

**BYLAWS OF
STONEGATE COOPERATIVE, INC.**

(A Minnesota Statutes Chapter 308B Cooperative)

**ARTICLE I
NAME**

- 1.1 The name of this Cooperative shall be Stonegate Cooperative, Inc., hereinafter referred to as the “**Cooperative**,” located in the City of Lindstrom, County of Chisago, State of Minnesota.

**ARTICLE II
PURPOSE**

- 2.1 The purpose for which this Cooperative is to own and operate a manufactured housing community (commonly known as “park”), herein after referred to as the “**Community**,” located in Lindstrom, Minnesota at the real property legally described in Schedule A attached to these Bylaws and made a part hereof (the “**Property**”) as a Cooperative housing association for the benefit of the residents and such other lawful activity as may be related thereto.
- 2.2 The broad purpose is to gain control of the rental costs, preserve the Community for the current residents, and to keep it affordable long term for low and moderate-income individuals and families. In accordance with the purpose stated in the Cooperative’s Articles of Organization, the Cooperative will conduct its business in a manner designed to preserve the affordability of the sites within the Community for low to moderate income homeowners.

**ARTICLE III
MEMBERS**

- 3.1 Classes of Members. There shall be two classes of Members: (1) Patron Members and (2) Non-patron Members as defined in the Articles of Organization.

This Cooperative shall be operated without profit to itself and shall be operated for the mutual benefit of its members. Any distribution of profits and losses shall be solely to Patron Members and no distributions of profits and losses shall be made to a Nonpatron Member. The Cooperative shall ensure the availability of the amounts necessary to pay expenses, including adequate provisions for

depreciation, doubtful accounts and other reserves required by law or deemed necessary or desirable by the Board of Directors.

- A. NON-PATRON MEMBER. The Nonpatron Member shall be ROC USA, LLC, its successors and assigns.

ROC USA, LLC is a charitable organization within the meaning of Section 501(c)(3) of the Internal Revenue Code. The mission of ROC USA, LLC is to provide affordable housing through the use of manufactured homes or other housing alternatives in resident-owned cooperative communities. ROC USA, LLC may assign its Nonpatron Membership to another 501(c)(3) entity whose mission and purpose is similar to the mission and purpose of ROC USA, LLC. In the event ROC USA, LLC dissolves or otherwise ceases to continue its legal existence without designating a successor Nonpatron Member, the Attorney General of the State of Minnesota may appoint a successor Nonpatron Member whose mission and purpose is similar to the mission and purpose of ROC USA, LLC. In the event the Attorney General of the State of Minnesota fails to appoint a successor Nonpatron Member, the Cooperative shall file an application with the Supreme Court for the State of Minnesota requesting that the Court appoint a Nonpatron Member whose mission and purpose is similar to the mission and purpose of ROC USA, LLC.

The Cooperative may not undertake any of the following without the affirmative vote of the Nonpatron Member to amend the Cooperative's Articles of Organization or Bylaws in any manner which would compromise, lessen, restrict or impinge upon the privileges and authorities of the Nonpatron Member or the nature of the cooperative as a cooperative community as set forth herein, but not limited to:

1. Increasing the cost of Patron Membership other than uniformly to all similarly situated Patron Members.
2. Imposing any fee, cost, tax, imposition or charge of any sort upon the Nonpatron Member.
3. Allowing a Patron Member to transfer his or her Patron Membership to a third party or otherwise allow Patron Membership interest to be traded, bartered or transferred.
4. Increasing the fee charged by the Cooperative to become a Patron Member to an amount in excess of \$1,000.00.
5. Applying the earnings, surplus or profit produced by the Cooperative other than for the benefit all member homeowners equitably by application of retained earnings for capital improvements or the payment of reserves to or for the benefit of Patron Members,
6. Operating in a manner that is inconsistent with the Statement of Cooperative Identity adopted and published by the International

Cooperative Alliance.

7. Sell, transfer, lease or otherwise alienate all or a part of the legal or equitable title to the Cooperative's Property (the legal description of which is annexed hereto as Schedule A), except, however, the Cooperative (1) may lease each of its separate lots or parcels to a Patron Member or to a non-Member solely for such Patron Member's or non-member's residential use (2) may mortgage the Cooperative's real property provided the net proceeds of the financing are used in the furtherance of the corporate purpose and the operating and capital improvements needs and plans of the Cooperative.
8. Change the purpose of the Cooperative from the purpose set forth in Article II of its Articles of Organization.
9. Change the Cooperative's form of doing business such as converting the Cooperative's form of organization from a non-stock cooperative to a limited liability company, stock cooperative or partnership.
10. Cause the Cooperative to file or consent to the filing of any bankruptcy, insolvency or reorganization, case or proceeding, seek or consent to the appointment of a receiver, liquidator, assignee, trustee, custodian or other similar official for the Cooperative or all or any portion of the Cooperative's properties, or make any assignment for the benefit of the creditors of the Cooperative.
11. Engage in a merger, consolidation or reorganization.
12. Cease the operation of its business.
13. Adopt a plan of dissolution or distribution.

NOTE: All further references to Members in these Bylaws pertain only to Patron Members.

