

**AMENDED AND RESTATED BY-LAWS
OF
CONSUMERS' COOPERATIVE ASSOCIATION OF SWARTHMORE, INC.**

(Last amended by vote of the membership May 3, 2012)

I. GENERAL

1. Name. The name of this Cooperative shall be **CONSUMERS' COOPERATIVE ASSOCIATION OF SWARTHMORE, INC.**

2. Purposes. The purpose of the Cooperative shall be:

(1) to promote the economic welfare of its owners and patrons by utilizing their united funds and united efforts in any one or more lawful mode or modes of acquiring, producing, building, operating, manufacturing, furnishing, exchanging, or distributing any type or types of property, commodities, goods or services for the primary and mutual benefit of the patrons of the association as ultimate consumers;

(2) to associate itself with other Cooperative societies throughout the state, United States, and other countries for mutual aid;

(3) to advance the cooperative movement as a system of business having service for its motive; and

(4) to do such other things as shall serve the economic and cultural welfare of its owners and the public.

3. Cooperative Principles. The Cooperative shall be operated in accordance with the cooperative principles adopted at the 1995 General Assembly of the International Co-operative Alliance, which includes the following:

(1) Open and voluntary ownership without gender, social, racial, political, religious, or other arbitrary discrimination;

(2) Democratic control by its owners with elected representatives being accountable to owners and owners having equal voting rights;

(3) Owners contributing equitably to the capital needs of the cooperative, with such capital receiving a strictly limited monetary return, if any, and with realized earnings being used for the development needs of the cooperative, for benefiting owners in proportion to their transactions with the cooperative, and/or for supporting other activities approved by its owners;

(4) Maintaining the autonomy and independence of the cooperative despite any dealings with other organizations or capital funds raised from outside sources;

- (5) Providing education and training to its owners, elected representatives, managers, and employees, and providing information to the general public about the nature and benefits of cooperation;
- (6) Working with other cooperative organizations to serve its owners most effectively and to strengthen the cooperative movement; and
- (7) While focusing on the needs of its owners, working for the sustainable development of the community in which it operates through policies accepted by its owners.

II. OWNERSHIP

- 1. Eligibility.** Ownership in the Cooperative shall be voluntary and open to any natural person, association, incorporated, or unincorporated group organized on a cooperative basis, or any non-profit group whose purpose in seeking ownership is to use its services and is willing to accept the responsibilities of ownership. In case of doubtful eligibility, ownership shall be subject to approval by the Board at any time within six months of the date of application.
- 2. Admission.** Applicants shall be admitted to ownership upon submitting required information and purchasing or subscribing to purchase not less than sixty nor more than five thousand common shares at a purchase price of five dollars per share.
- 3. Rights.** Each owner shall be entitled to make purchases from the Cooperative on terms generally available to owners, to participate in the governance of the Cooperative as set forth in these bylaws, and to receive a copy of these by-laws.
- 4. Responsibilities.** Each owner shall keep reasonably current in payment of the share purchase requirement described above, and shall notify the Cooperative of any change of name or address. An owner who becomes delinquent in meeting the share purchase obligation to an extent determined by the Board under a uniform policy, or who fails to patronize the Cooperative for a period of time determined under a uniform policy by the Board, shall, no sooner than thirty days after delivery of written notification, be placed into inactive status. The participation rights shall then be suspended. An owner in inactive status may attain good standing only upon full payment of all arrearages and paying a reinstatement fee, if any, as determined under a uniform policy by the Board. References herein to the rights and entitlements of owners shall be understood to refer only to owners in good standing.
- 5. Access to information.** Owners shall be provided adequate and timely information concerning the organizational and financial affairs of the Cooperative. Owners shall be provided access to the books and records of the Cooperative for a proper purpose, subject to reasonable conditions and limitations to protect the legitimate interests of the Cooperative.
- 6. Settlement of disputes.** In any dispute between the Cooperative and any of its owners or former owners which cannot be resolved through informal negotiation, it shall be the policy of the Cooperative to prefer the use of mediation whereby an impartial mediator may facilitate negotiations between the parties and assist them in developing a mutually acceptable settlement.

