

**Second Amended and Restated
Bylaws
of
American Crystal Sugar Company**

**ARTICLE I
SHAREHOLDERS**

Section 1. Qualifications to Become a Common Shareholder. Any person, firm, partnership, or corporation who is a bona fide sugarbeet farm Operator in the territory in which this corporation is engaged in business and who agrees to purchase common stock of this corporation and to abide by its Articles of Incorporation and Bylaws, may, upon approval of the board of directors, become a common shareholder of this corporation. The term “Operator” shall mean the person, firm, partnership, corporation or similar entity who is the legal owner of the sugarbeet crop, who has a majority financial interest in the sugarbeet crop, and who has general control of the sugarbeet operations on the farm where the sugarbeet crop is grown.

Section 2. Purchase of Stock. To become a common shareholder of this corporation an eligible person, firm, partnership, corporation or similar entity must purchase one share of common stock of this corporation and further purchase shares of preferred stock of this corporation in an amount that is in proportion to the acreage of sugarbeets that the common shareholder from time to time places under contract with this corporation.

Section 3. Sale and Transfer of Shares. Whenever any shareholder desires to sell common and preferred stock, it shall first be offered to this corporation for purchase by this corporation at the fair value thereof, as determined in the reasonable judgment of the board of directors. In the event such stock is not purchased by this corporation after receipt of a written notice from the shareholder offering the said stock for sale, then the shareholder may sell said stock to any person, firm, partnership, corporation or similar entity that qualifies as an Operator as defined in these Bylaws. Said sale and transfer of stock shall be approved by the board of directors if:

- (a) The transfer does not, in the judgment of the board of directors, create an uneconomic sugarbeet growing unit, and
- (b) The transfer is not, in the judgment of the board of directors, detrimental to the best interests of this corporation.

The granting of a lien or security interest in preferred stock shall not be considered a sale or transfer of such preferred stock. A subsequent foreclosure of the lien or security interest, or transfer to the secured party in lieu of foreclosure, may be accomplished without the necessity of approval of the board of directors. Transfer of ownership of preferred stock to the secured party through foreclosure or transfer in lieu of foreclosure shall not render the secured party an Operator as to the acres of sugarbeets under a contract supported by the preferred stock. Such secured party is a shareholder for the limited purpose of transferring the preferred stock to an Operator in accordance with this Section 3. Common stock may not be mortgaged, pledged or otherwise hypothecated.

Section 4. Ineligibility of a Common Shareholder. A common shareholder who does not meet the definition of an Operator as provided in Section 1 of this Article I shall automatically become ineligible to be a common shareholder of this corporation, shall cease to have voting rights in the corporation, and the par value of the common stock shall be refunded to such common shareholder. Whenever the board of directors, by resolution, finds that a common shareholder has become ineligible to be a common shareholder for reasons other than failing to be an Operator, the board shall refund to such common shareholder, the par value of the common stock held by such shareholder and, upon such payment, said common shareholder shall cease to have voting rights in this corporation. Such resolution may only be adopted by the board of directors at a meeting, 20 days prior to which written notice must be provided to the common shareholder by United States Certified Mail. Said notice shall state with particularity the grounds upon which the common shareholder is alleged to be ineligible to be a common shareholder, and such common shareholder shall be entitled to be heard thereon. A common shareholder may be found to be ineligible to be a common shareholder by reason of:

- (a) Failure to abide by the Articles and Bylaws of this corporation, or
- (b) Failure to abide by the terms of a marketing agreement with this corporation, or
- (c) Failure to abide by this corporation's agriculture regulations and policies.

Finding that a common shareholder is ineligible to continue as a common shareholder, the common stock shall be redeemed as provided in this Section 4, and the right to deliver sugarbeets to this corporation and any related marketing agreement, may be terminated by the corporation. The corporation shall pay to the common shareholder whose membership is terminated, the amounts, if any, due such common shareholder as crop proceeds and equity allocations at the same time, and in the same manner, as common shareholders whose memberships were not terminated.

Section 5. Redemption of Preferred Stock Unit Retains, and Other Equity Interest. No shareholder shall have any right whatsoever to require the redemption of his preferred stock, patronage capital, unit retains, or other equity interests in this corporation, and such redemption or retirement of preferred stock, patronage capital, unit retains, or other equity interests shall be as authorized, from time to time, by the board of directors.