B. PATRON MEMBERS.

Definition of Patron Member. A "Patron Member" is defined as each household occupying one of the 50 sites in the Property, as defined below, and approved by the Cooperative's Board of Directors, provided that all adult members of the household (18-years-or-older) individual(s), without regard to their social, political, racial, religious, age, sex, sexual orientation, disability, or marital status who:

- (1) own and reside in a manufactured housing unit (herein after referred to as the "**Home**") in the Community and any spouse or partner in civil union entitled to a homestead interest who have signed an Occupancy Agreement, being the "ultimate consumer(s)" of the housing opportunity provided by the Cooperative. A person is seen as owning or co-owning a Home if he or she owns the Home directly or through his or her "living" or "Grantor" trust. A "Grantor" or "living" trust is any trust that is established by an individual under such terms as: (1) appoint him or herself as the trustee during his or her lifetime (and

or competency); (2) is revocable by him or her; and (3) designates him or herself as the beneficiary for his, her or their lifetime.

- (2) is/are in good standing with the Cooperative. A "Member in good standing" is a Member whose lot rent and Membership Fees are current or has signed an agreement satisfactory to the Board of Directors to bring these rents and fees current.
- (3) is/are willing to accept Membership responsibilities, including, but not limited to, voluntary participation in the governance of the Cooperative and in the operation of the Community.

3.2 Right of Occupancy. Upon continued payment of the lot rent and compliance with the other terms of the Occupancy agreement, the Bylaws of the Cooperative and the Community Rules established by the Members, all as they may be amended from time to time, the Member shall have a perpetual right to occupy said lot provided that, if a Member is evicted from the Community or moves out of the Community, that Member will lose his or her right to occupy said lot.

3.3 One household, one member, one vote. Only one Membership interest will be assigned to a home, and only one full vote may be exercised under a Membership interest.

3.4 Requirement of membership in the Cooperative. Buyers or owners of Homes seeking to reside in a Home and lease a lot in the Community must become Members of the Cooperative. All occupants renting homes owned by Northcountry Cooperative Foundation are also required to be members of the Cooperative to reside in the community. Buyers and owners seeking Membership shall: (1) apply for Membership on a form prescribed by the Cooperative; (2) be approved for Membership by a majority vote of the Board of Directors; (3) pay in full the Membership fee; (4) execute an Occupancy Agreement; (5) have a contract to buy and intent to occupy a Home in the Community; and (6) commit to the purposes and policies of the Cooperative including the Community Rules and these Bylaws. A person is considered a buyer or owner if he or she seeks to or does own or co-own a Home directly or through his/her/their "living" or "Grantor" trust (see definition at paragraph 3.1 above) or becomes the subsequent beneficiary of a trust, previously existing as a living trust, upon death of the Grantor, or upon devise or distribution from a deceased Member's estate, or any other event. If an existing Member transfers title to a Home to his or her "living" or "Grantor" trust, the trust will not be considered a new owner or buyer under this paragraph. Members transferring their Membership into a permissible "living" or "grantor" trust must furnish the Cooperative with either a copy of said trust document or a letter of opinion from an attorney stating that the trust to which the title has transferred is a revocable, grantor trust wherein the Member(s) is (are) the

Trustee(s) during his/her/their lifetime, or competency, and with said Member(s) as the sole beneficiary during his/her/their lifetime.

- 3.5 Membership Fee. The Membership Fee shall be Two Hundred Dollars (\$200). Membership fees accumulate no interest.
- 3.6 Certificate of Membership. A Certificate of Membership shall be issued to any Member, or to trustee of any Member's "living" or "Grantor" trust, who has fully paid their Membership Fee. This certificate, or a fully executed and accepted Subscription Agreement, shall entitle the holder (or, in the case of a living or Grantor trust, the trust grantor only) to occupancy of their lot in accordance with the Occupancy Agreement, provided that the holder also abides by the Community Rules of the Cooperative and does not interfere with the effective operation of the Cooperative. The certificate is not transferable, except by will or trust distribution by a permissible trust, or the rules of law that apply if someone dies without a will, to someone that would otherwise be eligible for Membership. A Membership may not be transferred to someone or some trustee or beneficiary who does not plan to own the home and reside in the Community nor shall a "living" or "Grantor" trust continue to hold a Membership interest beyond the usual and customary time required for a wind up of a probate estate, should title have passed by that means and occupancy during such periods shall not extend to any other party not previously permitted Membership and occupancy.

A Membership Certificate shall contain:

- (1) the name of the Cooperative;
- (2) a statement that the Cooperative is organized under the laws of the State of Minnesota and Chapter 308B of its Statutes;
- (3) the name of the person(s) to whom the certificate is issued;
- (4) the number and class of membership interests, and the designation of the series, if any, that the certificate represents;
- (5) a statement that the membership interests in the Cooperative are subject to the Articles and Bylaws of the Cooperative; and
- (6) any restrictions on transfer, including approval of the board, if applicable, first rights of purchase by the Cooperative, and other restrictions on transfer, which may be stated by reference to the back of the certificate or to another document.
- (7) A certificate representing membership interest issued by a cooperative authorized to issue membership interests of more than one class or series shall set

forth upon the face or back of the certificate, or shall state that the cooperative will furnish to any member upon request and without charge, a full statement of the designations, preferences, limitations, and relative rights of the membership interests of each class or series authorized to be issued, so far as they have been determined, and the authority of the board to determine the relative rights and preferences of subsequent classes or series.

