

**AMENDED AND RESTATED
ARTICLES OF ORGANIZATION
OF
CRYSTAL VALLEY COOPERATIVE**

ARTICLE I.

Name

The name of this cooperative shall be Crystal Valley Cooperative.

ARTICLE II.

Purpose, Powers and Limitations

Section 1. Purpose: This cooperative may engage in any business or activity within the purposes for which cooperatives may be organized pursuant to the laws of the State of Minnesota and all such activities shall be deemed within its purposes.

Section 2. Powers: This cooperative shall have and may exercise all of the rights, powers, and privileges for itself and its members and patrons, to do and perform every act and thing necessary and proper to the conduct of its business or the accomplishment of the purposes set forth herein or permitted by the Minnesota Cooperative Associations Act (Minnesota Statutes, Chapter 308B) (the “Act”).

ARTICLE III.

Place of Business and Registered Office; Organizer

Section 1: The principal place of business of this cooperative shall be in the City of Lake Crystal, County of Blue Earth, State of Minnesota.

Section 2: The address of the registered office in the State of Minnesota is 721 West Humphrey, Lake Crystal, MN 56055.

Section 3: The names and addresses of the organizers of this cooperative are as follows: Alec Hansen, Fred Hansen, Carl Wilson, W.P. Shanahan, A.J. Bate, Harold E. Williams, G.L. Fitch, and H.C. Johnson, all of Lake Crystal, Blue Earth County, Minnesota.

ARTICLE IV.

Period of Duration

The period of duration of this cooperative shall be perpetual.

ARTICLE V.

Membership

This cooperative is organized on a membership basis, and shall be operated on a cooperative basis for the mutual benefit of its members. Membership in this cooperative may not be transferred without the prior express consent of the Board.

ARTICLE VI.
Capital Structure

The Board may determine and establish any groupings, districts, classes or series of members and membership units. Subject to the Act, this cooperative shall have at least one class of members, who shall be those persons who: (i) patronize the cooperative in an annual amount determined by the Board, and (ii) are approved by the Board. The voting rights of the patron members of the cooperative shall be equal, and no member shall have more than one vote upon each matter submitted to a vote at a meeting of the members.

The Board shall have authority to establish more than one class or series of membership units, including non-patron membership units, of the Company, and the different classes and series shall have such relative rights and preferences, with such designations, as the Company's Board may by resolution provide. The Bylaws of this cooperative may: (i) restrict membership in this cooperative; and (ii) provide for additional classes of members, including non-patron members, with or without voting rights and having such other rights and preferences as are described therein.

ARTICLE VII.
Patronage

All net proceeds of this cooperative in excess of: (i) dividends, if any, and (ii) additions to reserves, shall be distributed to patrons annually or more often on the basis of patronage as more particularly provided for in the Bylaws. Patronage refunds may be distributed in cash or credits as more particularly provided for in the Bylaws. Any such credits shall be redeemable only at the option of the Board.

ARTICLE VIII.
First Lien

This cooperative shall have: (i) a first lien on all patronage capital, and other interests standing on its books for all indebtedness of the respective holders or owners thereof to the cooperative; and (ii) the right, exercisable at the option of the Board, to set off such indebtedness against the amount of such patronage capital or other interests standing on its books; provided however, that nothing contained herein shall give the owners of patronage capital or other interests any right to have such set off made.

The cooperative may discount the value of the equity credits. The method of discounting the value of the equity credits shall be to calculate the present value of the credits based on the number of years to the expected redemption of the equity credits had the offset against the indebtedness not occurred. The discount rate shall be equal to the cooperative's rate that it pays on term debt. If the discounted equity credits are more than the indebtedness to be offset, any excess credits shall be returned, in the Board's discretion, either at the time of the offset, or in the normal redemption cycle along with every other patron's equities. If the discounted equity credits are less than the indebtedness to be offset, the cooperative's lien shall continue against future equity credits allocated to the patron, which shall be discounted and offset against the remaining indebtedness.

ARTICLE IX.

Liquidation

In the event of the liquidation, dissolution or winding up of this cooperative, whether voluntary or involuntary, all debts, liabilities, capital and assets remaining shall be paid and distributed according to the Bylaws.

ARTICLE X.

Board of Directors

The business and affairs of this cooperative shall be managed by a board of directors of not less than five (5) persons, as set by the Bylaws, which directors shall be members or representatives of members who are other than natural persons. Directors shall be elected by the members of the cooperative for such terms as the Bylaws may prescribe, at the annual meetings of members.

ARTICLE XI.

Limitation on Director Liability

Section 1. General. A director of this cooperative shall not be personally liable to the cooperative or its members for monetary damages for breach of fiduciary duty as a director. The foregoing shall not be deemed to eliminate or limit the liability of a director for: (i) any breach of the director's duty of loyalty to the cooperative or its members; (ii) acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) knowing violations of securities laws, and for illegal distributions; (iv) any transaction from which the director derived any improper personal benefit; or (v) any act or omission occurring prior to the effective date of this Article.

Section 2. Modification. If the Act is hereafter amended to permit a cooperative to eliminate or limit further the liability of a director in its Articles of Incorporation, then in addition to the elimination and limitation of liability provided by the preceding provisions of this Article, the liability of each director shall be eliminated or limited to the fullest extent permitted by the Act as amended. Any repeal or modification of this Article, by the members of the cooperative or otherwise, shall not adversely affect any right or protection of a director of the cooperative under this Article, as in effect immediately prior to such repeal or modification.

ARTICLE XII

Election to be Governed by the Act

The cooperative elects to be governed by Chapter 308B of the Minnesota Statutes.

IN WITNESS WHEREOF, this document is dated to be effective as of the 29th day of January, 2014.

**AMENDED AND RESTATED BYLAWS
OF
CRYSTAL VALLEY COOPERATIVE**

**ARTICLE I.
THE COOPERATIVE**

Section 1. Name. The name of the cooperative is Crystal Valley Cooperative.

Section 2. Purpose. The general purpose for which the Cooperative is organized is to engage in the buying, selling, manufacturing, processing and marketing of agricultural products, provided however, the Cooperative may engage in such other lawful business as shall be deemed advantageous by its Board and authorized under the Act.

Section 3. Amended and Restated Bylaws. The Board now desires to amend and restate the Bylaws to revise and set forth their respective rights, duties, and responsibilities with respect to the Cooperative and its business and affairs.

Section 4. Principal Office. The principal office of the Cooperative shall be located in the State of Minnesota, but may have such other offices either within or outside the State of Minnesota as the Board may designate or as the business of the Cooperative may require from time to time.

Section 5. Registered Office. The registered office of the Cooperative required by the Act to be maintained in the State of Minnesota may, but need not, be identical with the principal office of the Cooperative (if in the State of Minnesota), and the address of the registered office may be changed from time to time by the Board.

Section 6. Definitions. Capitalized words and phrases used in these Bylaws have the following meanings:

(a). “*Act*” means the Minnesota Cooperative Associations Act, Minnesota Statutes, Chapter 308B.

(b). “*Affiliate*” means, with respect to any Person, any:

- (i). Person directly or indirectly controlling, controlled by or under common control with such Person;
- (ii). officer, director, general partner, member or trustee of any such Person; or
- (iii). Person who is an officer, director, general partner, member or trustee of any Person described in clauses (i) or (ii) of this sentence. For purposes of this definition, the terms “controlling,” “controlled by” or “under common control with” shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, or the power to elect at least 50% of the directors, members, or persons exercising similar authority with respect to such Person.

- (c). “Allocation Units” means units, whether functional, divisional, departmental, geographic, or otherwise, established by the Board on a reasonable and equitable basis for the purpose in allocating and distributing net income to Patrons.
- (d). “Articles” means the Cooperative’s Articles of Incorporation, as amended and filed with the Minnesota Secretary of State.
- (e). “Board” means the Board of Directors of the Cooperative.
- (f). “Bylaws” means these Amended and Restated Bylaws of the Cooperative, as may be further amended from time to time.
- (g). “Capital Reserve” means that portion of net income allocable to Patrons that the Board has determined advisable to set aside in order to create or maintain a capital reserve account.
- (h). “Code” means the United States Internal Revenue Code of 1986, as amended from time to time.
- (i). “Cooperative” means Crystal Valley Cooperative, a Minnesota cooperative.
- (j). “Debt” means:
 - (i). any indebtedness for borrowed money or the deferred purchase price of property as evidenced by a note, bonds, or other instruments;
 - (ii). obligations as lessee under capital leases;
 - (iii). obligations secured by any mortgage, pledge, security interest, encumbrance, lien or charge of any kind existing on any asset owned or held by the Cooperative whether or not the Cooperative has assumed or become liable for the obligations secured thereby;
 - (iv). any obligation under any interest rate swap agreement;
 - (v). accounts payable; and
 - (vi). obligations under direct or indirect guarantees of (including obligations (contingent or otherwise) to assure a creditor against loss in respect of) indebtedness or obligations of the kinds referred to in clauses (i), (ii), (iii), (iv) and (v), above, provided that Debt shall not include obligations in respect of any accounts payable that are incurred in the ordinary course of the Cooperative’s business and are not delinquent or are being contested in good faith by appropriate proceedings.

