

**BYLAWS OF**  
**East Side Community Investment Cooperative**

Adopted on: September 27, 2024

<b>Article 1. NAME</b>	<b>1</b>
<b>Article 2. PURPOSES</b>	<b>1</b>
<b>Article 3. MEMBERSHIP</b>	<b>2</b>
<b>Article 4. MEETINGS OF MEMBERS</b>	<b>3</b>
<b>Article 5. DIRECTORS</b>	<b>5</b>
<b>Article 6. OFFICERS</b>	<b>9</b>
<b>Article 7. CAPITAL STOCK</b>	<b>10</b>
<b>Article 8. DISTRIBUTION OF SURPLUS</b>	<b>12</b>
<b>Article 9. CONSENT BY MEMBERS</b>	<b>13</b>
<b>Article 10. INDEMNIFICATION</b>	<b>13</b>
<b>Article 11. FISCAL MATTERS</b>	<b>14</b>
<b>Article 12. AMENDMENT</b>	<b>15</b>

**Article 1. NAME**

The name of the organization shall be East Side Community Investment Cooperative (“the Cooperative”), or as otherwise provided by the Cooperative’s articles of incorporation. It shall be a cooperative incorporated under Chapter 308A of the statutes of the State of Minnesota.

**Article 2. PURPOSES**

The purpose of the Cooperative shall be to engage, on a cooperative basis, in real estate investment, acquisition, development, and management for the benefit of its members, and to otherwise engage in any lawful activity related to its purpose.

The Cooperative seeks to put land and buildings into shared, cooperative, local ownership and control, and empower local communities through small scale democracy to care for and protect its properties in ways that are ecologically, culturally, and economically restorative and regenerative.

### **Article 3. MEMBERSHIP**

3.1 **Membership Classes.** The Cooperative shall have two classes of membership: Community Members and General Members. The relative rights of these classes of membership are as set forth in the Cooperative's articles of incorporation (the "**Articles**") and these bylaws.

3.2 **Eligibility.**

- a. Community Member Eligibility. Any natural person at least 18 years old, who is a current or past resident of the East Side of Saint Paul, Minnesota, may become a Community Member. Any trust, corporation, limited liability company, or other legal entity may become a Community Member if a majority of its beneficiaries or owners meet the eligibility requirements of this sub-paragraph, or if its principal place of business is located on the East Side of Saint Paul, Minnesota. "Principal place of business" means the place where the officers, directors, partners, or managers of the entity primarily direct, control, and coordinate its activities.
- b. General Member Eligibility. Any individual at least 18 years or older, and any legal entity, may become a General Member.

3.3 **Admission of New Members.** Each prospective member shall complete an application in writing, on a form provided by the Cooperative. Pending approval of the application by the Board or an empowered committee of the Board, each prospective member shall purchase at least one share of common stock at its current purchase price as set by the Board from time to time (which must be at least the par value). Class A Common Stock may be purchased only by Community Members. Class B Common Stock may be purchased only by General Members. Members may purchase any number of shares of common stock in the appropriate class. Members have one and only one vote regardless of the number of shares held. In addition, the Cooperative may charge a nonrefundable membership fee in an amount set by the Board from time to time. The Board has authority to approve or reject a membership application based on policies established and approved by the Board. Each new member will receive a copy of the Articles of Incorporation and Bylaws of the Cooperative.

3.4 **Termination of Membership.** Membership may be terminated voluntarily by a member upon written notice to the Cooperative. Membership shall terminate automatically if a member dies or ceases to exist. Membership may also be terminated by the Board at its discretion whenever the Board by resolution finds that the member has:

- a. knowingly, intentionally, or repeatedly violated any provision of the Bylaws;
- b. knowingly, intentionally, or repeatedly violated any Board policy of the Cooperative;
- c. breached any contract with the Cooperative; or
- d. willfully obstructed any lawful purpose or activity of the Cooperative.

Members who are to be terminated by resolution of the Board shall be given 15 days' notice of the proposed termination and provided an opportunity to address the Board, if requested by the member prior to the date of termination.