- 3.7 Use of Membership Fees and Good Standing. The Board of Directors reserves the right to use all or part of a Member's Membership Fee to pay any debt due to the Cooperative, or expenses incurred as a result of a Member's actions or non-actions, in regards to the Cooperative; such debts and expenses being legally the responsibility of the Member. The Member shall replenish a capital balance decreased on such account in order to remain in "good standing."
- 3.8 Lot Rent Requirement. All Members and non-Members are required to pay their lot rent. This lot rent, initially established by the Membership of the Cooperative, may be increased by a majority vote of the Cooperative Board of Directors or by a majority vote of the Membership, consistent with Article 5 of these Bylaws, with a sixty (60) day written notice to all Members and non-Members.
- 3.9 Cooperate: A Member will participate cooperatively in the operation of the Cooperative.
- 3.10 Loss of Membership. A member who knowingly, intentionally, or repeatedly violates a provision of the Articles, Bylaws, any member control agreement, or marketing contract with the Cooperative may be required by the board to surrender the member's voting power or the financial rights of membership interest of any class owned by the member, or both. Loss of Membership carries with it loss of all Membership privileges including the perpetual right to occupy said lot and any Member lot rent. Written notice of the charges against each Member, and reasonable opportunity for a hearing before the Board of Directors, shall be provided before any such expulsion. A reasonable opportunity is defined as fifteen (15) day notice. The Member's certificate or subscription shall be repurchased at the amount the membership fee paid, less any debts owed and expenses incurred by the Cooperative on behalf of the Member, and if and when there are sufficient reserve funds as determined by the Board of Directors. An eviction of the Member shall automatically terminate his or her Membership.

Right of Appeal. The Member shall have the right to appeal to the next Membership meeting and will be given a reasonable opportunity to be heard, either in person or by their attorney. Members may request a Special Meeting of the Membership within a reasonable time period and such request will not be unreasonably denied. In the absence of a board call for a Special Meeting, the

member may do so in accordance with Article 7.3 of these Bylaws. A Member need not be expelled before being evicted. Re-application for Membership will require Board review and Membership approval before re-issuance of Certificate of Membership. The reason for the expulsion shall be clearly stated, recorded, placed in the permanent files and a copy given to the Member.

- 3.11 Member Legal Representation. Any Member who wishes to be represented by legal counsel as the result of a Cooperative action must notify the Board of this fact ten (10) days in advance of the meeting. The Members shall solely be responsible for the cost of his or her attorney. In no case should the Cooperative be responsible for the legal fees of the Member.
- 3.12 Patronage Refunds: Members shall have a right to determine whether excess lot fees collected in any given fiscal year shall be returned to Members as patronage refund, subject to any restrictions imposed by any lender of the Cooperative or retained to fund reserves or for the needs of the following year expenses at the time that they approve the budget for the coming fiscal year. The Cooperative may refund or credit to the Member, within ninety (90) days of the end of its fiscal year; but only insofar as such refund or credit is consistent with state law or permissible under the terms and provisions of any loan documentation incidental to secured mortgage financing upon the Community, as applicable from time to time. Such patronage refunds are limited to a pro rata return of fees paid by Members in excess of the Cooperative's needs and are not from earned income from other sources.

ARTICLE IV HOME SALES AND RENTALS OF HOMES

- 4.1 Advance Notice to Move or Demolish Home. Any Member or non-Member who plans to sell or move their Home out of the Community or demolish the Home on site shall give *written notice* thirty (30) days in advance of that happening to the Board of Directors. Failure to give notice can result in 30 days additional lot rent.
- 4.2 Advance Notice to Sell Home. Notice to the Board of Directors stating the intention to sell a Home in place shall contain the estimated date of sale, and the name, address, and phone number of the selling agent, if any. It is the responsibility of the seller to supply potential buyers with information regarding the requirement that all buyers become Members of the Cooperative. The seller shall supply the Cooperative with the names and telephone numbers of any buyers who have signed a Purchase and Sales Agreement. See the exception for certain trust transfers contained in Section 3.1, which applies here as well.

4.3 Preference for Lower-Income Buyer. For a period of thirty (30) days following the delivery of the notice to the Board, if the Member receives more than one offer for the same price upon the same terms and conditions, and one of said offers is from a lower-income family or individual, the Member shall accept the offer from the lower-income family or individual. Provided, that the Board may authorize the sale to someone other than a lower-income family or individual at the request of the selling Member in the case of a sale to a family Member or where the delay in selling would pose an unreasonable hardship for the selling Member.

4.4 Definition of Lower-Income Family/Individual. A “lower-income family or individual” shall be defined as a family or individual whose total income does not exceed 80% of the median income in the county as determined by the U.S. Dept. of Housing and Urban Development and published in the Federal Register.

