

BYLAWS
OF
MAIN STREET MARKET COOPERATIVE, INCORPORATED

*A Minnesota Cooperative organized under
Minnesota Statutes Chapter 308A*

315 North Main Street
Aurora, Minnesota 55705

Adopted Effective: _____, 2026

ARTICLE I

NAME, PURPOSE, AND PRINCIPLES

Section 1.1 Name. The name of the cooperative shall be Main Street Market Cooperative, Inc. (the "Cooperative").

Section 1.2 Purpose. The Cooperative is organized to own and operate a community-oriented grocery enterprise for the mutual benefit of its Members, and to engage in any lawful activity permitted to cooperatives under Minnesota Statutes Chapter 308A and other applicable law.

Section 1.3 Cooperative Principles. The Cooperative shall operate in accordance with the cooperative principles recognized by the International Cooperative Alliance, including voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training, and information; cooperation among cooperatives; and concern for community, in each case to the extent consistent with these Bylaws, the Articles of Incorporation, and applicable law.

Section 1.4 Principal Place of Business. The principal place of business shall be 315 North Main Street, Aurora, Minnesota 55705, or such other location as determined by the Board of Directors.

Section 1.5 Duration. The Cooperative shall exist perpetually unless dissolved in accordance with law and these Bylaws.

ARTICLE II

MEMBERSHIP

Section 2.1 Eligibility. Membership shall be open to any individual, household, cooperative, nonprofit corporation, or other legal entity eligible to hold membership under these Bylaws. Membership shall not be denied on any basis unrelated to eligibility criteria or the lawful purposes of the Cooperative.

Section 2.2 Admission. Membership shall become effective upon (a) submission of a completed membership application, (b) approval by the Board of Directors (the "Board"), and (c) payment in full of the required equity investment in such amount and on such terms as determined by the Board. The Board shall act on each completed application within sixty (60) days of submission and may adopt reasonable policies governing applications, waiting lists, or staggered admissions.

Section 2.3 Voting Rights. Each Member shall be entitled to one vote on matters requiring Member approval, regardless of the number or amount of equity interests held. Voting by proxy shall not be permitted, except as expressly authorized by Minnesota Statutes Chapter 308A. Unless otherwise specified by law, Member action shall be by majority vote of votes properly cast.

Section 2.4 Member Obligations. Each Member shall (a) maintain the required equity investment, (b) keep current contact information on file, (c) comply with these Bylaws and all Board-adopted policies, and (d) complete at least one purchase transaction with the Cooperative during each calendar year to remain a Member in good standing. The Board may adopt reasonable rules for documenting active Member status. A Member who fails to meet the annual patronage requirement shall be afforded a grace period of ninety (90) days, during which a single purchase transaction shall restore the Member to good standing, before the Member is reclassified as inactive.

Section 2.5 Inactive Members. Members who fail to meet patronage or equity requirements after any applicable grace period shall be classified as inactive. Inactive Members shall not be counted toward quorum or entitled to vote until restored to good standing. The Board shall adopt a written policy for notification and restoration of inactive Members.

Section 2.6 Worker-Members. A Member who is also an employee of the Cooperative may qualify as a "Worker-Member" upon satisfying the requirements of this Section. Worker-Member status confers the additional right to nominate and elect the Worker-Member Director under Section 4.4 and is a sub-category of Membership; it does not create a separate share class. Worker-Members must hold one Class A share and remain Members in good standing.

- (a) Eligibility. To qualify as a Worker-Member, an individual must (i) be a Member in good standing, (ii) have been continuously employed by the Cooperative for at least six (6)

months, and (iii) work an average of at least twenty (20) hours per week during that period and on an ongoing basis.

(b) **Maintenance of Status.** A Worker-Member ceases to qualify as a Worker-Member upon termination of employment, reduction of regular hours below the threshold for more than ninety (90) consecutive days, or loss of Member good standing. The Board shall maintain a current roster of qualifying Worker-Members.

(c) **Equity Access.** The Board may adopt a written policy permitting Worker-Members to satisfy the Class A share requirement through payroll deduction over a period not to exceed twelve (12) months from the start of qualifying employment.

(d) **Voting in Worker-Member Elections.** Only individuals satisfying the Worker-Member eligibility requirements as of the record date shall be entitled to vote in the election of the Worker-Member Director under Section 4.4.

Section 2.7 Termination of Membership. Membership may be terminated voluntarily by written notice to the Cooperative or involuntarily for cause, following reasonable notice and an opportunity to be heard. Causes for involuntary termination include material violations of these Bylaws, failure to meet Member obligations after notice and cure period, or conduct materially harmful to the Cooperative. Upon termination, the Cooperative shall repurchase the Member's equity at the original amount paid, together with any unpaid patronage allocations, less any outstanding indebtedness owed by the Member to the Cooperative. Repurchase shall be subject to the Cooperative's financial condition and the reasonable discretion of the Board, and may be delayed or paid in installments as necessary to preserve solvency, comply with lender covenants, and satisfy creditor protections. No repurchase shall be made if such payment would render the Cooperative insolvent or unable to meet its obligations as they become due.