- (k). “Dissolution” means: (i) the affirmative vote of a majority of the Patronage Members to dissolve, wind up, and liquidate the Cooperative after Patronage Members’ receipt of a recommendation to dissolve issued by the Board; or (ii) the entry of a decree of judicial dissolution pursuant to the Act.
- (l). “Fiscal Year” means: (i) any twelve-month period commencing on September 1st and ending on August 31; and (ii) the period commencing on the immediately preceding September 1st and ending on the date on which all property is distributed to the Unit Holders pursuant to Article XI hereof.
- (m). “Liquidator” shall mean a Person appointed by the Board to oversee the liquidation of the Cooperative.
- (n). “Member” means any Person who has become a Member pursuant to the terms of these Bylaws.
- (o). “Members” means Patron Members and Non-patron Members.
- (p). “Membership Economic Interest” means collectively, a Member’s financial rights with respect to the Cooperative, including Patrons’ Equities, share of the profits and losses, the right to receive distributions, and the right to information concerning the business and affairs of the Cooperative as provided by the Act.
- (q). “Membership Fee” means the one-time fee, as shall be determined by the Board from time to time pursuant to these Bylaws, required to be paid to the Cooperative by a Person before said Person may become a Patron Member of the Cooperative.
- (r). “Membership Interest” means collectively, the Membership Economic Interest and, if applicable, the Membership Voting Interest in the Cooperative.
- (s). “Membership Register” means the membership register maintained by the Cooperative at its principal office or by a duly appointed agent of the Cooperative setting forth the name, address, number of Units, and capital contributions of each Member, which shall be modified from time to time as additional Units are issued and as Units are transferred pursuant to these Bylaws.
- (t). “Membership Voting Interest” means collectively, a Patron Member’s right to vote as set forth in Article II of the Bylaws or required by the Act.
- (u). “Nonmember Patron” means a Person who is not a Member, but who conducts Patronage Business with the Cooperative.
- (v). “Non-patronage Business” shall refer to business done by this Cooperative that does not constitute Patronage Business.
- (w). “Non-patronage Earnings Certificates” has the meaning specified in Article VI, Section 6(b)(iii).

- (x). “Non-patron Member” means a Person holding a Non-patron Membership Interest, and who shall have no Membership Voting Interest.
- (y). “Non-patron Membership Interest” means a non-voting Membership Interest in the Cooperative which does not require the holder to conduct Patronage Business for or with the Cooperative in order to receive financial rights or distributions pursuant to these Bylaws and the Act.
- (z). “Non-patron Preferred Return” shall have the meaning specified in Section 2 of Article II.
- (aa). “Non-patron Units” means units representing a Non-patron Membership Interest.
- (bb). “Patron” means a Person who conducts Patronage Business with the Cooperative and who need not be a Member.
- (cc). “Patronage Business” shall refer to business done by this Cooperative with or for a Patron.
- (dd). “Patron Member” means a Person holding a Patron Membership Interest, and who conducts Patronage Business with the Cooperative.
- (ee). “Patron Membership Interest” means a Membership Interest in the Cooperative requiring the holder to conduct Patronage Business with the Cooperative in order to receive financial rights or distributions pursuant to these Bylaws and the Act.
- (ff). “Patrons’ Equities” shall have the meaning set forth in Article VI, Section 6(b).
- (gg). “Patron Units” means units representing a Patron Membership Interest.
- (hh). “Patronage” means business, transactions, or services done for or with the Cooperative, as defined by the Cooperative.
- (ii). “Person” means any individual, partnership (whether general or limited), joint venture, limited liability company, corporation, trust, estate, association, nominee or other entity.
- (jj). “Private Placement” means the offer and sale of up to 200,000 Series A Non-patron Units pursuant to Rule 506 of Regulation D, promulgated under the Securities Act.
- (kk). “Property” means all real and personal property acquired by the Cooperative, including cash, and any improvements thereto, and shall include both tangible and intangible property.

- (ll). “Regulations” means the Income Tax Regulations, including Temporary Regulations, promulgated under the Code, as such regulations are amended from time to time.
- (mm). “Related Party” means the adopted or birth relatives of any Person and such Person’s spouse (whether by marriage or common law), including without limitation great-grandparents, grandparents, children (including stepchildren and adopted children), grandchildren, and great-grandchildren thereof, and such Person’s brothers, sisters, and cousins and their respective lineal ancestors and descendants, and any other ancestors and/or descendants, each trust created for the exclusive benefit of one or more of the foregoing, and the successors, assigns, heirs, executors, personal representatives and estates of any of the foregoing.
- (nn). “Securities Act” means the Securities Act of 1933, as amended.
- (oo). “Series A Liquidation Preference” means an amount equal: (i) to 100% of the product of the per Unit initial offering price for Series A Non-patron Units, multiplied by the number of Series A Non-patron Units purchased by a Series A Non-patron Unit Holder, without regard to any discount granted or premium paid in connection therewith; plus (ii) the Undistributed Series A Liquidation Preference Amount for each Series A Non-patron Unit.
- (pp). “Series A Non-patron Membership Interest” means that certain Non-patron Membership Interest in the Cooperative with certain rights, preferences, duties and limitations as provided for herein issued by the Cooperative in the Private Placement.
- (qq). “Series A Non-patron Units” means units representing a Series A Non-patron Membership Interest.
- (rr). “Series A Non-patron Unit Holder” means a purchaser of Series A Non-patron Units in the Private Offering or any additional or subsequent owner of one or more Series A Non-patron Units.
- (ss). “Undistributed Series A Liquidation Preference Amount” shall have the meaning set forth in Article XI, Section 2 hereof.
- (tt). “Units or Unit” means a unit or units representing a Membership Interest in the Cooperative, whether Patron Membership Interest, Non-patron Membership Interest, or Series A Non-patron Membership Interest.
- (uu). “Unit Holder” means the owner of one or more Units.
- (vv). “Voting Member List” shall mean the list of Patron Members eligible to vote as described in Article III herein.

ARTICLE II.
MEMBERSHIP AND MEMBERSHIP INTERESTS

Section 1. Patron Members. Any Producer of agricultural products, or associations of Producers of agricultural products, who is eligible for membership pursuant to the Act, who conducts at least Ten Thousand Dollars (\$10,000) of Patronage Business annually with the Cooperative, shall be eligible for Patron Membership in the Cooperative. The term “Producers” shall mean and include Persons actually engaged in the production of one or more of the agricultural products handled by the Cooperative, including tenants of land used for the production of any such product, and lessors of such land who receive as rent part of the product of such land, and associations and entities of such producers. All Persons who are eligible for membership pursuant to the Act and this Section 1 shall be eligible to become Patron Members upon: (a) making application for membership on the prescribed form and paying any applicable Membership Fee; and (b) receiving written notification from the Board of acceptance into Membership and a copy of these Bylaws. Except as provided in Section 2 of this Article II below, Patron Members are entitled to share in the Cooperative’s profits and losses according to Article VI.

Section 2. Non-patron Members. Subject to approval by the Board, and as provided in the Private Placement, any Person eligible for Non-patron Membership shall become a Non-patron Member upon:

- (a). executing a subscription agreement in the Private Placement, which is accepted by the Board, for one or more Series A Non-patron Units;
- (b). becoming the holder of at least 1,000 Series A Non-patron Units; and
- (c). receiving from this Cooperative written notification of acceptance into membership and a copy of these Bylaws. The Cooperative may solicit and issue additional Non-patron Membership Interests in accordance with the Act and any other applicable laws and upon such terms and conditions which shall be determined by the Board and disclosed in the Articles, Bylaws or by separate disclosure to Members. Non-patron Members shall not receive any Allocation Units, and shall not share in the Cooperative’s profits and losses, all of which shall be allocated to Patrons. Instead, and in lieu of such allocations, Series A Non-patron Unit Holders shall be entitled to:
 - (i). a fixed, cumulative preferred return akin to interest at an annual rate of five and three quarters percent (5.75%) on capital contributions which, notwithstanding anything to the contrary contained herein, shall be payable to Non-patron Members in preference to any distributions (patronage or otherwise) to Patron Members (the “*Non-patron Preferred Return*”); and
 - (ii). the Series A Non-patron Liquidation Preference.

Section 3. Application for Membership and Membership Fee. Application for membership shall be in such form as the Board may, from time to time, approve. The Board may determine the eligibility of the applicant for membership on the basis of the representations of the applicant. The Board shall review and accept applications on the basis of uniformly applied decisions. The Board may reject any application if the acceptance of such application would cause the Cooperative to violate any federal or state laws. Each application shall be made in writing and each application shall be accompanied by a Membership Fee in the form of a check or money order made payable to the Cooperative in the then

applicable amount. The Board shall determine the amount of the Membership Fee from time-to-time as it shall deem appropriate in its sole discretion.

Section 4. Termination of Membership.

