

**BYLAWS OF  
PRAIRIE ROOTS FOOD COOPERATIVE  
Amended April 21, 2016**

**Bylaw 1 – Organization**

Section 1. **Name.** The Name of this Cooperative shall be Prairie Roots Food Cooperative (the “Cooperative”).

Section 2. **Purpose.** The purpose of the Cooperative shall be to engage, on a Cooperative basis, in the formation and operation of one or more retail grocery stores in order to market and supply its Members and patrons with such foods, goods, and services as the Members may require or in any lawful business the Members may authorize. The Cooperative will work to provide a model of responsible business practices based on cooperative principles, giving consideration to the needs of all Members and recognizing the rights of workers to participatory management. The Cooperative will strive to educate Members and the public on cooperative practices and structures, as well as in the judicious and efficient production, purchase, and use of consumer goods and services.

Section 3. **Operating Principles.** The Cooperative will strive to provide its members and nonpatron customers with a source of food and related items that reflect a commitment to health, local products, sustainable agriculture, and environmental preservation. In so doing, the Cooperative will strive to operate in accordance with the following principles that constitute the values, goals, and guidelines of cooperative governance:

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| <b>First Principle:</b>   | <b>Voluntary and Open Membership</b>                      |
| <b>Second Principle:</b>  | <b>Democratic Member Control</b>                          |
| <b>Third Principle:</b>   | <b>Member Economic Participation</b>                      |
| <b>Fourth Principle:</b>  | <b>Autonomy and Independence</b>                          |
| <b>Fifth Principle:</b>   | <b>Educate, Train, and Inform</b>                         |
| <b>Sixth Principle:</b>   | <b>Cooperation among Cooperatives</b>                     |
| <b>Seventh Principle:</b> | <b>Concern for Sustainable Development of Communities</b> |

## **Bylaw 2 – Membership and Capitalization**

Section 1. **Admission and Qualifications of Members.** Admission to the Cooperative is voluntary and open to those 18 and older interested in peacefully and democratically participating in the business of the Cooperative. The Cooperative shall not discriminate on social or political grounds or on the basis of race, creed, age, gender, handicap, sexual orientation, or marital status. Any person, including a partnership, incorporated or unincorporated association, corporation, or body politic, may become a Member in accordance with the Bylaws. All applications for Membership must be approved by the Board of Directors (the “Board”) pursuant to the Board’s established policy. The Board will have full authority to accept or reject all Membership applications based on the Board’s established policies. Members agree to comply with the requirements of the Articles of Association, these Bylaws, and any applicable policies, contract and agreements established by the Board and management.

Section 2. **Classes of Membership.** There will be one class of Members in the Cooperative. Each Member will have one vote in the affairs of the Cooperative. Members which are households or other legal entities shall designate one person to vote on their behalf. Membership for the Membership record.

Section 3. **Categories of Membership.** The Board is authorized to establish one or more categories of Members in the Cooperative, including but not limited to categories for individuals, households, students, or legal entities. The Board shall also establish the criteria and eligibility for each category, which may be made on any reasonable basis that complies with applicable law.

Section 4. **Membership Fees.** The Board shall establish, and may from time to time amend, a schedule of Membership fees and other membership requirements. The Board is authorized to establish different Membership fees and requirements for the various categories of Members on any reasonable basis that complies with applicable law.

Section 5. **Restrictions on Withdrawal and Transfer of Membership.** Upon withdrawal from Membership in the Cooperative, a Membership may only be transferred to the Cooperative and only upon approval by the Board. Memberships in the Cooperative are not transferable under any other circumstances. The Board in its discretion may establish a policy of redeeming Memberships.

Section 6. **Information.** The Board shall provide a Member a copy of the Articles of Association and the Bylaws upon request of the Member.

Section 7. **Limited Liability of Members and Patrons.** Members and patrons of this Cooperative shall not be obligated to pay, nor liable upon, any Cooperative obligation.