Any lot in the Community that becomes vacant (other than a temporary vacancy when a Member of the Cooperative replaces his or her existing manufactured home with a new or different one), shall be leased by the Board of Directors to a lower-income household approved for Cooperative Membership; provided, however, that if after advertising the lot for thirty (30) days, the Board does not receive an offer to lease from a lower-income household reasonably capable of affording the Home and living in the Community, the Board of Directors may lease the lot to any suitable household. The Board will keep a waiting list for these purposes.

4.5 If the Cooperative is owed money by the resident or the resident is in breach of any other obligation to the Cooperative, the Board of Directors will sign a deed, as requested by that resident for the sale of his/her/their Home to a new buyer, but may insist that the deed be transmitted directly to the escrow or closing agent with a Notice of Lien on the resident’s Home for those amounts due and owing the Cooperative. The deed shall only be recorded upon payment to the Cooperative of all outstanding balances due to the Cooperative.

4.6 Purchase of Membership Interest. The Board of Directors shall purchase the Membership interest from said Member household by paying them the interest’s par sum, equal to the Member’s total payment toward their Membership Fee, without interest, less any debt owed by the Member to the Cooperative, within sixty (60) days of the removal or sale of the Home, or at such later date when the purchase can be made without jeopardizing the solvency of the Cooperative.

4.7 Home Ownership. In order to unify the Members and make the Cooperative stronger, all homes within the Community must be owner-occupied except (1) for those Federal surplus homes brought in by arrangement with Northcountry Cooperative Foundation, a Minnesota nonprofit corporation, (2) a family member

has an ownership interest in the home and has been given power of attorney rights to represent that home as a co-op member and/or homes that are rented due to a member's temporary hardship as approved by the Board. Failure to comply with this article shall result in an eviction from the Community.

- 4.8 Rental or leasing of Homes. Rental or leasing of Homes in the Community shall not be allowed unless approved by the Board of Directors. The Board of Directors shall not approve a rental or lease unless (1) a written request is submitted by the Member alleging hardship and (2) the Board of Directors determines that a hardship exists. If an approval is granted, the decision shall specify the hardship circumstance(s) and the condition(s) of approval. The vote of the Board of Directors shall be maintained in the official records of the Cooperative. (3) The home is owned by a nonprofit organization with the intent to sell the home to a qualified buyer after an occupancy period. (4) a family member has an ownership interest in the home and has been given power of attorney rights to represent that home as a co-op member.

ARTICLE V VOTING

- 5.1 Quorum for Membership Meetings. In accordance with Minnesota Statutes, Chapter 308B.525, thirty (30%) percent of the total current Membership shall constitute a quorum at a Membership meeting so long as there are fewer than 500 members in the Cooperative. There shall be no voting by proxy; nor shall a proxy be counted towards the establishment of a quorum. The existence of a quorum shall be established at the beginning of each meeting and shall remain valid until the meeting is adjourned. If a quorum has been achieved, any motions for consideration that is properly made before the meeting shall be approved by a majority vote of Members present except for motions affecting the Bylaws and Community Rules. In determining a quorum at a meeting, on a question submitted to a vote by mail or an alternative method, members present in person or represented by a mail vote shall be counted. The attendance of a sufficient number of members to constitute a quorum shall be established by a registration of the members of the Cooperative present at the meeting. The registration shall be verified by the records officer of the Cooperative and shall be reported in the minutes of the meeting.
- 5.2 Balloting. A ballot provided on a form approved by the Board of Directors shall be used for the election of Directors. It shall clearly state the slate of nominees and be identifiable by either a lot number or other means. The ballots shall be sealed and opened at the Membership meeting. The Board of Directors may allow for an absentee ballot for the following reasons: hospitalization, shift work, reasons of handicap or disability, out of town. A request for an absentee ballot must be made in writing at least three (3) days before the meeting, if not the result of emergency

circumstances. If the ballot is to be mailed, the Member must request it ten (10) days before the meeting. Absentee ballots may not be counted towards a quorum.

- 5.3 Membership Action Without A Meeting. Any business required or permitted to be taken at a Membership meeting may be taken without a meeting, by means of a ballot clearly stating a Board-approved motion. To be passed, the motion must be approved by a majority of the entire Membership. A copy of the motion and vote must be kept on file with the Cooperative's Membership meeting minutes.
- 5.4 Adoption or Repeal of Bylaws. The Bylaws of the Cooperative and the Community Rules shall be adopted or repealed by at least a majority vote of the Membership.
- 5.5 Amendment of Bylaws. The Bylaws and the Community Rules may be amended by a majority vote, subject to the limitations of Subsection 3.1(A) above, of the Members present at any regular or special meeting at which a quorum is present, provided that notice of the proposed amendment shall be given in writing to all Members not fewer than fifteen (15) days prior to such meetings. After the fifteen (15) day notice, technical changes in wording or detail of the proposed amendment that do not alter the subject matter shall not require an additional notice.
- 5.6 Limited Spending Authority. Any decisions that may commit expenditures of two thousand dollars (\$2,000) or more of Cooperative resources per Fiscal year, that do not appear in the approved annual budget, shall be made by the Membership at an Annual, Special, or Regular meeting of the Members. Capital Improvement and Replacement Reserve expenditures that exceed three thousand dollars (\$3,000) per fiscal year require the approval of the Membership except in cases of emergency repairs. The Board shall notify the Membership of such an emergency action at the next regular or special meeting of the Membership.

