

EXHIBIT B

BYLAWS

OF

MINNESOTA SOYBEAN PROCESSORS

**A COOPERATIVE ORGANIZED UNDER
MINNESOTA STATUTES, CHAPTER 308A**

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BYLAW I.
MEMBERSHIP

Section 1.01. Eligibility for Membership. Producers of agricultural products and associations of such producers who (i) are eligible to become a common stockholder of this cooperative and (ii) patronize this cooperative under uniform conditions as may be established by the Articles of Incorporation (the "Articles"), the Bylaws (the "Bylaws") or the Board of Directors (the "Board of Directors") of this cooperative may, upon the approval of the Board of Directors of this cooperative, become a member of this cooperative by:

- (a) becoming the holder of one (1) share of common stock of this cooperative; and
- (b) becoming the holder of a minimum number of shares of Class A preferred stock prescribed by the Board of Directors by the date established by the Board of Directors as the date on and after which holding such minimum number of shares of Class A preferred stock becomes a requirement of membership; and
- (c) entering into an uniform delivery and marketing agreement with this cooperative by the date established by the Board of Directors as the date on and after which entering into such agreement becomes a requirement of membership; and
- (d) receiving from this cooperative written notification and a copy of the consent bylaw providing for consent to take patronage distributions and per unit retains into income; and
- (e) meeting other membership criteria or requirements established from time to time by the Board of Directors.

Section 1.02. Termination of Membership. Membership in this cooperative may be terminated by the Board of Directors in their discretion if the Board of Directors determines that a member has:

- (a) become ineligible for membership for any reason;
- (b) failed to patronize this cooperative for a period of one year or more;
- (c) not paid any required membership fees;
- (d) died or ceased to exist as a legal entity and leaves no successor; or
- (f) the Board of Directors by resolution finds that a member has:
 - (1) intentionally or repeatedly violated any provision of the Articles, the Bylaws, or Board policies of this cooperative;
 - (2) taken actions that will impede this cooperative from accomplishing its purposes;
 - (3) takes or threatens actions that adversely affect the interests of this cooperative or its members;
 - (4) willfully obstructed any lawful purpose or activity of this cooperative; or
 - (5) breached any contract with this cooperative.

The Board of Directors may only terminate the membership of a member at a meeting of the Board of Directors, 20 days written notice of which was served upon the member alleged to be ineligible by United States Certified Mail. Said notice shall state with reasonable particularity the grounds upon which the member is alleged to be ineligible and such member shall be entitled to heard thereon at such meeting.

Section 1.03. Consequences of Membership Termination.

(a) In the event the Board of Directors shall find that any common stock of this cooperative has come into the hands of any person who is not eligible to own common stock or who has otherwise become ineligible for membership in this cooperative, the Board of Directors of this cooperative shall have the right, at its option, (i) to redeem the common stock at an amount equal to the value of the consideration for which the common stock was issued; or (ii) to convert the common stock into a nonvoting certificate of interest or other nonvoting equity credit at an amount equal to the value of the consideration for which the common stock was issued. Upon such redemption or conversion, such ineligible holder of common stock shall cease to be a member of this cooperative and shall cease to have voting rights in this cooperative. Further, upon such redemption or conversion, the Board of Directors shall have the right, but not the obligation, to terminate such ineligible holder's right and obligation to deliver agricultural products to this cooperative under any contract with this cooperative; provided, however, that nothing herein or in any such contract shall give the ineligible holder any right to have such delivery rights and obligations so terminated.

(b) In exercising its right to redeem or to convert the common stock under the preceding paragraph, this cooperative may cancel the certificate or certificates of such common stock on its books in the event the holder fails to deliver the certificate or certificates evidencing such common stock to the cooperative. In the event this cooperative exercises its right to convert the common stock into a nonvoting certificate of interest or other nonvoting equity credit, this cooperative shall have no obligation to redeem such nonvoting equity interest, nor shall the holder of such interest have any right to demand the redemption thereof.

(c) Other than as provided in Section 1.03(a), the termination of membership or other action taken by this cooperative with respect to a member or the member's common stock shall not modify the obligations and liabilities of any holder thereof to this cooperative under any uniform marketing and delivery contract or other contract between the holder and this cooperative, nor impair the rights of this cooperative under such contracts.

BYLAW II. MEETINGS OF MEMBERS

Section 2.01. Annual Meetings. The annual meeting of the members of this cooperative shall be held at such time and place as shall be determined by the Board of Directors following the close of each fiscal year of this cooperative. The notice of the meeting shall state the date, place and hour of the meeting. The Secretary shall give notice of annual members' meetings in the manner prescribed herein. The officers of this cooperative must submit reports to the members at the annual meeting covering the business of this cooperative for the previous fiscal year that show the condition of this cooperative at the close of the fiscal year. At the annual meeting, the members shall elect directors of this cooperative for the terms of office and in the manner prescribed by the Bylaws and transact such other business as may properly come before the meeting pursuant to the cooperative's notice of the meeting or by or at the direction of the Board of Directors.

Section 2.02. Special Member Meetings.

(a) Special meetings of the members of this cooperative shall be held at the place specified in the notice of the meeting. The notice shall state the time, place and purpose of the special members' meeting. A special meeting of the members may be called by a majority vote of the Board of Directors, or upon the written petition of at least 20% of the members submitted to the President of this cooperative. The President shall give notice of a special members' meeting in the manner prescribed herein. In the event a special members' meeting is called by the written petition of members, the notice of the special members' meeting shall be given within ten (10) days from and after the date of the presentation of the members' petition, and the special members' meeting must be held by thirty (30) days after the date of the presentation of the members' petition. No business shall be considered at a special members' meeting except as covered in the notice of the meeting.