Section 8. **Termination and Inactive Status.** Membership in the Cooperative may be terminated in any of the following ways: 1) voluntarily by a Member upon notice to the Cooperative; 2) automatically if a Member should die or cease to exist; 3) failure to keep current on any Member investment payment plan; 4) failure to pay past due debts; 5) breach of contract with the Cooperative; 6) for cause, including but not limited to willful violation of the Bylaws or any policies of the Cooperative. Members terminated for cause will receive written notice of the proposed termination, including the reason for termination, according to Board policy. Upon termination, a Member will no longer be entitled to the rights, privileges, and benefits of Membership in the Cooperative, including voting rights. Members who fail to be active in the Cooperative, as determined by the Board, for a period exceeding one year shall have their Membership in the Cooperative suspended and their Membership status moved to “Inactive.” An Inactive Member may become an Active Member by providing written notice to the Cooperative and the Board of the Inactive Member’s intent to become an Active Member. The Board will review the written request and will approve or deny the request pursuant to the Board’s established policy.

Section 9. **Discounts and Incentives.** The Cooperative may establish reward or incentive programs for Members, as it determines are appropriate. The Board may delegate to management the creation and implementation of any such policies; provided, however, that all reward or incentive programs are subject to review by the Board.

Section 10. **Common Stock.** In lieu of establishing membership fees as provided in Section 4 of this Bylaw, the Board may elect to issue Common Stock. The holders of Common Stock shall be the Members of this Cooperative with the power to vote in its affairs; only the holders of Common Stock of this Cooperative shall have such voting power, and each holder of Common Stock shall be restricted to only one vote, regardless of the number of shares of Common Stock held by any one person. Each holder of Common Stock shall be referred to as a “Member” and shall be subject to all the conditions, rights and liabilities of Membership as provided by the Articles, these Bylaws, and applicable law. If the Board elects to issue Common Stock, Members shall join the Cooperative by purchasing a share of Common Stock and qualifying under, and complying with, these Bylaws and any other requirements imposed by the Board. Common stock shall pay no dividends, may not be transferred, and may be redeemed only as set forth herein.

Section 11. **Preferred Stock.** Subject to the Articles and applicable law, the Board is authorized to issue Preferred Stock on such terms as it deems advisable, consistent with the Articles and applicable law.

Section 12. **Unclaimed Equity.** Any distribution of proceeds or redemption of, or payment based upon, any security by a domestic cooperative, excluding all credit unions, which remains unclaimed six years after the date authorized for retirement or payment in cash or other property, may be forfeited by the Board. Any amount forfeited shall revert to the Cooperative, as contributed capital, if, at least six months prior to the declared date of forfeiture, notice that such payment is available has been mailed to the last-known address of the Member.

### **Bylaw 3 – Meetings of Members**

Section 1. **Annual Meeting.** The annual meeting of the Cooperative will be held at the principal office of the Cooperative or at any other place the Board determines within six months of the end of the fiscal year of the Cooperative.

Section 2. **Special Meetings.** Special Member meetings may be called by the president, Board, or one-fifth of voting Members. Written notice stating the place, day, hour, purpose, and names of those calling the meeting, shall be given not less than ten nor more than thirty days before the meeting at the direction of the person calling the meeting.

Section 3. **Notice of Meetings.** Written notice, stating the place, day, and hour, and in case of a special meeting the purposes for which the meeting is called, shall be given not less than ten nor more than thirty days before the meeting by any reasonable means, including but not limited to posting on the Cooperative's website, or by any means authorized herein.

Section 4. **Quorum.** A quorum at a Member meeting shall be ten percent of the first one hundred Members plus five percent of additional Members, present in person or by ballot. A quorum shall never be more than fifty Members nor less than five Members. If less than a quorum is present at any meeting, a majority of those present may adjourn the meeting to a time and place they may determine. If a meeting is adjourned to another time and/or place, due notice shall be given to the Membership. In the event that a quorum of persons present in person is not reached at a Member meeting, any specific issue up for vote (including the election of Directors) for which voting by mail is allowed pursuant to Section 5 of this Bylaw may be voted on at such a Member meeting if a quorum as provided in this Section exists when the ballots submitted by mail are counted along with Members present in person.