- 3.5 Actions Upon Termination.** When membership is terminated for any reason other than violation of the Bylaws as described in Section 3.4(a), the Cooperative shall purchase the member's Membership Stock at its book value, together with any cash portion of a patronage dividend due or unpaid and the value of any accumulated capital credits, less any indebtedness due to the Cooperative. The Cooperative may pay the former member (or the former member's heirs or successors) in the form of cash and/or preferred stock, as determined by the Board.

Repurchase of the Cooperative's stock and payment on any accumulated capital credits from a terminated member shall be subject to the same terms and limitations governing all stock repurchases.

In the event of a termination of membership for violation of the Bylaws as set forth in Section 3.4(a) above, the Board may require the terminated member to surrender any or all shares of stock owned by the terminated member. The Cooperative shall refund to the stockholder for the surrendered stock the lesser of the par value or the book value of the stock. The surrendered stock shall be retired and canceled by the Board.

Upon termination of membership, the member shall have no voting rights in the Cooperative. No termination under this section shall impair the obligations or liabilities of either party under any contract between the member and the Cooperative that may be terminated only as provided under its own terms.

- 3.6 Restrictions on Withdrawals and Transfers of Membership.** Upon withdrawal from membership in the Cooperative, a member's stock may be transferred only to the Cooperative, provided that each shareholder may designate one or more beneficiaries to receive the shareholder's shares in the event of the shareholder's death, and provided further that any transfer to such beneficiaries will in each case be subject to the approval of the Board. If such a transfer is not approved, the shares will be redeemed for the lesser of their current book value or their original issue price, under payment terms set by the Board in its sole and absolute discretion. In the event of a transfer to a beneficiary pursuant to the previous sentence, the Board may require that all common stock held by the deceased shareholder be converted to Preferred Stock or other nonvoting equity credit of equal value when it is transferred to any beneficiary or successor. Any purported transfer of the Cooperative's stock that does not comply with the above provisions is void and will not be binding on the Cooperative. The Cooperative may limit repurchase of a terminating member's stock until such time as the Cooperative has received replacement capital from new or continuing members, or according to other terms and conditions determined by the Board in its discretion.

## **Article 4. MEETINGS OF MEMBERS**

- 4.1 Annual and Special Meetings.** The annual meeting of the members of the Cooperative shall be held at a time and place fixed by the Board, but no later than nine months after the

end of the Cooperative's fiscal year, for the election of directors to fill any vacancies and for any other business properly before the members. Special meetings of the members may be called by the Board or upon the written petition of twenty percent (20%) of the members or such smaller number of members that would constitute a quorum of members, submitted to the president. A special members' meeting shall be held at the time and place specified in the notice of the meeting, and the notice shall also state the purpose of the special members' meeting. No action shall be taken at a special members' meeting except as mentioned in the notice of the meeting. The same number of members that may call a special meeting by written petition may add a proposal or other agenda item to the agenda of an upcoming annual meeting or other regular meeting.

#### **4.2 Notice of Meeting.**

- a. How given, contents. Notice shall be given by the Secretary of all meetings of the members by publication in any newsletter or electronic publication regularly distributed by the Cooperative and circulated generally among its members, or by mailing a notice to each member at the member's last known address, at least fifteen (15) calendar days prior to the date of the meeting. Members may elect to receive notice by email as part of their membership application or by submitting a written request to the Cooperative. The notice shall state the date, time and place of the meeting, the means of joining by remote communication (if any), and in the case of a special meeting, the purposes for which the meeting is called.
- b. Notice of meeting called by member petition. If a special meeting is called by member petition, the notice of the date, time, place, means of joining by remote communication, and purpose of the special meeting shall be issued within ten (10) days following receipt of the petition by the President, and the special meeting shall be held within thirty (30) days following receipt of the petition by the President.
- c. Record of Notice. The Secretary shall execute a certificate that contains a copy of the notice, shows the date of mailing or publication (as the case may be) of the notice, and states the notice was mailed or published (as the case may be) as prescribed by these Bylaws. The certificate shall be made a part of the minutes of the meeting. The failure of any member to receive notice shall not invalidate any action which may be taken by the members at a meeting.