(b) In order for a special member meeting to be called by a written petition of members pursuant to Section 2.02(a) or applicable law, the member or members sponsoring such petition must be in good standing and must deliver to the President of this cooperative not later than seventy-five (75) days nor earlier than one hundred twenty (120) days prior to the day that the petition is first circulated or sent to members a written statement containing: (i) a brief description of the business desired to be brought before the special meeting, the text of the proposal or business (including text of any resolutions proposed for consideration on and in the event that such business includes a proposal to amend the Articles of Incorporation or Bylaws of this cooperative, the language of the proposed amendment), reasons for conducting such business at the special meeting and any material interest in such business of such member or members sponsoring such petition, if any, or of any member on whose behalf the proposal is made; (ii) the name, address of such member or members sponsoring such petition as they appear on this cooperative's books; (iii) the class and number of shares of capital stock owned by such member or members sponsoring such petition and entitled to vote at the special meeting; (iv) a representation that the member or members sponsoring such petition is a holder of record of stock of the Cooperative entitled to vote at a special meeting and intends to appear in person at the special meeting to propose such business; and (v) the disclosure statement or other information, if any, that will accompany the petition to be circulated or sent to members. The petition and all information or statements that accompany the petition must not make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading. The cooperative may require the member or members sponsoring such petition to submit additional information as the cooperative may reasonably require to determine the eligibility or appropriateness of such proposal for action by the members or to otherwise provide adequate information for members to make an informed decision on whether or not to support the petition. The cooperative shall have the opportunity to provide information on the petition to the member or members sponsoring the petition under the same standards of disclosure, which information shall accompany the petition that is circulated or sent to the members. Petitions circulated or sent to members that do not meet the procedures set forth in this Section 2.2(b) or otherwise in accordance with the Bylaws shall not constitute valid petitions for the purpose of the calling of a special member meeting. Only such business as shall have been brought before the meeting in accordance with the procedures set forth in this Section 2.2(b) and otherwise in accordance with the Bylaws shall be conducted at a special meeting of members called by written petition of the members.

Section 2.03. Notice. Notice of all annual and special members' meetings shall be given by:

(a) publication in a legal newspaper published in the county of the principal place of business of this cooperative;

(b) publication in a magazine, periodical, or other publication of this cooperative that is regularly published by or on behalf of this cooperative and circulated generally among members;

(c) mailing the notice of the meeting to each member personally at the member's last known post office address, which for a member cooperative means notice mailed to the secretary of the member cooperative; or

(d) otherwise providing notice in a manner prescribed by applicable law.

Failure of a member to receive notice of an annual or special members' meeting shall not invalidate an action that is taken by the members at a members' meeting. The Secretary shall execute a certificate containing a correct copy of the mailed or published notice; the date of mailing or publishing the notice; and a statement that the notices were mailed or published as prescribed by Section 308A.611, subd. 5, or Section 308A.615, subd. 2. The certificate shall be made a part of the record of the meeting.

Section 2.04. Quorum. At any annual or special members' meeting, a quorum necessary for the transaction of business shall be ten percent (10%) of the total number of members if the cooperative has 500 or fewer members; or fifty (50) members if the cooperative has more than 500 members. In determining a quorum at a meeting, on a question submitted to a vote by mail, members present in person or represented by 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 present in person or by mail ballot at the meeting. The registration shall be verified by the President and Secretary of this cooperative and shall be reported in the minutes of the meeting.

Section 2.05. Voting. Each member shall be entitled to only one vote, regardless of the number of shares of Class A preferred stock held by such member. A member's vote at a members' meeting must be in person or may be by mail if a mail vote is authorized by the Board of Directors. Voting by proxy and cumulative voting shall not be permitted; provided that the spouse of the member may vote on behalf of the member unless the member has indicated otherwise in writing to this cooperative. Members that are not individual persons must designate a representative (and may also designate an alternate representative) authorized to cast their vote in the affairs of this cooperative. The designation must be in writing, must be properly authorized by the member, and must be provided to the Secretary of this cooperative at or before the member meeting. The written designation will remain effective until it is superseded by a more recent written designation meeting the same criteria. Except where a higher percentage is specified in the Bylaws or required by applicable law, members shall take action on all matters submitted to them by the affirmative vote of a majority of the votes cast at a duly held meeting, either in person or by mail vote if a mail ballot has been authorized by the Board of Directors.

Section 2.06. Mail Vote. A member who is absent from a members' meeting may vote by mail on the ballot prescribed hereunder on any motion, resolution, or amendment that the Board of Directors submits for vote by mail to the members. The mail vote must be cast on a ballot that is in the form prescribed by the Board of Directors, that contains the exact text of the proposed motion, resolution or amendment to be acted upon at the meeting, that contains spaces in which the member

may indicate an affirmative or negative vote thereon, and that otherwise meets the requirements of Minnesota law. The ballot, when completed by an absent member and received by this cooperative in the manner prescribed by the Board of Directors, shall be counted as the vote of the member at the meeting.

Section 2.07. Order of Business. Insofar as practical, the order of business at the annual members' meeting and, where applicable, at all other meetings of the members shall be:

1. Registration of Members
2. Proof of Notice of Meeting
3. Reading of Minutes of Prior Meeting
4. Reports of Officers and Committees
5. Election of Directors
6. Unfinished Business
7. New Business
8. Adjournment

BYLAW III DIRECTORS

Section 3.01. Number, Qualifications and Terms of Office. The business and affairs of this cooperative shall be governed by the Board of Directors. The number of directors shall be established by the Board of Directors, having due consideration for equitable representation of the membership, provided that the number of directors shall not be less than five (5) directors nor greater than twenty-one (21) directors, and provided that no resolution shall shorten the term of a director previously elected. All directors must be a member of this cooperative or an elected or appointed representative of a non-individual member of this cooperative. Except as otherwise provided herein, all directors shall serve three-year terms and until their successors are duly elected and qualified. Directors shall not be permitted to serve more than three, consecutive, full three-year terms. In order to preserve continuity of governance and the harmonious transition of the initial Board of Directors to the elected Board of Directors, the terms of the directors of the initial Board of Directors shall be staggered such that one-third of the directors (or as nearly as possible) shall be elected at the annual members' meeting following the date on which the Board of Directors determines that the initial membership in this cooperative has been established and at each annual meeting thereafter. The Board of Directors shall adopt a procedure to achieve the desired staggered effect prescribed by the Bylaws.

