



PO Box 3502 • West Chester • PA 19381

## **Bylaws of the WEST CHESTER COOPERATIVE, INC**

*(Revised March 28, 2018)*

*A Cooperative Corporation organized under the Pennsylvania Cooperative Corporation Law of 1988. Adopted: March 12, 2015  
Amended (v1.1): July 5, 2017  
Amended (v1.2): March 28, 2018*

### **ARTICLE I – DEFINITIONS**

As used in these Bylaws, the following terms shall have the meanings set forth below:

**1.1 Household.** A group of persons, including minors, residing at the same address who live together as a family unit.

**1.2. Member of Record.** Also known as share-holding member. The person who applies for membership on behalf of a Household. All members of the household become Co-op members upon acceptance of the application, but the Member of Record is the individual to whom all official business, including patronage dividends, will be directed.

**1.3 Active Member.** A member who currently meets the Responsibilities as set forth in Section 3.5.

**1.4 Member Patronage.** The total amount spent by the Member for purchases of goods from the Co-op during the fiscal year.

**1.5 Net Income.** The total income of the Co-op minus its costs of operation for the fiscal year.

**1.6 Patronage Dividend.** Net income of the Co-op attributable to the patronage of its Members, reduced by such reasonable reserves for necessary business purposes as may be determined by the Board of Directors, and allocated and distributed among Members in proportion to their patronage.

### **ARTICLE II – ORGANIZATION**

**2.1 Name.** The name of the organization shall be West Chester Cooperative, Inc. (referred to herein as the “Co-op”). *(Section 2.1 revised March 28, 2018)*



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**2.2 Ownership and Purpose.** The Co-op shall be owned by its members and shall operate for the mutual benefit of its members.

### **ARTICLE III - MEMBERSHIP**

**3.1 Eligibility.** Membership in the Cooperative shall be open to all individuals who are in accord with its purposes and are willing to accept the responsibilities of membership. The Member of Record must be at least 18 years old.

**3.2 Nondiscrimination.** Membership shall be open without regard to any characteristic that does not directly pertain to an individual's eligibility.

**3.3 Admission.** Any eligible individual and their household may be admitted to membership upon submitting an application and investing equity in an amount and on such terms as determined by the Board of Directors (henceforth "the Board").

**3.4 Rights.** The rights shall be understood to apply only to active members. Members have the right to run for and elect the Co-op's Board of Directors, to attend meetings of the Board, to receive notice of and attend membership meetings, to petition as described in these bylaws, and to approve amendments to these bylaws. Each member household has one vote and no more on all matters submitted to members. Within the by-laws, rights may be further defined through Board decisions and policy.

**3.5 Responsibilities.** Members shall keep current in equity investments due to the Co-op, shall keep the Co-op informed of any changes in name or current address, and shall abide by these bylaws and the policies and decisions of the Co-op or the Board. Within the bylaws, responsibilities may be further defined through Board decisions and policy.

**3.6 Termination of Membership.** The member of record may terminate membership voluntarily at any time by written notice to the Secretary of the Board with the member signature affixed. Voluntary termination shall not affect the terminating Member's existing liabilities to the Co-op.

**3.7 Revocation of Membership.** 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. Revocation shall not affect the revoked Member's existing liabilities to the Co-op.



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**3.8 Death of Member of Record.** Upon notification of the death of a member of record, the Co-op will assign the status of Member of Record to the designated beneficiary, whose household shall also become Co-op members.

**3.9 Non transferability.** Members may not transfer their membership.

**3.10 Household Members.** Individuals in the household of the member of record remain members only so long as they function according to the definition of household.

## ARTICLE IV – MEMBER MEETINGS

**4.1 Membership Meeting.** A membership meeting shall be held at least once per year at a time and place to be determined by the Board. The purpose of such meetings shall be to hear reports on operations and finances, to review issues that vitally affect the Co-op, and to transact such other business as may properly come before the meeting. The first membership meeting will be held no later than 5 months after the total number of active member households reaches 300.

**4.2 Special Meetings.** Special meetings of the membership may be called by the Board and must be called in response to a written petition of 5% of active members. In the case of a petition, the purpose of the meeting must be stated and the petition delivered to the Secretary, who shall present it to the Board. Notice of a special meeting petitioned by the members must be issued within 35 days of receipt of the petition by the secretary. Such meeting shall be held no less than 60 days after receipt of the petition by the secretary.

**4.3 Notice of meetings.** The notice of regular and special meetings of the Members shall state the date, time, place and purpose of the meeting. Notice shall be posted at the Co-op or, until such time as the store is in operation, in a conspicuous public place, and conveyed to members through normal member communication channels no less than 20 days prior to the meeting.