#### **4.3 Voting.** Each member shall have one vote upon any matter submitted to a vote of the members. Any legal entity that is a member must notify the Cooperative in writing of the name and title of one individual designated to represent the member and to exercise the member's vote. Voting by mail shall only be allowed in cases in which, in the notice of the meeting, the Board shall have submitted a specific issue or issues for a mail vote. Members may also vote on any matter by electronic means if an electronic vote is authorized by the Board. A majority of the votes cast at a properly held meeting at which a quorum is present shall decide all questions except where a greater vote is required by the Articles of Incorporation, by these Bylaws or by law.

#### **4.4 Presiding Officer.** The President will officiate at all meetings of the members. In the absence of the President, another officer will officiate.

- 4.5 **Quorum.** At any regular or special meeting of the members, a quorum necessary for the transaction of business shall be ten percent (10%) of the total number of members or fifty (50) members, whichever is less, but in all cases at least 10 members. Only members present in person (including by electronic communication if authorized by the Board) shall count towards a quorum, except for matters submitted to the membership by mail or electronic voting.

## **Article 5. DIRECTORS**

- 5.1 **Number of Directors.** The business and affairs of the Cooperative shall be governed by the Board, which shall consist of at least seven directors and up to thirteen directors as set forth below. The number of directors may be changed from time to time by resolution of the Board, provided that a reduction in the number of directors shall not remove a director from office before the end of their term, and provided further that the Board shall act in good faith to include on the Board all of the director positions set forth in the chart below within a reasonable time after it becomes possible to fill the position.

The following chart shows the directors to be elected by Community members voting separately, the directors to be elected by Community and General members voting together, and the directors' qualifications. All directors have the duty to participate with the full Board in overseeing the Cooperative's operations, acting in good faith, in a manner the director reasonably believes to be in the best interests of the cooperative, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. Certain directors have additional duties as set forth in the following chart.

Number	Title	Qualifications:	Special Duties	Elected by:
3	General	Any member		Community and General members voting together
4	East Side Resident	Any member who is an East Side resident	Represent the interests of the East Side community	Community members voting separately
1	Tenant	Any member who is a tenant or the individual representative of a member that is a tenant	Represent the interests of tenants of the Cooperative	Community members voting separately
1	Staff	Currently employed by the Cooperative (does not need to be a member)	Represent the interests of employees of the Cooperative	Community members voting separately
1	Indigenous	A person who self-identifies as Indigenous (does not need to be a member)	Provides direction on advancing indigenous rights and land sovereignty. <sup>1</sup>	Community members voting separately.
1	Finance	Any member or individual representative of a member who has experience and/or study relevant to accounting, business financial management, or similar.	Also serves as Treasurer. Responsible for overseeing the Cooperative's financial health and providing financial reports to Members. <sup>2</sup>	Community and General members voting together.

If, after an election, there remain vacancies on the Board, the Board may, but is not required to, appoint directors to fill those vacancies. Persons so appointed must be members. In making such appointments, the Board will attempt in good faith to fill any gaps between the skills of the elected directors and the skills (including cultural competencies) mentioned above.

**5.2 Term.** Each director shall serve for a term of three (3) years and shall hold office until their successor is elected and qualified, or until their earlier resignation, incapacity, or death. If a person has served for three (3) consecutive terms, they must take a break from board service for at least two years before serving again.

**5.3 Staggered Terms.** The terms of directors shall be staggered, so that as close as possible to one third of the directors will be elected each year. In order to implement staggered terms, at the first Board meeting following the first annual meeting of members at which directors are elected, the directors shall hold a drawing in which one third of the directors draw a

---

<sup>1</sup> This provision is copied unmodified from East Bay Permanent Real Estate Cooperative, Inc. (EB PREC) Bylaws, Slide 18, by: theselc.org, shared under the [Creative Commons Attribution-ShareAlike 4.0 International license](https://creativecommons.org/licenses/by-sa/4.0/), available at <https://ebprec.org/documents>.

<sup>2</sup> This provision is copied and modified to apply to East Side St Paul Real Estate Cooperative from EB PREC Bylaws, above.

term of one year, one third of the directors draw a term of two years, and one third of the directors draw a term of three years. The drawing may be done in any manner that results in a random drawing. A director who draws a term of one year or two years and serves for that length of time will be deemed to have served a full term.