Section 3.02. Districts. The nomination and election of directors of this cooperative shall be on a district basis. For the purpose of nominating and electing directors, following the date on which the Board of Directors determines that the initial membership in this cooperative has been established and before the next annual members' meeting following such date, the initial Board of

Directors shall divide the territory encompassing the location of the members of this cooperative into districts, having due consideration for equitable representation of the membership. The boundary lines of each district shall generally follow state, county, portion of county, or combination of county lines. From time to time, but no more often than once every three years, the Board of Directors shall review member representation and may appoint members to a redistricting committee, and any future redistricting plans shall be designed to maintain equitable representation. No member of the Board of Directors may serve on any redistricting committee.

Section 3.03. Nomination and Election of Directors.

(a) Nominations by district for the election of directors may be made by balloting, by petition signed by at least ten members residing within a district and submitted to the Secretary at least ten days prior to the annual members' meeting, from the floor at the district meeting or annual members' meeting by a member residing within a district, or by nominating committee; provided that nominations from the floor shall be requested in addition to nominations made by petition or nominating committee. Before each annual members' meeting, the Board of Directors may appoint a nominating committee to supervise the nominating procedure for election of directors established by the Board of Directors. In order to promote nominations by members and to provide information to the membership, the Board of Directors may call district meetings of the members to be held at least seven days prior to the annual members' meeting. If called, the district meeting shall be presided over by the incumbent director of that district whose term of office is the last to expire, except that the Board of Directors shall designate the person to preside over a district meeting when such incumbent director is not available. Notice of any district meetings shall be given in the same manner as a notice of an annual or special members' meeting.

(b) Each district shall be represented by an equal number of directors (or as nearly as possible), and the staggered terms of the directors shall be established such that the terms of one director from each district (or as nearly as possible) shall expire at the next annual members' meeting and at each annual members' meeting thereafter. Directors shall be elected at the annual members' meeting by a vote of the members of the district to be represented by the director (and not by a vote of the entire membership), and the Board of Directors may adopt such registration or other voting procedures to further implement this election procedure.

Section 3.04. Member Assignment. Each member shall be assigned to a district in which such member's principal farm is located. A member who is other than a natural person shall be assigned to the district where such member has its principal place of business. In appropriate cases, the Board of Directors reserves the right, upon request of a member, to assign such member to a different district. The determination by the Board of Directors as to a member's district shall in all cases be final and conclusive.

Section 3.05. Annual Meeting. Within thirty (30) days after each annual members' meeting, the Board of Directors shall meet for the purpose of electing officers of this cooperative and

for the transaction of such other business as shall come before the meeting. The annual meeting of the Board of Directors shall be held at such time and place as may be fixed by resolution adopted by the Board of Directors.

Section 3.06. Regular Meeting. Regular meetings of the Board of Directors shall be held from time to time at such time and place as may be fixed by resolution adopted by the Board of Directors.

Section 3.07. Special Meetings. Special meetings of the Board of Directors may be called by the President, the Secretary or by any three (3) of the directors and shall be held from time to time at a time and place as may be designated in the notice of the meeting.

Section 3.08. Notice of Meetings. Notice of each annual, regular or special meeting of the Board of Directors shall be given by the President or Secretary who shall give at least five (5) days prior notice of the meeting to each director by mail, telephone, telephonic facsimile transmission, telegram, electronic mail or in person unless, a shorter time period is otherwise agreed to. Notice shall be deemed given upon mailing, if notice is given by mail.

Section 3.09. Waiver of Notice. Notice of any meeting of the Board of Directors may be waived either before, at or after the meeting, in writing signed by each director. A director, by attendance at any meeting of the Board of Directors, shall be deemed to have waived notice of such meeting, except when a director attends the meeting and objects to the transaction of business because the meeting was not lawfully convened.

Section 3.10. Quorum; Board Action. A majority of the members of Board of Directors shall constitute a quorum for the transaction of business except that, when a vacancy or vacancies exist, a majority of the remaining directors shall constitute a quorum. The Board of Directors shall take action by the affirmative vote of a majority of the directors present at a duly held meeting.

Section 3.11. Action Without a Meeting. Any action required or permitted to be taken at a meeting of the Board of Directors may be taken by written action signed by all of the directors. The written action is effective when signed by all of the directors, unless a different effective time is provided in the written action.

Section 3.12. Electronic Communications. Any meeting of the Board of Directors may be conducted by telephonic or other electronic means of communication through which the directors may simultaneously hear one another.

Section 3.13. Vacancies. If a director's position is vacant, the Board of Directors may appoint a member of this cooperative from the district of the vacant director position to fill the directors position until the next annual or special members' meeting. At the next annual or special

members' meeting, the members from the district of the vacant director's position shall elect a director to fill the unexpired term of the vacant director's position.

Section 3.14. Removal. Members of a district may remove a director from their district at a members' meeting for cause related to the duties of the position of the director and fill the vacancy caused by the removal.

Section 3.15. Compensation. Directors who are not salaried officers of this cooperative shall receive such fixed sum per meeting attended or such fixed annual sum as shall be determined, from time to time, by resolution of the Board of Directors. All directors shall receive their expenses, if any, of attendance at meetings of the Board of Directors or any committee thereof. Nothing in these Bylaws shall be construed to preclude any director from serving this cooperative in any other capacity and receiving proper compensation for the service.

BYLAW IV DUTIES OF DIRECTORS

Section 4.01. General Powers. The Board of Directors shall govern the business and affairs of this cooperative and shall exercise all of the powers of this cooperative, except those powers that are conferred upon or reserved to the members by law, the Articles of Incorporation, or these Bylaws. The Board of Directors shall adopt such policies, rules, and regulations and shall take such actions as it may deem advisable, provided that the Board of Directors does not act in a manner inconsistent with law, the Articles of Incorporation, or these Bylaws.