Section 6. First Lien. This corporation shall have a first lien on all shares of its capital stock, and on all equity, patronage capital, unit retains, and other equity interests standing on its books, for all indebtedness of the respective shareholders or owners thereof to this corporation. This corporation shall also have the right, exercisable at the option of the board of directors to accelerate the payment of patronage capital, unit retains and other equity standing on its books, and set off indebtedness against the present value of such interests; provided, however, that nothing contained herein shall give the holder of such interests any right to have such acceleration and set-off made. The board of directors shall determine the method by which the present value of any patronage capital, unit retains and other equity will be calculated for purposes of any set-off. This corporation may subordinate its lien to other indebtedness secured by capital stock, equity, patronage capital, unit retains, and other equity interests.

ARTICLE II SHAREHOLDER MEETINGS

Section 1. Annual Meeting. The annual meeting of the common shareholders of this corporation shall be held in December of each year on a date to be determined by the board of directors at such place within or without the State of Minnesota as the board of directors may designate in the notice of the meeting. Written notice of meetings of the common shareholders shall be given to each common shareholder by mail at the shareholder's last known post office address as the same appears upon the books and records of this corporation, which notice properly addressed, shall be placed in the United States Mail not less than fifteen (15) days prior to the date of the meeting.

Section 2. Special Meetings. Special meetings of the common shareholders may be called by a majority vote of the directors of this corporation or upon the written petition of at least twenty (20) percent of the common shareholders, in which case it shall be the duty of the secretary to cause due notice of the meeting to be given. Notice of a special meeting of common shareholders shall state the time, place and purpose of the special meeting and shall be issued within ten (10) days from and after the date of presentation of such a petition, and the special meeting shall be held within thirty (30) days from and after the date of the presentation of such a petition. Mailed notice of a special meeting shall be given in the same manner as prescribed for a notice of a regular meeting of common shareholders.

Section 3. Absentee Voting. Any common shareholder who is absent from any meeting of the common shareholders may vote by mail or by electronic means on the ballot hereinafter prescribed, upon any motion, resolution or amendment that the board of directors may in its discretion submit to the common shareholders for a mail or electronic vote by them. Such ballot shall be in the form prescribed by the board of directors and shall contain the exact text of the proposed motion, resolution or amendment to be acted upon at such meeting; and shall contain spaces opposite the text of such motion, resolution or amendment in which such common shareholder may indicate his affirmative or negative vote thereon. If the vote is by mail, a common shareholder shall vote by making an "x" in the appropriate space upon such ballot and mail or deliver the ballot to the corporation in a plain, sealed envelope inside another envelope bearing the common shareholder's name. If the vote is by electronic means, the corporation must establish procedures to be able to authenticate that it is the common shareholder that is casting the vote. A properly submitted mail ballot or electronic vote shall be accepted and counted as the vote of such absent common shareholder at such meeting.

Section 4. Quorum. At any regular, special or factory district meeting of the common shareholders, the quorum necessary to the transaction of business shall be ten percent of the total number of common shareholders entitled to vote at such meeting, present in person, or by mailed or electronic votes. Should the number of common shareholders entitled to vote at such meeting exceed the number of 500, then in that event, 50 common shareholders present in person or by mail votes shall constitute a quorum. The fact of a quorum shall be established by a registration of the common shareholders of this corporation present at such meeting, which registration shall be verified by the secretary of this corporation or the presiding officer of a factory district meeting, as the case may be, and shall be reported in the minutes of the meeting.

Section 5. Proxy or Cumulative Voting. No proxy or cumulative voting shall be allowed at any meeting of the common shareholders of this corporation.

Section 6. Voting. Each common shareholder shall be entitled to one vote as provided in the Articles of Incorporation. Voting at any annual, special or factory district meeting of the common shareholders may be closed at such time as voting is complete, and need not be held open until the end of the meeting.

ARTICLE III DIRECTORS

Section 1. Factory Districts. The election of directors of this corporation shall be by factory districts. There shall be five factory districts which shall be geographically described as designated on the master factory district map on file in the corporation's main office.

