

ARTICLES OF INCORPORATION, AMENDED  
OF  
HARMONY COOPERATIVE GROCERY, INC.

We, the undersigned residents of the State of Minnesota, acting for ourselves as individuals, do hereby associate for the purpose of organizing and incorporating a cooperative association under the provisions of Minnesota Chapter 308A, Cooperative Associations, as amended, and to that end, we do hereby adopt and sign the following Article of Incorporation.

ARTICLE I. (NAME)

The name of this association shall be Harmony Cooperative Grocery Inc.

ARTICLE II. (PURPOSE)

The purpose of the association shall be to engage in mercantile and marketing business to supply and furnish to its members and patrons on a cooperative basis such supplies, food, clothing, hardware, household and garden supplies, goods, wares, merchandise and services as they may require, always taking into consideration the environmental impact of the products. In order to accomplish this goal, the association shall buy, sell, market, store, warehouse, acquire, transport, distribute, process, produce and otherwise engage in any activity connected with or related to its purposes. The association shall deal on a cooperative basis and provide such goods and services to its members at a reasonable cost, with the least ecological damage.

For these purposes it shall have power to:

- A. Borrow money from its members and others upon adequate security; to issue bonds, debentures, notes and other obligations and to secure the same by pledge, mortgage or trust deed on any property of the association; draw, make accept, endorse, guarantee, execute and issue promissory notes, bills of exchange, drafts, warrants, warehouse receipts, certificates and other obligations and negotiable or transferable instruments for any purpose deemed necessary to further the objects for which the association is formed.
- B. Acquire, purchase, hold lease, encumber, sell, exchange and convey such real estate, buildings and personal property as the business of the association may require.
- C. Purchase, sell, transfer and own capital stock, bonds and obligations or other corporations.
- D. To own stock in any other corporation or association all of which activities shall be for the use and benefit of the stockholders of this association and their families.

ARTICLE III. (PLACE OF BUSINESS)

The registered office and principal place of business of said association shall be a, 722 Beltrami Ave. in the city of Bemidji, county of Beltrami, State of Minnesota. Branch offices may be located at other points. The registered agent shall be Gregory Klave located at 719 Beltrami Ave, Bemidji, Minnesota.

## ARTICLE IV. (DURATION)

The period of the continuance of this association shall be perpetual.

## ARTICLE V. (CAPITAL) *(Amended by vote of the membership 11/12/2010)*

SECTION 1. The amount of authorized capital stock of the association shall be One Million Seven Hundred Thousand Dollars (\$1,700,000.00), and shall be divided into three classes of stock as follows:

- Three Thousand One Hundred Twenty Five (3,125) shares of Class A Stock of the par value of One Hundred Twenty Dollars (\$120.00) each = \$375,000.00
- One Hundred Twelve Thousand Five Hundred (112,500) shares of Class B Stock of the par value of Ten Dollars (\$10.00) each = \$1,125,000.00
- Four Hundred (400) shares of Class C stock of the par value of Five Hundred Dollars (\$500.00) each = \$200,000.00

SECTION 2. Class A Stock may be issued for cash to a patron to qualify him, her or it as a member if he, she or it is eligible therefore. Class A Stock may also be issued in payment of patronage refund. Only Class A Stockholders shall have voting power, and each holder of Class A Stock shall be entitled to only one (1) vote regardless of the numbers of shares owned. Voting by proxy shall not be permitted. No dividends shall be paid on the outstanding Class A Stock of the association.

SECTION 3. Nonvoting Class B Stock may be issued in whole or partial shares to holders of Class A Stock. Class B Stock shall have no voting power and no dividends shall be paid thereon.

SECTION 4. Class C stock may be issued only to holders of Class A stock. Class C stock shall have no voting power. Dividends on Class C stock may be declared by the Board of Directors, in its discretion, from funds legally available to pay such dividends. Dividends declared on Class C stock shall not exceed eight percent (8%) per annum. Dividends, if declared, may be cumulative at the discretion of the Board of Directors.

SECTION 5. No share of stock shall be issued for less than its par value, not until the same has been paid for in cash or its equivalent, and shall be paid at such time and in such manner as the directors of the association shall request. The association shall have a prior lien, with the usual right of ordinary liens for enforcement, upon all outstanding stock for any indebtedness due it, and no stock shall be sold or transferred except back to the association with the consent and approval of the Board of Directors. Capital stock shall be subject to redemption as provided by law, in the manner as the Bylaws prescribe. The capital stock of this association shall be nonassessable.

## ARTICLE VI. (ALLOCATIONS TO MEMBERS)

SECTION 1. All or any part of the patronage refund declared by the association at any

time may be paid in Class B Stock, by allocated equity reserve or by the issuance of capital interest certificates, or by any other media determined by time Board of Directors.

SECTION 2. All of the annual member's net overpayments (net income), including patronage refunds received by the association from other cooperative associations, available for distribution shall belong to its members and shall be allocated to them on the basis of patronage and as provided in the Bylaws.

SECTION 3. In the event of liquidation or dissolution of the association all debt and liabilities shall first be paid according to their respective priorities. Holders of capital stock shall then be paid the par value of their Class A shares. Holders of Class B stock shall then be paid the par value of their shares. Any remaining assets shall be contributed to an association doing business on a cooperative basis or a nonprofit corporation which is exempt from income taxes under Section 501 of internal Revenue Code as the Board of Directors or Trustees of the association shall determine.

#### ARTICLE VII. (DIRECTORS)

SECTION 1. The government of this association and the management of its affairs shall be vested in a Board of Directors of not less than five (5) members, the exact number and terms of its members to be stated in the Bylaws. The Board of Directors shall be elected by ballot by the members from their own number at the annual meeting.

SECTION 2. Vacancies in the Board of Directors may be filled by the remaining members of the board; the person or persons so appointed shall hold office only until the next annual meeting of the membership or until their successors have been duly elected and qualified.

SECTION 3. A Director is not personally liable to the cooperative association or its members for monetary damages for breach of fiduciary duty except in the following circumstances:

- A. for breach of a director's duty of loyalty to the cooperative association' or its members;
- B. for acts of omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- C. for a transaction from which the director derived an improper personal benefit; or
- D. for an act or omission occurring prior to the date these amended Articles of Incorporation became effective.

#### ARTICLE VIII. (OFFICERS)

The officers of this association shall be made up from the board of Directors and shall include a Chairperson, Vice-Chairperson, a Secretary, and a Treasurer, who shall be elected in the manner as provided in the Bylaws, the offices of the Secretary and

Treasurer may be combined and when so combined shall be termed Secretary-Treasurer.

#### ARTICLE IX. (DISSOLUTION, AMENDMENTS)

SECTION 1. When authorized by members, the Board of Directors may dispose of the property of the association. Such authorization by the members shall be in the form of a resolution adopted at a special or regular meeting of the members, at which a quorum is present. The resolution approving such disposition shall be adopted if approved by two-thirds (2/3) of the votes cast.

SECTION 2. These Articles of incorporation may be amended as provided by law Section 308A, in whole or part, by a majority vote of the members present and voting at any annual meeting of the membership or at any special meeting of the membership when such action has been duly announced in the call of the special meeting. The amended Articles must be filed with the Secretary of State.

Amended: April 15, 1990

Amended: November 12, 2010