Section 4.02. Committees. By resolution, the Board of Directors may designate three or more directors, one of whom shall be the President of this cooperative, to constitute an Executive Committee. The Executive Committee shall have and exercise only such authority of the Board of Directors in the management of this cooperative to the extent provided in the resolution. The Board of Directors may establish such other committees from time to time as it deems advisable, having such authority as provided by the Board of Directors. Committees are subject at all times to the direction and control of the Board of Directors.

Section 4.03. Employment of CEO. Following the date established by the Board of Directors, the Board of Directors shall select, employ, and fix the compensation of the Chief Executive Officer ("CEO") of this cooperative, who shall not be a member of the Board of Directors. The CEO shall have responsibility for all administrative and operational aspects of this Cooperative, and shall perform any other duties that may be assigned by the Board of Directors. The Board of Directors may terminate the employment of the CEO with or without cause at any time, subject to the terms of any written employment contract, if any, between this cooperative and the CEO.

Section 4.04. Bonds and Insurance. The Board of Directors may require all officers, agents, and employees charged by this cooperative with responsibility for the custody of any of its funds or property to give bonds. Bonds shall be furnished by a responsible bonding company and approved by the Board of Directors, and the cost shall be paid by this cooperative. The Board of Directors shall provide for insurance of the property of this cooperative and its affiliates, or property which may be in the possession of this cooperative or its affiliates and not otherwise adequately insured by the owner of the property, unless such insurance is otherwise provided for by an affiliate. In addition, the Board of Directors shall provide for insurance covering liability of this cooperative or its affiliates to all employees and the public, unless such insurance is otherwise provided for by an affiliate.

Section 4.05. Accounting System. The Board of Directors shall install and maintain an adequate system of accounts and records. At least once each year, the financial records of this cooperative shall be audited, and a report of the audit shall be made at the annual meeting of the members.

Section 4.06. Financial Matters. The Board of Directors shall have the power to select one or more banks or other financial institutions to act as depositories of the funds of this cooperative, and to determine the person or persons who shall have authority to sign checks and other instruments.

BYLAW V OFFICERS

Section 5.01. Officers. The officers of this cooperative shall be a President, a Vice President, a Secretary and a Treasurer, who shall be elected in the manner as provided in Section 5.07 of these Bylaws. The offices of the Secretary and Treasurer may be combined and when so combined shall be termed "Secretary-Treasurer." Except for the Secretary-Treasurer, no offices may be held concurrently by the same person. The President and Vice President must be directors and members of this cooperative. The Board of Directors may elect other officers from time to time as it deems advisable or as required by these Bylaws, and in such event shall establish appropriate duties and responsibilities for any such other officers. The Treasurer, Secretary and any such additional officers need not be directors or members.

Section 5.02. President. The President shall see that all orders and resolutions of the Board of Directors are carried into effect and shall preside at all meetings of the members and directors. The President shall be the official representative of this cooperative to all outside associations or organizations of which this cooperative is a member, unless another person is appointed by the President or other action is taken by the Board of Directors. The President shall sign and deliver in the name of this cooperative any deeds, mortgages, bonds, contracts and other instruments pertaining to the business of this cooperative, except in cases in which the authority to sign and deliver is

required by law to be exercised by another person or is expressly delegated by the Articles or the Bylaws or the Board to some other officer or agent of this cooperative. This broad signing authority shall not be construed so as to preclude the Board of Directors from authorizing any other officer or agent of this cooperative to sign any deeds, mortgages, bonds, contracts and other instruments pertaining to the business of this cooperative on behalf of this cooperative. The President shall have such other duties as may, from time to time, be assigned by the Board of Directors.

Section 5.03. Vice President. The Vice-President shall have powers and perform duties as may be specified in the Bylaws or prescribed by the Board of Directors or by the President. In the event of the absence or disability of the President, the Vice-President shall perform the duties and exercise the powers of the President.

Section 5.04. Secretary. The Secretary shall attend all meetings of the members and Board of Directors; record all votes at and keep minutes of all the meetings; and record all proceedings of the meetings in the minute book of this cooperative. The Secretary shall give proper notice of meetings of the members and of the Board of Directors. The Secretary shall perform such other duties as may, from time to time, be prescribed by the Board of Directors or by the President.

Section 5.05. Treasurer. The Treasurer shall be the custodian of all funds, securities and properties of this cooperative and shall perform such other duties with respect to the finances of this cooperative as may be prescribed by the Board of Directors or by the President.

Section 5.06. Compensation. The officers of this cooperative shall receive compensation for their services as may be determined, from time to time, by resolution of the Board of Directors. No officer who is a director may take part in the vote on his or her salary for services rendered to the cooperative.

Section 5.07. Election of Officers. At its annual meeting, the Board of Directors shall elect from its members a President and one or more Vice-Presidents. Election for persons to fill any other offices established by these Bylaws or by the Board of Directors pursuant to Section 5.01 of these Bylaws shall be held at the annual meeting of the Board of Directors or at any other meeting of the Board of Directors, provided that notice of such election has been given in the notice of such meeting if other than the annual meeting. The officers shall hold their offices until their successors have been elected and have qualified, subject to any removal provisions of these Bylaws.

Section 5.08. Removal of Officers. The members may remove an officer at a members' meeting for cause related to the duties of the position of the officer and fill the vacancy caused by the removal. In addition, any officer may be removed by the Board of Directors whenever in its judgment the best interests of the cooperative will be served. Any vacancy among the officers caused by such removal shall be filled by the Board of Directors. No election or appointment to an office of this cooperative shall itself create any contract rights.

BYLAW VI
INDEMNIFICATION AND INSURANCE

Section 6.01. Indemnification. This cooperative shall indemnify each person who is or was a director, officer, manager, employee or agent of this cooperative, and any person serving at the request of this cooperative as a director, officer, manager, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses, including attorneys' fees, judgements, fines, and amounts paid in settlement actually and reasonably incurred to the extent to which such directors, officers, managers, employees or agents of this cooperative may be indemnified under the law of Minnesota.