- (a). Patron Member. At any time if a Patron Member: (a) has become ineligible for membership; or (b) has failed to patronize the Cooperative for a period of one year or more in an amount of at least \$10,000 annually; or (c) dies; or (d) whenever the Board by resolution finds that a Member has: (i) intentionally or repeatedly violated any of these Bylaws, (ii) breached any contract with this Cooperative, (iii) remained indebted to this Cooperative for ninety (90) days after such indebtedness first became payable, (iv) willfully obstructed any lawful purpose or activity of this Cooperative, or (v) transferred or attempted transfer of his, her or its Patron Units in violation of the Act or these Bylaws; then in any such event, the Board, in its sole discretion, may terminate such Patron Member's membership.
- (b). Non-patron Member. At any time if a Non-patron Member: (a) has become ineligible for membership; or (b) whenever the Board by resolution finds that a Member has: (i) intentionally or repeatedly violated any Bylaw of this Cooperative, (ii) remained indebted to this Cooperative for ninety (90) days after such indebtedness first became payable, (iii) willfully obstructed any lawful purpose or activity of this Cooperative, (iv) breached any agreement between the Non-patron Member and the Cooperative which is not cured within 10 days of notice of default given by the Cooperative, or (v) transferred or attempted transfer of his, her or its Non-patron Units in violation of the Act or these Bylaws; then in any such event, the Board, in its sole discretion, may terminate such Non-patron Member's membership.
- (c). Generally. The Cooperative may, at its discretion upon termination of membership, require a Patron Member to transfer the Patron Member's Patron Units to the Cooperative, for a price equal to: one hundred percent (100%) of such Member's Membership Economic Interest reflected on the books and records of the Cooperative. Such tender may be made to any such Patron Member either in person or by mailing the Cooperative's check to such Patron Member at the Patron Member's address as contained in the records of the Cooperative. The Units of said Patron Member shall be canceled and the Patron Member shall thereafter have no voting rights in the Cooperative. No action taken hereunder shall impair the obligations or liabilities of any party under any contract with the Cooperative which contract may be terminated only as provided therein.

Section 5. Waiver of Dissenter's Rights for Non-patron Members. All Non-patron Members hereby waive any and all rights to dissent from and obtain payment for the fair value of such Member's Non-patron Units as provided under the Act.

Section 6. Authorized Membership Interest. The Cooperative is organized with two classes of Units: Patron Units and Non-patron Units. The Board may issue either or both classes of Membership Interests. Within the class of Non-patron Units, there shall be series consisting of Series A Non-patron Units, which shall have its distinct rights, preferences, duties and limitations as set forth herein. If the Board issues additional Non-patron Units, the Board may determine the terms and conditions determined in accordance with the Act and disclosed in the Bylaws or by separate disclosure to Members. The Board may fix the rights and preferences of such additional Non-patron Units.

Section 7. Liens on Membership Interest. The Cooperative shall have a first lien on all Units for all indebtedness of the holder thereof owed to the Cooperative.

Section 8. Restrictions on Transfer. Units shall be transferred only on the books of the Cooperative, either by the holder in person or by the holder's attorney-in-fact, and only upon surrender of the outstanding certificates for the Units so transferred and only with the consent and approval of the Board; provided that: (i) said Units shall remain subject to the Cooperative's lien thereon, and (ii) the Cooperative shall have the first right to redeem any Units offered for sale by any Unit Holder.

Section 9. Right of Redemption. Except as provided in the Act, no Member shall have any right whatsoever to require the redemption of the Member's Membership Interest in the Cooperative, and any such redemption or retirement of the Membership Interest shall be as authorized, from time to time, by the Board.

Section 10. Patron Membership Interest / Voting. Each Patron Member shall be entitled to one (1) vote on matters of the Cooperative regardless of the total number of Patron Units owned by such Patron Member. Patron Members shall take action by voting as set forth in these Bylaws and as otherwise provided under the Act. Patronage dividends shall be paid on each Patron Unit as approved by the Board in accordance with these Bylaws, the Act and the Code, in proportion to a Patron Member's Patronage Business with the Cooperative.

Section 11. Non-patron Membership Interest / Voting. Notwithstanding any contrary provision of these Bylaws, Non-patron Members shall not have any Membership Voting Interest, and Non-patron Members shall not be entitled to vote in the election of directors to the Board, or otherwise.

ARTICLE III. MEETINGS OF MEMBERS

Section 1. Annual Meeting. The annual meeting of the Members shall be held within one hundred eighty (180) days of the close of the Cooperative's Fiscal Year, at a time and date as determined by the Board. The Officers shall submit reports to the Members at the annual meeting covering the business of the Cooperative for the previous Fiscal Year that show the condition of the Cooperative at the close of the Fiscal Year.

Section 2. Place of Meeting. The annual meeting shall be held at the principal office of the Cooperative or at another location within or outside the State of Minnesota determined by the Board.

Section 3. Notice of Meeting.

- (a). Required Notice. Written notice stating the place, day and hour of any annual or special meeting shall be delivered not less than fifteen (15) days before the date of the meeting, either personally or by mail, by or at the direction of the Chair, the Board, or other Persons calling the meeting, to each Member of record entitled to vote a such meeting at the close of business on the day before said notices for the meeting are delivered or mailed. The failure of any Member to receive notice of such annual or special meeting shall not invalidate any action taken by the Patron Members at such annual or special meeting. Notice shall be deemed to be effective at the earlier of:

- (i). when deposited in the United States mail, addressed to the Member at the Member's address as it appears on the Membership Register with postage thereon prepaid;
 - (ii). on the date shown on the return receipt if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the addressee; or
 - (iii). when received.
- (b). Adjourned Meeting. If any Member meeting is adjourned to a different date, time, or place, notice need not be given of the new date, time, and place, if the new date, time, and place is announced at the meeting before adjournment. If a new record date for the adjourned meeting is, or must be fixed, then notice must be given pursuant to the requirements of this Section to those Persons who are Members as of the new record date.
- (c). Waiver of Notice. A Member may waive notice of the meeting or any notice required by the Act, Articles, or Bylaws, by a writing signed by the Member entitled to the notice, which is delivered to the Cooperative, either before, during or after the date and time stated in the notice, for inclusion in the minutes or filing with the Cooperative's records. A Member's attendance at a meeting waives objection to:
- (i). lack of notice or defective notice of the meeting, unless the Member at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; or
 - (ii). consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the Member objects to considering the matter when it is presented and does not participate in the consideration of the matter at the meeting.
- (d). Contents of Notice. The notice of each Member meeting shall include a description of the purposes or issues for which the meeting is called and shall contain a summary of any amendments to the Bylaws adopted by the Board since the last annual meeting.
- (e). Certification of Meeting Notice. After mailing or otherwise delivering special or regular Members' meeting notices, the Cooperative shall execute a certificate containing the date of mailing or delivery of the notices and a statement that the notices were mailed or delivered as prescribed by the Act.

Section 4. Special Meetings. Special meetings of the Members, for any purpose described in the meeting notice, may be called by: (i) a majority vote of the Board, or (ii) the request of not less than twenty percent (20%) of the Patron Members, which shall then be called by the Chair. The special meeting notice shall be issued within ten (10) days of the date of the presentment of the petition and the special meeting shall be held within thirty (30) days after the date of the presentment of the petition. The special meeting notice shall state the time, place, and purpose of the special members' meeting and shall be mailed, faxed or electronically sent to each Member. A Member may waive notice of the special meeting and the waiver is effective whether given before, at, or after the meeting, and whether given in writing, orally, or by attendance at the meeting.

Section 5. Fixing of Record Date. For the purpose of determining Patrons entitled to receive payment of any distribution, or in order to make a determination of Patron Members for any purpose, other than determining the Members entitled to notice of, or to vote at, a meeting, the Board may fix in advance a date as the record date. Such record date shall, with respect to Patron Members, not be more than sixty (60) days prior to the date on which the particular action is to be taken. For the purpose of determining Members entitled to notice of, or to vote at, a meeting of Members, the record date for determination of such Members shall be at the close of business on the day before the first notices for the meeting are delivered or mailed to Members. When a determination of Patron Members entitled to vote at any meeting of Members has been made as provided in this Section, such determination shall apply to any adjournment thereof unless the Board fixes a new record date which it must do if the meeting is adjourned to a date more than one hundred twenty (120) days after the date fixed for the original meeting.

Section 6. Patron Member List. The officer or agent having charge of the Membership Register shall make a complete record of the Patron Members arranged in alphabetical order, with the address of the Patron Member. The Membership Register must be available for inspection by any Member, beginning two business days after notice of the meeting is given for which the list was prepared and continuing through the meeting. The list shall be available at the Cooperative's principal office, or at a place identified in the meeting notice.