ARTICLE VI. **FISCAL YEAR**

- 6.1 The fiscal year of the Cooperative shall be the twelve (12) month period ending the last day of December of each year. The Cooperative shall cause its books to be examined within a reasonable time after the end of each fiscal year in accordance with the audit/review requirements of state law.

ARTICLE VII. **ANNUAL AND SPECIAL MEETINGS**

- 7.1 Schedule for Annual Meeting. The Annual Meeting of the Members shall be held during one of the following months: August, September or October of each year either at the Property or a place designated by the Board of Directors within ten

(10) miles of the Community. An Annual Meeting of Members is to be held at least once a year.

- 7.2 Notice of Annual Meeting. Notice of the time and place of the Annual Meeting and the agenda items or subject matter to come before it, shall be given in writing to each Member at his/her address, and posted and maintained at a common area not less than ten (10) days prior to the date of the meeting. The Annual Report to the Secretary of State, the report of the examination of the prior year's finances, and the proposed annual budget of the Cooperative shall be made available to each Member no later than ten (10) days before the Annual Meeting for approval by the Membership at the Annual Meeting.
- 7.3 Special Membership Meetings. Special meetings of the Membership may be called by the Board of Directors or by petition of at least 25% (1/4) of the Members. Such Member petition may be delivered to any Board Member. The Board shall set the date, place and time of the Special Meeting, to be held within 30 days after receipt of such demand. The Secretary of the Cooperative shall deliver or mail written notice stating the place, day, hour and purpose of the Special Meeting to each Member and post the notice in a common area not fewer than ten (10) days in advance of the meeting date.
- 7.4 Official Guide to Parliamentary Procedure. In case of any question not covered in these Bylaws or adopted Board policies, the guidelines in Parliamentary Procedure for Manufactured Housing Community Cooperatives as published by the Management Guide © 2003, 2007 ROC USA, LLC or the foundation document, The Standard Code of Parliamentary Procedure, Fourth Edition, by Alice Sturgis, 2001, or Robert's Rules of Order, (Newly Revised) shall prevail.
- 7.5 Budget Approval. The Board shall recommend for the approval by Membership the annual budget with proposed future rents. If Members fail to approve a budget that meets all contractual obligations, the Board may approve such a budget.

ARTICLE VIII **BOARD OF DIRECTORS**

- 8.1 Composition of Board. The Board of Directors shall consist of five (5) to nine (9) Members or subscribers who are residents and owners of a manufactured housing unit in the Community and are in good standing with the Cooperative. The Board of Directors shall be elected by the Membership at an Annual or Special Meeting of the Cooperative, or at a special meeting held in place thereof. All newly elected Directors will take office thirty (30) days after elections or at the next Board of Directors meeting, whichever is first.

- 8.2 Voting for Directors. At each election for Directors, every Member entitled to vote shall have the right to vote for as many persons as there are Directors to be elected.
- 8.3 Term of Directors. All Directors shall serve for a term of two years, except that at the first election, the Secretary and Operations Manager will be elected for one-year terms. No Director may serve for more than three consecutive two-year terms, or until their successors are duly chosen.
- 8.4 Filling Board Vacancies. Vacancies that result from resignation or other means may be filled by a majority vote of the Directors present at any regular or special meeting of the Board of Directors. The Director so appointed shall serve the remainder of the unexpired term, which shall not be counted as a consecutive term for the purposes of Article 8.3 of these Bylaws.
- 8.5 Signing Authority. Two signatures are required on checks and legal documents. No more than one (1) individual from each Member household may have signing authority.
- 8.6 Board Responsibilities. The Board of Directors shall be responsible for the day-to-day management and control of the Cooperative operations. The Board of Directors may from time to time set up committees and/or ad-hoc groups to work on specific responsibilities, with committee members serving at the pleasure of the Board of Directors. These committees will report to the Board of Directors and operate with only as much authority as granted by the Board. Further explanation of these committees may be found in the policies of the Board of Directors. No Director may act independently of the Board except as authorized by the Board.
- 8.7 Regular Board Meetings. Regular meetings of the Directors shall be held monthly. Notice of the time and place together with the agenda of the Board of Directors' meeting shall be posted in a public place in the Community no less than three days before the meeting. The Board shall have the sole discretion to establish the agenda for all regular meetings.
- 8.8 Special Board Meetings. Special meetings of the Directors may be held at the call of the President or any two Directors. Written notice stating the place, day, and hour of any special meeting shall be posted in a common area and communicated personally to each Board Member not fewer than three (3) days before the date of the meeting. In an emergency situation, a shorter notice may be given, provided that the agenda for that meeting is limited to dealing with the emergency at hand and that all actions taken are ratified at a subsequent properly noticed meeting.
- 8.9 Open Board Meetings, Executive Session. Regular and Special Meetings of the Board of Directors shall be open to the Membership except when the Board moves

to an Executive Session. Executive Sessions are used only for purposes of protecting a person's reputation and confidentiality, or to receive or discuss advice from legal counsel. A decision may not be made in Executive Session. Minutes are not kept in Executive Session. Decisions must be made in the form of a motion at a public meeting.