Section 2.8 Non-Transferability. Membership interests and equity in the Cooperative are non-transferable except to the Cooperative and only with prior written approval of the Board.

ARTICLE III

MEMBER MEETINGS

Section 3.1 Annual Meeting. An annual meeting of the Members shall be held at such time and place as determined by the Board for the purpose of electing Directors, receiving annual financial reports, and transacting such other business as may properly come before the meeting. The Board shall fix the record date for determining Members entitled to notice and to vote.

Section 3.2 Special Meetings. Special meetings may be called by a simple majority of the Board or upon written petition of at least twenty percent (20%) of active Members in good standing. Notice of any special meeting shall state the purpose of the meeting and only business within that notice may be considered. Where called by Member petition, the special meeting notice shall be issued within ten (10) days after presentation of the petition to the Board Chair and the meeting shall be held within thirty (30) days after presentation, in accordance with §308A.615, subd. 2(c).

Section 3.3 Notice. Written notice of any Member meeting shall be mailed to each Member at the Member's last known address not fewer than fifteen (15) nor more than sixty (60) days before the meeting date, or published in a medium reasonably calculated to notify Members at least two (2) weeks before the meeting date, in each case in accordance with §308A.611, subd. 5 or §308A.615, subd. 2. Notice may also be delivered electronically to Members who have consented to electronic delivery, provided the same minimum time periods are observed.

Section 3.4 Quorum. A quorum for the transaction of business shall consist of ten percent (10%) of Members in good standing or fifty (50) Members, whichever is fewer; provided, however, that the quorum shall in no event consist of fewer than twenty-five (25) Members once the Cooperative has admitted at least one hundred (100) Members. If a quorum is not present, the meeting may be adjourned and reconvened in accordance with applicable law.

Section 3.5 Member Approval. Except as expressly required by these Bylaws, the Articles of Incorporation, or applicable law, no action of the Cooperative shall require approval by the Members. Matters expressly reserved to Members include:

- (a) Election and removal of Directors, in accordance with §308A.311 and §308A.321;
- (b) Amendment of these Bylaws when initiated by Member petition, and amendment of the Articles of Incorporation in accordance with §308A.135;
- (c) Approval of any merger or consolidation in accordance with §308A.801;
- (d) Approval of any sale, lease, or exchange of all or substantially all the Cooperative's property and assets outside the ordinary course of business;
- (e) Approval of voluntary dissolution in accordance with §308A.911; and

(f) Such other matters as Minnesota Statutes Chapter 308A or other applicable law expressly reserves to Members.

Section 3.6 Electronic Participation. The Board may authorize Members to participate in meetings or vote by mail or electronic means, provided reasonable procedures are implemented to verify identity, ensure the security of votes, and comply with applicable law. Electronic participation shall constitute presence for quorum and voting purposes.

ARTICLE IV

BOARD OF DIRECTORS

Section 4.1 Authority. The business and affairs of the Cooperative shall be managed by or under the direction of the Board. The Board shall exercise its authority consistent with the Cooperative's mission, these Bylaws, the Articles of Incorporation, and applicable law.

Section 4.2 Composition and Terms. The Board shall consist of seven (7) Directors following the Transition Election described in Section 4.6. Prior to the Transition Election, the Board shall consist of five (5) Directors appointed under Section 4.5. Following the Transition Election, all Directors shall serve staggered three-year terms, with elections held annually in accordance with these Bylaws.

(a) Each Director must be a Member in good standing throughout their term.

(b) No more than one individual per residential address or legal entity may serve as a Director at the same time.

(c) One of the seven (7) seats shall be the Worker-Member Director seat described in Section 4.4. The remaining six (6) seats shall be at-large seats elected by all Members.

Section 4.3 Residency Requirement. Each Director shall, at the time of election or appointment and throughout their term, maintain a primary residence within the geographic boundaries of Minnesota Independent School District No. 2711-01 (Mesabi East). "Primary residence" means the individual's principal dwelling. Any Director who ceases to meet this requirement shall be deemed to have resigned effective thirty (30) days after such change unless residency is restored within that period. The Board may waive this requirement in exceptional circumstances by a two-thirds (2/3) vote upon a finding that such waiver is in the best interests of the Cooperative.

Section 4.4 Worker-Member Director. One (1) seat on the Board shall be designated the "Worker-Member Director" seat and shall be elected solely by Worker-Members in good standing.

(a) Eligibility. The Worker-Member Director must be a Worker-Member as defined in Section 2.6 at the time of election and throughout the term, and must satisfy the Director qualifications in Section 4.2 and the residency requirement in Section 4.3 (subject to the same waiver provision).

(b) Election. The Worker-Member Director shall be nominated and elected only by Worker-Members. The election shall be conducted at the annual meeting of Members or at such other time as the Board determines, using procedures adopted by the Board that ensure secret ballots and equal participation among Worker-Members.