Section 6.02. Insurance. This cooperative shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, manager, employee, or agent of this cooperative against liability asserted against and incurred by the person in the person's capacity as a director, officer, manager, employee or agent, or arising from the person's status as a director, officer, manager, employee, or agent of the cooperative.

BYLAW VII
OPERATIONS ON A COOPERATIVE BASIS

Section 7.01. Cooperative Operation. This cooperative shall be operated upon the cooperative basis in carrying out its business within the scope of the powers and purposes defined in the Articles of Incorporation. Accordingly, the net income of this cooperative in excess of amounts credited by the Board of Directors to capital reserves and amounts of dividends, if any, paid with respect to equity capital shall be accounted for and distributed annually on the basis of allocation units (as authorized by the Board of Directors) as provided in this bylaw. In determining the net income or net loss of this cooperative or its allocation units, there shall be taken into account this cooperative's share of the net income or net loss of any unincorporated entity (including without limitation, limited liability companies and partnerships, whether general or limited) in which it owns an equity interest, patronage dividends distributed by other cooperatives of which this cooperative is a patron and, to the extent prospectively determined by the Board of Directors, its share of the undistributed net income or net loss of any corporation in which this cooperative owns an equity interest.

Each transaction between this cooperative and each member shall be subject to and shall include as a part of its terms each provision of the Articles of Incorporation and Bylaws of this cooperative, whether or not the Articles of Incorporation or the Bylaws are expressly referred to in the transaction or the transactions documentation. Except in the case of emergency or sideline purchases, each member or nonmember for whom this cooperative markets or procures goods or

services shall be entitled to the net income arising out of said transaction as determined on a patronage basis.

Section 7.02. Patrons; Patronage Business; Nonpatronage Business. As used in this bylaw, the following definitions shall apply:

(a) The term "patron" shall refer to any member or nonmember with respect to business conducted with this cooperative on a patronage basis in accordance with Section 7.01.

(b) The term "patronage business" shall refer to business done by this cooperative with or for patrons.

(c) The term "nonpatronage business" shall refer to business done by this cooperative that does not constitute "patronage business."

Section 7.03. Establishment of Allocation Units. Allocation units may be established by the Board of Directors on a reasonable and equitable basis and they may be functional, divisional, departmental, geographic, or otherwise. Until different allocation units are established by the Board of Directors, the entire business of this cooperative shall be considered one and the only allocation unit. The Board of Directors shall adopt reasonable and equitable accounting procedures as will, in the Board's judgment, equitably allocate among the allocation units this cooperative's income, gains, expenses and losses and, to the extent provided in Section 7.01, patronage dividends received by this cooperative and its share of income, gain, loss and deduction of other entities in which this cooperative owns an interest.

Section 7.04. Determination of the Patronage Income or Loss of an Allocation Unit. The net income from patronage business for each fiscal year shall be the sum of (1) the gross revenues directly attributable to goods or services marketed or procured for patrons of the allocation unit, plus (2) an equitably apportioned share of other items of income or gain attributable to this cooperative's patronage business, less (3) all expenses and costs of goods or services directly attributable to goods or services marketed or procured for patrons of the allocation unit, less (4) an equitably apportioned share of all other expenses or losses attributable to this cooperative's patronage business, dividends on equity capital and distributable net income from patronage business that is credited to the Capital Reserve pursuant to Section 7.08. The foregoing amounts shall be determined in accordance with the accounting treatment used by the cooperative in calculating its taxable income for federal income tax purposes; provided, however, that the Board of Directors may prospectively adopt a reasonable alternative method. Expenses and cost of goods or services shall include without limitation such amounts of depreciation, cost depletion and amortization as may be appropriate, any unit retentions provided in Bylaw IX, amounts incurred for the promotion and encouragement of cooperative organization, and taxes other than federal income taxes. Such net income or net loss shall be subject to adjustment as provided in Sections 7.06 and 7.09(b) relating to losses.

Section 7.05. Allocation of Patronage Income Within Allocation Units. The net income of an allocation unit from patronage business for each fiscal year, less any amounts that are otherwise allocated in dissolution pursuant to Bylaw IX, shall be allocated among the patrons of the allocation unit in the ratio that the quantity or value of the business done with or for each patron bears to the quantity or value of the business done with or for all patrons of the allocation unit. The Board of Directors shall reasonably and equitably determine whether allocations within any allocation unit shall be made on the basis of quantity or value.

Section 7.06. Treatment of Patronage Losses of an Allocation Unit.

(a) Methods of Handling Patronage Losses. If an allocation unit incurs a net loss in any fiscal year from patronage business, this cooperative may take one or more of the following actions:

(i) Offset all or part of the net loss against the net income of other allocation units for the fiscal year to the extent allowed by law.

(ii) Establish accounts payable by patrons of the allocation unit that incurs the net loss that may be satisfied out of any future amounts that may become payable by this cooperative to the patron;

(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 the net loss against the Capital Reserve;

(v) Cancel outstanding Patrons' Equities.

(b) Allocation of Net Loss Among Patrons of Loss Unit. Any cancellation of equities and/or establishment of accounts payable pursuant to this Section 7.06 shall be made among the patrons of an allocation unit in a manner consistent with the allocation of net income of the allocation unit.

(c) Restoration of Net Loss out of Future Net Income. The future net income of an allocation unit that incurs a net loss may be reduced by part or all of the net loss that was offset against the Capital Reserve, Patrons' Equities of patrons of another allocation unit or against the net income of another allocation unit and may be used to restore the Capital Reserve, restore the Patrons' Equities or to increase the future net income of other allocation units; provided that reasonable notice of the intent to do so is given to the patrons of the loss unit.

(d) Board Discretion. The provisions of this Section 7.06 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 cooperative.

(e) No Assessments against Members or Nonmember Patrons. There is no right of assessment against members or nonmembers patrons for the purpose of restoring impairments to capital caused by net losses.