No party with a grievance against the other shall have recourse to litigation until the matter is submitted to mediation and attempted to be resolved in good faith. It is recognized and accepted that this section imposes a prerequisite upon access to the court system on the part of both owners and the Co-op.

7. Limited transferability. Ownership rights and interests may be transferred with the approval of the Cooperative, but only to a person who is an owner or is admitted to ownership before the transaction is consummated, and provided that there is no element of profit to the transferror in the transaction. Any attempted transfer contrary to this section shall be wholly void and shall confer no rights on the intended transferee.

8. Termination. Ownership may be terminated voluntarily by an owner at any time upon notice to the Cooperative. Ownership may be terminated involuntarily by action at a meeting of owners. The owner against whom charges are preferred shall be informed thereof in writing at least 10 days in advance of the meeting, and shall have an opportunity to be heard in person or by counsel at such meeting. Upon termination of ownership, all rights and interests in the Cooperative shall cease except for rights to redemption of capital pursuant to articles IV and V of these by-laws.

III. GOVERNMENT

1. Ownership.

(1) Control by Owners. Ultimate control of the Cooperative shall be vested in owners under procedures set forth in these by-laws.

(2) Regular and Special Meetings. The regular meetings of owners shall be held annually at a day, time and place to be determined by the Board of Directors and specified in the call of the meeting. Special meetings of owners may be called at any time by action of the Board of Directors, and such meetings must be called whenever a petition signed by at least twenty-five owners is presented to the Board of Directors.

(3) Notice of Meetings. Notice of meetings shall be sent by U.S. mail to the address of every owner as registered on the books of the Cooperative at the time the notices are sent. Notices shall be sent not less than twenty days before the date set for the meeting. Notice in any publication of the Cooperative will serve as sufficient notice to owners if mailed at least ten days prior to any given meeting. Notice of special meetings shall state the time, place and purpose of such meeting, and the business to come before it, and no business other than that specified in the notice shall be transacted. Notices of meetings of the Board shall also be posted in a timely manner and in a conspicuous place in the Cooperative's store, but the inadvertent omission of such posting shall not affect the validity of the meeting.

(4) Quorum. Twenty-five owners shall constitute a quorum. A lesser number may adjourn to a future date not less than 10 days nor more than 30 days later and at such meeting, provided notice of such adjournment and a reminder of this section is sent to the membership, the members present at such meeting shall constitute a quorum.

(5) Voting.

(a) Each owner shall have but one vote, irrespective of the number of shares that such person owns or has subscribed for;

(b) No owner shall be permitted to vote by proxy;

(c) An owner may vote by mail:

(1) when the notice of the meeting includes a copy of the proposal to be submitted to the meeting and the owner's vote is received by the Secretary on or before the day of such meeting; such vote shall be counted with those cast at the meeting;

(2) at elections in the same manner as in (1) except the ballots shall be returned to the Cooperative.

(6) Initiative and Referendum. Owners may initiate any proper action for decision, or may, within six months of any action taken by the Board of Directors, review such action by petition of owners. A petition for initiative or referendum shall be signed by twenty-five owners or ten percent of all owners, whichever is greater. Upon receipt of such a petition, the Board (or the Secretary in the event that the Board shall fail to so act) shall call a meeting of owners as soon as practicable.

2. Directors. The Cooperative shall have a Board of Directors consisting of not less than five nor more than twelve directors, all of whom must be owners of the Cooperative and shall not have any overriding conflict of interest with the Cooperative. Neither employees of the Co-op nor immediate family members or significant others of Co-op employees are eligible to be nominated or to serve as directors.