- 8.10 Quorum for Board Meetings. At any meeting of the Board of Directors, a simple majority of the number of Directors then in office shall constitute a quorum for the transaction of business. A majority of those present must vote in the affirmative to pass a motion, once a quorum has been established.
- 8.11 Board Action Without A Meeting/Electronic Communication. Any action required or permitted to be taken by the Board of Directors at a meeting may be taken without a meeting if the written motion is approved and signed by a majority of the Directors. The Board may approve the action after the last Director signs, provided however, that all Directors must be served with the language proposed in the Resolution before the Resolution can be authorized. A copy of the written motion with all signatures must be kept with the Board minutes. A meeting of the Board of Directors may also be held using electronic communication means as permitted by Minnesota Statutes, Section 308B.425. Notice that such action took place, including the nature of the action, and the availability of the resolution shall be posted within 3 days.
- 8.12 Volunteer Board, Reimbursement for Reasonable Expenses. Directors shall serve without compensation, but shall be entitled to reasonable compensation for expenses paid while conducting legitimate Cooperative business. Any expenses incurred must have prior approval by the Board of Directors. Receipts must accompany all requests for reimbursement. Directors may receive compensation for their freely executed contracts approved by the Board or Membership as the case may require, so long as the contract does not create a conflict of interest.
- 8.13 Director Removal. Any Director whose actions are determined to negatively affect the operation of the Cooperative may be removed by a majority vote of the Members present at any regularly scheduled or special meeting of the Membership where a quorum is present, provided that a 10-day notice of the impending vote has been given to the Director who may be removed. Said notice of a vote to remove shall only be made after a majority vote of the Board of Directors or after the Board of Directors receives a written petition requesting the proposed removal, signed by at least 25% (1/4) of the Membership. Said resolution shall clearly state that once a quorum is established, a majority vote of the Members present will be needed to remove the Director. The notice shall state the date, time and place of the meeting where said vote will be taken. Vacancies on the Board of Directors, which result from a removal vote of the Membership, shall be filled in accordance with

Article 8.4 of these Bylaws. This section does not restrict any Directors' voluntary resignation from the Board of Directors or from office.

8.14 Director Termination and Resignation . The term of any member of the Board of Directors who becomes more than 30 days delinquent in payment of his or her monthly charges or payments due under any Board-approved payment plan, who ceases to be a member of the Cooperative, who has three unexcused absences from board meetings between any two consecutive annual membership meetings, or who has an unlawful detainer action filed against him or her shall automatically be terminated. An unexcused absence shall be one not approved by a majority of the other members of the Board of Directors. Any Director resigning from office shall give written notice to the President or Secretary. Following any such written notice, at the next Board meeting or in a manner conforming to the requirements of Section 8.11 providing for Board Action Without A Meeting, the Board must agree to accept the resignation and record this change in the leadership of the Cooperative.

8.15 Conflicts of Interest. The conflict of interest policy and procedure shall be as follows:

1. Conflict and procedure when conflict arises.

(a) A contract or other transaction between a cooperative and one or more of its directors, or between a cooperative and a business entity in or of which one or more of its directors are governors, directors, managers, officers, or legal representatives or have a material financial interest, is not void or voidable because the director or directors or the other business entities are parties or because the director or directors are present at the meeting of the members or the board or a committee at which the contract or transaction is authorized, approved, or ratified, if:

(1) the contract or transaction was, and the person asserting the validity of the contract or transaction sustains the burden of establishing that the contract or transaction was, fair and reasonable as to the cooperative at the time it was authorized, approved, or ratified and:

(i) the material facts as to the contract or transaction and as to the director's or directors' interest are disclosed or known to the members; and

(ii) the material facts as to the contract or transaction and as to the director's or directors' interest are fully disclosed or known to the board or a committee, and prior to the execution of the contract the board or committee authorizes, approves, or ratifies the contract or transaction in good faith by a majority of the

board or committee, but the interested director or directors are not counted in determining the presence of a quorum and must not vote; or

(2) the contract or transaction is a distribution, contract, or transaction that is made available to all members or patron members as part of the cooperative's business.

(b) If a committee is elected or appointed to authorize, ratify, or approve a contract or transaction under this section, the members of the committee must not have a conflict of interest and be charged with representing the best interests of the cooperative.

2. Material financial interest. For purposes of this section:

(1) a resolution fixing the compensation of a director or fixing the compensation of another director as a director, officer, employee, or agent of the cooperative, is not void or voidable or considered to be a contract or other transaction between a cooperative and one or more of its directors for purposes of this section even though the director receiving the compensation fixed by the resolution is present and voting at the meeting of the board or a committee at which the resolution is authorized, approved, or ratified or even though other directors voting upon the resolution are also receiving compensation from the cooperative; and

(2) a director has a material financial interest in each organization in which the director or the spouse; parents; children and spouses of children; brothers and sisters and spouses of brothers and sisters; and the brothers and sisters of the spouse of the director or any combination of them have a material financial interest. For purposes of this section, a contract or other transaction between a cooperative and the spouse; parents; children and spouses of children; brothers and sisters and spouses of brothers and sisters; and the brothers and sisters of the spouse of a director or any combination of them, is considered to be a transaction between the cooperative and the director.