Section 7.07. Distribution of Net Income.

(a) Patronage Refunds. The net income allocated to a patron pursuant to Sections 7.05 and 7.09 shall be distributed annually or more often to the patron as a patronage refund; provided, however, that no distribution need be made where the amount otherwise to be distributed to a patron is less than a de minimus amount that may be established from time to time by the Board of Directors.

(b) Form of Patronage Refunds. Patronage refunds shall be distributed in cash, capital stock, allocated patronage equities, revolving fund certificates, securities of this cooperative, other securities, or any combination thereof designated by the Board of Directors (all except cash and other securities referred to collectively in these Bylaws as "Patrons' Equities"), including, without limitation, the following instruments:

(i) Equity Certificates in one or more than one class or series, in the designations or denominations, and with the relative rights, preferences, privileges and limitations as may be fixed by the Board of Directors, and bearing no interest, dividend or other annual payment.

(ii) Debt Certificates in one or more than one class or series, in the designations or denominations, and with the relative rights, preferences, privileges and limitations as may be fixed by the Board of Directors, and bearing the maturity and rate of interest, if any, as may be fixed by the Board of Directors. Debt certificates shall be callable for payment in cash or other assets at times as may be determined by the Board of Directors.

(iii) Non-Patronage Earnings Certificates in one or more than one class or series, in the designations or denominations, and with relative rights, preferences, privileges and limitations as may be fixed by the Board of Directors, with no maturity date, and bearing no interest, dividend or other annual payment. Non-Patronage Earnings Certificates may be distributed only to members and to nonmember patrons as part of the allocation and distribution of nonpatronage income. The certificates shall be callable for payment in cash or other assets at the times as may be determined by the Board of Directors.

(c) Written Notice of Allocation. The noncash portion of a patronage refund distribution that is attributable to patronage business shall constitute a written notice of allocation as defined in 26 U.S.C. Section 1388 which shall be designated by the Board of Directors as a qualified written

notice of allocation, as a nonqualified written notice of allocation or any combination thereof as provided in that section.

(d) No Voting Rights. Patrons' Equities shall not entitle the holders to any voting or other rights to participate in the affairs of this cooperative (which rights are reserved solely for the members of this cooperative).

(e) Transfer Restriction. Patrons' Equities may only be transferred with the consent and approval of the Board of Directors, and by an instrument of transfer as may be required or approved by the Board of Directors.

(f) Board Authority to Allow Conversion. The Board of Directors of this cooperative also shall have the authority to allow conversion of Patrons' Equities into other debt and/or equity instruments of this cooperative on the terms as shall be established by the Board of Directors.

(g) Revolverment Discretionary. No person or entity shall have any right whatsoever to require the retirement or redemption of any Patrons' Equities except in accordance with their term, or of any allocated capital reserve. The redemption or retirement is solely within the discretion and on the terms as described from time to time by the Board of Directors of this cooperative.

Section 7.08. Capital Reserve. The Board of Directors shall cause to be created a Capital Reserve and, except as otherwise provided in Section 7.09, shall annually add to the Capital Reserve the sum of the following amounts:

- (a) The annual net income of this cooperative attributable to nonpatronage business;
- (b) Annual net income from patrons who are unidentified or to whom the amount otherwise to be distributed is less than the de minimus amount provided in Section 7.07(a); and
- (c) An amount not to exceed 10% of the distributable net income from patronage business. The discretion to credit patronage income to a Capital Reserve shall be reduced or eliminated with respect to the net income of any period following the adoption of a Board of Directors resolution that irrevocably provides for the reduction or elimination with respect to such period.

Federal income taxes shall be charged to the Capital Reserve. Such reserves shall be credited to the allocation units and the patrons thereof in the same manner as patronage income is allocated within the allocation unit.

Section 7.09. Allocation and Distribution of Nonpatronage Income and Loss.

(a) Nonpatronage Income. The Board of Directors shall have the discretion to allocate to allocation units amounts that are otherwise to be added to the Capital Reserve pursuant to Section 7.08(a). The allocation may be made on the basis of any reasonable and equitable method. Amounts so allocated to allocation units shall be further allocated among the patrons of the allocation units on a patronage basis using a method that the Board of Directors determines to be reasonable and equitable. Amounts so allocated shall be distributed to those patrons in the form of cash, property, Non-Patronage Earnings Certificates, or any combination thereof designated by the Board of Directors.

(b) Nonpatronage Loss. If the cooperative 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, the 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 the net loss, determines that it is reasonable and equitable to allocate all or part of the net loss among one or more allocation units and shall reduce the unit's net income from patronage business to the extent of the allocated loss and the excess, if any, shall be treated generally in accordance with Sections 7.06(a)(ii), (iii), and (v).

BYLAW VIII CONSENT

Section 8.01. Consent to Take Patronage Distributions Into Income. Each person who hereafter applies for and is accepted to membership in this cooperative and each member of this cooperative as of the effective date of this bylaw who continues as a member after such date shall, by such act alone, consent that the amount of any distributions with respect to its patronage which are made in written notices of allocation (as defined in 26 U.S.C. § 1388), and which are received by the member from this cooperative, will be taken into account by the member at their stated dollar amounts in the manner provided in 26 U.S.C. § 1385(a) in the taxable year in which the written notices of allocation are received by the member.

Section 8.02. Consent Notification to Members and Prospective Members. Written notification of the adoption of this bylaw, a statement of its significance and a copy of the provision shall be given separately to each member and prospective member on or before becoming a member of this cooperative.