**5.4 Qualifications.** Each director must be an individual who is a member of the Cooperative (except as provided in the chart above) or a representative of a legal entity that is a member of the Cooperative. Only one individual representative of a legal entity that is a member may serve on the Board at any given time. Other qualifications are as set forth in the chart above.

**5.5 Nomination.** Not less than thirty (30) calendar days before the annual meeting, the Secretary shall issue a call for nominations to all members. As much as possible, the Cooperative shall engage in and help members to engage in a practice to actively recruit, encourage, support, and nominate Black, Indigenous, and other People of Color to run for the Board, particularly people who reside on the East Side of St. Paul. Any member in good standing may nominate any qualified person for election to the Board; members and non-member Staff persons may nominate themselves. In addition, the Board may establish a nominating committee to identify and nominate candidates who are East Side residents. All candidates who wish to have their names and candidate information distributed to the full membership prior to the meeting must submit them to the Secretary no later than twenty (20) calendar days before the meeting. Nominations may also be made from the floor and write-in candidates may be added to the ballot during the annual meeting.

**5.6 Powers.** The Board shall exercise all of the powers of the Cooperative except those that are reserved to the members by law, by the Articles of Incorporation, or by these Bylaws.

**5.7 Member Decisions.** The following matters are reserved to the members and can be approved by a majority vote:

- a. Election of the Board (except that the Board may fill vacancies until the next Member meeting);
- b. Any matter brought to the membership through a member petition under Section 4.1;
- c. Any vote for removal of a director by members under Section 5.7;
- d. Any decision to establish or alter compensation for the Board under Section 11.3;

The following matters are reserved to the members and can be approved only by a two-thirds majority vote:

- e. Amendment of the articles of incorporation or these bylaws;
- f. Dissolution, sale of the Cooperative or sale of substantially all of its assets, merger with another entity, any demutualization, or any other reorganization that would change the Cooperative's legal form; and
- g. Changes to the name, mission, or core functions of the cooperative.

- 5.8 **Board Policy.** The Board may adopt such policies, rules, regulations and actions not inconsistent with law, the Articles of Incorporation or these Bylaws, as it deems advisable.
- 5.9 **Committees.** The Board may establish one or more committees having such powers and authority as are delegated to it by the Board. If the Board does not designate a separate Audit Committee, then the Board, excluding the treasurer (financial officer), shall serve as the Audit Committee.
- 5.10 **Removal.**
- a. Automatic removal–disqualification or poor attendance. If any elected director shall cease to be a member (or if the member they represent ceases to be a member), their office shall automatically be vacated. Failure of a director to attend three consecutive Board meetings or one-third of the Board meetings during a year, except for cause as determined by a majority vote of the remainder of the Board, shall result in automatic removal from office.
  - b. Removal. Any director of the Cooperative may, at any annual or special meeting of the members, be removed from office by a majority vote of the members present and voting at a duly called meeting where a quorum is present. Any director of the Cooperative may be removed from office by a vote of a majority of the remaining directors at any regular or special meeting of the Board, for cause including: a) the director has acted not in good faith, in a way that could reasonably have been predicted to be against the Cooperative’s best interests; b) it has become unreasonably difficult for the other directors to work with this director; or c) other reasons related to this director not properly carrying out the legal duties of the position of director (but not simply disagreeing with the other directors).
- 5.11 **Vacancies.** Each vacancy occurring on the Board may be filled by the remaining directors until the next annual or special meeting of the members, at which time the members shall elect a director to serve for the unexpired term. In the event that a Board seat remains unfilled after a member election, the vacancy may be filled by the Board.
- 5.12 **Board Meetings.** The Board shall meet regularly at such times and places as the Board may determine, but no less frequently than six times per year. Special meetings may be called by the President or any three directors.
- 5.13 **Open Meetings.** All meetings of the Board and its Committees shall be open to all members of the Cooperative, and members shall have the right to see all minutes and reports from Member meetings, Board meetings, and Board Committee meetings upon request. The Board and its Committees may go into executive session solely for purposes of discussing confidential or sensitive matters.
- 5.14 **Annual Organizational Meeting.** An annual organizational meeting of the Board, for the installation of new directors and election of officers, shall be held at the next regular meeting subsequent to the annual meeting of members.
- 5.15 **Notice of Board Meetings.** All meetings shall be held on such notice as the Board may prescribe. Any business may be transacted at any meeting without specification of such



business in the notice of such meeting. Directors may participate in any meeting by means of a conference call, video call, or comparable method of communication by which all directors participating can communicate with each other at the same time. For purposes of taking any action at the meeting, any directors participating via such communication shall be deemed present in person at the meeting.