Section 2. Number of Directors. The board of directors of this corporation shall consist of fifteen (15) directors, three (3) of which shall be elected from each of the factory districts.

Section 3. Election of Directors. The board of directors shall call factory district meetings of the common shareholders belonging to that factory district to be held at least seven days prior to the annual common shareholders' meeting. The factory district meetings shall be presided over by the incumbent director whose term of office is the last to expire, except that the board of directors shall designate the person to preside over a factory district meeting when such an incumbent director is not available. The notice of said factory district meetings shall be given by mail in the same fashion as notice of common shareholders' meetings specified in Article II, Section 1, of these Bylaws. Directors shall be elected by ballot at said factory district meetings. Nominations for director may be made by petition signed by at least ten (10) common shareholders and submitted to the secretary at least five days prior to the date of the district meeting. The secretary shall prepare ballots for distribution at the district meetings that include the name(s) of those persons nominated. Nominations may also be made from the floor at the factory district meetings and space shall be provided on the ballots for nominations from the floor. The Company will make one mailing to common shareholders of the factory district on behalf of a person nominated for election as a director from that factory district.

Section 4. Determination of Districts. A common shareholder shall belong to and vote in the factory district where the shareholder resides. A common shareholder who is other than a natural person shall belong to, and its representative shall vote in, the factory district where such common shareholder has its principal place of business. In appropriate cases, the board of directors may, upon request of a common shareholder, assign such common shareholder a different factory district. The determination of the board of directors as to a shareholder's factory district shall be conclusive in all respects.

Section 5. Qualifications of Directors. Directors representing a factory district shall be elected from among the common shareholders or representatives of such shareholders who are other than natural persons, belonging to that factory district. If a director belongs to a particular factory district when elected, a director shall remain eligible to serve out the term for which elected, notwithstanding a change in such director's factory district. A common shareholder who is other than a natural person may designate an individual representative of such common shareholder to

be eligible for election as a director of this corporation; provided, that such individual representative must be actively operating the farm upon which the sugarbeets of the common shareholder are grown. No person shall serve more than four (4) consecutive three (3) year terms as a director. A person is not eligible to be elected and/or continue to serve as a director of this corporation if (a) the person contracts for the delivery of sugarbeets to a processor other than the corporation; or (b) the person has an ownership interest in an entity that contracts for delivery of sugarbeets to a processor other than the corporation.

Section 6. Terms of Directors. Directors shall be elected for terms of three years, and one director shall be elected each year from each factory district.

Section 7. Commencement of Term. Directors who are elected at the factory district meetings shall take office immediately at the close of the next annual meeting of the common shareholders and shall hold office until their successors are duly elected and qualified.

Section 8. Election of Officers. Promptly following each annual common shareholder's meeting, the board of directors shall convene and organize. It shall elect a chairperson and a vice chairperson. The board shall also elect a president, one or more vice presidents, a secretary, a treasurer and such additional officers deemed necessary, none of whom need be directors or common shareholders of this corporation. Any officer elected by the board of directors may be removed by a majority vote of the board of directors.

Section 9. Quorum. A quorum for meeting of the board of directors shall be a majority of the directors. A majority vote of the directors present (a quorum being present) shall decide all questions except where a greater vote is expressly required by law or these Bylaws.

Section 10. Vacancies. The common shareholders of a factory district shall have the power at any regular or special common shareholders' meeting (whether a factory district meeting or otherwise) to remove for cause, a director representing that factory district and to fill the vacancy caused by such removal from among the common shareholders of that factory district or representatives of such shareholders who are other than natural persons; provided that the notice of such meeting must indicate that the removal of a director will be considered and voted upon. A director shall become ineligible to continue to serve as a director in the event the director fails to satisfy the director qualifications set forth in Section 5 of this Article III, and shall be automatically removed as a director 60 days after a notice of ineligibility has been sent by the corporation to the affected director; provided that, such automatic removal shall not occur if the affected director rectifies the situation giving rise to the ineligibility, to the satisfaction of a majority of the board of directors, within such 60 day period or such longer period as approved by the board of directors, with such period not to extend beyond January 1 of the subsequent year. A vacancy on the board of directors occurring for a reason other than removal by vote of the common shareholders may be filled from among the common shareholders of the proper factory district or representatives of such shareholders who are other than natural persons, by appointment by a majority vote of the directors then in office. The person so appointed shall serve until the next annual or special meeting of the common shareholders of that factory district when a successor shall be elected to serve out the unexpired regular term of said directorship.