(1) Powers. The Board of Directors, subject to instructions at a meeting of owners, shall direct the activities and business of the Cooperative and shall make such lawful rules and regulations as it deems necessary for its management, and for the guidance of its officers, employees and agents. The Board of Directors shall have the duty to employ and dismiss the General Manager of the Cooperative.

(2) Election. Directors shall be elected at the annual meeting of the Cooperative by a plurality of the votes cast at such election for 3-year staggered terms. Terms of specific directors may periodically be set at one or two years in order to best facilitate a continued staggering of terms. Directors may be nominated by the Board, by a nominating committee selected by the Board, or by petitions signed by at least ten owners and submitted to the Cooperative at least thirty days before the date of the annual meeting.

(3) Standards of conduct. Directors shall be responsible at all times for discharging their duties in good faith, in a manner that they reasonably believe to be in the best interests of the Cooperative and with the care that an ordinarily prudent person in a like position would use under similar circumstances.

(4) **Conflicts of interest.** Directors shall be under an affirmative duty to disclose their actual or potential conflicts of interest in any matter under consideration by the Board or a committee exercising any authority of the Board, and such interest shall be made a matter of record in the minutes of the meeting. Directors having such an interest may not participate in the decision of the matter nor in deliberations leading to such decision. A transaction in which a director has an interest shall be prohibited unless the transaction is fair to the Cooperative and is approved by at least a two-thirds majority of all disinterested directors.

(5) **Removal.** Directors shall be subject to removal with or without cause before the expiration of their terms of office by a two-thirds vote at a meeting of owners after the director is accorded an opportunity to be heard.

(6) **Vacancies.** Vacancies occurring on the Board of Directors shall be filled by a majority vote of the remaining directors, such appointee to fill the unexpired term.

3. Meetings of the Board.

(1) **Notice.** Regular meetings shall require no notice other than the resolution of the Board, it being the responsibility of absent directors to inquire as to the time of further scheduled meetings. Special meetings shall require written or oral notice to all directors. Written notice shall be delivered at least five days before the date of the meeting and oral notices shall be given in person or by a telecommunications device at least forty-eight hours days before the time of the meeting. Notices of meetings of the Board shall also be posted in a timely manner and in a conspicuous place in the Cooperative's store, but the inadvertent omission of such posting shall not affect the validity of the notice.

(2) **Waiver of notice.** Any notice of a meeting required under these bylaws may be waived in writing at any time before or after the meeting for which notice is required. The attendance of a director at a meeting shall constitute a waiver of notice of the meeting except where the director attends for the express purpose of objecting to the transaction of business because the meeting is not lawfully convened.

(3) **Quorum.** The presence in person of a majority of directors shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the Board.

(4) **Voting.** Unless a higher percentage is required by law or by these by-laws, all issues shall be decided by majority of votes cast.

(5) **Action without a meeting.** Any action required or permitted to be taken at a meeting of the Board may be taken without a meeting only if a written consent to the action is signed by all directors and filed with the minutes of meetings.

(6) **Open meetings.** Meetings of the Board shall be open to owners. Sessions of a meeting may be closed only as to issues of a particularly sensitive nature. Owners may otherwise be excluded only for cause.

4. Auditors. An auditor shall be chosen annually by the Board of Directors. The auditor shall be an experienced bookkeeper or accountant and shall not be an officer or director.

5. Officers, Committees and Agents.

(1) Election and Appointment. The Board of Directors immediately after the annual meeting of owners shall meet and elect from their number a President, Vice-President, Treasurer and Secretary. In addition to the following stated duties, such officers shall have such additional duties as is determined by the Board. All officers shall serve for one year or until election of their successors., subject to the power of the Board to remove any officer at pleasure by vote of a majority of all directors.

(2) President. The President shall coordinate the activities of the Board and shall preside at all meetings of the Board and of owners.

(3) Vice-President. The Vice-President shall, in the absence or incapacity of the President, perform the duties of that officer and such other duties as may be delegated by the Board of Directors.