Section 7. Quorum and Voting Requirements. Action on a matter is taken when voted upon by Patron Members. Members entitled to vote may take action on a matter at a meeting only if a quorum of Patron Members exists with respect to that matter. Except as otherwise provided by the Act, the presence of the following Patron Members at a meeting shall constitute a quorum for purposes of matters to be voted on by Patron Members: (i) ten percent (10%) of the total number of Patron Members, where the number of Patron Members does not exceed five hundred (500); or (ii) in all other cases, fifty (50) Patron Members. A Patron Member not present, but voting by written vote, shall be counted present for purposes of determining whether a quorum is present to act on the issue for which said written vote is cast, but not for other business. The existence of a quorum based on Patron Members present plus those appearing by mail or absentee ballot shall be verified by the Chair and Secretary and shall be reported in the minutes of the meeting.

Section 8. Action by Patron Members. If a quorum exists, then except as provided in the Act, a majority vote of all Patron Members present at the meeting in person or represented by proxy or mail ballot, shall decide all questions presented at such meeting.

Section 9. Ballot / Mail Vote by Patron Members / Remote Participation. Voting shall be permitted by signed absentee ballot that specifies the issue and the Patron Member's vote on that issue. A Patron Member absent from any meeting may submit a mail vote on any motion, resolution or amendment to be acted upon at such meeting, provided a mail ballot has been specifically authorized by the Board. A mail vote must be cast on a ballot containing the exact text of the proposed motion, resolution or amendment. The ballot shall either be mailed or delivered to the Company's principal office and if received at any time prior to the closing of the polls shall be counted as the vote of the absent Patron Member. Any action required or permitted to be taken at a meeting of the Patron Members may be taken by mail ballot, provided a mail ballot has been specifically authorized by the Board. The Cooperative shall give Patron Members written notice of the proposed action at least fifteen (15) days before the action is taken, which notice shall contain or be accompanied by the same material that would have been required if a formal meeting had been called, or that will be presented if a formal meeting is called, to consider the action. The Patron Members shall deposit such ballot in the United States mail, postage prepaid, addressed to the Secretary at the Cooperative's principal office not later than five (5) days prior to the day of the meeting at which the vote is taken or the deadline

established for the taking of such action. A Patron Member not physically present in person or by proxy at a regular or special meeting of Patron Members may, by means of remote communication, participate in a meeting of the Patron Members.

Section 10. Cooperative's Acceptance of Votes.

- (a). If the name signed on a vote, consent or waiver corresponds to the name of a Patron Member, the Cooperative, if acting in good faith, is entitled to accept the vote, consent or waiver and give it effect as the act of the Patron Member.
- (b). If the name signed on a vote, consent or waiver does not correspond to the name of the Patron Member, the Cooperative if acting in good faith is nevertheless entitled to accept the vote, consent or waiver and give it effect as the act of the Patron Member if:
 - (i). the Patron Member is a permissible member as defined in the Act and the name signed purports to be that of an officer or agent of the entity;
 - (ii). the name signed purports to be that of an administrator, executor, guardian, or conservator representing the Patron Member and, if the Cooperative requests, evidence of fiduciary status acceptable to the Cooperative has been presented with respect to the vote, consent or waiver;
 - (iii). the name signed purports to be that of a receiver, debtor in possession or trustee in bankruptcy of the Patron Member and, if the Cooperative requests, evidence of this status acceptable to the Cooperative has been presented with respect to the vote, consent or waiver;
 - (iv). the name signed purports to be that of a pledgee, beneficial owner, or attorney-in-fact of the Patron Member, and if the Cooperative requests, evidence acceptable to the Cooperative of the signatory's authority to sign for the Patron Member has been presented with respect to the vote, consent or waiver; or
 - (v). two or more Persons are the Member as co-tenants or fiduciaries and the name signed purports to be the name of at least one of the co-owners and the Person signing appears to be acting on behalf of all the co-owners.
- (c). The Cooperative is entitled to reject a vote, consent or waiver if the Secretary or other officer or agent authorized to tabulate votes, acting in good faith, has reasonable basis for doubt about the validity of the signature on it or about the signatory's authority to sign for the Patron Member.
- (d). The Cooperative and its officer or agent who accepts or rejects a vote, consent or waiver in good faith and in accordance with the standards of this Section 10 are not liable in damages to the voting Patron Member for the consequences of the acceptance or rejection. Cooperative action based on the acceptance or rejection of a vote, consent or waiver under this Section is valid unless a court of competent jurisdiction determines otherwise.

Section 11. Order of Business. The order of business at any annual meeting and so far as possible at all other meetings of the Members shall be conducted according to the Roberts Rules of Order as follows:

- (1) Call to order;
- (2) Proof of notice of meeting;
- (3) Reading and approval of all unapproved minutes;
- (4) Annual reports of officers and committees;
- (5) Director elections;
- (6) Unfinished business;
- (7) New business; and
- (8) Adjournment.

ARTICLE IV. BOARD OF DIRECTORS

Section 1. General Powers. All Cooperative powers shall be exercised by or under the authority of, and the business and affairs of the Cooperative shall be managed under, the direction of the Board.

Section 2. Number and Qualifications of Directors. The Board shall consist of not less than five (5) and not more than a maximum of fifteen (15) individuals, all of whom shall be Patron Members. The number of directors may be fixed or changed from time to time within that variable range, by a majority vote of the directors, and the Members may increase or decrease the number of directors last approved and may change from a variable range to a fixed number or vice versa by vote at any annual or special meeting. Every director shall be a Member or a duly elected or appointed representative of a Member which is other than a natural person. No person shall be eligible to be a director if he / she engages in activities in competition with the goals and best interests of the Company.

Section 3. Election of Directors; Term. At each annual meeting of Members, directors shall be elected by the Patron Members, and shall hold office until a successor is elected and qualified.

Section 4. Regular Meetings of Board. The Board may determine the time and place, which may be within or outside of the State of Minnesota, for the holding of regular meetings, which shall be held without other notice than such resolution.

Section 5. Special Meetings of Board. Special meetings of the Board may be called by or at the request of the Chair or by a majority of the Board. The individuals authorized to call special meetings of the Board may fix any place within or outside of the State of Minnesota as the place for holding any special meeting of the Board. No business except that mentioned in the call for a special meeting of the Board shall receive final action at said meeting except that when all members of the Board are present they may sign a waiver of notice and purpose and then transact any business which may properly come before a regular meeting of the directors.

Section 6. Annual Meeting. The annual meeting of the Board shall be held promptly following the annual meeting of Members without further notice. At such meeting, the officers of the Cooperative shall be elected for the ensuing year.

Section 7. Notice of, and Waiver of Notice for, Special Board Meetings.

- (a). Notice of any special director meeting shall be given at least five (5) days prior thereto either orally or in writing. If mailed, notice of any director meeting shall be deemed to be effective at the earlier of:

- (i). when received;
 - (ii). five (5) days after deposited in the United States mail, addressed to the director's business office, with postage thereon prepaid; or
 - (iii). the date shown on the return receipt if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the director. Any director may waive notice of any meeting.
- (b). Except as provided in the next sentence, the waiver must be in writing, signed by the director entitled to the notice, and filed with the minutes of Cooperative records. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business and at the beginning of the meeting, or promptly upon the director's arrival, objects to the holding of the meeting or the transacting of business at the meeting, and does not thereafter vote for or assent to action taken at the meeting. Neither the business to be transacted at, nor the purpose of any special meeting of the Board need be specified in the notice or waiver of notice of such meeting.

Section 8. Director Quorum. A majority of the total number of directors in office shall constitute a quorum for the transaction of business at any regular or special meeting of the Board, but if less than a quorum is present, those directors present may adjourn the meeting from time-to-time until a quorum shall be present.

Section 9. Directors, Manner of Acting. The act of the majority of the directors present at a meeting at which a quorum is present when the vote is taken shall be the act of the Board. Each director shall have one (1) vote at meetings of the directors. Any or all directors may participate in a regular or special meeting by, or conduct the meeting through the use of any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

Section 10. Action Without Meeting. Any action which may be taken at a meeting of the Board, or of a lawfully constituted committee thereof, may be taken without a meeting if set forth and approved by a writing signed by the number of directors (or committee members) that would be required to take the same action at a meeting of the Board (or committee thereof) at which all directors (or all committee members) were present, and such action shall be effective on the date on which the last signature is placed on such writing or such earlier effective date as set forth therein.

Section 11. Removal and Vacancies.

- (a). If any director shall cease to be a Patron Member, his / her office shall be thereupon automatically vacated. If a majority of the directors determine that any director is in competition with or is affiliated with any enterprise that is in competition with this Cooperative, or that such director has violated any provision of a Director Policy Manual previously adopted by the Board, then such person shall cease to be a director.

- (b). Any vacancy in the Board, except a removal by the Patron Members, may be filled by the remainder of the Board until the next annual meeting of Members, at which meeting a director shall be chosen by the Patron Members for the unexpired term of such vacancy. Any vacancy in the Board caused by removal by the Patron Members shall be filled by the Patron Members for the unexpired term of such director, and such election may be held at the same meeting at which the director was removed from office.

Section 12. Compensation or Reimbursement. The rate of compensation, if any, of the directors of the Cooperative shall be determined by the Board. Such directors shall however, be entitled to reimbursement for actual expenses incurred in attending Board meetings or any other business of the Cooperative.