- 5.16 **Quorum and Voting.** A quorum shall consist of three quarters (75%) of all directors. A majority vote of the directors present shall decide all questions except where a greater vote is required by the Articles of Incorporation, by these Bylaws or by law.
- 5.17 **Action Without Meeting.** Any action required or permitted to be taken at a meeting of the Board may be taken without a meeting if all directors consent thereto in writing (which may be electronic). All actions by written consent will be kept with the minutes of the proceedings of the Board.
- 5.18 **Conflict of Interest Transaction.** Directors shall be under an affirmative duty to disclose an actual or potential conflict of interest in any matter under consideration by the Board. Directors having such an interest may not participate in the discussion or decision of the matter unless otherwise determined by the Board. Directors shall not, during their terms of office, use their positions to inappropriately obtain for themselves, their family members, or their close associates any employment relationships or contract for profit with the Cooperative that differs in any material way from the business relations accorded members generally or upon terms differing from those generally current among members. The full Board must review and formally approve the terms of any such contract or employment relationship to ensure that it is fair and in the Cooperative's best interest, and that its terms comply with this section.

## **Article 6. OFFICERS**

- 6.1 **Election of Officers.** At each annual organizational meeting of the Board, the Board shall elect from its membership a President, a Vice President, a Secretary, and a Treasurer, and such other officers as it shall deem necessary, with such authority and duties as may be prescribed by the Board. The Board may choose to combine the positions of Secretary and Treasurer into a single position. Other than the offices of President and Vice President, one person may hold one or more of the offices of the Cooperative if eligible to hold each such office. An individual may serve a maximum of three consecutive years in any officer role; after a one-year break, the person may serve in that officer position for additional term(s). If any vacancy occurs among the officers of the Cooperative, it shall be filled by the Board at its next regular or special meeting following the vacancy.
- 6.2 **President.** The President shall preside at all meetings of the members and the Board. The President shall have such authority to execute all certificates, contracts, and other documents on behalf of the Cooperative as may be delegated to the President by the Board.
- 6.3 **Vice President.** In the absence or disability of the President, the Vice President shall perform the duties of the President. The Vice President shall have such other duties as may be assigned by the President or the Board.

- 6.4 **Secretary.** The Secretary shall keep complete minutes of each meeting of the members and of the Board, and shall sign with the President all notes, deeds, and other conveyances of real estate, and affix the corporate seal to all documents requiring the corporate seal. The Secretary shall keep a record of all business of the Cooperative and shall prepare and submit to the annual meeting of the members a report of the previous fiscal year's business. The annual report shall contain a statement of assets and liabilities, a statement of income and expenses, and such other statements and statistical memoranda as the Board shall require. The Secretary shall give all notices as required by law. The Secretary shall perform such other duties as may be required by the Board. The Board may delegate, or authorize the Secretary to delegate, to any other officer or employee of the Cooperative, under the supervision of the Secretary, any or all of the duties enumerated in this section.
- 6.5 **Treasurer.** The Treasurer shall oversee the receipt and disbursement of all funds of the Cooperative, ensure that complete records of all financial transactions of the association are kept, and perform such other duties as may be required by the Board. The Board may delegate, or authorize the Treasurer to delegate, to any other officer or employee of the Cooperative, under the supervision of the Treasurer, any or all of the duties enumerated in this section.
- 6.6 **Secretary-Treasurer.** In the event that the offices of Secretary and Treasurer are combined, their duties shall be a combination of the duties of the Secretary and the Treasurer and their office shall be known as Secretary-Treasurer.