Section 11. Meeting. The board of directors shall meet at such time and upon such notice as the board may prescribe. Any business may be transacted at any meeting of the board of directors without the specification of such business in the notice of the meeting.

Section 12. Compensation. Directors may be compensated for their services as directors as authorized by action of the board of directors. They shall be reimbursed for expenses incurred in the performance of their duties to this corporation.

Section 13. Authority of Directors. The board of directors shall govern the business and affairs of the corporation in accordance with the Articles of Incorporation, Bylaws and applicable law, and is authorized to exercise all powers of this corporation except such as are by law, the Articles of Incorporation or these Bylaws, conferred upon or reserved to the common shareholders.

ARTICLE IV OFFICERS' DUTIES

Section 1. Chairperson of the Board. The chairperson of the board of directors shall have supervision of the general policy of this corporation as such policy is from time to time determined by the board of directors. The chairperson shall preside at all meetings of shareholders and of the board of directors. The chairperson shall call meetings of the board of directors as the chairperson deems necessary or desirable and when required to do so by law, the Articles of Incorporation or these Bylaws.

Section 2. Vice Chairperson of the Board. The vice chairperson of the board of directors shall, when necessary because of the chairperson's death, absence or inability to act, exercise all the powers and perform all the duties of the chairperson.

Section 3. President. The president shall be the chief executive officer of this corporation in all its operations subject to the control of the board. The president shall do and perform all acts incident to the position of president authorized or required by the board, law, Articles of Incorporation or these Bylaws.

Section 4. The Vice Presidents. The vice president shall have such powers and perform such duties as the board of directors may prescribe for those offices and as the president may delegate to those positions.

Section 5. Secretary. The secretary shall keep or cause to be kept complete minutes of each meeting of the common shareholders and of the board of directors and of any committees of the board. The secretary shall be the custodian of the corporate records and of the corporate seal, shall supervise the preparation and service of all notice of meetings as required by law or by these Bylaws, shall submit such secretarial reports at the annual and other meetings of the shareholders and directors as required by the board of directors, shall execute those documents directed to be executed by the board of directors and shall perform such other duties as the board of directors may prescribe for that office and as the president may delegate to the position.

Section 6. Treasurer. The treasurer shall have custody and control of all of the funds and securities of this corporation, shall have authority to deposit monies of this corporation in

depositories selected by it, shall keep or cause to be kept full and accurate accounts of the receipts and disbursements of this corporation, shall execute those documents directed to be executed by the board of directors and shall perform such other duties with respect to finances as the board of directors may prescribe for that office and as the president may delegate to that position through the chief financial officer of this corporation.

ARTICLE V PATRONAGE

Section 1. Net Income. That portion of the net income of this corporation resulting from business done with or for common shareholders shall be distributed annually on the basis of dollar volume of patronage, in cash or in the form of unit retains or equity credits in patronage credit accounts set up on the books of this corporation. Distribution of patronage shall be made as soon as practicable after the close of each fiscal year and written notice thereof shall be sent to each common shareholder showing the total amount of distribution made to such common shareholder and the manner of such distribution, setting forth the amount distributed in cash, unit retains and equity credits. That portion of the net income of this corporation resulting from business that is not done with or for common shareholders may be retained by the corporation or distributed to shareholders, as determined by the board of directors.