Section 5. **Voting.** No person other than a Member may vote at any meeting. Each Member will have one vote upon any matter submitted to a vote. Voting by mail shall be allowed in cases in which, in the notice of the meeting, the Board submitted a specific issue or issues for a mail vote. Election of Directors, except to fill a vacancy, will always be conducted via ballots, which shall be allowed by mail. Members will also have the opportunity to bring ballots to the annual meeting or designated place for counting at the annual meeting within the time line authorized by the Board. Members may also vote on any matter by electronic means if authorized by the Board. There will be no voting by proxy. Members on a Member investment payment plan will be allowed to vote, as long as they are current in their payments.

## **Bylaw 4 – Board of Directors**

Section 1. **Powers.** The business and affairs of the Cooperative will be governed by the Board. The Board will adopt policies, rules, and regulations not inconsistent with the law, the Articles of Association, and these Bylaws. The Board may amend the Bylaws in accordance with Bylaw 8, Section 2. The Board may establish one or more committees having such powers and authority delegated to it by the Board. All policies adopted by the Board will be available for review by Members upon request.

Section 2. **Number of Directors.** The Board of Directors shall consist of no less than five (5) but no more than seven (7) directors. The number of authorized directors shall be determined at each annual Members' meeting in accordance with the provisions contained in these Bylaws. Directors will be elected according to the voting procedures contained in these Bylaws. The number of Directors may not be reduced unless a vacancy exists and such a reduction complies with this Section.

Section 3. **Qualifications.** The qualifications for the office of Director will be:

- (1) the individual must be a Member in good standing of the Cooperative;
- (2) only one individual per household or corporate Membership will be eligible to serve on the Board at any given time;
- (3) the individual must not have interests, financial or otherwise, adverse to the Cooperative;
- (4) No Director may be a paid employee of the Cooperative.

Section 4. **Limited Liability of Directors and Manager.** The Directors and the General Manager shall not be liable to the Cooperative for any acts or omissions in their official capacities unless the act or omission constitutes gross or willful negligence or gross or willful misconduct.

Section 5. **Election of Directors.** At each annual meeting of the Members, Directors shall be elected by majority vote to fill vacancies. A Director is expected to take office at the organizing meeting of the Board following the annual meeting at which they were elected, and will remain seated until a successor takes office. New Directors will be expected to attend Board meetings and participate in an orientation program during the period between their election and assumption of office. The term of office shall be for 3 years, and Directors are eligible for no more than three consecutive terms or nine consecutive years. After an absence of one year or more from the Board, a Director may be reelected for three (3) additional 3-year terms. The terms of office will be arranged that as nearly as possible the terms of office of an equal number of Directors will expire each year to allow for a staggering of terms. If any Director ceases to be a Member, his or her office will be automatically vacated.

Section 6. **Conflict of Interest.** Directors are expected to avoid conflicts of interest involving any matter pending before the Board. Directors also have a duty to disclose any such conflict of interest. A conflict of interest is considered to exist when a Director is confronted with an issue in which the Director has a personal or financial interest, or an issue or circumstance that could render the Director unable to devote complete loyalty and singleness of purpose to the interest of the Cooperative.

Section 7. **Compensation.** At the discretion of the Board, Directors may be entitled to reimbursement for actual expenses incurred in attending Board meetings or other business of the association. Expense claims will be approved by the Board. Compensation and/or reimbursement to Directors will not constitute payments to them as employees.

Section 8. **Removal of Directors.** Directors may be removed as follows:

(A) By Members. Any Director may, for cause, be removed from office by a majority vote at any annual or special meeting of the Members. No Director shall be removed from office by the Members unless he or she has been given ten days notice of the meeting at which the matter is to be considered. Notice shall be given via certified mail and he or she shall be entitled to be heard at the meeting. In case of removal by action of the Members, the Members shall fill the vacancy for the unexpired term by special election.

