

FREE RANGE FOOD CO-OP BYLAWS

Article I: Membership

1.1 **Eligibility.** Membership in FRFC shall be open to any individual who is in accord with its purposes and is willing to accept the responsibilities of membership.

1.2 **Nondiscrimination.** Membership shall be open without regard to any characteristic that does not directly pertain to a person's eligibility.

1.3 **Information.** Each new member may obtain a copy of the FRFC Bylaws through the FRFC website or request a paper copy.

1.4 **Application and Stock Purchase Requirement.** Individuals and (if approved by the Board by policy) businesses or other organizations may apply for membership either electronically or in paper form provided by FRFC. A prospective member must agree to purchase (1) share of Class A Stock with a par value of Twenty-five Dollars (\$25.00) plus at least three shares of Class B Stock with a par value of Twenty-five Dollars (\$25.00), or any other number of Class B shares as specified by the Board from time to time. The Class A (voting) share is activated when the total number of required shares is paid for, unless the Board adopts a policy permitting voting rights to be available when a member commits to purchase membership shares over a period of time.

1.5 **Rights.** Any person or household may apply. If a membership is held by a household, only the person listed on the application as the primary applicant may exercise the membership voting rights. If more than one individual in a household wishes to obtain membership with voting rights, then that individual must purchase a separate membership as described in article 1.4 of these bylaws. If businesses or other organizations are permitted to be voting members, they shall designate a representative to exercise voting and other rights of members as specified in Board policies.

1.5.1 Members have the right to elect the Cooperative's Board, to attend meetings of the Board (except appropriately called executive sessions), to receive notice of and attend membership meetings, to petition as described in these bylaws, and to approve amendments to these bylaws.

1.5.2 Each member shall have one (1) vote and no more on all matters submitted to members. The rights of members shall be understood to apply only to active members who have purchased Class A stock as provided in section 1.4. The Board may adopt policies from time to time to define who is eligible as an active member (including patronage minimums), and an inactive member's voting rights shall be suspended during the time the member's status is inactive.

1.5.3 All rights and responsibilities of members are subject to the bylaws as they may be amended from time to time, and to policies and decisions of the Cooperative or the Board.

1.6 **Responsibilities.** Members must keep FRFC informed of any changes in name or current address, and shall abide by these bylaws and the policies and decisions of FRFC.

1.7.1 **Capital.** The amount of authorized capital stock of FRFC shall be Four Million Three Hundred Seventy-Five Dollars (\$4,375,000), and shall be divided into Ten Thousand (10,000) shares of Class A voting Common Stock of the par value of Twenty-five Dollars (\$25) each; Fifty Thousand (50,000) shares of Class B Nonvoting Common Stock of the par value of Twenty-five Dollars (\$25) each; and Three Million (3,000,000) shares of Class C Nonvoting Stock (which may be designated as preferred shares) with no par value but with a liquidation value per share as specified by the Board of Directors at the time a series of Class C Nonvoting stock is authorized. In case of dissolution or liquidation of FRFC, there shall be given preference to holders of Class C Stock in the amount of the liquidation value specified by the Board of Directors at the time a series of Class C Nonvoting stock is authorized together with any unpaid cumulated or declared dividends. There shall be no preference given between holders of Class A and Class B Stock.

1.7.2 Class A Stock may be sold for cash only to members of FRFC under the direction of the Board of Directors, and then only with the consent and approval of the Board of Directors. Only Class A stockholders shall have voting powers and shall be deemed to be members of FRFC. Each holder of Class A stock shall be entitled to one vote regardless of the number of shares owned, and voting by proxy shall not be permitted. No dividends shall be paid on the Class A stock.

1.7.3 Class B stock may be sold for cash or issued in payment of patronage refunds or in exchange for outstanding Class A stock to members and to any person, firm, or corporation not eligible to be a member of FRFC. Class B stock shall have no voting power and no dividends shall be paid thereon.

1.7.4 Class C stock may be issued to holders of Class A stock or as otherwise determined by the Board of Directors. Class C stock shall have no voting power. Dividends may be paid on Class C stock at the discretion of the Board of Directors not to exceed eight percent (8%) per annum. Dividends may be cumulative at the discretion of the Board of Directors. Class C stock may be issued in one or more series, each of which may include such other terms and provisions as may be established by the Board of Directors at the time a series is authorized.