Section 2. Qualified Patronage Distribution and Consent Bylaw. When, in the discretion of the board of directors, all or a portion of the net income distributed to common shareholders pursuant to Section 1 hereof, should be qualified for exclusion from the taxable income of this corporation pursuant to 26 U.S.C. 1382 (Internal Revenue Code), it shall so declare by resolution, specifying the portion to be so qualified and thereafter, there shall be paid to this corporation's shareholders entitled thereto, in cash prior to eight and one-half months after the close of this corporation's fiscal year, at least 20 percent (20%) of that portion of the patronage dividend distribution so designated by the board of directors for qualification. In such event, each common shareholder of this corporation shall, by the act of continuing as a shareholder, and by that act alone, consent that the amount of any distributions with respect to the patronage of this corporation qualified pursuant to this Section, which are made in written notices of allocation (as defined in 26 U.S.C. 1388) and which are received by such common shareholder from this corporation, will be taken into account by such common shareholder at the stated dollar amount in the manner provided in 26 U.S.C. 1385 for regular tax and alternative minimum tax purposes in the taxable year in which such written notices of allocation are received. In addition, each common shareholder of this corporation shall, by the act of continuing as a common shareholder, and by that act alone, consent that the amount of any Alternative Minimum Tax-only (AMT-only) qualified patronage credits issued pursuant to Section 6 of this Article which are made in written notices of allocation (as defined in 26 U.S.C. 1388) and which are received by such common shareholder from this corporation will be taken into account by such common shareholder at the stated dollar amount in the manner provided in 26 U.S.C. 1385 in calculating his federal alternative minimum taxable income for the taxable year in which written notice of allocation is received. The purpose of this consent Bylaw is to make patronage distributions described in this Section qualified written notices of allocation within the meaning of the United States Internal Revenue Code.

Section 3. Nonqualified Patronage Distribution. When, in the discretion of the board of directors, all or a portion of the net income of this corporation distributed to common shareholders pursuant to Section 1 hereof, should not be qualified for exclusion from this corporation's taxable income pursuant to 26 U.S.C. 1382, the board of directors shall so declare by resolution, specifying the portion to which qualification shall not apply and upon the adoption of such resolution, the provisions of Section 2 of this Article shall not apply to such portion of the patronage distribution. Such determination may be made separately for regular income tax purposes and for alternative minimum tax purposes.

Section 4. Retirement of Patronage. Whenever in the discretion of the board of directors, the capital represented by patronage is found to be in excess of the amount needed for the operation of the business, such excess may be redeemed and distributed in cash. It shall be the general policy to redeem the oldest outstanding patronage first, except that the board of directors may determine to pay either the oldest outstanding qualified patronage or the oldest outstanding nonqualified patronage or a portion of each to facilitate corporate purposes. At the discretion of the board of directors, patronage may be paid in cash in other than the regular order when such patronage is carried on the books of this corporation in respect of a deceased person or when earlier payments of individual amounts will facilitate this corporation's records, aims, purposes and good will. Patronage shall be redeemed only when such redemption is not in violation of any agreements entered into by this corporation.

Section 5. Transfer of Patronage. Patronage capital shall not be transferred except with the approval and consent of the board of directors.

Section 6. Issuance and Cancellation of AMT-only Patronage Credits. The amount by which the taxable income of this corporation resulting from business done with or for common shareholders as determined for federal alternative minimum income tax purposes exceeds such taxable income as determined for federal regular income tax purposes, shall be distributed annually on the basis of dollar volume of patronage in the form of AMT-only patronage credits. Written notice thereof shall be sent to each common shareholder showing the total amount of such AMT-only patronage credits. The board of directors shall have discretion comparable to that granted in Sections 2 and 3 of this Article to designate all or a portion of AMT-only patronage credits as AMT-only qualified patronage credits or AMT-only nonqualified patronage credits; provided, that AMT-only qualified patronage credits may be issued only if the cash portion of the distribution made pursuant to Section 1 of this Article is increased by 20% of the amount of any AMT-only qualified patronage credits and is paid in the manner and within time provided in Section 2 of this Article. AMT-only patronage credits shall be separate and distinct from patronage credits issued pursuant to Section 1 of this Article. AMT-only patronage credits shall not be redeemable by this corporation and shall automatically be cancelled with no further action required on the part of this corporation when and to the extent that the taxable income of this corporation resulting from business done with or for common shareholders as determined for federal regular income tax purposes exceeds such taxable income as determined for federal alternative minimum income tax purposes (excluding income, if any, attributable to cancellation of AMT-only patronage credits and AMT-only unit retains) for a fiscal year. AMT-only patronage credits shall not be subject to Section 4 of this Article, Article XI, nor to any other reference herein to patronage credits and, notwithstanding Section 5 of this Article, shall be

deemed transferred proportionately with any transfer of preferred stock pursuant to Section 3 of Article I.