(4) Secretary. The Secretary shall be responsible for the recording and keeping of adequate minutes of all meetings of the Board and of owners, assuring the safe-keeping of corporate records, issuing notices required under these bylaws, and authenticating records of the Cooperative.

(5) Treasurer. The Treasurer shall oversee the maintenance of accounting records, the preparation of financial statements, and the filing of required reports and returns.

(6) Functional Committees. The Board may appoint special or standing committees to advise the Board or to exercise such authority as the Board shall designate. Any committee exercising any authority of the Board shall consist exclusively of directors.

(7) Manager. The Board of Directors shall employ a general manager who, subject to the Board's supervision, shall have general charge of the business of the Cooperative. On consultation with the Chair of the human resources or personnel committee or the President, the general manager shall employ and discharge all other employees and fix their wages, hours and working conditions within limits fixed by the Board.

(8) Other Officers, Agents and Committees. Other officers and agents may be appointed by and shall perform such duties and have such powers as may be assigned to them by the Board of Directors.

IV. CAPITAL STOCK

1. Issuance and terms. To evidence capital funds provided by owners, the Cooperative shall issue its common stock with a par value of five dollars per share. Common shares may be

issued only to persons eligible for and admitted to ownership in the Cooperative. Shares shall be issued only upon full payment of their purchase price.

2. Certificates. Every holder of a fully paid share shall be entitled to receive a certificate evidencing such holding. All certificates shall be signed personally or by facsimile by an authorized officer and shall be numbered and recorded in a stock register maintained by the Cooperative. Each certificate shall contain a prominent notation that it is not transferable and that voting rights pertain only to ownership in the Cooperative on the basis of one voice or vote per owner. The Cooperative may issue a replacement certificate for any certificate alleged to have been lost, stolen or destroyed without requiring the giving of a bond or other security against related losses.

3. Redemption. Upon request following termination of ownership, common shares shall be redeemed when replacement capital is provided by other owners. Such shares shall be redeemable at the lesser of their carrying value on the books of the Cooperative or their net book value, less a reasonable processing fee, if any, as determined under a uniform policy by the Board. Redemption proceeds shall be subject to offset by amounts due and payable to the Cooperative by the owner. No redemption shall be made when such payment would impair the ability of the Cooperative to meet its other obligations as they become due. Reapplications for ownership after full or partial redemption shall be subject to full repayment of redemption proceeds. The Cooperative shall have the right to recall, at its carrying value on the books of the Cooperative, any shares held by an owner in excess of the amount required for ownership status.

V. DISTRIBUTIONS OF NET SAVINGS

1. Patronage refunds. The Cooperative shall annually allocate and distribute to its patrons as patronage refunds its adjusted net savings from business done with them in such manner and within such time as to constitute patronage dividends within the meaning of federal income tax law. Any allocations of such a nominal amount as not to justify the expenses of distribution may, as determined by the Board, be excluded from distribution provided that they are not then or later distributed to other patrons.

2. Adjusted net savings. In determining adjusted net savings, the net savings of the Cooperative derived from the excess of revenues over costs and expenses, to the extent attributable to business done with patrons and otherwise allowable under federal income tax law, shall be reduced by: (i) not less than ten percent of such savings as a reserve fund until there is accumulated net savings of not less than fifty percent of paid-up capital stock, such additions to the reserve fund being allocated or allocable on a patronage basis; (ii) not less than five percent of the remaining savings as an educational fund to be used in teaching cooperation; and (iii) such reasonable reserves for necessary business purposes as is determined by the Board. Additions to required reserve and educational funds may, as determined by the Board, be made from nonpatronage-sourced earnings or from earnings attributable to non-owner business. In determining adjusted net savings, the Cooperative shall use a single allocation unit except to the extent that, subsequent to the adoption of these by-laws, it shall engage in any new and distinct line of business.