1.7.5 No share shall be issued for less than its par value, nor until the same has been paid for in cash or its equivalent, and shall be paid at such time and in such manner as the directors of FRFC shall order. FRFC shall have a prior lien with the usual right of ordinary liens for enforcement, upon all outstanding stock for any indebtedness due it and no stock shall be sold or transferred except with the consent and approval of the Board of Directors. Capital stock

shall be subject to redemption as provided by law, in the manner prescribed by the Bylaws. The Capital stock of FRFC shall be non-assessable.

1.7.6 When it is deemed by the cooperative that it has sufficient working capital, Class B and Class C stock may be called for payment at par. Such stock may be called for payment in chronological order with reference to date of issue, in which case all of such stock issued in a given fiscal year shall, as nearly as practicable, be called at the same time; or such stock may be called on the basis of a percentage of all said stock by each holder at the same time without regard to date of issue; or such stock may be called or paid on request of a member or other owner on any other basis as may be determined by the Board of Directors.

1.8 **Termination of Membership.** A member may terminate his or her membership voluntarily at any time by written notice to FRFC. Membership may be terminated involuntarily by the Board for cause after the member is provided fair notice of the reasons for proposed termination and has an opportunity to respond in person or in writing. Cause may include intentional or repeated violation of any provision of the Cooperative's bylaws or policies, actions that will impede the Cooperative from accomplishing its purposes, actions or threats that adversely affect the interests of the Cooperative or its members, willful obstruction of any lawful purpose or activity of the Cooperative, or breach of any contract with the Cooperative.

1.9 **Return of Equity.** Equity shall be returned upon termination of membership in FRFC, under terms determined by the Board, provided that the Board has determined that the equity is no longer necessary.

1.10 **Unclaimed Property.** FRFC will send any equity or patronage dividend amount due to any member to that member's last known mailing address. Any equity or patronage dividend amount returned to FRFC as undeliverable or otherwise not claimed by the member within a reasonable period of time determined by the Board, will be forfeited to FRFC.

1.11 **Non-transferability.** Membership rights and member equity may not be transferred in any manner unless approved by the Board in any specific instance or transferred pursuant to generally applicable policies adopted by the Board.

Article II: Member Meetings

2.1 **Annual Meeting.** A membership meeting shall be held each year at a time and place to be determined by the Board. The purpose of annual meetings shall be to provide reports on operations and finances, to review issues that vitally affect FRFC, and to transact such other business as may properly come before the meeting.

2.2 **Special Meetings.** A special meeting of the membership may be called by the Board, either by decision of the Board or in response to a written petition of at least ten per cent (10%) of the active members. Notice of special meetings will be issued to members. In the case of a petition, notice of the special meeting will be issued within ten (10) days after a presentation of

the petition to the Board. Only business specified in the Notice of Special meeting shall be conducted at that special meeting. Following adjournment, the Board will consider issues raised during the special meeting at its next regularly scheduled board meeting.

2.3 **Notice of meetings.** Notice of the date, time, place and purpose of each meeting of the membership shall be posted in a conspicuous place at the FRFC location and communicated to members not less than two (2) weeks prior to the date of the meeting. For meetings that take place before FRFC has a permanent location, then notice will be made by postal mail, through email, or through other dependable electronic means. The Cooperative will conduct due diligence to notify all active members.

2.4 **Voting.** Voting will be conducted under procedures established by the Board. Notice of the vote will be posted in a conspicuous place at the FRFC store location and communicated to members not less than four (4) weeks prior to the end of the election period. If voting takes place before FRFC has a permanent location, then notice will be made by postal mail, through email, or through other dependable electronic means. The Cooperative will conduct due diligence to notify all active members. Unless otherwise stated in the Articles of Incorporation, or these Bylaws, or required by law, all questions shall be decided by a vote of a majority of the members voting thereon. Absentee ballots will be made available. Proxy voting is not allowed.

2.5 **Quorum.** At any meeting of the members, or for any vote of the members, a quorum necessary for decision-making shall be 10% of the total number of voting members, except that when the number of members shall exceed five hundred, fifty members either present or voting by absentee ballot shall constitute a quorum.