ARTICLE VI UNIT RETAINS

Section 1. Unit Retains. This corporation, by action of its board of directors, may require investment in its capital in addition to the investments from retained patronage. These investments shall be direct capital investments from a retain on a per ton basis of sugarbeets purchased from its common shareholders, not to exceed 10 percent (10%) of the weighted average gross per ton payment for beets delivered to this corporation (calculated by dividing the total dollar amount required for beet payments by the number of net tons delivered). The unit retains, if required, shall be made on all sugarbeets delivered, in the same amount per ton. Each common shareholder, by continuing to be such, agrees that the common shareholder will invest in the capital of this corporation as prescribed in this Article. Such investments shall be accounted for separately in a unit retain account set up on the books of this corporation.

Section 2. Qualified Unit Retains and Consent Bylaw. Each common shareholder of this corporation by the act of continuing as a common shareholder and by that act alone agrees that the amount of any unit retain charged such common shareholder as provided in Section 1 of this Article and qualified by appropriate action of this corporation pursuant to 26 U.S.C. 1388 will be taken into account by such common shareholder at its stated dollar amount in the manner provided in 26 U.S.C. 1385 for regular tax and alternative minimum tax purposes and will be reported by such common shareholder in his income tax returns for the taxable year in which qualified written notice of such retain is received. In addition, each common shareholder of this corporation shall, by the act of continuing as a common shareholder, and by that act alone, consent that the amount of any AMT-only qualified unit retain issued pursuant to Section 6 of this Article and qualified by appropriate action of this corporation pursuant to 26 U.S.C. 1388 will be taken into account by such common shareholder at its stated dollar amount in the manner provided in 26 U.S.C. 1385 in calculating such common shareholder's alternative minimum taxable income and will be reported by such common shareholder in his income tax returns for the taxable year in which a qualified written notice of such retain is received. The purpose of this consent Bylaw is to make such a unit retain described in this Section 2 a "qualified per unit retain" within the meaning of the United States Internal Revenue Code.

Section 3. Nonqualified Unit Retains. When, in the discretion of the board of directors, all or a portion of any unit retain charged as provided in this Article should not be qualified for exclusion from this corporation's taxable income pursuant to 26 U.S.C. 1382, the board of directors shall so declare by resolution, specifying the portion to which qualification shall not apply and upon the adoption of such resolution, the provisions of Section 2 of this Article shall not apply to such portion of the unit retain. Such determination may be made separately for regular income tax purposes and for alternative minimum tax purposes.

Section 4. Retirement of Unit Retains. Whenever in the discretion of the board of directors the capital represented by the unit retain is found to be in excess of the amount needed for the operation of the business, then it shall distribute such excess in cash. It shall be the general policy to redeem the oldest outstanding unit retains first except that the board of directors may

determine to pay either the oldest outstanding qualified unit retains or the oldest outstanding nonqualified unit retains or a portion of each to facilitate corporate purposes. At the discretion of the board of directors, unit retains may be paid in cash in other than the regular order when such retains are carried on the books of this corporation in respect of a deceased person, or when earlier payment of other individual amounts will facilitate this corporation's records, aims, purposes and good will. Unit retains shall be redeemed only when such redemption is not in violation of any agreements entered into by this corporation.

Section 5. Transfer of Unit Retains. Unit retains shall not be transferred except with the approval and consent of the board of directors.

Section 6. Issuance and Cancellation of AMT-only Unit Retains. If the taxable income of this corporation resulting from business done with or for common shareholders as determined for federal alternative minimum income tax purposes (before patronage distributions) exceeds such taxable income as determined for federal regular income tax purposes for a fiscal year, in its discretion, the board of directors may declare an AMT-only unit retain in the amount of some or all of such excess which shall be allocated among the common shareholders on the basis of all sugarbeets delivered, in the same amount per ton. Written notice thereof shall be sent to each common shareholder showing the total amount of AMT-only unit retain. The board of directors shall have discretion comparable to that granted in Sections 2 and 3 of this Article to designate all or a portion of the AMT-only unit retains as AMT-only qualified unit retains or AMT-only nonqualified unit retains. AMT-only unit retains shall be separate and distinct from unit retains issued pursuant to Section 1 of this Article. AMT-only unit retains shall not be redeemable by this corporation and shall automatically be cancelled with no further action required on the part of this corporation when and to the extent that the taxable income of this corporation resulting from business done with or for common shareholders as determined for federal regular income tax purposes exceeds such taxable income as determined for federal alternative minimum income tax purposes (excluding income, if any, attributable to cancellation of AMT-only unit retains) for a fiscal year. AMT-only per unit retains shall not be subject to Section 4 of this Article, Article XI, nor to any other reference herein to unit retains and, notwithstanding Section 5 of this Article, shall be deemed transferred proportionately with any transfer of preferred stock pursuant to Section 3 of Article I.

