

**AMENDED AND RESTATED BYLAWS OF
HARMONY COOPERATIVE GROCERY, INC.**

ARTICLE I. MEMBERSHIP

SECTION 1. (QUALIFICATIONS)

- A. Any person, household, firm, cooperative, non-profit corporation or corporation may, on approval of his, her or its application and payment of any required fees as, be accepted into membership of this Cooperative on terms established by the Board of Directors.
- B. This Cooperative shall not discriminate on social or political grounds, on the basis of race, creed, age, sex, handicap, sexual preference or marital status.
- C. Each member of this Cooperative shall hold one share of Class A Stock and such additional shares of other classes of stock that may be required by Cooperative policy as adopted by the Board of Directors.
- D. Each member that is not an individual shall designate a person to act on the member's behalf in conducting the affairs of this Cooperative. That designation shall remain in effect until written notice of a properly authorized change in the designated person shall be received by this Cooperative.

SECTION 2. (APPLICATION) Application for membership shall be made in writing on a form provided by this Cooperative. A prospective member must sign a stock purchase agreement for one (1) share of Class A Stock with a par value of One Hundred Twenty Dollars (\$120.00) and provide payment with the application or enter into an installment payment plan with this Cooperative on terms established by the Board of Directors.

SECTION 3. (RECEIPT OF BYLAWS) Each new member shall receive a copy of the Articles and Bylaws of this Cooperative .

SECTION 4. (RIGHT TO VOTE) Any person may apply for and hold a membership in this Cooperative, or such membership may be held jointly in the name of two (2) or more persons. Each membership shall have one (1) vote at all meetings of members, without regard to number of shares owned.

SECTION 5. (TERMINATION) At any time, if a member shall have pursued conduct seriously detrimental to the beliefs and aims of this Cooperative or shall fail to comply with requirements of these Bylaws, contracts or agreements entered into upon becoming a member of this Cooperative, the Board of Directors may elect to cancel his/her, or its, membership by:

- A. Purchasing the Class A Stock of such member by tendering to him/her, or it, the par value thereof or the book value thereof if lesser than the par value, together with any patronage refund due or unpaid, less any indebtedness due the association; or
- B. Purchasing the Class A Stock of such member by tendering to him, her or it Class B Stock representing his, her or its interest at the time of tender, such interest to be ascertained as specified above.

Provided that, if within thirty (30) days after due notice of such termination the member shall notify the Secretary of the Board that he, she or it objects to the termination of membership, and that he, she or it desires to appeal the same to the next meeting of membership and the Board shall place such a matter of a hearing as a part of the agenda for such membership meeting. Membership may be terminated voluntarily by a member upon notice to this Cooperative or automatically if a member shall die, cease to exist, or fail to patronize this Cooperative for a period of time determined by the Board.

In any case of termination, the Class A Stock of said member shall be cancelled and he, she or it shall thereafter have no voting right in this Cooperative.

SECTION 6. (RESTRICTIONS) Every member upon uniting with this Cooperative agrees that in case the member shall desire to dispose of his, her or its share of stock of this Cooperative, that the stock can only be transferred to this Cooperative upon approval by the Board of Directors. The stock of this Cooperative is not transferable in any other event.

ARTICLE II. MEETINGS

SECTION 1. (ANNUAL MEETINGS) The annual meetings of the membership, herein known as the General Membership Meeting(s), shall be held in the territory served by this Cooperative annually at such time as may be determined by the Board of Directors of this Cooperative. The Board of Directors may elect to have more than one General Membership Meeting each year. A written report including a balance sheet showing the true assets and liabilities of this Cooperative, and an operating statement for the fiscal period under review, shall be submitted to the annual meeting of this Cooperative.

SECTION 2. (SPECIAL MEETINGS) The chairperson shall cause a special meeting of the members to be called upon a written request of at least twenty (20) per cent of the members, or upon a majority vote of the directors. The notice of the time, place, and purpose of the special meeting shall be issued within ten (10) days from and after the presentation of a member petition such petition, and such special meeting shall be held within thirty (30) days from and after the day of the presenting such petition. No business shall be considered at such meeting except as may be mentioned in the call and included in the notice of the meeting.