Section 13. Executive Committee. The Board may designate three (3) or more directors, one of whom shall be the Chair, to constitute an executive committee. The Board may elect other directors as alternate members of the executive committee. To the extent determined by the Board and consistent with the Act, such committee shall have and exercise the authority of the Board in the management and business of the Cooperative; provided however, such committee shall not have the powers of the Board in regard to apportionment or distribution of proceeds, election of officers, and filling vacancies in the Board. Any such executive committee shall act only on the interval between meetings of the Board and shall be subject at all times to the control and direction of the Board. Copies of the minutes of each executive committee meeting shall be available at the next Board meeting.

Section 14. Board Policy Compliance. Each director shall fully comply with the Board's policy manual established by the Board, if any. The Board, not including a director thought to be in violation of the manual, may remove a director who is disqualified by the policies in that manual. This power of removal shall be in addition to the removal power in Section 11 of this Article.

Section 15. Electing Directors by District; Mail Voting. The Board may in its sole discretion, establish procedures for voting for directors by mail ballot, establish director districts, and/or establish procedures for voting for directors by district.

ARTICLE V. OFFICERS

Section 1. Number of Officers. The officers of the Cooperative shall be appointed by the Board as follows: (i) a Chair and a Vice-Chair, each of whom shall be a director and a Patron Member; and (ii) a Secretary and a Treasurer, each of whom need not be directors or Members. Such other officers and assistant officers as may be deemed necessary may be appointed by the Board. If authorized by the Board, an officer may appoint one or more officers or assistant officers from the Board, and such persons need not be Members or directors. The same individual may not simultaneously hold more than one office in the Cooperative except the offices of Secretary and Treasurer may be combined and when so combined the person filling the office shall be termed Secretary.

Section 2. Appointment and Term of Office. The officers of the Cooperative shall be appointed by the Board for a term as determined by the Board. If no term is specified, they shall hold office until the first meeting of the directors held after the next annual meeting of Members. If the appointment of officers shall not be made at such meeting, such appointment shall be made as soon thereafter as is convenient. Each officer shall hold office until the officer's successor shall have been duly appointed and shall have qualified, until the officer's death, or until the officer shall resign or shall have been

removed. The designation of a specified term does not grant to the officer any contract rights, the Board can remove the officer at any time prior to the termination of such term, and the officer shall be employed “at will,” unless otherwise provided by a signed contract with the Cooperative.

Section 3. Removal of Officers. Any officer or agent may be removed by the Board at any time, with or without cause. Such removal shall be without prejudice to the contract rights, if any, of the officer so removed. Appointment of an officer or agent shall not of itself create contract rights.

Section 4. The Chair. The Chair shall be a director and a Patron Member, and shall be the principal executive officer of the Board. The Chair shall when present, preside at all meetings of Members, the Executive Committee, and of the Board. The Chair may sign, with the Secretary or any other proper officer of the Cooperative authorized by the Board, certificates for Units of the Cooperative, notes and deeds, mortgages, bonds, or other instruments which the Board has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer or agent of the Cooperative, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of Chair and such other duties as may be prescribed by the Board from time to time. The Board may by resolution, designate another Person to exercise these powers.

Section 5. The Vice-Chair. The Vice-Chair shall be a director and a Patron Member. In the absence of the Chair or in the event of the Chair’s death, inability or refusal to act, the Vice-Chair, shall perform the duties of the Chair, and when so acting, shall have all the powers of and be subject to all the restrictions on the Chair. If there is no Vice-Chair, then the Treasurer shall perform such duties of the Chair. Any Vice-Chair may sign, with the Secretary, certificates for Units of the Cooperative the issuance of which have been authorized by resolution of the Board; and shall perform such other duties as from time to time may be assigned to the Vice-Chair by the Chair or by the Board.

Section 6. The Secretary. The Secretary is not required to be a director or a Member. The Secretary shall:

- (a). keep the minutes of the proceedings of the Members and of the Board in one or more books provided for that purpose;
- (b). see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law;
- (c). be custodian of the Cooperative records and of any seal of the Cooperative and, if there is a seal of the Cooperative, see that it is affixed to all documents the execution of which on behalf of the Cooperative under its seal is duly authorized;
- (d). when requested or required, authenticate any records of the Cooperative;
- (e). keep a register of the post office address of each Member which shall be furnished to the Secretary by such Member;
- (f). sign with the Chair, or a Vice-Chair, certificates for Units of the Cooperative, notes and deeds, mortgages, bonds and other instruments which shall have been authorized by resolution of the Board;
- (g). have general charge of the Membership Register; and

- (h). in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to the Secretary by the Chair or by the Board.

Section 7. The Treasurer. The Treasurer is not required to be a director or a Member. The Treasurer shall:

- (a). supervise the safekeeping of all funds and property of the Cooperative and the keeping of complete books and records of all financial transactions of the Cooperative; and
- (b). receive and give receipts for moneys due and payable to the Cooperative from any source whatsoever, and deposit all such moneys in the name of the Cooperative in such banks, trust companies, or other depositories as shall be selected by the Board; and
- (c). in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to the Treasurer by the Chair or the Board. If required by the Board, the Treasurer shall give a bond for the faithful discharge of the Treasurer's duties in such sum and with such surety as the Board shall determine.

Section 8. Compensation. The salaries and compensation of the officers, if any, shall be fixed from time to time by the Board, provided however, that no officer who is director may take part in the vote on his / her compensation.

ARTICLE VI. METHOD OF OPERATION – PATRONAGE

Section 1. Cooperative Operation. This Cooperative shall be operated upon the cooperative basis in carrying out its business within the scope of the powers and purposes defined in the Articles. Accordingly, after distribution of the Non-patron Preferred Return, the net income of this Cooperative in excess of amounts credited by the Board to Capital Reserves and amounts of dividends, if any, paid with respect to equity capital shall be accounted for and distributed annually to Patrons on the basis of Allocation Units as provided in this Article VI. The Cooperative operates as an agricultural cooperative under Subchapter T of the Internal Revenue Code, and as such, makes payments or allocations to Patrons as described in Section 1382(b) of the Code.

- (a). In determining the net income or net loss of this Cooperative or its Allocation Units, there shall be taken into account this Cooperative's share of the net income or net loss of any unincorporated entity in which it owns an equity interest, patronage dividends distributed by other cooperatives of which it is a patron and, to the extent determined by the Board, its share of the undistributed net income or net loss of any corporation in which it owns an equity interest.
- (b). Each transaction between this Cooperative and each Patron shall be subject to and shall include as a part of its terms, each provision of the Articles and Bylaws of this Cooperative, whether or not the same be expressly referred to in said transaction.

- (c). Each Patron for whom this Cooperative markets or procures goods or services shall be entitled to proportional (based on Patronage Business) Allocation Units arising out of said transactions, as provided in this Article VI.
- (d). Non-member Patrons for whom this Cooperative markets or procures goods or services, shall not be entitled to any proportional (based on Patronage Business) Allocation Units arising out of said transactions as provided in this Article VI, unless this Cooperative and such Nonmember Patron agrees to conduct said business on a patronage basis.

Section 2. Establishment of Allocation Units. Allocation Units shall be established by the Board on a reasonable and equitable basis and they may be functional, divisional, departmental, geographic, or otherwise. The Board shall adopt such reasonable and equitable accounting procedures as will, in the Board's judgment, equitably allocate among the Allocation Units this Cooperative's income, gains, expenses and losses and, to the extent provided in Section 1 of this Article VI, patronage dividends received by this Cooperative and its share of income, gain, loss and deduction of other entities in which it owns an interest.

Section 3. Determination of Patronage Income or Loss of an Allocation Unit.

- (a). Net savings (loss) shall be determined in accordance with the applicable rules and regulations for computing federal income taxes in order to determine the overall net savings (loss) of the Cooperative available for patronage allocations. The net income or net loss of an Allocation Unit from Patronage Business for each Fiscal Year shall be the sum of: (1) the gross revenues directly attributable to goods or services marketed or procured for Patrons of such Allocation Unit, plus (2) an equitably apportioned share of other items of income or gain attributable to this Cooperative's Patronage Business, less (3) all expenses and costs of goods or services directly attributable to goods or services marketed or procured for Patrons of such Allocation Unit, less (4) an equitably apportioned share of all other expenses or losses attributable to this Cooperative's Patronage Business, dividends on equity capital and distributable net income from Patronage Business that is credited to the Capital Reserve pursuant to Section 7(c) of this Article VI.
- (b). The foregoing amounts shall be determined in accordance with the accounting treatment used by the Cooperative in calculating its taxable income for federal income tax purposes; provided however, the Board may prospectively adopt a reasonable alternative method. The Board shall have the authority prior to the beginning of each Fiscal Year to review the adjustments required for computing the net savings (loss) on a federal income tax basis to determine that those adjustments represent a fair and equitable adjustment to the Patrons for that Fiscal Year. Expenses and cost of goods or services shall include without limitation such amounts of depreciation, cost depletion and amortization as may be appropriate, amounts incurred for the promotion and encouragement of cooperative organization, and taxes other than federal income taxes. Such net income or net loss shall be subject to adjustment as provided in Sections 5 and 8(b) of this Article VI relating to losses.