**4.4 Agenda.** The agenda of member meetings shall be developed by the Board. Any active member may have an item placed on the agenda of a membership meeting by submitting to the Board a petition from 1% of the Active Members, which shall be delivered to the Board in sufficient time for the issue to be publicized in the notice of the meeting.

**4.5 Conduct of Meetings.** Member meetings shall be governed by *Robert's Rules of Order*.

**4.6 Voting.** Each active member household shall have one and only one vote upon any single matter. Voting shall be accomplished through methods and means established by the Board. Notice of matters to be voted upon shall be included in the meeting notice for the meeting where the vote is to be held. Unless otherwise stated in the articles of incorporation or these bylaws or



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required by law, all questions shall be decided by a vote of a majority (more than half) of the members voting thereon. Proxy voting is not allowed.

**4.7 Quorum.** The participation of ten percent of Co-op active members, or forty members in number, whichever is less, shall constitute a quorum for decision making.

## **ARTICLE V - BOARD OF DIRECTORS**

**5.1 Powers and Duties.** The business and affairs of Co-op shall be directed in the interest of the members by the Board of Directors. Except for matters for which member voting is required, the Board shall have full power to govern the Co-op, including, but not limited to, hiring management and evaluating its performance, establishing compensation, if any, for the Board, and assuring that the mission of the Co-op is carried out.

**5.2 Initial (interim) Board and Charter.** The term of the initial (interim) Board of Directors named in the Articles of Incorporation and those appointed to the initial Board of Directors, if any, shall continue until seating of their successors as elected at the first annual meeting of the Membership. At the first elected Board's discretion, the terms of the initial (interim) Board of Directors may be extended for up to twelve months in order to provide a period of overlap with the first elected board. The charter of the Steering Committee will carry forward to the interim board with "Steering Committee" replaced by "Board of Directors."

**5.3 Number and Qualifications of Directors.** The Cooperative shall have a Board of Directors consisting of no less than nine (9) members and no more than eleven (11) members. All Directors are elected by the membership. To be nominated as a Director, a person shall be at least 18 years old, shall not be associated with any interests adverse to the co-op (competitors, for example), shall be an active member, and may not be the general manager of the Cooperative. The Board shall be empowered to make additional rules and regulations defining further qualifications necessary for Board service as it sees fit. Candidates for Director can be nominated by Board members, by a special nominating committee, or by petitions signed by at least ten (10) members and submitted to the Secretary at least thirty (30) days before the date of the membership meeting at which elections will be held.

**5.4 Terms, Elections, and Seating.** The initial terms of the first elected board shall be staggered so that approximately one-third (1/3) of the Board is elected in each subsequent year. Initial terms are to be determined at random by the Board after the first Board election. Elections shall occur annually at a meeting of the membership and in a manner prescribed by the Board. Seating of new members shall occur at the next Board meeting following the meeting of the membership. Open seats on the Board will be filled by candidates receiving the largest numbers of member votes. Except for a portion of the first elected Board, Directors shall serve a term of three (3) years and no Director may serve more than two (2) consecutive terms. After serving a second consecutive term on the Board, a Member shall retire from the Board for at least one (1) year



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before regaining his or her eligibility for election. At the Board's discretion, the immediate past President's term as a Director may be extended for up to twelve months in order to provide a period of overlap with the succeeding President without regard to term limitations.

**5.5 Membership Referenda.** The membership may countermand a decision by the Board or require Board action on any issue through referenda. A referendum must be signed by 10% of the active members and will be placed on the voting agenda for the next general membership meeting provided it is submitted to the Secretary no less than 35 days prior to the Meeting. Referenda countermanding a Board decision must be submitted to the Secretary no more than sixty (60) days after the date that the action is authorized by the Board; the Secretary shall stay execution of the Board action until the referendum has been held. Rights of third parties which vest between the time that the action is authorized by the Board of Directors and the time that the petition is received shall not be impaired by a vote of the Members.

**5.6 Availability of Policies and Procedures.** The policies and procedures established by the Board shall be made freely available to the membership by all appropriate means. Active members may obtain a printed copy of the policies and procedures by requesting same in writing from the Secretary of the Board.

**5.7 Vacancies.** Any vacancy among Directors elected by the members may be filled by appointment by the Board or by election at the next membership meeting. A Director so appointed or elected shall complete the pertinent term. If the size of the Board falls below the 9 member minimum, the Board may continue to function, but must make a good faith effort to bring the size back to the minimum as soon as practicable.

**5.8 Removal.** A Director may be removed by decision of 2/3 of the remaining Directors for conduct contrary to the Cooperative or failure to follow Board policies. Revocation or termination of membership results in automatic removal from the Board.