SECTION 3. (NOTICE OF MEETINGS) Notice shall be given by the secretary of all meetings of the members by publishing a notice thereof in a local newspaper of the county at least two (2) weeks preceding the date of such meeting, or by mailing a notice thereof to each member at his, her or its last known address not less than fifteen (15) days preceding the date of the proposed meeting. The secretary shall execute a certificate setting forth a correct copy of such notice and showing the date of mailing thereof. The failure of any member to receive any such notice of the annual or special meeting of the membership shall not invalidate any action which may be taken by the members at any such annual or special meeting.

SECTION 4. (VOTING) No member shall be allowed to vote by proxy, and no member shall have more than one (1) vote. Mail balloting shall be allowed at the discretion of Board of

Directors. Unless otherwise stated in the articles of incorporation, or these bylaws, or required by applicable law, all questions shall be decided by a vote of a majority of the members voting thereon, and each member shall be entitled to only one vote.

SECTION 5. (PRESIDING OFFICER) The chairperson of this Cooperative shall preside at all meetings of the membership and directors, and shall cast the deciding vote in all cases of tie.

SECTION 6. (QUORUM) At any regular meeting of the membership, a quorum necessary for the transaction of the business shall be at least five (5) per cent of the total number of the active members of this Cooperative defined as those members having made recorded purchases in the last fiscal year. In determining a quorum at any meeting on a question submitted to a vote by mail, members present in person as well as those represented by mail ballots shall be counted.

SECTION 7. (ORDER OF BUSINESS) The order of business at General Membership Meetings, and so far as practicable at all other meetings of the members shall be:

- A. Calling for roll and registering of members.
- B. Proof of notice of meeting.
- C. Reading and disposing of all unapproved minutes.
- D. Annual reports of management and directors.
- E. Election of Directors.
- F. Unfinished business.
- G. New business.
- H. Adjournment.

SECTION 8. (REGULAR DIRECTORS MEETINGS) Regular meetings of the Board of Directors shall be held at such time and place as the Board of Directors, by proper resolution duly adopted and recorded upon the minutes, shall from time to time determine.

SECTION 9. (SPECIAL DIRECTORS MEETINGS) Special meetings of the Board of Directors may be called by the chairperson or by the majority of said Board. Each member of the Board of Directors shall be duly notified of all such meetings. No business except that mentioned in call for special meetings of the Board of Directors shall receive final action at said meeting.

SECTION 10. (DIRECTORS MEETINGS) A majority of the directors shall constitute a quorum at all meetings of the Board, and a majority vote of the directors present shall decide all issues.

ARTICLE III DIRECTORS AND OFFICERS

SECTION 1. (NUMBER OF DIRECTORS AND TERM) The number of directors of this Cooperative shall be between five (5) and nine (9) as determined from time to time by the Board of Directors. Directors shall not be employees of this Cooperative. Directors shall be elected by ballot at the General Membership Meetings for a term of three (3) years, and shall hold office until their successors shall be elected and qualified. The terms of office of all Board of Directors will be staggered so as nearly as possible one-third (1/3) of the Board of Directors will be elected each year.

Each director shall be a member of this Cooperative in good standing.

- A. **Contracts for Profit.** During her or his term of office, a director shall not be a party to a contract for profit with this Cooperative which in substance shall differ in any way from similar contracts by it with members or with others, or which shall vary from terms generally current among members.
- B. **Conflict of Interest.** Directors shall be under an affirmative duty to disclose their actual or potential conflicts of interest in any matter under consideration by the Board of Directors. Directors having such an interest may not participate in the discussion or decision of the matter. A transaction in which a director has an interest shall be prohibited unless the transaction is fair to this Cooperative and is approved by no less than a two-thirds majority of all disinterested directors.

SECTION 2. (VACANCIES) Any vacancy of the Board of Directors, except as may be caused by removal by the members, shall be filled within sixty (60) days by appointment by the remainder of the Board of Directors. A Director so appointed shall serve until the next General Membership Meeting, at which the members shall elect a Director to complete the pertinent term.

SECTION 3. (ELECTION OF OFFICERS) The Board of Directors shall at its next regular meeting following the General Membership Meeting elect by ballot by and from their numbers a chairperson. They shall also elect an assistant chairperson, secretary and treasurer. The offices of the secretary and the treasurer may be combined and when so combined shall be termed secretary-treasurer. Directors shall hold office until their successors shall have been elected and qualified. The Board may remove any officer whenever in its judgment the best interests of the association will be served thereby. Failure of a director to attend three (3) meetings in six (6) months without good cause shall result in automatic removal from office.