(c) Term and Vacancy. The Worker-Member Director serves a three-year term staggered with the at-large seats. If a Worker-Member Director ceases to be a Worker-Member during the term, the seat shall be deemed vacant and shall be filled by Board appointment from among eligible Worker-Members until the next annual meeting, at which time Worker-Members shall elect a successor for the unexpired term.

(d) Transitional Provision. If, at the time of an election for the Worker-Member Director seat, no Worker-Members yet qualify under Section 2.6, the seat shall be filled at-large by all Members for a one-year term, and shall convert to a Worker-Member-elected seat at the next annual meeting following the date on which at least three (3) individuals qualify as Worker-Members.

(e) Voting Rights of Worker-Members in At-Large Elections. Worker-Members retain full voting rights in elections for the at-large Director seats and on all other matters submitted to the Members.

Section 4.5 Initial Board Appointment. The initial Board of Directors shall consist of five (5) Directors appointed by the Incorporator from among individuals meeting the qualifications set forth in these Bylaws. The initial Directors shall serve from the date of appointment until the seating of Directors elected at the Transition Election described in Section 4.6, after which the initial Directors' terms automatically expire, except for any initial Director continued in office under Section 4.6(b). The Incorporator's appointment authority terminates upon the seating of the initial Board and is not renewable or delegable.

(a) If the Incorporator dies, becomes incapacitated, or otherwise becomes unable to act before seating the initial Board, the appointment authority shall pass to a majority of any initial Directors already appointed; if none have been appointed, then to the registered agent of the Cooperative acting in consultation with counsel.

Section 4.6 Transition Election. A "Transition Election" shall be held at a regular or special members' meeting called for that purpose, no later than the earlier of (a) sixty (60) days after the date on which the Cooperative has admitted five hundred (500) Members in good standing, or (b) six (6) months after the Effective Date of these Bylaws.

(a) At the Transition Election, the Board shall be constituted as seven (7) Directors: six (6) at-large Directors and one (1) Worker-Member Director (subject to the transitional provision in Section 4.4(d)). The two (2) initial Directors then serving as Chair and Treasurer shall continue in office for the transitional terms specified in subsection (b); all remaining initial Director seats shall expire; and each seat not so continued—comprising the remaining at-large seats and the Worker-Member Director seat—shall be filled by election at the Transition Election.

(b) **Transitional Terms and Cycling Elections.** To establish staggered three-year terms while preserving continuity of leadership through the transition: (i) the initial Director then serving as Chair shall continue in office for a term of two (2) years; (ii) the initial Director then serving as Treasurer shall continue in office for a term of one (1) year; and (iii) each remaining seat, including the Worker-Member Director seat, shall be filled by election at the Transition Election for a term of three (3) years. Thereafter, as each Director's term expires, that seat shall be filled by election for a three-year term, so that elections are held annually on a cycling basis. Continuation of a Director under clause (i) or (ii) relates to that individual's Board seat only and does not extend or guarantee any officer position, which remains subject to annual election under Section 5.1.

(c) **Notice.** The Transition Election meeting shall be noticed in accordance with Section 3.3.

(d) **Deadline Extension.** If circumstances reasonably outside the Board's control prevent the Transition Election from occurring within the timeframe set forth above, the Board may extend the deadline by no more than ninety (90) days by resolution recorded in the minutes, with notice to all Members.

Section 4.7 Incorporator Separation. The Incorporator shall not serve as a Director, officer, employee, or in any other governance or management capacity of the Cooperative. This restriction applies for so long as any Startup Capital obligation described in Article VIII remains outstanding or the Incorporator holds any debt instrument of the Cooperative. The Board shall not create any advisory, consulting, ex officio, or other position that would require, request, or compensate the Incorporator for ongoing participation in the governance or operations of the Cooperative. This Section may not be amended, waived, or suspended by the Board or by Member action while the Startup Capital remains outstanding.

Section 4.8 Powers. The Board shall have full power and authority to govern the Cooperative, including: establishing policies; approving annual budgets and financial plans; entering into material contracts; hiring, evaluating, and terminating the General Manager; establishing compensation and benefits; approving capital plans; and exercising all corporate powers not reserved to the Members by law or these Bylaws. The Board may delegate authority to committees, officers, or management consistent with these Bylaws.

Section 4.9 Meetings. The Board shall meet on the following minimum schedule:

(a) During the first twelve (12) months following commencement of retail operations, the Board shall meet no fewer than nine (9) times.

(b) Thereafter, the Board shall meet no fewer than six (6) times per calendar year, with at least one meeting in each calendar quarter.

(c) Special meetings may be called by the Chair, by any two (2) Directors, or by majority of the Board, on not less than three (3) days' notice (which may be electronic).

(d) A simple majority of Directors in office shall constitute a quorum.