3. Distribution and notice. Adjusted net savings shall be allocated to participating patrons in the proportion which their patronage bears to the total of all patronage during the fiscal year. In the case of non-owners, such patronage must be evidenced by tabulated receipts for all or selected purchases from the Cooperative, and must be remitted to the Cooperative within the time determined by the Board. Patronage refunds to owners shall be evidenced by written notices of allocation delivered to recipient patrons within eight months and fifteen days following the close of the fiscal year. Such notices shall be accompanied by checks in an amount determined by the Board which must be at least twenty percent of the total allocation. No part of patronage refunds to participating non-owners shall be currently distributed.

4. Consent of owners. By obtaining or retaining ownership in the Cooperative, each owner shall thereby consent to take into account, in the manner and to the extent required by Section 1385 of the Internal Revenue Code, the stated dollar amount of any qualified written notice of allocation in the taxable year in which such notice is received.

5. Amounts not currently distributed. The portion of patronage refunds not currently distributed by check shall:

- (a) in the case of owners whose share purchase requirement is fully paid, be credited towards purchase of additional shares in their names;
- (b) in the case of subscribers, be credited to their share accounts; and
- (c) in the case of participating non-owners, be credited to provisional share accounts in their names.

If, within three years, such subscribers or non-owner patrons shall fail to become fully-paid owners, the amounts credited to their share accounts shall go to the educational fund, and such persons shall have no further rights to such amounts.

VI. MISCELLANEOUS OPERATING PROVISIONS

1. Bonding. Any officer or employee of the Cooperative handling funds or securities shall be covered by an adequate bond in such amounts and on such terms as may be determined by the Board. The costs of such bonds shall be paid by the Cooperative.

2. Audit. An annual audit of the books and accounts of the Cooperative shall be made. A written report of the audit, including a statement of the amount of business transacted with owners and with non-owners and a balance sheet and income statement, shall be submitted to the annual meeting of owners.

3. Employee Relations. It is the declared policy of the Cooperative to recognize the right of its employees to organize and bargain collectively as regards their wages and other conditions of employment, and to present and adjust grievances of individuals or groups of employees through their chosen representatives.

4. Fiscal Year. The fiscal year of the Cooperative shall end on the Saturday closest the end of the calendar year.

5. Annual Report. An annual report shall be prepared each year in accordance with the District of Columbia Cooperative Law and duly filed.

VII. INTERPRETATION AND AMENDMENT

1. Severability. In the event that any provision of these by-laws is determined to be invalid or unenforceable under any statute or rule of law, then such provision shall be deemed inoperative to such extent and shall be deemed modified to conform with such statute or rule of law without affecting the validity or enforceability of any other provision of these by-laws.

2. Amendment. These by-laws may be amended or repealed only at a meeting of owners, provided that the proposed amendments are stated or fully described in the notice of the meeting at which the amendments are to be adopted.

VIII. DISSOLUTION

On dissolution any surplus of assets shall be distributed either or both of the following ways:

(a) Among those patrons who have been owners at any time during the last six years, on the basis of their patronage during that period.

(b) As a gift to the Swarthmore Public Library or other non-profit organization serving the community of Swarthmore.

Appendix:

EXPLANATION OF PATRONAGE REFUND CONSENT PROVISION

The Internal Revenue Code generally requires each person receiving a patronage refund to include the amount of such distribution in his or her gross income in the taxable year in which it is received. Under by-law V.3, mere acceptance or retention of ownership in the Cooperative constitutes consent to such inclusion in taxable income, including the portion of the patronage rebates that is retained by the Cooperative for its capital needs.

The Cooperative has been advised by legal counsel, however, that the general rule for inclusion in income of patronage refunds is subject to an exception that is applicable to consumer cooperatives. Under that exception, a patronage rebate is not required to be included in gross income if the owner's purchases from the Cooperative related to "personal, living or family items." The patronage refund would be taxable to a member only if his or her purchases related to the operation of a trade or business or other income-producing activities.

In effect, the consent provision is of no significance to owners of the Cooperative, except as to organizational owners and except where the purchases of owners who are natural persons are for business or income-producing purposes.