Section 8.03. Consent of Nonmember Patrons. If this cooperative obligates itself to do business with a nonmember on a patronage basis, the nonmember must either: (a) agree in writing, prior to any transaction to be conducted on a patronage basis, that the amount of any distributions with respect to patronage which are made in written notices of allocation (as defined in 26 U.S.C. § 1388), and which are received by the nonmember patron from this cooperative, will be taken into account by the nonmember patron at their stated dollar amounts in the manner provided in 26 U.S.C. § 1395(a) in the taxable year in which such written notices of allocation are received by the

nonmember patron and further, that any revocation of such agreement will terminate this cooperative's obligation to distribute patronage with respect to transactions with such nonmember that occur after the close of this cooperative's fiscal year in which the revocation is received; or (b) consent to take the stated dollar amount of any written notice of allocation into account in the manner provided in 26 U.S.C. § 1385 by endorsing and cashing a qualified check as defined in and within the time provided in 26 U.S.C. § 1388(c)(2)(C); provided that failure to so consent shall cause the written notice of allocation that accompanies said check to be canceled with no further action on the part of this cooperative.

BYLAW IX MERGER OR CONSOLIDATION; DISSOLUTION

Section 9.01. Merger or Consolidation. If the terms of a merger or consolidation of which this cooperative is a party do not provide the members and nonmember patrons of this cooperative with an economic interest in the surviving entity that is substantially similar to the economic interest possessed by such members and nonmember patrons in this cooperative immediately before such merger or consolidation, the value of the consideration received shall be divided among them in the same manner as a comparable amount of net liquidation proceeds would be distributed pursuant to Section 9.02. This shall not be construed to prevent issuance of differing forms of consideration to different groups of members and nonmember patrons to the extent allowed by law.

Section 9.02. Liquidation, Dissolution and Winding-Up. Subject to the Articles of Incorporation, in the event of any liquidation, dissolution or winding up of the affairs of this cooperative, whether voluntary or involuntary, all debts and liabilities of this cooperative shall be paid first according to their respective priorities. The remaining assets shall be distributed in the following manner and order of preference: (1) first to the holders of shares of Class B preferred stock in an amount equal to the sum of the value of the consideration for which the shares of Class B preferred stock were issued, plus, in the case of a series of Class B preferred stock whose terms includes rights to cumulative dividends on liquidation, the amount equal to the dividends accumulated and unpaid thereon to the date of final distribution to such holders, in such priority of series of such shares as may have been established upon the issuance of the shares and on a pro rata basis within a series if necessary; (2) second to the holders of shares of Class A preferred stock in an amount equal to the value of the consideration for which the shares of Class A preferred stock were issued, without priority and on a pro rata basis if necessary; (3) third to the holders of shares of common stock in an amount equal to the value of the consideration for which the shares of common stock were issued, without priority and on a pro rata basis if necessary; (4) fourth to payment of the stated dollar amount of all Patrons' Equities (other than Non-Patronage Earnings Certificates), in chronological order of year beginning with the oldest outstanding Patrons' Equities first and on a pro rata basis within a year if necessary; (5) fifth to payment of the stated dollar amount of Non-Patronage Earnings Certificates, in chronological order of year beginning with the oldest outstanding Non-Patronage Earnings Certificates first and on a pro rata basis within a year if necessary; and (6)

sixth to the patrons in accordance with their interest in Capital Reserves. Any assets remaining after the foregoing payments have been made shall be allocated among the allocation units in the manner as the Board of Directors, having taken into consideration the origin of the amounts, shall determine to be reasonable and equitable. Amounts so allocated shall be paid to current and former patrons of each such allocation unit in proportion to their patronage of the unit over the period as may be determined to be equitable and practicable by the Board of Directors. The obligation to distribute shall be construed as a preexisting duty to distribute any patronage sourced net gain realized in the winding up process to the maximum extent allowable by law.

BYLAW X UNIT RETENTIONS

Section 10.01. Unit Retain. This cooperative 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 unit basis of the products purchased from its members. The unit retention, if required, shall be made on all products delivered, in the same amount per unit and shall at no time become a part of net annual savings available for patronage. Each member, by continuing to be such, agrees to invest in the capital of this cooperative as prescribed in this Bylaw X. Such investments shall be accounted for separately in a unit retention account set up on the books of this cooperative. Only the Board of Directors shall have the authority and power to require investment in the capital of this cooperative as prescribed in this Bylaw X, and the Board of Directors shall only have such authority upon the approval by a 60% majority of the votes cast by members at a duly held meeting of the members called for that purpose. No receiver, trustee or similar officer of any property of this cooperative shall have the authority or the power to require investment in the capital of this cooperative as prescribed in this Bylaw X, and any assignment for the benefit of creditors or any commencement of any proceeding under any bankruptcy, insolvency, receivership, dissolution, liquidation or similar law by or against this cooperative shall terminate the authority of the Board of Directors to require investment in the capital of this cooperative as prescribed in this Bylaw X. The power and authority of the Board of Directors to require investment in the capital of this cooperative as prescribed in this Bylaw X shall be subject to the minimum cash payment provisions expressly provided for in any uniform delivery and marketing agreement between this cooperative and its members, if any. The Board of Directors shall have the power to designate any unit retain certificate as a "qualified per unit retain certificate" or a "non-qualified per unit retain certificate" within the meaning of the Internal Revenue Code.

Section 10.02. Consent to Take Qualified Per Unit Retains Into Income. Each person who hereafter applies for and is accepted to membership in this cooperative and each member of this cooperative as of the effective date of this bylaw who continues as a member after such date shall, by such act alone, consent that the amount of any per-unit retain certificate authorized by this bylaw and designated by the Board of Directors to constitute a "qualified per-unit retain certificate," and which are received by the member from this cooperative, will be taken into account by the member at its

stated dollar amount in the manner provided in 26 U.S.C. §1385(a) in the taxable year in which the qualified per-unit retain certificates are received by the member. The purpose of this consent bylaw is to make a per-unit retain certificate so designated by the Board of Directors a "qualified per-unit retain certificate" within the meaning of 26 U.S.C. § 1388.

BYLAW XI

STOCK CERTIFICATES; RESTRICTIONS ON SALES AND TRANSFERS

Section 11.01. Stock Certificates. Certificates of stock shall be issued to each holder of fully paid capital stock as determined by the Board of Directors. On the stock certificate, there shall be stated the name of the cooperative, the class of stock, the par value of the stock, the number of shares represented, the name of the member to which issued. This cooperative shall conspicuously note any transfer restrictions in legend form on such stock certificates. Each certificate shall bear the signature of the President and the Secretary or Secretary-Treasurer. A record of the stock certificate issued shall be kept on the stub of the stock certificate.