**5.9 Meetings.** The Board shall hold regular meetings, no less than 10 per year, at such time and place as it shall determine. Special meetings of the Board of Directors may be called by the President or by a minimum of 1/3 of the Directors. Unless another form of notification is requested, directors shall be notified of meetings via electronic mail at least five (5) days in advance. All Board meetings are open to the members and the date, time and place of Board Meetings shall be advertised by the Secretary through channels appropriate for notifying members, such as the regular print and electronic publications of the Cooperative, at least nine (9) days prior to the meeting. Directors may participate in meetings of the Board and shall be deemed to be present at such meetings as though physically present if they are participating by means of a conference telephone, internet-based video conference or similar communications equipment by which all persons participating at the meeting can hear each other and respond to matters properly brought before the meeting. Directors participating by such communications means shall be deemed present for all purposes including determination of quorum. Minutes of



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Board Meetings shall be made available to the members through timely posting on the Co-ops website or similar means.

**5.10 Executive Sessions.** The Board may vote to hold an executive session 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; and/or discussion or review of Co-op business that would potentially violate a lawful privilege of information and confidentiality recognized by the law. . The subject(s) of any executive session shall be stated prior to the board vote for the session and recorded in the minutes of the meeting. No vote may be taken in executive session other than on the subject(s) of the session. Decisions taken in Executive Session shall be recorded and included in the minutes of the next regular Board meeting. The Board, in its sole discretion, may decide by majority vote to exclude Directors that are also employees of the Cooperative from executive sessions related to operations of the Cooperative.

**5.11 Action without a Meeting.** Time critical issues may arise from time to time that cannot be deferred until a public Board meeting can be held. When such time critical issues arise, the Board may take action without a meeting. In such circumstances, any action required or permitted to be taken at a meeting of the Board may be taken without a meeting if notice of such proposed action is sent to each Director through the same channels and with the same prior notification as a meeting. Notice shall include the date by which directors' response to the proposed action(s) must be received, which shall be no earlier than the date the notice was distributed plus the required prior notification period. Responses to the proposed Action(s) must be in writing (USPS or electronic). The quorum requirement is met if a majority of the directors respond to the proposed action within the time required. Actions without a meeting will be recorded in the minutes of the next regularly scheduled Board meeting.

**5.12 Quorum and Voting.** A majority of the current Directors shall constitute a quorum and no decisions will be made without a quorum. If a quorum is not present at any meeting, the Directors present may adjourn the meeting and determine a time and place for an adjourned meeting, which meeting shall be advertised in accordance with the meeting notice requirements. All decisions of the Board of Directors will be by majority vote of the Directors present under the existing Quorum. In the event of a tie, the action shall not pass. A decision made by majority vote is effective when affirmed unless a different effective time is provided in the motion.

**5.13 Conflicts of Interest.** Directors shall be under an affirmative obligation to disclose their actual or potential conflicts of interest in any matter under consideration by the board and such interest shall be made a matter of record in the minutes of the meeting. Directors having such a



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conflict shall recuse themselves from discussion and decision of the matter unless otherwise determined by the Board.

**5.14 Officers.** The Board will elect officers according to the requirements of state law and as necessary for the effective conduct of Board business.

**5.15 Fiduciary Duty.** A Director of the Co-op shall stand in a fiduciary relation to the Co-op and shall perform his or her duties as a Director in a manner he or she reasonably believes to be in the best interest of the Co-op, and with such care, including reasonable inquiry, reliance on competent information, skill and diligence, as a person of ordinary prudence would use under similar circumstances.

**5.16 Indemnification.** No director or officer of this cooperative corporation shall be personally liable to the cooperative or its members for monetary damages except for liability:

- (a) for a breach of the director's duty of loyalty to the Co-op or its members;
- (b) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- (c) for a transaction from which the director derived an improper personal benefit; or
- (d) for an act or omission occurring prior to the date when the provisions of these bylaws became effective.

The Co-op shall indemnify and reimburse each Director for any claim or liability (including expenses and attorneys' fees reasonably incurred in connection therewith) to which such person may become subject by reason of being a Director. Such indemnification shall be made only if it is determined by the Board that the Director has not incurred liability by virtue of actions described in a, b, c, or d above. For purposes of determining liability from a, b, c, or d, the quorum required for Board vote is two-thirds. Expenses, including attorney fees, may be paid in advance of a final disposition when the party agrees to repay the amount if it is determined that she or he is not entitled to indemnification.

It is the intention of the members of this cooperative to eliminate or limit the personal liability of its directors and officers to the greatest extent permitted by Commonwealth of Pennsylvania law. If amendments to the Commonwealth of Pennsylvania Statutes are passed after these bylaws become effective, which authorize cooperative associations to act to further eliminate or limit the personal liability of directors, then the liability of the directors and officers of this cooperative shall be eliminated or limited to the greatest extent permitted by the Commonwealth of Pennsylvania Statutes, as so amended. Any repeal or modification of these bylaws by the members of the co-op shall not adversely affect any right of or any protection available to a director or officer which is in existence at the time of such repeal or modification.