SECTION 4. (COMPENSATION)

The compensation, if any, of the directors shall be determined by the Board of Directors. This Cooperative may reimburse directors for reasonable expenses incurred in carrying out their duties and responsibilities.

SECTION 5. (REMOVAL) Any director of this Cooperative may be removed from office for cause, by a 2/3 majority vote of the remainder of the Board. Any director of this Cooperative may, for cause, at any General Membership Meeting or special meeting called for the purpose, at which a quorum of the members shall be present, be removed from office by a vote of a majority of the members voting. The removal of a director shall not be considered at a special meeting unless that fact has been stated in one notice of such meeting. No director shall be removed from office at either a General Membership Meeting or special meeting unless he/she shall have been informed of the meeting at which the matter is to be considered at least ten (10) days before such meeting. Such notice is to be by registered mail addressed to him/her at his/her last known address, and he/she shall be entitled to be heard at such meeting, except that a director may be removed at a General Membership Meeting for failure to attend the required number of board

meetings without notice. In case of such removal, the members shall fill the vacancy for the unexpired term of such director, and such election may be held at the same meeting at which the director is removed from office.

SECTION 6. (CONFLICTS OF INTEREST) Directors are under an affirmative obligation to disclose any actual, potential or perceived conflicts of interest. The remaining directors by majority vote shall determine what action if any to take. Directors with conflicts of interests may not participate in the discussion or decision in matters related to the conflict.

ARTICLE IV INDEMNIFICATION

SECTION 1. A Director is not personally liable to this Cooperative 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 this Cooperative or its members;
- B. for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- C. for a transaction from which the director derived an improper personal benefit;
- D. for an act or omission occurring prior to the date these amended Bylaws became effective.

SECTION 2. This Cooperative shall indemnify each person who is or has been a director, officer, volunteer or employee of this Cooperative, and each person who is serving or who has served at the request of this Cooperative as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by him/her to the fullest extent of his/her right to indemnity under Minnesota law.

ARTICLE VI. DUTIES AND POWERS OF OFFICERS

SECTION 1. (CHAIRPERSON) The chairperson shall:

- A. Preside over all meetings of the association and of the directors_
- B. Sign as chairperson with another officer all notes, deeds and conveyances of real estate.

SECTION 2. (ASSISTANT CHAIRPERSON) In the absence or disability of the chairperson, the assistant chairperson shall preside and perform the duties of the chairperson.

SECTION 3. (SECRETARY) The secretary shall:

- A. Keep a complete record of the meetings of the association and of the Board of Directors.
- B. Affix the corporate seal to all documents requiring attestation.
- C. Serve all notices required by law.
- D. Perform such other duties as may be required of him/ her by this Cooperative or the Board of Directors.

SECTION 4. (TREASURER) The treasurer shall perform the usual duties of that office.

ARTICLE VII. CAPITAL STOCK AND SURPLUS

SECTION 1. Membership cards shall be issued, in lieu of certificates for Class A stock, when the required stock payment is current and the membership application has been received. Class B stock received as patronage dividends shall be evidenced by written notice of allocation mailed to the members. Certificates of stock shall be issued when such stock is paid in full. Each certificate shall state the class and par value of such stock, the number of shares represented, the name of the person, and shall bear the signature of the chairperson and secretary, or secretary-treasurer, and be numbered and issued in numerical order from a stock certificate book. A record of each certificate shall be kept or, the stub thereof or in a separate ledger. Each certificate shall also state the class with its relative rights, preferences, and/or restrictions granted to or imposed upon the share of each class. Each certificate shall have printed upon it words to the effect that it shall be transferable only to this Cooperative in person or by attorney, on surrender of the certificate, with the consent and approval of the Board of Directors; that the corporation retains the right to purchase or recall such certificate; and that it is subject to any indebtedness owing the corporation by the holder thereof.