ARTICLE VII

TREATMENT OF LOSSES

Section 1. Patronage Losses.

- (a) **Methods for Handling Patronage Losses.** If there is a net loss in any fiscal year from business done with or for common shareholders, this corporation may take one or more of the following actions: (i) offset all or part of such net loss against the net income of other pools or allocation units, if any, for such fiscal year to the extent allowed by law; (ii) establish accounts payable by common shareholders that may be satisfied out of any future amounts that may become payable by this corporation to each such common stockholder; (iii) carry all or part of the loss forward to be charged against future net income of the allocation unit that incurs

the loss; (iv) offset all or part of such net loss against the capital reserve; and/or (v) cancel outstanding unit returns or allocated equities in the amount of the loss.

- (b) Allocation of Net Loss Among Patrons. Any cancellation of unit returns or patronage equities and/or establishment of accounts payable pursuant to this Article VII shall be made among the common shareholders in a manner consistent with the allocation of net income.
- (c) Board Discretion. The provisions of this Article VII shall be implemented by the board of directors, having due consideration for all of the circumstances which caused the net loss, in a manner that it determines is both equitable and in the overall best interest of this corporation.
- (d) No Assessments Against Common Shareholders. There shall be no right of assessment against common shareholders for the purpose of restoring impairments to capital caused by net losses.

Section 2. Nonpatronage Losses. If this corporation incurs a net loss on its nonpatronage business or if a net loss is incurred with respect to the nonpatronage business of an allocation unit, such net loss generally shall be chargeable against capital reserve unless and to the extent the board of directors, having due consideration for the circumstances giving rise to such net loss, determines that it is reasonable and equitable to allocate all or part of such a net loss among common shareholders generally, or to a specific allocation unit or units.

ARTICLE VIII FISCAL YEAR

The fiscal year of this corporation shall commence on the first day of September in each year and shall end on the last day of the following August of each year.

ARTICLE IX INDEMNIFICATION OF CORPORATE AGENTS

This corporation shall, to the full extent permitted or required by Minnesota Statute Section 300.082 and Acts amendatory thereof or supplementary thereto, and in the manner set forth therein, indemnify any director, officer, employee or agent of this corporation against his expenses, including attorney's fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by such shareholder in connection with any proceedings involving such director, officer, employee or agent of this corporation by reason of his being or having been such director, officer, employee or agent.

ARTICLE X DISSOLUTION

Upon dissolution, all debts and liabilities of this corporation shall first be paid. Thereafter (1) the par value of the preferred shares shall be returned to the holders thereof; (2) all capital furnished through patronage and unit retains shall have be retired and paid to the holders thereof, without

priority as to year on a pro rata basis; (3) all paid-in surplus previously allocated to particular shareholders or former shareholders shall be returned to the holders thereof; and (4) the par value of common shares shall be returned to the holders thereof. The value of any remaining property and assets of this corporation shall be distributed among the then current preferred shareholders in proportion to the preferred stock held by each. In the event that the value of the property and assets of this corporation shall be insufficient to satisfy items (1) through (4) above, such items shall be satisfied in the order stated, on a pro rata basis, before making a distribution of the next item.

ARTICLE XI AMENDMENTS

These bylaws may be amended at any regular or special meeting at which a quorum is registered as being present or represented by mail vote, by a majority of the shareholders so present or represented by mail vote, where the notice of such meeting contains a summary statement of the proposed amendment.

Adopted April 26, 1973

Amended December 10, 1974

Amended August 27, 1975

Amended June 16, 1976

Amended December 8, 1976

Amended December 5, 1979

Amended April 26, 1995 (To be effective September 1, 1995)

Amended and Restated April 22, 1998

Amended and Restated August 23, 2017