## ARTICLE VI – COMMITTEES



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**6.1 Purpose.** Committees at the Co-op are formed to provide members with a way to participate in the life and mission of the Co-op.

**6.2 Creation and Termination.** The Board, Management, or interested members with Board or Management approval, may create or terminate a Committee at any time. Committee activity shall be within the scope of these bylaws and the Co-op's Mission.

**6.3 Operation.** Board and Management will develop clear policies defining the lines of authority, accountability and communication for committees. All committees shall have a clearly articulated mandate or charter, which shall indicate whether the committee reports to the Board or Management.

## ARTICLE VII – FISCAL AFFAIRS

**7.1 Auditing.** Until such time as the Co-op's combined annual expenditures reaches \$100,000, no outside auditing is required. Once such threshold is reached, the books of the Co-op shall be audited, and audits will subsequently be conducted at least once every three (3) years with no less than a review in the intervening years. Audits and reviews shall be conducted by a certified public accountant who shall be independent of the Co-op. Regardless of expenditures, the Board will ensure that an annual internal review of the financial controls of the Co-op is conducted (*Section 7.1 revised July 5, 2017*)

**7.2 Member Equity Accounts.** Member equity shall be held in Member Equity Accounts which shall contain both Regular Equity and Reserve Equity. Regular equity shall consist of all member capital invested in the Co-op as well as patronage rebates designated by the Board at its discretion as Regular Member Equity. Reserve equity shall contain Patronage Dividends designated by the Board at its discretion as Reserve Equity.

**7.3 Return of Equity.** Regular equity shall be returned upon termination or revocation of membership in the Co-op, under terms determined by the Board. The Co-op shall have a first lien on a Member's equity account for unpaid debts owed by the Member to the Co-op. Whenever the Co-op is required to return the Member's regular capital, it may deduct the debts owed by that Member to the Co-op from the capital to be returned to the Member. Reserve Equity shall be refunded only upon dissolution of the Co-op as provided for in Article 8.

**7.4 Unclaimed Property.** Whenever the Co-op is required to repay any of the Member's regular capital account to the Member, and the member of record cannot be found through good faith efforts for a period of two (2) years after the payment first becomes due, the Member's regular and reserve capital shall be forfeited and transferred to the Co-op's reserves.

**7.5 Patronage Dividends.** The Board shall annually make a determination of any patronage dividend and shall send written notice to members of the patronage dividend within eight (8)



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months and fifteen (15) days after the end of the fiscal year. Patronage dividends shall be allocated and distributed among Members in a manner consistent with cooperative principles and so as to constitute patronage rebates within the meaning of federal income tax law.

**7.6 Consent of members.** By obtaining or retaining membership in the Co-op, each Member thereby consents 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 patronage dividend in the taxable year in which such notice is received.

## ARTICLE VIII: DISSOLUTION

**8.1 Initiating Dissolution.** A proposal to dissolve the Co-op can be made by the Board or by a petition of 10% of the Active Members. The petition shall be delivered to the Secretary and will be placed on the agenda of the next Membership Meeting provided it is submitted no less than 35 days prior to the Meeting. The Secretary shall publish the proposal in the meeting notice.

**8.2 Approval of Dissolution.** The proposal to dissolve the Co-op must be approved by a two-thirds vote of the members who participate in the vote, having met a quorum.

**8.3 Distribution of Assets.** Upon dissolution of the Cooperative, its assets shall be distributed in the following manner and order: (i) by paying or making provision for payment of all liabilities and expenses of liquidation; (ii) by redeeming any equity accounts which, if they cannot be paid in full, shall be paid at an equally reduced rate; (iii) by distributing any remaining assets in a way that furthers the Co-op's mission, as determined by the Board.

## ARTICLE IX: AMENDMENT OF THE BYLAWS

**9.1 Requirements to Amend.** These bylaws may be amended or repealed in whole or in part by a majority of the members who participate in a vote on the matter, having met a quorum.

**9.2 Notification and Vote.** Amendments may be proposed by decision of the Board or by petition of at least five percent (5%) of active members, who shall deliver their petition to the Secretary. Proposed amendments will be placed on the agenda of the next Membership Meeting provided they are submitted to the Secretary no less than 35 days prior to the Meeting. The Secretary shall publicize the proposed amendments in the meeting notice.

## ARTICLE X: SEVERABILITY

**10.1 Severability.** In the event that any provision of these Bylaws is determined to be invalid or unenforceable under any statute or rule of law, then such provision shall be deemed inoperative



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and shall be modified to conform with the statute or rule or law without affecting the validity and enforceability of any other provision of these Bylaws.