Section 4. Allocation of Patronage Income Within Allocation Units. The net income of an Allocation Unit from Patronage Business for each Fiscal Year, less any amounts thereof that are otherwise allocated in dissolution of this Cooperative, shall be allocated among the Patrons of such Allocation Unit in the ratio that the quantity or value of the business done with or for each such Patron bears to the quantity or value of the business done with or for all Patrons of such Allocation Unit. The Board shall reasonably and equitably determine whether allocations within any Allocation Unit shall be made on the basis of quantity or value.

Section 5. Treatment of Patronage Losses of an Allocation Unit.

- (a). Methods for Handling Patronage Losses. If an Allocation Unit incurs a net loss in any Fiscal Year from Patronage Business, this Cooperative may take one or more of the following actions:
 - (i). Offset all or part of such net loss against the net income of other Allocation Units for such Fiscal Year to the extent allowed by law;
 - (ii). Establish accounts payable by Patrons of the Allocation Unit that incurs the net loss that may be satisfied out of any future amounts that may become payable by this cooperative to each such Patron;
 - (iii). Carry all or part of the loss forward to be charged against future net income of the Allocation Unit that incurs the loss;
 - (iv). Offset all or part of such net loss against the Capital Reserve;
 - (v). Cancel outstanding Patrons' Equities; or
 - (vi). Cancel outstanding Non-qualified Notices of Allocation (per Section 6(d) below).
- (b). Allocation of Net Loss Among Patrons of Loss Units. Any cancellation of equities and/or establishment of accounts payable pursuant to this Section 5 shall be made among the Patrons of an Allocation Unit in a manner consistent with the allocation of net income of such Allocation Unit.
- (c). Restoration of Net Loss out of Future Net Income. The future net income of an Allocation Unit that incurs a net loss may be reduced by part or all of such net loss that was offset against the Capital Reserve, Patrons' Equities of Patrons of another Allocation Unit or against the net income of another Allocation Unit and may be used to restore the Capital Reserve, restore such Patrons' Equities or to increase the future net income of such other Allocation Unit; provided that reasonable notice of the intent to do so is given to the Patrons of the loss unit.
- (d). Board Discretion. The provisions of this Section 5 shall be implemented by the Board, having due consideration for all of the circumstances which caused the net loss, in a manner that it determines is both equitable and in the overall best interest of this Cooperative.
- (e). No Assessments against Members or Patrons. There shall be no right of assessment against Members or Patrons for the purpose of restoring impairments to capital caused by net losses.

Section 6. Distribution of Net Income.

- (a). Patronage Refunds. The net income allocated to a Patron pursuant to Sections 4 and 8 of this Article VI shall be distributed annually or more often to such Patron as a patronage refund; provided however, that no distribution need be made where the amount otherwise to be distributed to a Patron is less than a de minimis amount that may be established from time to time by the Board.
- (b). Form of Patronage Refunds. Patronage refunds shall be distributed in cash, allocated patronage equities, revolving fund certificates, securities of this Cooperative, other securities, or any combination thereof designated by the Board (all such refunds referred to collectively herein as “*Patrons’ Equities*”), including without limitation, the following instruments (which may be uncertificated and designated only by book entry on the Cooperative’s books and records):
 - (i). Capital Equity Certificates: in one or more than one class or series, in such designations or denominations, and with such relative rights, preferences, privileges and limitations as may be fixed by the Board, and bearing no interest, dividend or other annual payment.
 - (ii). Certificates of Indebtedness: in one or more than one class or series, in such designations or denominations, and with such relative rights, preferences, privileges and limitations as may be fixed by the Board, and bearing such maturity and rate of interest, if any, as may be fixed by the Board. Such certificates shall be callable for payment in cash or other assets at such times as may be determined by the Board.
 - (iii). Non-patronage Earnings Certificates: in one or more than one class or series, in such designations or denominations, and with such relative rights, preferences, privileges and limitations as may be fixed by the Board, with no maturity date, and bearing no interest, dividend or other annual payment. Non-patronage Earnings Certificates may be distributed only to Patrons as part of the allocation and distribution of non-patronage income. Such certificates shall be callable for payment in cash or other assets at such times as may be determined by the Board.
- (c). Written Notices of Allocation. The noncash portion of a patronage refund distribution that is attributable to Patronage Business shall constitute a written notice of allocation as defined in 26 U.S.C. Section 1388 which shall be designated by the Board as a qualified written notice of allocation, as a non-qualified written notice of allocation, or any combination thereof as provided in said section.
- (d). Non-qualified Notices of Allocation. The Cooperative is authorized to issue an unlimited amount of patronage refunds in the form of nonqualified written notices of allocation (as defined in 26 U.S.C. 1388 (d)).
- (e). No Voting Rights. Patrons’ Equities and Non-qualified Notices of Allocation shall not entitle the holders thereof to any voting or other rights to participate in the affairs of this Cooperative (which rights are reserved solely for the Patron Members).

- (f). Transfer Restriction. Patrons' Equities may only be transferred with the consent and approval of the Board, and by such instrument of transfer as may be required or approved by this Cooperative.
- (g). Board Authority to Allow Conversion. The Board also shall have the authority to allow conversion of Patrons' Equities into Patron Units, preferred equities or such other debt and/or equity instruments of this Cooperative on such terms as shall be established by the Board.
- (h). Qualified Written Notices, Revolvement Discretionary. No Person shall have any right whatsoever to require the retirement or redemption of any Patrons' Equities except in accordance with their term, or of any allocated Capital Reserve. Such redemption or retirement is solely within the discretion and on such terms as determined from time to time by the Board, which may in making any such redemption or retirement, distinguish Patrons who are individuals from Patrons who are not and, in doing so, favor Patrons with respect to estate retirements and revolvments at specified ages.
- (i). Non-qualified Written Notices, Revolvement Upon Liquidation. Nonqualified written notices of allocation will generally be retired only upon the distribution of assets on liquidation or dissolution of the Cooperative and shall be treated as an allocated surplus for all purposes. The Board may in its sole discretion, pay out nonqualified written notices on an equitable basis so long as the Board is first satisfied the Cooperative has:
 - (i). sufficient financial resources for such a payment; and
 - (ii). for that year, sufficiently retired qualified written notices of allocation. If and when nonqualified written notices are paid, they will be owned by the persons or organizations to which the notices were issued and by the transferees of such organizations or persons.

Section 7. Capital Reserve. The Board shall cause to be created a Capital Reserve and, except as otherwise provided in Section 8 of this Article VI, shall annually add to the Capital Reserve the sum of the following amounts:

- (a). The annual net income of this Cooperative attributable to Non-patronage Business;
- (b). Annual net income from Patrons who are unidentified or to whom the amount otherwise to be distributed is less than the minimum amount provided in Section 6(a) of this Article VI; and
- (c). an amount up to 30% of the distributable net income from Patronage Business, provided that a determination as to a specific amount is determined, prior to the last day of December following the end of the Fiscal Year, and further that the amount shall be 0% for any Fiscal Year for which the Board does not make a determination prior to the last day of December following the end of the Fiscal Year. Federal income taxes shall be charged to the Capital Reserve.

Section 8. Allocation and Distribution of Non-patronage Income and Loss.

- (a). Non-patronage Income. The Board shall have the discretion to allocate to Allocation Units amounts that are otherwise to be added to the Capital Reserve pursuant to Section 7(a) of this Article VI. Such allocation may be made on the basis of any reasonable and equitable method. Amounts so allocated to Allocation Units shall be further allocated among the Patrons thereof on a patronage basis using such method as the Board determines to be reasonable and equitable. Amounts so allocated shall be distributed to Patrons thereof in the form of cash, property, Non-patronage Earnings Certificates, or any combination thereof designated by the Board. The Board may determine whether and to what extent Non-member Patrons may share in such distributions.
- (b). Non-patronage Loss. If the Cooperative incurs a net loss on its Non-patronage Business or if a net loss is incurred with respect to the Non-patronage Business of an Allocation Unit, such net loss generally shall be chargeable against Capital Reserve unless and to the extent the Board, having due consideration for the circumstances giving rise to such net loss, determines that it is reasonable and equitable to allocate all or part of such a net loss among Allocation Units generally or to a specific Allocation Unit or units. Any such loss allocated to an Allocation Unit shall reduce such unit's net income from Patronage Business to the extent thereof and the excess, if any, shall be treated generally in accordance with Section 5(a)(ii), (iii) and (v) of this Article VI.

Section 9. Tax Consent. Each Patron on the effective date of these Bylaws who continues as a Patron after such date shall, by such act alone, consent that the amount of any distributions with respect to his/her patronage occurring in any Fiscal Year, which are made in written notices of allocation (as defined in 26 U.S.C. 1388 of the Code) and which are received by him/her from the Cooperative, will be taken into account by him/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 by him/her, it being the intent of these Bylaws to provide a consent binding on all Patrons for the purpose of making such distributions "qualified written notices of allocation" within the meaning of the Code. Each such Patron shall have consented also to take into account non-qualified written notices of allocation (as defined in 26 U.S.C. 1388 (d)) at their stated dollar amounts.