ARTICLE IX **OFFICERS**

9.1 Designated Officers of the Cooperative. The Officers of the Cooperative shall consist of a Chair that shall be the President, a vice-chair that will serve as the Vice-President, Secretary, Treasurer, Operations Manager and any other designated position as decided by the Membership. All Officers are Directors of the Cooperative and must meet the requirements for being a Director set forth in paragraph 8.1.

- 9.2 Board Election Only by Meeting. Officers shall be elected by the Membership at a meeting held for such purposes and not by action in lieu of a meeting.
- 9.3 President. The President shall serve as the “Chair” and preside at all meetings of the Directors and Membership. He or she shall be responsible for general administration according to the guidelines established by the Board and the Membership. The President shall perform such duties prescribed by the Board or as necessary to accomplish the objectives of the Cooperative.
- 9.4 Vice President. The Vice-President shall service as the “Vice-Chair” and preside at all meetings in the absence of the President and shall perform such duties delegated to him/her by either the Board or the President. He/she shall report on the activities of the President to the Board in the absence of the President.
- 9.5 Secretary. The Secretary shall keep the records of the Cooperative and these Bylaws. Amendments to these Bylaws shall be typed, noted, dated and maintained with these Bylaws, and copies distributed to the Membership. He or she shall keep a true record of the proceedings of all meetings of the Directors and Members. If the Secretary is absent from any such meetings, the chair may request that some person act as a recording secretary to take the minutes. The Secretary shall also be responsible for posting meeting notices, typing correspondence and maintaining and updating Membership and resident lists. The signature of the Secretary, or acting secretary, on minutes and actions of the Board shall serve as evidence of their authenticity.

The permanent records of the cooperative shall include minutes of all meetings of its members and of the board, a record of all actions taken by the members or the board without a meeting by a written unanimous consent in lieu of a meeting, and a record of all waivers of notices of meetings of the members and of the board. The records shall be in written form or in another form capable of conversion into written form within a reasonable time. The cooperative shall keep a copy of each of the following records at its principal office:

- (1) its articles and other governing instruments;
- (2) its bylaws or other similar instruments;
- (3) a record of the names and addresses of its members, in a form that allows preparation of an alphabetical list of members with each member's address;
- (4) the minutes of members' and directors' meetings, and records of all actions taken by members or directors without a meeting by unanimous written consent in lieu of a meeting, for the past three years;

(5) all written communications within the past three years to members as a group or to any class of members as a group;

(6) a list of the names and business addresses of its current board members and officers;

(7) a copy of its most recent periodic registration delivered to the secretary of state under section 308B.121; and

(8) all financial statements prepared for periods ending during the last fiscal year.

Except as otherwise limited by this chapter, the board of a cooperative shall have discretion to determine what records are appropriate for the purposes of the cooperative, the length of time records are to be retained, and policies relating to the confidentiality, disclosure, inspection, and copying of the records of the cooperative.

- 9.6 Treasurer. The Treasurer shall have charge of all the funds of the Cooperative and shall be responsible for all disbursements and collections. The Treasurer shall be responsible for maintaining all appropriate accounting and financial records of the Cooperative including previous fiscal years; financial reports, bank statements and returned checks, invoices, records and any and all other financial records.

The Treasurer will see that all checks drawn on Cooperative accounts shall bear the signature of at least two of these three Officers: President, Treasurer, or Secretary. As a standard fiscal control, a Member of the Cooperative other than the Treasurer shall reconcile the Cooperative accounts each month. The Treasurer shall be responsible for having the books prepared for examination. The Treasurer may delegate any tasks to any Member of the Finance Committee or a contracted bookkeeping service.

- 9.7 Operations Manager. The Operations Manager sits on the Maintenance Committee and is responsible for the effective upkeep of grounds and systems; developing services, standards, emergency and general repair procedures; maintaining a list of qualified trades people; obtaining bids, maximizing volunteer contributions, submitting a capital improvements plan and annual projected maintenance budgets.

- 9.8 Other Designations. All Officers of the Cooperative shall, subject to these Bylaws and to any vote of the Directors, have such powers and duties as the Directors shall from time to time designate, in addition to the specific powers and duties set forth above.

- 9.9 Required Bonding. Each Officer, Director, employee, and agent handling funds or securities amounting to \$1,000 or more in any one year shall be covered by adequate bond in accordance with state law.