## **Article 7. CAPITAL STOCK**

- 7.1 **Certificates or Proof of Membership.** A person must buy at least one share of Class A or Class B common stock in order to become a member. The signed, completed membership application form, or a copy thereof, validated to indicate receipt of the purchase price of the Class A or Class B common stock, as applicable, shall serve in lieu of a certificate. Preferred stock received as patronage dividends shall be evidenced by written notice of allocation sent to the members by mail, or by email to members who have agreed in writing to receive notices via email. The Cooperative's Preferred Stock shall be uncertificated; provided that the Board may by resolution determine that any class or series of Preferred Stock (which may include all of the Preferred Stock) shall be represented by certificates.
- 7.2 **Purchase Price of shares.** The Board may set the purchase price of the shares of common stock and Preferred Stock from time to time, at or above its par value.
- 7.3 **Allocations to individual capital credit accounts.** At least annually following the close of the fiscal year, and more frequently as it deems appropriate, the Board will evaluate the value of the net assets and retained earnings of the Cooperative and determine, in its discretion, whether to allocate any portion of the estimated change since the last valuation to individual members' capital credit accounts. The Board may adopt any reasonable method for making this valuation of net assets and retained earnings, but must communicate the method and its underlying rationale for the amount of the allocation as part of the annual report to the membership. Members who joined the cooperative after the date of the most recent valuation will receive a pro rata allocation, based on the percentage of the current allocation period during which they held an ownership share. Members who

terminated their memberships prior to the valuation will not be entitled to any allocation for the designated period. Allocations to capital credit that constitute the non-cash portion of a patronage dividend will be evidenced by written notices of allocation mailed to members. Allocations to capital credit accounts will not earn interest and may not be redeemed except upon termination of membership as described in [Section 3.5](#), or in the event of the conversion to preferred shares as described in Section 7.4.

- 7.4 Conversion of capital credits to preferred stock.** At the discretion of the Board, when a member's capital credit account reaches a balance equal to or greater than the purchase price of a share of preferred stock, it may be converted to the number of shares of Preferred Stock found by dividing the capital credit account balance by the current purchase price of Preferred Stock, issued in that member's name, in whatever class or series is then authorized by the Board for such conversions. The Board will send a stock certificate or a notice of issuance of uncertificated share(s), as appropriate. Upon issuance of the share(s), all of the rights, rules, and requirements concerning the Preferred Stock shall apply.
- 7.5 Non-Transferability.** All shares of stock of the Cooperative shall be transferable only to the Cooperative with the consent and approval of the Board; provided that each shareholder may designate one or more beneficiaries to receive the shareholder's shares in the event of the shareholder's death, and provided further that any transfer to such beneficiaries will in each case be subject to the approval of the Board. If such a transfer is not approved, the shares will be redeemed for the lesser of their current book value or their original issue price, under payment terms set by the Board in its sole and absolute discretion. In the event of a transfer to a beneficiary pursuant to the previous sentence, the Board may require that all Membership Stock held by the deceased shareholder be converted to Preferred Stock or other nonvoting equity credit of equal value when it is transferred to any beneficiary. Any purported transfer in violation of this Section 7.5 is void and shall not be recognized by the Cooperative.
- 7.6 Refund or Repurchase by the Cooperative.** As set forth in [Section 3.5](#), the Cooperative shall repurchase the Membership Stock of terminating members, and may pay in the form of cash and/or Preferred Stock as determined by the Board. If a holder of Preferred Shares requests redemption of any or all of their Preferred Shares, the Board may grant, delay, or deny that request in the Board's sole and absolute discretion. In making a decision whether to grant a redemption request, the Board may consider the availability of replacement capital, the Cooperative's short-term and long-term plans, and any other factors deemed relevant. Subject to any different agreement with the shareholder, the redemption price to be paid by the Cooperative for redeemed shares of Preferred Stock will be the original issue price<sup>3</sup> plus all declared but unpaid dividends. The Board may establish additional conditions and terms for repurchase of members' shares of stock, provided such conditions and terms apply to all members equitably.
- 7.7 Classes and Issuance.** To further the cooperative character of the Cooperative and to provide a means by which its members will finance its activities, the Cooperative is

---

<sup>3</sup> Note that if the redemption price were to be greater than the original purchase price, this is fine as long as the total annual dividends plus capital gain is no more than 8%, but this could violate [Minn. Revised Codes § 308A.131\(1\)\(d\)\(3\)](#) if the total annual rate of increase were more than 8%.

authorized to issue preferred stock; equity reserve or capital credit accounts; or any other media as determined by the Board and as permitted by law. Whenever the Cooperative determines that all of its funds are not necessary for the proper financing of its operations, the Board may choose to retire preferred stock, or liquidate equity or capital reserves or any other media previously issued.