(e) Board meetings shall be open to Members except when the Board convenes in executive session for matters involving personnel, litigation, real property negotiations, or other confidential business.

Section 4.10 Fiduciary Duties. Directors shall discharge their duties in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner reasonably believed to be in the best interests of the Cooperative. Directors shall have the benefit of the business judgment rule, and the Cooperative shall maintain director and officer liability insurance as the Board deems appropriate.

Section 4.11 Removal and Vacancies. A Director may be removed for cause by a two-thirds (2/3) vote of the remaining Directors; provided that Members retain the right to remove a Director in accordance with §308A.321. Vacancies may be filled by Board appointment until the next annual meeting, at which time a Director shall be elected to serve the unexpired term. Vacancies in the Worker-Member Director seat shall be filled in accordance with Section 4.4(c).

Section 4.12 Conflicts of Interest. Directors and officers shall comply with a conflict-of-interest policy adopted by the Board. Any Director or officer with a direct or indirect material interest in a contract, transaction, or matter before the Board shall disclose such interest and refrain from deliberation and voting, except as permitted by law. Related-party transactions shall be reviewed by disinterested Directors, conducted at arm's length, and documented in the minutes.

(a) Disqualification of Founder Note Holders. No holder of the Startup Capital described in Article VIII or of any related promissory note, including the Incorporator and any party listed in the Loan Documents, shall serve as a Director or officer of the Cooperative for so long as that person holds such instrument.

(b) Other Debt Holders. The disqualification in subsection (a) does not extend to holders of de minimis Cooperative debt arising in the ordinary course of business (such as trade payables or member loans below thresholds set by Board policy). The Board may by policy define additional disqualification thresholds for substantial lenders.

Section 4.13 Indemnification and Limitation of Liability. The Cooperative shall indemnify and hold harmless Directors and officers to the fullest extent permitted by Minnesota law and may purchase insurance for such purpose. No Director or officer shall be personally liable to the Cooperative or its Members for monetary damages for breach of fiduciary duty, except for acts or

omissions involving bad faith, intentional misconduct, knowing violation of law, or improper personal benefit.

Section 4.14 Board Role. The Board governs on behalf of the Cooperative's Members. The Board's role is strategic, not operational. The Board sets direction, establishes policy, ensures accountability, and protects the long-term success and democratic nature of the Cooperative. The Board acts only as a body; no individual Director has authority outside of formally adopted Board decisions.

Section 4.15 Board Conduct. Directors shall act in good faith, avoid conflicts of interest, maintain confidentiality of executive session matters, and support Board decisions once made. Directors shall not interfere in day-to-day operations or direct staff. The Board shall plan its work through an annual agenda and multi-year outlook. Board committees exist only to assist the Board and shall not exercise independent authority unless expressly delegated by Board resolution.

Section 4.16 Financial Oversight. The Board shall adopt an annual operating budget prior to the start of each fiscal year and shall review financial performance no less than quarterly, including comparison to budget, debt service obligations, and liquidity requirements. The Board shall take such actions as are reasonably necessary to maintain the financial stability of the Cooperative and to ensure timely satisfaction of all debt obligations.

ARTICLE V

OFFICERS

Section 5.1 Officers. The officers of the Cooperative shall be a Chair, Vice Chair, Secretary, and Treasurer, each elected by the Board from among its members at the first Board meeting following each annual members' meeting. Officers shall serve one-year terms and may be re-elected. The Board may create additional officer positions as needed.

Section 5.2 Chair. The Chair shall preside at all meetings of the Board and of the Members, ensure that the Board follows its own policies and procedures, coordinate Board activities, and serve as the primary liaison between the Board and the General Manager on governance matters. The Chair shall have no authority over management or staff.

Section 5.3 Vice Chair. The Vice Chair shall perform the duties of the Chair in the Chair's absence and such other duties as assigned by the Board.

Section 5.4 Secretary. The Secretary shall ensure that accurate minutes of all Board and Member meetings are recorded and preserved, that required notices are given, that the Cooperative's records are maintained, and that governance documents are current and accessible.

Section 5.5 Treasurer. The Treasurer shall oversee the Board's financial oversight responsibilities, ensure that financial reports are presented to the Board on a regular basis, and coordinate with management and any outside accountant or auditor. The Treasurer shall present a financial summary at each annual meeting.

Section 5.6 Limitation on Officer Authority. No officer shall have authority over the General Manager or staff except as expressly provided in these Bylaws or by Board resolution. Officers serve to facilitate Board effectiveness, not to direct operations.

ARTICLE VI

GENERAL MANAGER AND DELEGATION

Section 6.1 Appointment. The Board shall hire a General Manager (the "GM") who shall be the sole employee directly accountable to the Board. The GM shall be hired, evaluated, and if necessary, terminated by Board action. The Board shall establish the terms of the GM's employment, including compensation, performance expectations, and conditions of employment.