(B) By Board. At any regular or special meeting, any Director may, for cause, be removed from office by a vote of three-fourths of the remaining Directors. No Director shall be removed from office by the Members unless he or she has been given ten days notice of the meeting at which the matter is to be considered. Notice shall be given via certified mail and he or she shall be entitled to be heard at the meeting. In case of removal by action of the Board, the Board shall fill the vacancy for the unexpired term until the next Member meeting.

(C) Appointed Directors. Any appointed Director shall serve for the duration of the unexpired term of the member whose term he or she has been appointed to complete.

Section 9. **Vacancies.** Any vacancy existing in the Board may be filled until the next annual meeting by appointment by a majority vote of the Directors then in office.

Section 10. **Meetings of the Board.** Regular meetings of the Directors will be held at a time and place as the Board may determine. This must be adopted and recorded in the minutes at each meeting. Special meetings of the Board may be called by the president of the Board or a majority of Directors. Each Member of the Board must be notified of any special meetings. Directors may participate in any meeting by means of a conference telephone conversation or other comparable method by which all people participating in the meeting can hear and communicate with each other; and for purposes of taking any action at the meeting, any such Directors shall be considered present in person.

Section 11. **Action Without a Meeting.** Any action which may be taken at a meeting of the Directors may be taken without a meeting if a writing setting forth and approving the action taken shall be signed by all of the Directors entitled to vote on such action. In such cases, such consent shall have the same force and effect as if a meeting had been held. Notice of any action taken shall be included in the minutes of the following meeting of the Board. Directors shall refer to established Board policy to ensure judicious use of this practice.

Section 12. **Quorum.** A quorum will consist of a majority of Directors. A majority vote of the Directors present shall decide all questions except where a greater vote is required by the Articles or Bylaws.

Section 13. **Members Attendance at Meetings.** Members may attend any regular meeting of the Board as observers, with the exception of the executive session. Members who wish to address the Board will be provided a scheduled session on the agenda. Written notice of the presentation should be provided by the Member to the Board secretary at least 10 days prior to the meeting.

#### **Bylaw 5 – Officers**

Section 1. **Officers.** The officers of the Board shall be a President, one or more Vice-Presidents, a Secretary, and a Treasurer. The offices of secretary and treasurer may be combined in one person. The Board may appoint more offices as needed.

Section 2. **Election of Officers.** Officers will be elected annually by and from the Board at the first meeting following the annual Membership meeting. If any vacancy occurs among the officers, it shall be filled by the Board at its next regular or special meeting following the vacancy.

Section 3. **President.** The President shall preside at all meetings of the Members and of the Board. For each meeting, the president will prepare the agenda and provide notice of the meeting to the Board and Membership. The President, along with the Secretary, will be responsible for signing documents, contracts, and other documents for the Cooperative.

Section 4. **Vice-President.** In the absence or disability of the President, the Vice-President will perform the duties of the President as well as any duties assigned by the President of the Board. If there are more than one Vice-Presidents, then they shall preside, in the absence of the President, in the order of seniority.

Section 5. **Secretary.** The Secretary will be responsible for keeping a complete record of every meeting of the Members and of the Board. The Secretary shall sign, along with the President, all documents, contracts, and other documents for the Cooperative. The Secretary will prepare and submit the annual report to the annual meeting of Members. The annual report will contain a statement of assets and liabilities, a statement of income and expenses, and other statements and information the Board requires. The Secretary will perform other duties required by the Board. The Board may authorize the Secretary to delegate duties to any other officer or employee of the Cooperative.

Section 6. **Treasurer.** The Treasurer will oversee receipt and disbursement of all funds of the Cooperative, ensure that complete records of all financial transactions of the association are kept, and perform other duties required by the Board. The Board may authorize the Treasurer to delegate duties to any other officer or employee of the Cooperative.

Section 7. **General Manager.** When required for the operation of the Cooperative's business, the Board will employ and supervise a general manager. The general manager will have general charge of the ordinary and usual business operations of the Cooperative, subject to the policies and approval of the Board. The general manager will properly maintain all business records and accounts, and will provide annual and periodic reports in a form and manner prescribed by the Board. The general manager will employ and discharge employees subject to established policy. The general manager will handle and account for all monies belonging to the Cooperative which come into his or her possession in the manner and form prescribed by Board policy.