- 7.8 **Order of Payment Upon Dissolution or Liquidation.** Upon dissolution or liquidation of the Cooperative, the debts and liabilities of the Cooperative shall first be paid according to their respective priorities.

Next, the Board may redeem stock in exchange for the holder's cost basis in the stock, provided that the Board must give the share classes the same relative priorities for redemption as those share classes receive under the liquidation preference provisions of the Articles of Incorporation; the Board must treat all shares of the same class or series in an equitable manner; and the Board may add the gain set forth in item 4 of Paragraph F: Liquidation Preference in the Articles of Incorporation to the redemption price, if funds are available.

Next, preferred shares shall be paid as provided in the Articles of Incorporation. Third, holders of Membership Stock and holders of equity reserve or capital credits or other media issued by the Board shall then be paid the book value of their shares or credits with payment made in the order of preference stated in the Articles of Incorporation.

## **Article 8. DISTRIBUTION OF SURPLUS**

### **8.1 Annual Net Earnings.**

- a. Gross Receipts. Gross receipts shall be all proceeds from rental income and the sale of goods and services to members and non-members and all other sums received from all sources.
- b. Deductions From Gross Receipts. The Cooperative shall deduct from gross receipts all expenses incurred in generating said gross receipts, including but not limited to marketing expenses, costs of goods or services sold, taxes, depreciation, reserves for doubtful accounts and all other necessary expenses.
- c. Total Annual Net Earnings. The amount remaining after reducing the gross receipts in subsection a by the deductions in subsection b shall constitute the annual net earnings of the Cooperative.

- 8.2 **Allocations to capital credit accounts on Class A stock.** Subject to the rights of outstanding shares of Preferred Stock, the Board may declare an allocation to capital credit accounts from annual net earnings on Class A stock, not to exceed any statutory maximum.

- 8.3 **Member Patronage Dividends.** The Board may declare member patronage dividends to members from that portion of net earnings attributable to member patronage, in proportion to the quantity or value of business done with each member of the Cooperative. Member Patronage shall include business done with an entity that is partially owned by the Cooperative.

- 8.4 **Capital Reserve.** The Board may annually set aside a portion of net earnings as a capital reserve. In addition, the Board may also place into the capital reserve all annual net earnings from member patronage attributable to members who are unidentified, or who do not consent to take into account patronage dividends from the Cooperative in the manner provided in 26 U.S.C. Section 1385. Amounts previously set aside as capital reserves shall not be allocated to the members but shall be kept in the general reserve fund of the Cooperative.
- 8.5 **Patronage Dividends.** The annual net earnings from member patronage, less any deductions, allocations or exceptions under other sections of this Article, shall be allocated annually to the members of the Cooperative in proportion to the members' relative patronage. The Board may determine whether to make allocations in the form of patronage dividends or non-qualified written notices of allocation, as those terms are used in Subchapter T of the Internal Revenue Code. At least 20% of all patronage dividends shall be distributed in cash. The remainder may be paid in cash, in the form of an allocation to the member's capital credit account, in preferred stock, or by any combination thereof designated by the Board. Equity credits and preferred stock may be paid or redeemed in whole or in part at such time, in such manner and such order as shall be determined by the Board in its sole discretion. The Board may establish policies and programs for the payments of or redemption of such equities.
- 8.6 **Allocation of Losses.** If the Cooperative sustains an annual loss in net earnings from member patronage, the Board shall have the power and authority to allocate such losses from member business in the following manners: 1) to the members for such year or years, applying such losses against the capital credits or stock of said members; 2) to apply the loss to the Cooperative's capital reserve; or 3) to carry such loss forward or back to other years.