Section 6.2 Delegation of Operational Authority. The Board delegates all operational authority to the GM. The GM is accountable for achieving the Board's stated purposes and for operating within the limitations established by these Bylaws and Board policy. As long as the GM uses any reasonable interpretation of Board policy, the GM is authorized to establish all operational policies, practices, staffing decisions, and plans.

Section 6.3 Executive Limitations. The GM shall not cause or allow the Cooperative to:

- (a) Operate unlawfully or contrary to cooperative principles.
- (b) Experience financial jeopardy, including inadequate sales growth, profitability, liquidity, solvency, or member equity growth.
- (c) Default on financial obligations, misuse restricted funds, or fail to maintain accurate financial records consistent with generally accepted accounting principles.
- (d) Acquire, encumber, or dispose of real property, or incur debt in excess of limits established by Board policy, without Board authorization.
- (e) Fail to protect Cooperative assets, reputation, data, facilities, or intellectual property.
- (f) Expose the Cooperative to unreasonable risk, liability, or lack of appropriate insurance.
- (g) Misrepresent or withhold information regarding member rights, equity, or patronage.
- (h) Treat customers, Members, or staff in violation of policies and procedures.
- (i) Operate without systems for customer feedback, staff policies, conflict resolution, and reporting.
- (j) Fail to inform the board within thirty (30) days regarding compliance, risks, material changes, or significant events.
- (k) Fail to provide adequate logistical, informational, and administrative support to the Board.
- (l) Be unprepared for emergency succession of the General Manager role.

Section 6.4 GM Spending Authority. The GM may authorize expenditures within the approved annual budget without further Board approval, subject to any per-transaction or per-category limits established by Board policy. Any expenditure outside the approved budget or in excess of Board-established limits shall require prior Board authorization. The Board shall establish and periodically review these limits by resolution.

Section 6.5 Monitoring. The Board shall monitor GM performance solely against the Board's stated purposes and executive limitations. Monitoring may occur through internal reports, external review, or direct inspection. Compliance is achieved when the GM demonstrates a reasonable interpretation of policy supported by credible evidence. The Board shall conduct an annual written evaluation of the GM based on monitoring results.

Section 6.6 Succession. The GM shall at all times maintain a written emergency succession plan identifying at least one individual capable of assuming GM responsibilities on a temporary basis. The plan shall be reviewed by the Board at least annually.

ARTICLE VII

EQUITY AND CAPITAL STRUCTURE

Section 7.1 Capital Stock Basis. The Cooperative is organized on a capital stock basis. The classes of authorized capital stock, number of authorized shares, par values, and the rights, preferences, and restrictions of each class shall be as set forth in the Articles of Incorporation or amendments thereto. No shares shall be issued except as authorized by the Articles of Incorporation. To the extent any provision of these Bylaws describing share classes is inconsistent with the Articles of Incorporation, the Articles control.

Section 7.2 Class A Shares. Class A shares are voting membership shares. One Class A share is required for membership. Each Class A share entitles the holder to one vote. Class A shares carry no dividend rights and confer governance rights only.

Section 7.3 Class B Shares. Class B shares are non-voting patronage equity shares. They may be issued for patronage allocations, or other Board-approved consideration. Class B shares carry no voting rights and are redeemable, at the Cooperative's sole discretion, solely in the form of store credit and not in cash, at the stated dollar amount of the shares, subject to the Cooperative's financial condition, liquidity, capital needs, and legal and financing constraints.

Section 7.4 Class C Shares. Class C shares are preferred equity shares. They may be issued to Members or non-members. Dividends on Class C shares may be declared at Board discretion and approved in writing. Class C dividends are senior to Class B allocations. No dividend shall be declared if it would violate law, impair financial stability, or conflict with any financing agreement. Class C shares are equity interests only and shall not constitute debt of the Cooperative. Class C shares carry no voting rights and are redeemable at the original purchase price at Board discretion subject to the Cooperative's financial condition, liquidity, capital needs, and legal and financing constraints.

Section 7.5 Issuance and Transfer. All shares shall be issued at or above par value and shall be fully paid before issuance. Shares are non-assessable. Transfer of any share requires prior Board approval, and the Cooperative shall have a right of first refusal on any proposed transfer.

Section 7.6 Subordination of Equity. All shares of every class are subordinate to all debts and obligations of the Cooperative, including the Startup Capital obligations described in Article VIII, loans, lines of credit, grant obligations, and all financing agreements. No shareholder has the right to demand redemption. No guaranteed return exists. All distributions and redemptions are subject to Board approval and legal constraints.

Section 7.7 Patronage Allocations. The Cooperative shall operate on a cooperative basis and allocate patronage-sourced net margins to Members in accordance with Subchapter T of the Internal Revenue Code (26 U.S.C. §1381–1388) and cooperative principles.

(a) Allocation Methodology. Net margins of the Cooperative attributable to patronage business with Members shall be allocated to Members in proportion to the value, quantity, or other measure of patronage business done by each Member with the Cooperative during the fiscal year. Net margins from non-patronage sources shall be retained by the Cooperative or applied as the Board determines, consistent with applicable law.