Article III: Board of Directors

3.1 **Number, Terms and Elections.** The government of FRFC and the management of its affairs shall be vested in a Board of Directors of no less than five (5) nor more than nine (9) directors who shall also be members and be elected by ballot by the members at the annual meeting for such terms as the Bylaws may prescribe. Each voting member of FRFC is eligible to serve on the board unless the member is also an employee of FRFC. Elections shall occur annually, in a manner prescribed by the Board. Standard director term length is three (3) years; newly elected directors will serve a one (1) year term on the board with the option to be appointed for an additional two (2) years at the conclusion of the first year. After the initial elected term, all subsequent elected term lengths shall be three (3) years unless appointed to a vacant term. Directors shall serve staggered terms so that approximately one-third (1/3) of the Board is elected each year. No Director may serve more than two (2) consecutive 3-year terms.

3.2 **Vacancies.** Any vacancy among Directors may be filled by appointment by the Board. A Director so appointed shall complete the pertinent term.

3.3 **Compensation and Reimbursement.** No member of the Board of Directors may be compensated unless approved by two-thirds of all directors. Officers and directors shall be

entitled to reimbursement for actual and authorized expenses incurred in attending board meetings or other business of the cooperative. Such expense claims must be approved by a majority of the Board or pursuant to a board adopted policy.

3.4 **Removal.** A Director may be removed by decision of 2/3 of the remaining Directors: (1) for conduct contrary to FRFC values and principles; (2) failure to follow Board policies; (3) failure to execute duties; or (4) failure of a director to attend two consecutive directors meetings or one-third of the directors meetings during a year, unless excused in advance.

3.5 **Board Meetings.** The board will hold regular and special meetings at such time and place as it determines. The Board Chair or a designee will notify all Directors in writing of said meeting at least ten (10) days in advance. The time and place of all meetings shall be posted in a conspicuous place at the FRFC store location not more than one day after calling of the meeting.

3.6 **Executive Session** The Board may meet in executive session, that is, without notice to and presence of members, regarding confidential or proprietary matters such as: labor relations or personnel issues; negotiation of a contract, discussion of strategic goals or business plans, the disclosure of which would adversely impact the Cooperative's position in the marketplace; discussion of a matter that may, by law or contract, be considered confidential; or other similar matters.

3.7 **Action without a Meeting.** Any action required or permitted to be taken at a meeting of the Board may be taken by written action affirmed by all of the Directors. The action is effective when affirmed by all of the Directors, unless a different effective time is provided in the action.

3.8 **Quorum.** A majority of the current Directors shall constitute a quorum and no decisions will be made without a quorum.

3.9 **Conflicts of Interest.** Directors shall be under an obligation to disclose their actual or potential conflicts of interest in any matter under consideration by the board. Directors having such a conflict shall absent themselves from discussion and decision of the matter unless otherwise determined by the Board. The fact that a director patronizes FRFC on terms generally available to members is not a conflict of interest. No person shall be eligible to be a director if that person is determined to be in competition with, or is affiliated with any enterprise that is in competition with the Cooperative. If a majority of the board of directors of the cooperative finds at any time following a hearing that any director is so engaged or affiliated that person shall immediately cease to be a director.

3.10 **Officers.** The board will designate officers according to the requirements of Minnesota law and as necessary for the effective conduct of Board business.

3.11 **Indemnification.** The Cooperative shall indemnify and reimburse each present, past and future Director for any claim or liability (including expenses and attorneys fees actually and

reasonably incurred in connection therewith) to which such person may become a subject by reason of being a Director. Such indemnification shall be made only if it is determined by the Board that the Director acted in good faith in the reasonable belief that his or her action was in the best interests of the Cooperative, or as otherwise allowed by law.

Article IV: Limitation on Liability of Directors

4.1 The government of FRFC and the management of its affairs shall be vested in a Board of Directors as specified in the Bylaws.

4.2 A director is not personally liable to FRFC or its members or creditors for monetary damages for a breach of fiduciary duty except in the following circumstances: for the breach of the director's duty of loyalty to FRFC or its members; for acts or omissions not in good faith that involve intentional misconduct or a knowing violation of the law; for a transaction from which the director derives an improper personal benefit; or for an act or omission occurring prior to the date this provision of these amended and restated Articles of Incorporation became effective.

ARTICLE V: Operations

5.1 **Fiscal year.** The fiscal year of the Cooperative shall be set by the board of directors.