ARTICLE VII. TRANSFER OF UNITS

Section 1. Registration of Transfer of Units. Registration of the transfer of Units shall be made only on the Membership Register. In order to register a transfer, the record owner shall surrender the Units to the Cooperative for cancellation, properly endorsed by the appropriate Person or Persons with reasonable assurances that the endorsements are genuine and effective. Unless the Cooperative has established a procedure by which a beneficial owner of Units held by a nominee is to be recognized by the Cooperative as the owner, the Person in whose name Units stand on the books of the Cooperative shall be deemed by the Cooperative to be the owner thereof for all purposes.

Section 2. Restrictions under the Act. Except as otherwise permitted herein, no Member shall transfer, sell, pledge, hypothecate or otherwise convey all or any portion of its Units, without the advance approval of the Board. In the event that any Member pledges or otherwise encumbers all or any party of its Units as security for the payment of a debt, any such pledge or hypothecation shall be made pursuant to a pledge or hypothecation agreement that requires the pledgee or secured party to be bound by all of the terms and conditions of this Article V. In the event such pledgee or secured party becomes the Unit Holder hereunder pursuant to the exercise of such party's rights under such pledge or hypothecation agreement, such pledgee or secured party shall be bound by all terms and conditions of these Bylaws and all other agreements governing the rights and obligations of Unit Holders. In such case, such pledgee or secured party, and any transferee or purchaser of the Units held by such pledgee or secured party, shall be entitled only to the Membership Economic Interest associated with such Units, and shall not be entitled to vote or any other Member rights unless and until the Board has approved in writing and admitted as a Member hereunder such pledgee, secured party, transferee or purchaser of such Units.

Section 3. Permitted Transfers of Non-patron Units. Unless a transfer would cause the Cooperative to cease to qualify as a cooperative under the Act and subject to the conditions and restrictions set forth in this Article VII, including the right of first offer on sales or other transfers of Series A Non-patron Units pursuant to Section 5 of this Article VII, a Non-patron Member may at any time transfer all or any portion of its Units: (i) to the transferor's administrator or trustee to whom such Units are transferred involuntarily by operation of law, (ii) to any Affiliate or Related Party of the transferor; or (iii) without consideration to or in trust for descendants of a Non-patron Member. Any such transfer set forth in this Section 3 and meeting the conditions set forth in Section 4 below is referred to herein as a "Permitted Transfer."

Section 4. Conditions to Permitted Transfers. In addition to the conditions set forth herein, no transfer shall be effective unless and until the Board has approved such transfer as set forth in Section 3 and the following conditions are satisfied:

- (a). Except in the case of a transfer involuntarily by operation of law, the transferor and transferee shall execute and deliver to the Cooperative such documents and instruments of conveyances as may be necessary or appropriate in the opinion of legal counsel to the Cooperative to effect such transfer. In the case of a transfer of Units involuntarily by operation of law, the transfer shall be confirmed by presentation to the Cooperative of legal evidence of such transfer, in form and substance satisfactory to counsel to the Cooperative. In all cases, the Cooperative shall be reimbursed by the transferor and/or transferee for all costs and expenses that it reasonably incurs in connection with such transfer.
- (b). The transferor and transferee shall furnish the Cooperative with the transferee's taxpayer identification number, sufficient information to determine the transferee's initial tax basis in the Units transferred, and any other information reasonably necessary to permit the Cooperative to file all required federal and state tax returns and other legally required information statements or returns. Without limiting the generality of the foregoing, the Cooperative shall not be required to make any allocation otherwise provided for in these Bylaws with respect to any transferred Units until it has received such information.

- (c). Except in the case of a transfer of any Units involuntarily by operation of law, either:
 - (i). such Units shall be registered under the Securities Act, and any applicable state securities laws; or
 - (ii). the transferor shall provide an opinion of counsel, which opinion and counsel shall be reasonably satisfactory to the Board, to the effect that such transfer is exempt from all applicable registration requirements and that such transfer will not violate any applicable laws regulating the transfer of securities.
- (d). Except in the case of a transfer of Units involuntarily by operation of law, the transferor shall provide an opinion of counsel, which opinion and counsel shall be reasonably satisfactory to the Board, to the effect that such transfer will not cause the Cooperative to be deemed to be an “investment company” under the Investment Company Act of 1940.
- (e). No notice or request initiating the procedures contemplated by this Section 4 may be given by any Member after a Dissolution event has occurred. No Member may sell all or any portion of its Units after a Dissolution event has occurred.
- (f). The Board shall have the authority to waive any legal opinion or other condition required in this Section 4.

Section 5. Right of First Offer On Sales or Other Transfers of Series A Non-patron Units.

- (a). Cooperative’s Purchase Option. If at any time a Series A Non-patron Unit Holder (the “Selling Member”) proposes to sell or otherwise transfer all or any part of the Selling Member’s Series A Non-patron Membership Interests (the “Offered Interests”) pursuant to a bona fide written offer from a third party (a “Proposed Transferee”), the Selling Member shall so notify the Cooperative in writing (the “Notice”) of the offer (the “Offer”) and the terms of said Offer, including the identity of the Selling Member and the Proposed Transferee, the amount and type of the Offered Interests proposed to be transferred to the Proposed Transferee, and the proposed terms and conditions, including price of the sale of the Offered Interests. The Offer shall further state that the Cooperative shall have the right to acquire all or any part of such Offered Interests as provided in this Section (the “Cooperative Purchase Option”). The Cooperative shall thereupon have the first right, on the terms and conditions set forth in the Offer, to purchase all or any portion of the Offered Interests by providing the Selling Member with written notice exercising such option on or before the forty-fifth (45th) day following the date of the Notice (the “Notice Date”). Such communication shall, when taken in conjunction with the Offer, be deemed to constitute a valid, legally binding and enforceable agreement for the sale and purchase of such Offered Interests. Sales of such Offered Interests to be sold to the Cooperative pursuant to this Section shall be made, subject to regulatory approvals when necessary, within sixty (60) days following the Notice Date (or if such sixtieth (60th) day shall not be a business day, then on the next succeeding business day).

- (b). Third Party Sale. If the Cooperative does not elect to purchase all of the Offered Interests, then upon full compliance with the terms and conditions of Section 3 of Article VII, the Offered Interests that remain unsold may be sold by the Selling Member at any time within one hundred eighty (180) days after the Notice Date. Any such sale shall be at a price not less than the price and upon other terms and conditions no more favorable to the Proposed Transferee than those specified in the Offer. The balance of any Offered Interests not sold within such one hundred eighty (180) day period may only be sold if the Selling Member again complies with the rules set forth in this Section.

Section 6. Call Option by Cooperative on Series A Non-patron Units. At any time after a Series A Non-patron Unit has been issued for more than 48 months, the Cooperative shall have the right and option (but not the obligation) to purchase all or any portion of any outstanding Series A Non-patron Units by providing all of the Series A Non-patron Unit Holders with written notice of the Cooperative's exercise of its call right. In such event, the Series A Non-patron Unit Holders shall be deemed to have offered to sell all or such designated portion of their Series A Non-patron Units to the Cooperative for a price equal to the per unit price at which the Cooperative originally offered such Unit, which for Series A Non-patron Units shall be \$100 per Unit, plus the sum of any unpaid Non-patron Preferred Returns, and paid by the Cooperative in cash within 30 days of the Cooperative's exercise of its call option.

Section 7. Prohibited Transfers. Any purported transfer of Units that is not a Permitted Transfer shall be null and void and of no force or effect whatsoever; provided that, if the Cooperative is required to recognize a transfer that is not a Permitted Transfer (or if the Board, in its sole discretion, elects to recognize a transfer that is not a Permitted Transfer): (i) the transferee's rights shall be strictly limited to the transferor's Membership Economic Interest associated with such Units; and (ii) the Cooperative may offset against such Membership Economic Interest (without limiting any other legal or equitable rights of the Cooperative) any debts, obligations, or liabilities for damages that the transferor or transferee may have to the Cooperative. In the case of a transfer or attempted transfer of Units that is not a Permitted Transfer, the parties engaging or attempting to engage in such transfer shall be liable to indemnify and hold harmless the Cooperative and the other Members from all cost, liability, and damage that any of such indemnified Members may incur (including, without limitation, incremental tax liabilities, lawyers' fees and expenses) as a result of such transfer or attempted transfer and efforts to enforce the indemnity granted hereby.

Section 8. Rights of Non-Member Unit Holders. A Person who acquires Units by any means whatsoever, but who is for any reason whatsoever, not admitted as a Member pursuant to these Bylaws, shall be entitled only to the Membership Economic Interests associated with such Units, and shall not be entitled to vote or other Member rights provided by the Act or these Bylaws with respect to such Units.