SECTION 2. (STOCK ISSUED OR TRANSFERRED) Shares of stock shall be transferable only to this Cooperative with the consent and approval of the Board of Directors. Shares of stock may not be transferred in any other manner. This Cooperative retains the right to terminate all memberships as provided in the bylaws and to purchase or recall all stock. Redemption of capital stock by this Cooperative is subject to any indebtedness owing this Cooperative by the stockholder.

ARTICLE VIII. REVOLVING FUND AND RECORDS

SECTION 1. In order to further the cooperative character of this Cooperative and provide a means whereby its current and active members will finance this Cooperative, this Cooperative is authorized to issue Nonvoting Class B stock, Class C stock, or any other media as determined by the Board of Directors and as permitted by Minnesota law. Stock may be retired in full or on prorated basis by retiring the oldest outstanding stock in the order of issuance by years.

SECTION 2. The books and records of this Cooperative shall be kept on a fiscal year basis, and in such a manner that the patronage refunds of each member of this Cooperative may be ascertained at any time. Whenever this Cooperative determines that its capital and reserves are in excess of the amount reasonably necessary for its operations on a sound financial basis, such excess, or so much thereof as may be deemed proper by this Cooperative, may be applied to retiring the outstanding Class B and Class C stock.

ARTICLE IX. PATRONAGE REFUNDS, RESERVE FUNDS

Allocation, Distribution, and Reserves

- A. This Cooperative shall apportion and distribute proceeds in accordance with the provisions of Minnesota Statutes Section 308A.705.
- B. For purposes of such apportionment and distribution, total proceeds shall consist of any and all sums received from any source whatsoever exclusive of subscribed capital, amounts held on deposit or in escrow for services or goods to be performed or delivered

in the future, and borrowed sums; and shall be received and held by this Cooperative for and as the property of its patrons, subject to the deductions therefrom and distribution thereof as provided herein.

- C. The Board of Directors may establish Cooperative policy respecting stock dividends consistent with law.
- D. The records of this Cooperative shall always show the interest of patrons in the reserves and surplus of this Cooperative.
- E. The Board shall create appropriate reserves.
- F. The Board in its discretion may apply all or any part of net proceeds to losses incurred in prior years as the interests of this Cooperative require; and may apportion losses as the interests of this Cooperative and the patrons may require.

ARTICLE X TAX CONSENT

Each member of this Cooperative as of the effective date of this Bylaw who continues as a member after such date, and each person who shall after such date become a member, by such act alone, consent that the amount of any distributions with respect to his, her or its patronage and which are made in written notices of allocation (as defined in 26 USC 1388), and which are received by said member from this Cooperative, will be taken into account by him, her or its at their stated dollar amount in the manner provided in 26 USC 1385 (a), less any amount which may be excluded under 26 USC 1385 (b), in the taxable year in which such written notices of allocation are received by him, her or it.

ARTICLE XI. MISCELLANEOUS PROVISIONS

SECTION 1. (FISCAL YEAR) The fiscal year of this Cooperative shall begin on the first day of January and close on the last day of December of each year.

SECTION 2. (AMENDMENTS) These Bylaws may be amended, repealed or altered, in whole or in part, as provided by law, 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 Board of Directors may make and amend any Bylaw, which amendment is effective immediately; provided, however, that any bylaw adopted or amended by said Board shall be reported at the next regular member meeting; and provided, further, that any Bylaw adopted or amended by said Board shall be at any time subject to amendment or repeal by the members upon prior notice.

SECTION 3. The books of this Cooperative shall be open to examination by any member upon arrangement with the treasurer.

ARTICLE XII. PURPOSES AND POWERS

The purposes for which this Cooperative are formed and the powers it may exercise are set forth in the Articles of Incorporation of this Cooperative.

ARTICLE XIII. DISSOLUTION

On the dissolution or liquidation of this Cooperative, all assets of this Cooperative shall be distributed in the following order until exhausted: A) all its debts and liabilities shall be paid, B) Class C stock shall be redeemed; C) Class A Stock shall be redeemed, D) Class B Stock shall be redeemed, E) 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 of this Cooperative shall determine.

ARTICLE XIV. DISTRIBUTION OF BYLAWS

After adoption, these Bylaws, preceded by the Articles of Incorporation, shall be printed and a copy thereof shall be made available to each member and to each person who later becomes a member of this Cooperative as shown on the books of record.

Revised 11/12/10

Amended by BOD 11/28/11