## **Article 9. CONSENT BY MEMBERS**

Each member of the Cooperative shall, by becoming a member, consent that the amount of any allocations with respect to such member's patronage occurring in any fiscal year which are made by qualified written notices of allocation (as defined in 26 U.S.C. Section 1388) received by such member from the cooperative shall be included in such member's income in the manner provided in 26 U.S.C. Section 1385 during the taxable year in which the qualified written notices of allocation are received. It is the intent of this provision to provide a consent binding on all members who retain or obtain membership in the Cooperative and receive a written notification and copy of this provision, for the purpose of making such allocations "qualified" within the meaning of the Internal Revenue Code.

## **Article 10. INDEMNIFICATION**

- 10.1 **Indemnification.** For the purposes of this Article, any person who is or was a director, officer, manager, employee, or agent of the Cooperative, and any person serving at the request of the Cooperative as a director, officer, manager, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, is defined as a "**Company Agent.**" The Cooperative shall indemnify each Company Agent against expenses, including attorneys' fees, judgments, fines, and amounts paid in settlement actually and

reasonably incurred, to the fullest extent to which such Company Agent of a cooperative may be indemnified under Minnesota law.

- 10.2 **Insurance.** The Cooperative may purchase and maintain insurance on behalf of any Company Agent against any liability asserted against that person and incurred by that person in any such capacity.

## **Article 11. FISCAL MATTERS**

- 11.1 **Fiscal Year.** The fiscal year of the Cooperative shall end on December 31.
- 11.2 **Borrowing.** The Board shall have power to authorize and approve the borrowing of money and the pledging and mortgaging of any or all of the assets of the Cooperative as security for the sums so borrowed.
- 11.3 **Compensation and Reimbursement.** Any policy to establish or alter compensation of the Board shall be determined by vote of the membership. Compensation and expense reimbursement paid to directors shall not constitute payments to them as employees.
- 11.4 **Audit/Financial Review.** The Board shall review all financial statements prepared and presented by or at the request of the Treasurer at their regular meetings but no less than four times a year. At such time that either the gross revenue of the Cooperative is greater than \$500,000.00 in a fiscal year, or the assets under management are greater than \$5,000,000.00, the Board shall review this section 11.4 to ensure adequate controls and compliance with applicable accounting requirements.
- 11.5 **Depository.** The Board may select one or more financial institutions to act as depositories of the funds of the Cooperative, and to determine the manner of receiving, depositing, and disbursing the funds of the Cooperative, the form of checks, and the person or persons by whom such checks shall be signed, with the power to change such financial institutions and the person or persons signing such checks and the form thereof at will.
- 11.6 **Transferring real estate requires member consent.** To obtain member consent, the Board shall email detailed information to the members about any proposed transfer of real property, along with instructions and a deadline to give members the opportunity to object to the proposal. The email must contain enough information about the proposed transfer for a reasonable person to evaluate it, including, for example, a description and address of the property, number of residents, average rental income, reason for transfer, price, sale terms, and information about the individual(s) or organization(s) that will receive the property, as well as a means for members to ask questions and object electronically. To register an objection, a member shall respond in writing stating that they object and their reason for objection. A proposed transfer will be presumed to have member consent so long as no more than 30 members or 10% of members (whichever is larger) objects to the proposal by the deadline or within 15 days of the email (whichever is longer). A record of all objections shall be kept and made available to members upon request, although names of objecting members may be removed prior to sharing. Amendment of this section requires a vote with a quorum of 75% of all members (via a meeting or in writing) with 75% voting for approval.

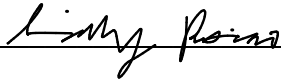
**11.7 Tenant Right of First Refusal.** When the Cooperative rents real property to others, the Cooperative will include in its rental agreements a right of first refusal in favor of the tenant to purchase the occupied property.

## **Article 12. AMENDMENT**

These Bylaws may be amended, repealed, or altered in whole or in part by a two-thirds vote of members at a meeting where a quorum of at least 50% of all members or 50 members, whichever is fewer, but never fewer than 10 members, is present in person; or by a two-thirds vote by mail of all members; unless a higher threshold is specified by these Bylaws or by law.

### Secretary's Certificate

I, Sidney Pisano, Secretary of East Side Community Investment Cooperative, hereby certify that the above bylaws, consisting of 15 pages, were adopted on September 27, 2024, by the Board of Directors.

  
\_\_\_\_\_