(b) Form of Patronage Distributions. The Board may make patronage distributions in any one or more of the following forms: (i) cash; (ii) Qualified Written Notices of Allocation as defined in 26 U.S.C. §1388(c), provided that not less than twenty percent (20%) of the patronage allocation is paid in cash in accordance with 26 U.S.C. §1388(c)(1)(A); (iii) Nonqualified Written Notices of Allocation as defined in 26 U.S.C. §1388(d); or (iv) Class B patronage equity issued in accordance with these Bylaws.

(c) Notices of Allocation. The Cooperative shall furnish each Member receiving a patronage allocation with a written notice setting forth the dollar amount of the allocation, the form of the allocation, the patronage period to which it relates, and any other information required by law.

(d) Timing and Discretion. The Board shall determine the timing and frequency of patronage distributions and may defer, retain, or limit cash distributions as necessary to maintain financial stability, satisfy lender covenants, fund reserves, or comply with the Loan Documents. The Board may redeem retained patronage equity at its discretion, subject to the Cooperative's financial condition, applicable law, and Section 7.6.

(e) Records. The Cooperative shall maintain records sufficient to substantiate patronage allocations, including measures of patronage by Member, allocation methodology, and notices issued.

Section 7.8 Member Tax Consent under Section 1388(h). In accordance with 26 U.S.C. §1388(h), each person who is or hereafter becomes a Member of the Cooperative shall, by the act of obtaining or retaining membership, consent to take into account, in the manner and to the extent provided in 26 U.S.C. §1385(a), the stated dollar amount of any qualified written notice of allocation (as defined in 26 U.S.C. §1388(c)) received by such Member from the Cooperative, in the taxable year in which such written notice of allocation is received. This consent shall be effective with respect to all patronage distributions paid by the Cooperative on or after the Effective Date of these Bylaws and shall remain in effect for so long as such person remains a Member.

(a) Notice in Application Materials. The Cooperative shall include written disclosure of this consent in its membership application materials, and each new Member shall acknowledge the consent by signature on the application or by accepting membership.

(b) Existing Members. Each Member of the Cooperative as of the Effective Date who continues as a Member following such date is deemed to have consented to this Section in accordance with 26 U.S.C. §1388(h)(2), provided the Cooperative has given the notice required by that subsection.

(c) Termination of Consent. The consent terminates only upon termination of the person's membership and applies to all qualified written notices of allocation received during membership.

Section 7.9 Priority of Obligations. All financing agreements, Startup Capital obligations, and debt instruments approved by the Board shall govern repayment terms and take priority over all discretionary distributions, dividends, patronage distributions, and equity redemptions, to the extent permitted by law.

ARTICLE VIII

STARTUP CAPITAL OBLIGATION

Section 8.1 Acknowledgment. The Cooperative acknowledges that it has acquired its initial assets, including real property, equipment, fixtures, inventory, and the right to operate the grocery enterprise, through a purchase financed by startup capital provided by or arranged through the Incorporator. The total principal amount of such startup capital obligation (the "Startup Capital") and all terms of repayment, including interest rate, amortization schedule, maturity date, collateral, default provisions, acceleration, and remedies, shall be set forth in a separate promissory note and related loan documents executed by the Cooperative and the holder of the Startup Capital (collectively, the "Loan Documents"). The Loan Documents, and not these Bylaws, shall govern the specific financial terms of the obligation.

Section 8.2 Payment Priority. So long as any portion of the Startup Capital remains outstanding, and except to the extent prohibited by applicable law or required by any senior secured lender, the Cooperative shall not make any dividend, patronage distribution, equity redemption, or other distribution to Members or equity holders unless all payments then due under the Loan Documents are current. The Startup Capital shall be treated as a senior obligation of the Cooperative unless expressly subordinated in writing by the holder.

Section 8.3 Consent Required for Material Changes. The Cooperative shall not, without the prior written consent of the holder of the Startup Capital, subordinate, defer, waive, cancel, refinance, or materially modify the Startup Capital or any related payment obligation in a manner that adversely affects the holder's rights.

Section 8.4 Financial Covenants. Notwithstanding any other provision of these Bylaws, the Cooperative shall not make any patronage distribution, dividend, or equity redemption if such action would (a) violate any agreement with a lender, grantor, or financing source, (b) cause the Cooperative to fail to meet any required financial covenant including debt service coverage or liquidity requirements, or (c) impair the Cooperative's ability to make any payment due under the Loan Documents within the following twelve (12) months.

Section 8.5 Reporting to Holder. For so long as any Startup Capital remains outstanding, the Cooperative shall provide the holder with quarterly financial statements within forty-five (45) days of each quarter end and audited financial statements within one-hundred and twenty (120) days of each fiscal year end, or as otherwise required by the Loan Documents.