Section 11.02. Replacement of Stock Certificates. When existing stock certificates are to be replaced, they must be surrendered before new certificates are issued. Each surrendered certificate and the stub of the certificate shall be canceled, with the date of cancellation noted on the certificate. In the event that any stock certificate has been lost or destroyed, the registered owner of the certificate shall be required to deliver appropriate indemnification commitments to this cooperative before this cooperative issues a replacement certificate for the lost or destroyed certificate.

Section 11.03. Restrictions on Transfer. For purposes of this Bylaw, the term "transfer" shall mean, as a noun, any voluntary or involuntary transfer, sale, assignment, or other disposition and, as a verb, to voluntarily or involuntarily transfer, sell, assign or otherwise dispose of. A mortgage, pledge, or hypothecation of shares of preferred stock shall not be considered a transfer, provided that any subsequent foreclosure thereof or transfer to the secured party in lieu of foreclosure shall be deemed to be a transfer and subject to the transfer restrictions contained in this Bylaw. The common stock of this cooperative is nontransferable and may not be pledged. No holder of preferred stock of this cooperative may transfer all or any portion of such holder's shares except as otherwise expressly permitted by these Bylaws. The preferred stock of this cooperative may not be sold or transferred without the approval of the Board of Directors, and then only if the conditions and restrictions described in Section 11.04 and 11.05 (as applicable) are met. No preferred stock shall be transferred unless any and all indebtedness owed to this cooperative by the holder of the stock shall first be paid. Any purported transfer other than a transfer in accordance with these Bylaws shall be null and void and of no force or effect whatever. The Board of Directors may withhold its consent and approval to proposed transfers of preferred stock in its sole discretion.

Section 11.04. General Conditions. No transfer shall be permitted unless and until each of the following conditions and requirements is satisfied:

- (a) the transferee is an agricultural producer or an association of such producers who resides in the area served by this cooperative and who meets each of the membership criteria established in or pursuant to the Articles and these Bylaws; and
- (b) the transfer would not in the opinion of the Board of Directors have a material adverse impact on this cooperative or its operations; and
- (c) the transfer is entered on the books of this cooperative.

Section 11.05. First Right to Purchase Preferred Stock. In addition to any other conditions and restrictions on transfer, this cooperative shall have the first privilege of purchasing any shares of preferred stock offered for sale by a stockholder, as prescribed below. This first privilege shall not apply to transfers without consideration to (i) the spouse, parent, child (or spouse of child), brother or sister (or spouse of brother or sister) of the shareholder or (ii) a family farm corporation or other legal entity consisting of the shareholder's family in which the shareholder is a shareholder or (iii) a partnership in which the shareholder is a partner.

Whenever any shareholder desires to sell any or all of its shares of preferred stock, the shareholder shall first give the cooperative the first privilege of purchasing such shares by giving this cooperative written notice of the proposed sale which sets forth the name and address of the proposed transferee, the number of shares of preferred stock to be sold and all terms and conditions of the proposed sale. The Board of Directors on behalf of this cooperative shall have 45 days following receipt of said written notice to exercise the right of this cooperative to purchase such shares on the same terms and conditions of the proposed sale, by providing written notice to the shareholder of such exercise. In the event this cooperative does not exercise its option to purchase the shares, the shareholder may sell the shares on the terms and conditions stated in the written notice of the proposed sale, provided that such proposed transfer must nevertheless meet the other conditions and requirements of transfer described herein and further provided that such sale must be consummated within thirty (30) days of approval of the Board of Directors.

Section 11.06. Entitlements Based on Patronage.

(a) When all or a portion of a member's Class A preferred stock is validly transferred, the transferee also shall succeed to any entitlement of the transferor that is based on patronage of the transferor (or any predecessor owner of the transferred interest), including undistributed patronage dividends with respect to transactions occurring prior to the effective date of the transfer, written notices of allocation, unit retains and any residual claim to distributions out of capital reserves or in liquidation, dissolution and winding-up of this cooperative under these Bylaws, in proportion to and to the extent such entitlements relate to delivery obligations associated with the

transferred Class A preferred stock. Upon the effective date of the transfer, any such entitlements shall vest automatically in the transferee by operation of these Bylaws, without reversion or impairment of the entitlement as a result of such transfer, without any requirement of action or execution of documents by any of the parties thereto. As part of the transfer of entitlements, the transferor must report as taxable income any patronage dividends distributed with respect to patronage transactions during the fiscal year of this cooperative immediately preceding the fiscal year in which the effective date of the transfer occurs, and the transferee must report as taxable income any patronage dividends distributed with respect to patronage transactions occurring during the fiscal year of this cooperative in which the effective date of the transfer occurs, and such amounts will be reflected in information returns filed by the cooperative with state and federal taxing authorities.

(b) Notwithstanding the foregoing, if this cooperative distributes a patronage dividend with respect to patronage transactions occurring during its fiscal year immediately preceding the fiscal year in which the effective date of the transfer occurs, the transferor shall be entitled to receive the portion of that patronage dividend that is paid in cash on or before the 15th day of the ninth month of the fiscal year in which the effective date of the transfer occurs, and such cash shall be excluded from the entitlements which are automatically assigned to the transferee by operation of these Bylaws.

**BYLAW XII
FISCAL YEAR**

The Board of Directors may by resolution adopt a fiscal year of this cooperative from time to time.

**BYLAW XIII
AMENDMENTS**

These Bylaws may be amended as provided by law.

Adopted by the Board of Directors on December 1, 1999, at a time when this cooperative did not have any members or stockholders with voting rights.

- Amended by the Members on March 13, 2004.
- Amended by the Members on March 12, 2005.
- Amended by the Members on March 15, 2008.
- Amended by the Members on March 19, 2011.