as named in the Articles of Organization.

#### ARTICLE IV: OFFICERS

**Section 1: Election of Officers.** At each annual organizational meeting of the Board of Directors, the Board shall elect from its membership a Chair, one or more Vice-Chairs, a Records Officer, and a Financial Officer with authority and duties prescribed by the Board of Directors and these bylaws. Other than the offices of Chair and Vice-Chair, one person may hold one or more of the offices if eligible to

hold each 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. Other than the Officers prescribed by these bylaws, the Board of Directors may appoint any Officers or committees it deems necessary, and these need not be represented entirely of Members or Directors.

**Section 3: President.** The Chair shall preside at all meetings of the members and the Board of Directors. The Chair shall also have whatever powers and abilities the Board of Directors choose to delegate or assign to him or her.

**Section 4: Vice-President.** In the absence of the Chair, the Vice-Chair shall perform his or her duties. The Vice-Chair shall also have whatever powers and abilities the Board of Directors choose to delegate or assign to him or her.

**Section 5: Records Officer.** The Records Officer shall be responsible for documenting and keeping all records of the affairs of the Board of Directors, as well as any other duties that the Board of Directors may deem appropriate.

**Section 6: Financial Officer.** The Financial Officer shall be responsible for reviewing all financial records of the Cooperative and presenting them to the Board of Directors.

**Section 7: Chief Executive Officer.** The Chief Executive Officer shall oversee the general operations of the Cooperative. He or she shall have any authority to execute all certificates, contracts, and other documents on behalf of the Cooperative as delegated to the Chief Executive Officer by the Board of Directors. The Chief Executive Officer shall have final, but delegable, authority to hire and fire any employees of the Cooperative not appointed directly by the Board of Directors.

#### ARTICLE V: MEMBERSHIP INTERESTS

**Section 1: Authorized Membership Interests.** This cooperative shall have 85,000 authorized units of Nonpatron Membership and an unlimited number of units of Patron Membership.

**Section 2: Transfer of Membership Interests.** Nonpatron Membership interests are freely transferable and assignable, subject to the restrictions under Article II, Section 5(E), any additional restrictions created by the Board of Directors, and approval by the Board of Directors. Patron Membership interests may not be transferred or assigned under any circumstances except to the Cooperative as described in Article II, Section 4(E).

**Section 3: Dissolution & Winding Up.** In the event that the Cooperative is dissolved or liquidated and in the process of winding up, holders of Nonpatron Membership interests shall be given preference over holders of Patron Membership interests.

## ARTICLE VI: DISTRIBUTION OF SURPLUS OR LOSS

### **Section 1: Annual Net Savings.**

(A). Gross Receipts. The gross receipts shall be all proceeds from all sales and services provided to both members and non-members, along with all other sums received by the Cooperative from all sources.

(B). Deductions from Gross Receipts. This cooperative shall deduct all expenses from the Gross Receipts that were incurred in the course of business.

(C). Total Net Savings. The amount remaining after reducing the Gross Receipts in Subsection (a) from the deductions in Subsection (b) shall constitute the Total Net Savings, or net earnings, of the Cooperative.

**Section 2: Returns.** The Board of Directors shall have complete discretion to distribute funds from the Total Net Savings to the membership as a return. The Board of Directors may allocate any portion of the Total Net Savings as whatever return they deem to be appropriate. 85% of the total annual return shall be distributed to holders of Nonpatron Membership interests in proportion to each member's holding of said interest. 15% of the total annual return shall be distributed evenly to holders of Patron Membership interests as a Patronage Refund.

### **Section 3: Distribution of Total Returns.**

(A). All members shall, by their ongoing membership in this cooperative, consent to include in their income all return distributions from this cooperative in the manner provided in and to the extent required by 26 U.S.C. Section 1385.

(B). The Board of Directors shall adopt policies to govern the distribution of returns to the members. Although the Board of Directors need not distribute a return each year, they shall meet to determine what, if any, return is appropriate at least once a year at a time and date they determine is appropriate.

**Section 4: Allocation of Losses.** If the Gross Receipts minus all deductions from Section 1 of this Article are negative, then the Cooperative has operated at a loss for the year. If the Cooperative operates at a loss for a year, then there shall be no Patronage Refund nor Nonpatron Distribution distributed. The Board of Directors shall have full authority to allocate the losses in the following manners: (1) to carry these losses forward or back to other years, and/or (2) to apply the loss to the Cooperative's capital reserve.

## ARTICLE VII: FISCAL MATTERS

**Section 1: Fiscal Year.** The fiscal year for this cooperative shall end on December 31.

**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: Financial Statements.** The Cooperative is authorized to use unaudited financial statements.

**Section 4: Compensation & Reimbursement.** Compensation, if any, for the Board of Directors shall be determined by a resolution of the Board of Directors. The Board of Directors shall also decide issues of any additional compensation provided for directors and managers. Director compensation shall be disclosed to the membership at large. All officers and directors shall be entitled to reimbursement for legitimate expenses incurred in attending meetings of the Board of Directors or conducting other business of the Cooperative. These expense claims must be approved by a majority vote of the Board of Directors.

## ARTICLE VII: MISCELLANEOUS

**Section 1: Indemnification.** The Cooperative shall indemnify, as allowed by law, any officer, Director, or employee of the Cooperative, for expenses and costs actually and necessarily incurred in connection with any claim asserted by reason of the person being or having been such officer, Director, or employee, except in relation to matters of negligence, fraud, criminal acts, or intentional misconduct in respect of the matter in which indemnity is sought. The Cooperative may carry appropriate liability insurance to protect its officers, Directors, employees, and the Cooperative itself against the costs of such indemnification.

**Section 2: Adoption.** 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. However, any portions governing the allocation of returns or voting share between Nonpatron and Patron Members must be approved by a unanimous vote of those members whose share is being reduced. These Bylaws may also be amended by an affirmative vote of the Board of Directors in order to fix typographical mistakes or other oversights; fully implement affirmative votes by a majority vote of members; or clarify existing ambiguous provisions.