Section 8.6 Default. Any failure to make a required payment when due, any unauthorized subordination or modification, any failure to provide required financial reporting, or any other event of default specified in the Loan Documents shall constitute a default under this Article and

the Loan Documents. Upon default, the holder shall have all rights and remedies available under the Loan Documents and applicable law.

Section 8.7 Protection of Holder's Rights. No amendment to these Bylaws, and no action of the Board or Members, shall reduce, impair, postpone, or eliminate the rights of the holder of the Startup Capital without the holder's prior written consent. The Cooperative shall include in the Loan Documents covenants by the Cooperative that mirror Sections 4.7, 8.2, 8.3, 8.4, and 8.7 of these Bylaws, with breach of any such covenant constituting an event of default under the Loan Documents. This Section is not subject to amendment by the Board or by Member action while any Startup Capital remains outstanding.

Section 8.8 Refinancing. The Board is authorized to pursue refinancing of the Startup Capital through federal, state, county, or regional programs, including but not limited to the Iron Range Resources and Rehabilitation Board, county economic development authorities, Minnesota cooperative development programs, and similar sources, provided that any refinancing shall fully satisfy the Cooperative's obligation to the holder of the Startup Capital or shall be approved in writing by the holder.

ARTICLE IX

FINANCIAL MANAGEMENT AND RESERVES

Section 9.1 Annual Budget. The Board shall adopt an annual operating budget prior to the start of each fiscal year. The budget shall include projected revenue, cost of goods sold, labor costs, operating expenses, debt service obligations, and required reserve contributions. No funds shall be expended outside the approved budget except as authorized by the Board.

Section 9.2 Reserves. The Board shall establish and maintain reserves for operations, debt service, capital maintenance, and risk management. The Board shall set minimum reserve levels and reserve spending requirements by policy.

Section 9.3 Quarterly Financial Review. The Board shall review the Cooperative's financial performance no less than quarterly, including comparison of actual results to budget, status of all debt obligations, cash position, and liquidity. The Treasurer shall present a written financial summary at each quarterly review.

Section 9.4 Annual Financial Examination. For each fiscal year, the Cooperative shall obtain, at minimum, an annual independent audit of its financial statements by a certified public accountant. Financial statements and any audit or review reports shall be presented to the Members at the annual meeting and shall be made available to any holder of a debt instrument of the Cooperative.

Section 9.5 Fiscal Year. The fiscal year of the Cooperative shall be the calendar year or as otherwise fixed by the Board.

ARTICLE X

EMERGENCY POWERS

Section 10.1 Declaration of Emergency. The Board may declare an emergency by majority vote when circumstances render compliance with ordinary governance procedures impracticable or materially detrimental to the Cooperative, including natural disaster, public health emergency, sudden interruption of supply or utilities, imminent threat to safety, or other events jeopardizing continuity of operations.

Section 10.2 Emergency Executive. Upon declaration of an emergency, the Board may appoint an Emergency Executive from among Members with substantial operational knowledge or from among officers or management. The appointment shall not exceed six months and may be renewed by Board resolution. The Board shall document the appointment, the reasons, and the specific authorities delegated.

Section 10.3 Scope of Authority. The Emergency Executive may take only such actions as are reasonably necessary to protect Cooperative assets, maintain or resume essential operations, protect safety, and prevent material harm. Powers customarily requiring Board approval may be exercised only when delay would materially impair the Cooperative's interests, and only in good faith, consistent with fiduciary duties, and within the scope of the appointing resolution.

Section 10.4 Limitations. The Emergency Executive shall have no authority to amend the Articles of Incorporation or these Bylaws, issue voting equity, remove or appoint Directors (other than temporary appointments required for governance continuity subject to later Member election), approve a merger or dissolution, or authorize the sale of all or substantially all of the Cooperative's assets except to preserve the Cooperative's existence with documented, contemporaneous findings of necessity.

Section 10.5 Ratification and Termination. The Emergency Executive shall report all actions to the Board as soon as practicable. The Board shall review and may ratify, modify, or rescind such actions. Emergency authority terminates upon the earliest of: (a) Board determination that the emergency has ended; (b) revocation by Board resolution; or (c) the time period specified in the appointing resolution.

ARTICLE XI

RECORDS AND CONFIDENTIALITY

Section 11.1 Inspection of Records. Members may inspect records of the Cooperative to the extent required by Minnesota Statutes Chapter 308A and for a proper purpose reasonably related to their interest as Members. Requests shall be in writing and shall specify the records sought and the purpose. The Board may establish reasonable procedures for inspection and may require a confidentiality agreement when sensitive information is disclosed. The Board may withhold or redact records containing confidential, proprietary, or sensitive information, including personnel records, vendor pricing, pending negotiations, trade secrets, security matters, and privileged communications, provided that nothing in this Section shall reduce inspection rights guaranteed by Minnesota Statutes Chapter 308A. Any denial shall be documented and a summary explanation provided to the requesting Member.

Section 11.2 Records Retention. The Cooperative shall maintain books and records in accordance with applicable law and a records retention policy adopted by the Board.