Section 9. Admission of Substitute Members. As to Permitted Transfers, a transferee of Units shall be admitted as a substitute Member provided that such transferee has complied with the following provisions:

- (a). The transferee of Units shall, by written instrument in form and substance reasonably satisfactory to the Board;
 - (i). accept and adopt the terms and provisions of these Bylaws, and

- (ii). assume the obligations of the transferor Member under these Bylaws with respect to the transferred Units. The transferor Member shall be released from all such assumed obligations except: (A) those obligations or liabilities of the transferor Member arising out of a breach of these Bylaws, (B) in the case of a transfer to any Person other than a Member or any of its Affiliates, those obligations or liabilities of the transferor Member based on events occurring, arising or maturing prior to the date of transfer, and (C) in the case of a transfer to any of its Affiliates, any Capital Contribution or other financing obligation of the transferor Member under these Bylaws;
- (b). the transferee pays or reimburses the Cooperative for all reasonable legal, filing, and publication costs that the Cooperative incurs in connection with the admission of the transferee as a Member with respect to the transferred Units; and
- (c). Except in the case of a transfer involuntarily by operation of law, if required by the directors, the transferee (other than a transferee that was a Member prior to the Transfer) shall deliver to the Cooperative evidence of the authority of such Person to become a Member and to be bound by all of the terms and conditions of these Bylaws, and the transferee and transferor shall each execute and deliver such other instruments as the directors reasonably deem necessary or appropriate to effect, and as a condition to, such transfer.

Section 10. Distribution and Allocations in Respect of Transferred Units. If any Units are transferred during any Fiscal Year in compliance with the provisions of this Section 15, Profits, Losses, each item thereof, and all other items attributable to the transferred Units for such Fiscal Year shall be divided and allocated between the transferor and the transferee by taking into account their varying interests during the Fiscal Year in accordance with Code Section 706(d), using any conventions permitted by law and selected by the directors. All distributions on or before the date of such transfer shall be made to the transferor, and all distributions thereafter shall be made to the transferee. Solely for purposes of making such allocations and distributions, the Cooperative shall recognize such transfer not later than the end of the calendar month during which it is given notice of such transfer, provided that if the Cooperative: (i) is given notice of a transfer at least ten (10) business days prior to the transfer, the Cooperative shall recognize such transfer as of the date of such transfer; and (ii) does not receive a notice stating the date such Units were transferred and such other information as the directors may reasonably require within thirty (30) days after the end of the Fiscal Year during which the transfer occurs, then all such items shall be allocated, and all distributions shall be made, to the Person who, according to the books and records of the Cooperative, was the owner of the Units on the last day of such Fiscal Year. Neither the Cooperative nor any Member shall incur any liability for making allocations and distributions in accordance with the provisions of this Section 15 whether or not the directors or the Cooperative have knowledge of any transfer of ownership of any Units.

ARTICLE VIII. CERTIFICATES FOR UNITS

Section 1. Certificates for Units.

- (a). Content. Certificates for Units, if utilized, shall conform to the requirements of the Act. The Board may authorize the issue of some or all the Units of any or all of its classes or series without certificates.

- (b). Legend. The designations, relative rights, preferences, and limitations applicable to each class and the variations in rights, preferences, and limitations determined for each series (and the authority of the Board to determine variations for future series) must be summarized on the front or back of each certificate. Alternatively, each certificate may state conspicuously on front or back that the Cooperative will furnish the Member this information on request in writing and without charge.
- (c). Unit Holder List. The name and address of the Person to whom the Units represented thereby are issued, with the number of Units and date of issue, shall be entered on the Membership Register.
- (d). Transferring Units. All certificates surrendered to the Cooperative for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of Units has been surrendered and canceled, except that in case of termination of membership, transfer of Units, or in the case of a lost, destroyed, or mutilated certificate a new one may be issued therefor upon such terms and indemnity to the Cooperative as the Board may prescribe.

Section 2. Units Without Certificates.

- (a). Within a reasonable time after the issue or transfer of Units without certificates, the Cooperative shall send the Member a written statement containing at minimum:
 - (i). the name of the issuing Cooperative and that it is organized under the laws of Minnesota and the Act;
 - (ii). the name of the Person to whom issued;
 - (iii). the number and class of Units and the designation of the series, if any, of the issued Units;
 - (iv). a statement that the Membership Interests in the Cooperative are subject to the Articles and Bylaws; and
 - (v). any restrictions on transfer.
- (b). If the Cooperative is authorized to issue different classes of Units or different series within a class, the written statement shall describe the designations, relative rights, preferences, and limitations applicable to each class and the variation in rights, preferences, and limitations determined for each series and the authority of the Board to determine variations for future series.

**ARTICLE IX.
INDEMNIFICATION OF INDIVIDUALS**

Section 1. Indemnification of Directors and Officers. The Cooperative shall indemnify its past and present Officers and directors to the fullest extent allowed and provided for in the Act.

Section 2. Indemnification of Agents and Employees. The directors may indemnify and advance expenses to any employee or agent of the Cooperative, to the fullest extent allowed and provided for in the Act.

Section 3. Insurance. The Board may authorize the purchase and maintenance by the Cooperative of insurance on behalf of any person who may be indemnified pursuant to these Bylaws or the Act.

**ARTICLE X.
AMENDMENTS**

These Bylaws may be amended as provided by law, with prior notice, by the members at the annual meeting or at any special meeting of the members called for that purpose. The Board of directors may amend any Bylaw, which shall be effective when a resolution is adopted by the Board, but any such amendment shall be announced at the next annual meeting, and subsequently may be amended, modified or repealed at an annual or special meeting of the members with prior notice.

**ARTICLE XI.
DISSOLUTION, LIQUIDATION AND WINDING-UP**

Section 1. Dissolution. Upon Dissolution, the Cooperative shall dissolve and shall commence winding up and liquidating.

Section 2. Liquidation and Winding Up. Upon the occurrence of Dissolution, the Cooperative shall continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors and Members, and no Member shall take any action that is inconsistent with the winding up of the Cooperative's business and affairs, provided that all covenants and obligations contained in these Bylaws shall continue to be fully binding upon Members until such time as the Cooperative's assets have been distributed pursuant to this Section 2. The Liquidator shall be responsible for overseeing the prompt and orderly winding up and dissolution of the Cooperative. The Liquidator shall take full account of the Cooperative's liabilities and assets and shall cause the assets or the proceeds from the sale thereof, to the extent sufficient therefore, to be applied and distributed, to the maximum extent permitted by law, in the following order:

- (a). First, to satisfy expenses needed to carry out the dissolution and liquidation of assets;
- (b). Second, to creditors (except for payment of deferred patronage) in satisfaction of all of the Cooperative's debts and other liabilities (whether by payment or the making of reasonable provision for payment thereof), other than liabilities for which reasonable provision for payment has been made;
- (c). Third, to Members who are creditors for any debts and liabilities not permitted to be paid under (b) above;
- (d). Fourth, to the Series A Non-patron Unit Holders in proportion to, and to the extent of, their Undistributed Series A Liquidation Preference Amounts. The "Undistributed Series A Liquidation Preference Amount" of any Member holding Series A Non-patron Units on any day shall be equal to the excess, if any, of: (i) the Series A Liquidation Preference of such Member, less (ii) the aggregate of all Non-patron Preferred Return distributions made to such Member; and
- (e). Fifth, the balance, if any, to the Patron Members in accordance with the Act, after giving effect to all contributions, distributions and allocations for all periods.

Section 3. Rights of Unit Holders. Except as otherwise provided in these Bylaws, each Unit Holder shall look solely to the assets of the Cooperative for the return of its equity and has no right or power to demand or receive assets or property other than cash from the Cooperative. If the assets of the Cooperative remaining after payment or discharge of the debts or liabilities of the Cooperative are insufficient to return such sums, the Unit Holders shall have no recourse against the Cooperative or any other Unit Holder or directors.

Section 4. The Liquidator. The “*Liquidator*” shall mean a Person appointed by the Board to oversee the liquidation of the Cooperative. Upon the consent of a majority of the Members, the Liquidator may be the directors. The Cooperative is authorized to pay a reasonable fee to the Liquidator for its services performed pursuant to this Article and to reimburse the Liquidator for its reasonable costs and expenses incurred in performing those services. The Cooperative shall indemnify, save harmless, and pay all judgments and claims against such Liquidator or any officers, directors, agents or employees of the Liquidator relating to any liability or damage incurred by reason of any act performed or omitted to be performed by the Liquidator, or any officers, directors, agents or employees of the Liquidator in connection with the liquidation of the Cooperative, including reasonable attorneys’ fees incurred by the Liquidator, officer, director, agent or employee in connection with the defense of any action based on any such act or omission, which attorneys’ fees may be paid as incurred, except to the extent such liability or damage is caused by the fraud, intentional misconduct of, or a violation of the laws by the Liquidator which was material to the cause of action.

Section 5. Forms of Liquidating Distributions. For purposes of making distributions required hereby, the Liquidator may determine whether to distribute all or any portion of the asset in-kind or to sell all or any portion of the assets and distribute the proceeds therefrom.

The foregoing Amended and Restated Bylaws of Crystal Valley Cooperative were duly adopted by approval of the Board of the Cooperative on the 1st day of February, 2018.