ARTICLE VI: Patronage Dividends

6.1 **Allocations to members.** The Cooperative will allocate and distribute to members the net profit from business done with them in such a manner as to qualify them as patronage dividends consistent with cooperative principles, applicable state and federal laws and generally accepted accounting principles. The Board shall determine when and the formula by which such allocations and distributions will be made, including the amount, if any, distributed in cash and the form of any amount distributed as Class B stock or equity accounts, whether the allocations will be made in one or more divisions, departments of allocation units, and whether all or part of the excess margins shall be set-aside in capital or other necessary reserves. Net margins from business done with persons that are not owners (or eligible patrons) may be allotted to owners and eligible patrons or set-aside in an unallocated surplus or retained earnings if the allocation is made prior to the beginning of the fiscal year.

6.2 **Consent of members.** By obtaining and retaining membership in FRFC, each member consents to take into account, in the manner and to the extent required by federal and state tax law, any patronage dividend received from the FRFC. Each member also agrees that if his or her patronage dividend is not cashed within 90 days of the date on which it was issued by FRFC, FRFC shall have the right to make a contribution in the name of that owner to support other organizations aligned with the Cooperative's purpose in a manner as may be directed by the Board from time to time.

6.3 **Reserves.** Amounts carried in reserves shall be allocated on the books of the FRFC on a patronage basis or in lieu thereof the books and records of FRFC shall afford a means of doing so at any time so that in the event of distribution each owner and eligible patron may receive a pro rata share of such distribution. Amounts carried in reserves or unallocated surplus and not allocated to the members and patrons may be so allocated by the Board at any time.

6.4 **Non-Owner Patrons.** The Board may establish policies by which legal entities or persons that are not owners but who are aligned with FRFC's purpose may contract with FRFC to deal on a patronage basis without voting rights.

6.5 **Extraordinary Gains.** Margins produced by a transaction (such as income from the lease of premises, investment in securities, or from the sale or exchange of capital assets) which is directly related to FRFC's business will be deemed to be patronage sourced margins and may be distributed to members (and any other patrons with whom the Cooperative has contracted to deal on a patronage basis) in proportion, insofar as is practicable, to their patronage during any period to which such margins are attributable, as determined by the Board.

6.6 **Allocation of Losses.**

a. Operating Losses. An operating loss will be apportioned among the owners and eligible patron during the year of loss so that the loss will, to the extent practicable, be borne by those owners and patrons with respect to the loss year on an equitable basis, including charging the loss against allocated reserves, unallocated surplus, or the patronage equity. Members and patrons may not be directly assessed for any loss. The Board may also direct that all or part of any loss be carried forward or back so long as any carryforward or carryback will not place an inequitable burden upon past or future owners.

b. Other Losses. If, in any fiscal year, FRFC incurs a loss other than an operating loss, the Board may determine the basis on which patronage capital furnished by the members and eligible patrons may be reduced or such loss is to be otherwise equitably apportioned among the members and eligible patrons.

ARTICLE VII: Dissolution

7.1 **Asset Distribution.** FRFC may be dissolved upon a decision of the Board and a two-thirds (2/3) vote of the members who participate in the vote. Upon dissolution of FRFC, its assets shall be distributed in the following manner and order: (i) by paying or making provision for payment of all debts and other obligations and liabilities including the expenses of liquidation; (ii) by payment of the liquidation value of Class C Nonvoting Stock together with any unpaid cumulated or declared dividends; (iii) by redeeming the outstanding Class A Voting and Class B Nonvoting Stock at its par value on a pro-rata basis; (iv) by redeeming any equity accounts which, if they cannot be paid in full, shall be paid in the order of the oldest outstanding amounts or on a pro rata basis as determined by the Board; and (v) by distributing any

remaining assets in a way that furthers the Cooperative's mission, as determined by the Board and in a manner consistent with cooperative tax principles.

ARTICLE VII: Bylaws

8.1 **Amendments.** These bylaws may be amended in whole or in part by a majority of the members who participate in the vote. An amendment may be proposed by decision of the Board or by petition of at least ten percent (10%) of active members. The proposed amendment shall be publicized to the membership not less than four (4) weeks prior to the voting process, which shall be held at a time and in a manner determined by the Board.

I certify that as Chair of the Board of Directors of Free Range Food Co-op, the foregoing fully restated bylaws were duly adopted by the board and a majority vote of the members.

Adopted:

(Signature on File)	1/4/2019
Sarah Verke, Board Chair	Date

Amended:

	11/15/2022
Brandon Otway, Board Chair	Date