ARTICLE XII

COMMUNITY BENEFIT

Section 12.1 Community Allocations. After satisfaction of all operating expenses, debt service, required reserves, and obligations to equity holders (to the extent due and payable), the Board may allocate a portion of remaining surplus to a nonprofit organization exempt under Section 501(c)(3) of the Internal Revenue Code, provided such allocation furthers the Cooperative's mission and does not impair financial stability. The Board shall adopt a written policy governing such allocations, including objective criteria, approval thresholds, and reporting requirements.

ARTICLE XIII

DISSOLUTION

Section 13.1 Voluntary Dissolution. Voluntary dissolution requires the affirmative vote of two-thirds (2/3) of the votes cast at a members' meeting properly noticed for that purpose, in accordance with §308A.911. The notice of dissolution shall state the proposed dissolution as the purpose of the meeting and shall be given in accordance with Section 3.3 of these Bylaws.

Section 13.2 Distribution of Assets. Upon dissolution, the assets of the Cooperative or the proceeds of any sale, lease, or other disposition shall be applied in the following order of priority, in accordance with Minnesota Statutes Chapter 308A:

- (a) Costs and expenses of dissolution, including legal, accounting, filing, and any receivership fees;
- (b) All debts, obligations, and liabilities of the Cooperative according to their statutory and contractual priorities, with senior secured obligations satisfied before junior obligations. Without limiting the foregoing, the Startup Capital described in Article VIII and any other obligations under the Loan Documents shall be satisfied in full in accordance with their priority before any payment is made on subordinate obligations or any distribution is made to equity holders;
- (c) Adequate provision for known or reasonably anticipated contingent liabilities;
- (d) Redemption of outstanding Class C preferred shares at par plus any declared but unpaid dividends, on a pro rata basis among Class C holders;
- (e) Redemption of outstanding Class B patronage equity, including any unpaid qualified or nonqualified written notices of allocation, on a pro rata basis among Class B holders;
- (f) Redemption of outstanding Class A membership shares at the original amount paid; and
- (g) Distribution of any remaining assets to Members on the basis of their patronage during the most recent five (5) fiscal years (or such shorter period as the Cooperative has been in existence), consistent with cooperative principles and Minnesota Statutes Chapter 308A. If federal or state law or grant obligations require any portion of remaining assets to be distributed otherwise, those requirements shall control to the extent of any conflict.

Section 13.3 No Reduction of Senior Rights. No provision of this Article XIII shall reduce, impair, or postpone the rights of the holder of the Startup Capital described in Article VIII below the priority established in the Loan Documents and applicable law.

Section 13.4 Court-Supervised Dissolution. In any involuntary or court-supervised voluntary dissolution under §308A.941 or §308A.945, the order of distribution set forth in Section 13.2 shall be applied to the extent consistent with the orders of the supervising court and applicable law.

ARTICLE XIV

AMENDMENTS, CONSTRUCTION, AND SEVERABILITY

Section 14.1 Amendments. These Bylaws may be amended by action of the Board or by Member petition in the manner provided by Minnesota Statutes Chapter 308A and these Bylaws, subject to the restrictions in Sections 4.7 and 8.7, which may not be amended without the prior written consent of the parties protected by those provisions and only as therein stated. Proposed amendments shall be provided to Members in the notice for the meeting at which they are to be considered. Amendments shall be dated and preserved in the permanent records of the Cooperative.

Section 14.2 Governing Documents. These Bylaws are subordinate to the Cooperative's Articles of Incorporation. In the event of any conflict, the Articles of Incorporation shall control.

Section 14.3 Severability. If any provision of these Bylaws is held to be invalid or unenforceable, the remaining provisions shall continue in full force and effect.

Section 14.4 Construction. Headings are for convenience only and shall not affect interpretation. Words denoting the singular include the plural and vice versa. References to statutes include successor provisions.

ARTICLE XV

MISCELLANEOUS

Section 15.1 Notices. Notices required by these Bylaws or applicable law may be given by mail, electronic delivery, or publication in a medium reasonably calculated to notify Members, as determined by the Board and consistent with §308A.611 and §308A.615. Members may designate preferred methods of notice.

Section 15.2 Execution of Documents. The Board may authorize officers, the General Manager, or other agents to execute instruments and documents on behalf of the Cooperative in the ordinary course of business and as otherwise authorized by Board resolution.

Section 15.3 Parliamentary Procedure. Meetings of Members and the Board shall be conducted in accordance with ordinary parliamentary procedure as determined by Board policy.

Section 15.4 Transition. Upon adoption of these Bylaws, all prior bylaws, governance policies, and capital structure provisions previously adopted by the Cooperative are superseded and replaced. The Board shall take such actions as are necessary to implement these Bylaws, including adoption of initial policies, appointment of officers, and engagement of a General Manager.

Section 15.5 Effective Date. These Bylaws are effective on the date stated on the cover page and the Adoption Certificate.