## **Bylaw 6 – Indemnification**

Section 1. **Indemnity.** Subject to the other provisions hereof, the Cooperative will indemnify and defend a current or former Member of the Board or the General Manager (“Indemnified Party”) who is made or is threatened to be made a party to any civil, criminal, administrative, arbitration or investigative proceeding from any judgments, penalties, fines, settlements, and reasonable expenses, including attorney's fees and disbursements, incurred by the Indemnified Party as a result of the Indemnified Party's service: on the Board or any committee thereof; as an officer of the Cooperative; or as a Director, Officer, manager, partner, trustee of another organization, retirement plan, or employee benefit plan (a “Related Organization”). Such indemnification shall be to the greatest extent allowed by the law of the state of North Dakota applicable to cooperatives.

Section 2. **General Provisions.** The Indemnified Party seeking indemnification or payment or reimbursement of expenses pursuant to this Section has the burden of establishing that he or she is entitled to indemnification or payment or reimbursement of expenses. Nothing contained in this provision is intended to limit the discretionary authority of the Cooperative to indemnify an Indemnified Party or other individual who is not a Member of the Board or Officer of the Cooperative by resolution, contract or otherwise. Indemnification under this provision is not exclusive of other rights to which the Indemnified Party may have under any policy of insurance.



## **Bylaw 7 – Miscellaneous**

Section 1. **Notices.** Whenever notice is required by this chapter to be given to any person, such notice shall be given either personally, by mail, or by electronic mail. If mailed, such notice is given when deposited in the United States mail, with postage prepaid thereon, addressed to such person at the person's address as it appears on the records of the Cooperative. A signed waiver is equivalent to personal notice to the person so signing.

Section 2. **Severability.** To assure the carrying out of the purposes hereof, each and every one of the provisions of these Bylaws are to be regarded and construed as independent of every other provision. In the event that the final determination of a Court of competent jurisdiction shall adjudge that any of the terms, conditions or provisions of these Bylaws or the Articles are invalid, such adjudication shall in no wise affect the validity of the remaining provisions.

Section 3. **Governing Law.** These Bylaws and the internal governance of the Cooperative shall be controlled by the laws of the State of North Dakota.

## **Bylaw 8 – Amendment**

Section 1. **Amendment by Members.** These Bylaws may be amended, rescinded, or altered in whole or part by a majority vote of the Members present at any regular or special meeting of the Membership, and any Member may initiate such action. Proposed Bylaw changes must be submitted for inclusion in the notice of the meetings of Membership as specified in Bylaw 3, Section 3.

Section 2. **Amendment by the Board.** These Bylaws may be amended, rescinded, or altered in whole or part by a majority vote of the Board present at any regular or special meeting of the Board, and any Director may initiate such action. Bylaw changes made by the Board must be submitted to the Members for ratification by majority vote at the next annual Members meeting, and such proposed ratification must be included in the notice of the meetings of Membership as specified in Bylaw 3, Section 3.

## **Bylaw 9 – Dissolution**

Section 1. **Dissolution of the Cooperative.** The Cooperative may be dissolved at a Member meeting if proper notice of a resolution for dissolution has been given. The resolution must be adopted by three-fourths of the votes cast on thereon.

Section 2. **Liquidation.** If the resolution is adopted, either a committee designated by the resolution or the Board shall liquidate all assets and pay the net proceeds of such liquidation available for distribution to all persons entitled to the same by law, the Articles, and the Bylaws.

Section 3. **Distribution.** Upon dissolution, the assets of the Cooperative shall be distributed in the following order:

- (a) To pay the costs of dissolution;
- (b) To pay any liabilities;
- (c) To redeem the paid in capital attributable to all Preferred Stock issued and outstanding;
- (d) To redeem all the paid in capital attributable to Common Stock or membership fees;
- (e) To redeem any allocated patronage credits of members; and
- (f) Any remaining assets shall be distributed among the active Members in good standing on the basis of such Members' patronage over the ten (10) years preceding dissolution.

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