ARTICLE X INDEMNITY

- 10.1 Indemnity of Board Directors, Officers, Members. The Directors, Officers and Members shall not be personally liable for the debts, liabilities or other obligations of the Cooperative and shall have limited liability as provided for in Minnesota Statutes, Chapter 308B.465.
- 10.2 Limited Liabilities. Should any person be sued or threatened with suit, either alone or with others, because he or she was or is a Director or Officer of the Cooperative, in any proceedings arising out of his or her alleged misfeasance or nonfeasance in the performance of his or her duties or out of any alleged wrongful act against the Cooperative, indemnity for his or her reasonable expenses, including attorney's fees incurred in the defense of the proceeding, may be assessed against the Cooperative, its receiver, or its trustee, by the court in the same or a separate proceeding. The extent or mandatory or discretionary nature of that indemnification may be affected by the extent to which the party was acting within their role on behalf of the corporations and the extent to which they honored their duties of loyalty and good faith and fair dealing, such duties shall be determined by the provisions of section 308B.465.

ARTICLE XI RECORDS

- 11.1 Records Maintenance and Transfer. The records of the Cooperative shall be kept by the Directors then in office and transferred to newly elected Directors upon change over.
- 11.2 Records Inspection. A member is entitled to inspect and copy, at the member's expense, during regular business hours at a reasonable location specified by the cooperative, any of the records described in section 308B.245 if the member meets the requirements of paragraph (b) and gives the cooperative written demand at least five business days before the date on which the member wishes to inspect and copy the records. Notwithstanding the provisions of this subdivision or any provisions of section 308B.245, no member shall have the right to inspect or copy any records of the Cooperative relating to the amount of equity capital in the cooperative held by any person or any accounts receivable or other amounts due

the Cooperative from any person, or any personnel records or employment records of any employee.

(b) To be entitled to inspect and copy permitted records, the member shall meet the following requirements:

- (1) the member has been a member for at least one year immediately preceding the demand to inspect or copy;
- (2) the demand is made in good faith and for a proper cooperative business purpose;
- (3) the member describes with reasonable particularity the purpose and the records the member desires to inspect; and
- (4) the records are directly connected with the described purpose.

(c) The right of inspection granted by this subdivision shall not be abolished or limited by the articles, bylaws, or any actions of the board or the members.

(d) This subdivision does not affect:

- (1) the right of a member to inspect records to the same extent as any other litigant if the member is in litigation with the cooperative; or
- (2) the power of a court to compel the production of the Cooperative's records for examination.

(e) Notwithstanding any other provision in this subdivision, if the records to be inspected or copied are in active use or storage and, therefore, not available at the time otherwise provided for inspection or copying, the cooperative shall notify the member and shall set a date and hour within three business days of the date otherwise set in this subdivision for the inspection or copying.

(f) A member's agent or attorney has the same inspection and copying rights as the member. The right to copy records under this subdivision includes, if reasonable, the right to receive copies made by photographic copying, xerographic copying, or other means. The cooperative may impose a reasonable charge, covering the costs of labor and material, for copies of any documents provided to the member. The charge may not exceed the estimated cost of production and reproduction of the records.

(g) If a Cooperative refuses to allow a member, or the member's agent or attorney, who complies with this subdivision to inspect or copy any records that

the member is entitled to inspect or copy within a prescribed time limit or, if none, within a reasonable time, the district court of the county in this state where the Cooperative's principal office is located or, if it has no principal office in this state, the district court of the county in which its registered office is located may, on application of the member, summarily order the inspection or copying of the records demanded at the Cooperative's expense.

(h) If a court orders inspection or copying of the records demanded, unless the Cooperative proves that it refused inspection or copying in good faith because it had a reasonable basis for doubt about the right of the member or the member's agent or attorney to inspect or copy the records demanded:

- (1) the court may order the losing party to pay the prevailing party's reasonable costs, including reasonable attorney fees;
- (2) the court may order the losing party to pay the prevailing party for any damages the prevailing party shall have incurred by reason of the subject matter of the litigation;
- (3) if inspection or copying is ordered under this paragraph, the court may order the cooperative to pay the member's inspection and copying expenses;
- (4) the court may grant either party any other remedy provided by law; and
- (5) the court may impose reasonable restrictions on the use or distribution of the records by the demanding member.

ARTICLE XII DISSOLUTION

12.1 Outcomes of Wind-up and Dissolution. In the event of dissolution of the Cooperative, the assets, after payment of the Cooperative's debts and expenses, shall be distributed in the following manner:

- I. The par value or book value, whichever is lower, of the Membership certificates or shares shall be returned to the Members. Amounts paid on subscriptions shall be returned to subscribers. The amounts allocated in distribution of net savings shall be returned to those Members entitled to them in accordance with patronage.
- II. Any surplus remaining after the distributions in paragraph I may be distributed as a contribution to any Cooperative association or other

nonprofit association to which contributions are deductible from income tax under current internal revenue service regulations.

The foregoing is a true and accurate account of the Bylaws, duly adopted by the members as of the 9th day of July 2012, attested by _____, Jim Borek, as Acting Secretary of Stonegate Cooperative.

International Cooperative Alliance Principles

1st Principle: Voluntary and Open Membership

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2nd Principle: Democratic Member Control

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.

3rd Principle: Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4th Principle: Autonomy and Independence

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter to agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5th Principle: Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

6th Principle: Co-operation among Cooperatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7th Principle: Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

These principles can be found on the International Cooperative Alliance website at:

<http://www.ica.coop/al-ica/>