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**BYLAWS**  
**of**  
**KENNETT SQUARE FOOD CO-OP**

*A Non-Profit Cooperative Corporation Organized Under the Pennsylvania Cooperative Corporation Law of 1988*

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**ARTICLE I. ORGANIZATION**

- 1.01 Name.** The name of the corporation shall be Kennett Square Food Co-op (henceforth “the Cooperative”).
- 1.02 Ownership and Purpose.** The Cooperative shall be owned by its members and shall operate in accord with the International Cooperative Alliance’s Statement on the Cooperative Identity for the mutual benefit of its members (henceforth “member-owners”). The purpose of the Cooperative is to establish and operate facilities and programs for the benefit of the member-owners and the community for production, distribution, purchase and/or consumption of healthful consumer goods and services, and provide related community services and activities; to associate with other cooperative societies for mutual and cooperative development; to advance the cooperative movement and serve its member-owners within the scope of the Articles of Incorporation and to the fullest extent permitted by law.
- 1.03 Fiscal Year.** The Board may determine and modify the fiscal year of the Cooperative. Unless otherwise provided by the Board, the Fiscal Year of the Cooperative shall begin on July 1 and end on the following June 30.

**ARTICLE II. MEMBER-OWNERSHIP**

- 2.01 Eligibility.** Member-ownership in the Cooperative shall be open to any individual or legal entity who is in accord with its purposes and is willing to accept the responsibilities of member-ownership.
- 2.02 Nondiscrimination.** Member-ownership shall be open without regard to any characteristic that does not directly pertain to a person’s eligibility.
- 2.03 Admission.** Any eligible person may be admitted to member-ownership upon submitting an application and investing equity in an amount and on such terms as determined by the Board of Directors (henceforth “the Board”). A legal entity applying for member-ownership must name a single individual as an authorized representative.
- 2.04 Rights.** Member-owners of Class A stock have the right to elect the Cooperative’s Board, 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. Additionally, member-owners have the right to request reasonable access to copies of the Incorporation papers, current Bylaws, Membership Meeting minutes, and Board Meeting Minutes which shall be kept at the principal address of the Cooperative. Each member-owner shall have one vote

and no more on all matters submitted to member-owners. The rights of member-owners shall apply only to active member-owners in good standing. All rights and responsibilities of member-owners are subject to applicable state law, the bylaws as they may be amended from time to time, and to policies and decisions of the Cooperative or the Board.

- 2.05 Responsibilities.** Member-owners shall keep current in equity investments due to the Cooperative, shall keep the Cooperative informed of any changes in name or current address, and shall abide by these bylaws and the policies and decisions of the Cooperative or the Board. Member-owners shall also patronize the cooperative. A member-owner who upholds these responsibilities is considered an active member in good standing.
- 2.06 Termination of Membership.** A member-owner may terminate his or her membership voluntarily at any time by written notice to the Cooperative. Member-ownership may be terminated involuntarily by the Board for cause after the member-owner 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 articles of incorporation, 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 member-owners, willful obstruction of any lawful purpose or activity of the Cooperative, breach of any contract with the Cooperative, or failure to patronize the business for more than 3 years.
- 2.07 Non-transferability.** Member-ownership rights and owner equity may not be transferred in any manner.
- 2.08 Return of Equity.** Equity may be returned upon termination of member-ownership in the Cooperative, under terms determined by the Board, provided that the Board has determined that the equity is no longer needed by the Cooperative.
- 2.09 Member-Owner Liability.** No member-owner of the Cooperative may be held liable for the debts of the Cooperative beyond amounts credited toward member-owner shares, revolving equity accounts, membership fees, and duly assessed levies.
- 2.10 Settlement of Disputes.** In any dispute between the Cooperative and a member-owner or former member-owner that involves normal membership transactions and that cannot be resolved through informal negotiation, it shall be the policy of the Cooperative to use 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.

### **ARTICLE III: MEMBER MEETINGS AND DECISION MAKING**

- 3.01 Annual Meeting.** A member-ownership meeting shall be held each year at a time and place to be determined by the Board. The purpose of such meetings shall be to hear reports on governance, operations and finances, to review issues that vitally affect the Cooperative, and to transact such other business as may properly come before the meeting.

- 3.02 Special Meetings.** The Board may call special meetings of the member-ownership. The Board shall call a special meeting if presented with a written petition stating a proper purpose and signed by 15% of active members. Notice of special meetings shall be issued to member-owners. In the case of a petition, notice of the special meeting will be issued within thirty (30) days after a presentation of the petition to the Board, and the special meeting shall be held no later than sixty (60) days after the receipt of the petition by the Board. No business shall be conducted at that special meeting except that specified in the notice of meeting.
- 3.03 Notice of meetings.** Notice of the date, time, place, rules and purpose of each meeting of the membership shall be posted in a conspicuous place at the Cooperative and communicated to member-owners not less than fifteen (15) days nor more than forty-five (45) days prior to the date of the meeting.
- 3.04 Voting.** Voting on all matters that member-owners are entitled to vote upon will be accomplished through paper or electronic ballots, or both, as authorized by the Board. Unless otherwise specified in these bylaws, notice of the vote shall be posted in a conspicuous place at the Cooperative and communicated by written notice delivered to member-owners' postal or electronic address not less than 15 days prior to the end of the election period. 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 simple majority of the member-owners voting thereon. Each eligible member-owner shall be entitled to only one vote on each question presented for vote, regardless of the number of shares or amount of membership capital owned by that member. Proxy voting is not allowed.
- 3.05 Quorum.** (a) At any meeting of the member-owners, or for any vote of the members, a quorum necessary for decision-making shall be 10% of the total number of member-owners or 100 member-owners, whichever is less. (b) Notwithstanding any contrary provision in the articles of incorporation or these bylaws, those member-owners entitled to vote who attend a meeting of member-owners:
- (1) At which directors are to be elected that has been previously adjourned for lack of a quorum, although less than a quorum as fixed in these bylaws, shall nevertheless constitute a quorum for the purpose of election of directors.
  - (2) That has been previously adjourned for one or more periods aggregating at least fifteen (15) days because of an absence of a quorum, although less than a quorum as fixed in these bylaws, shall nevertheless constitute a quorum for the purpose of acting upon any matter set forth in the notice of the meeting if the notice states that those member-owners who attend the adjourned meeting shall nevertheless constitute a quorum for the purpose of acting upon the matter.

#### **ARTICLE IV: BOARD OF DIRECTORS**

- 4.01 Number, Powers, and Duties.** The Board shall be composed of no more than nine (9) nor less than five (5) Directors. Except for matters for which member-owner voting is required, the Board shall have full power to govern the Cooperative, including, but not limited to, hiring management, establishing compensation, if any, for the Board, appointing and overseeing board committees, and assuring that the mission of the Cooperative is articulated and carried out.

- 4.02 Eligibility.** Directors must be member-owners of the Cooperative in good standing. A person with a conflict of interest so continuing and pervasive that he or she is unable to effectively fulfill the responsibilities of a director with the Cooperative shall not be qualified to serve as a director. No more than two (2) employees of the Co-op may serve as Directors at any time and no more employees of the Co-op than could be elected under this rule may appear on the ballot in any election of the Board.
- 4.03** Current Directors may not apply for employment to the Co-op and a one year waiting period is required between:
- Board resignation and new employment to the Cooperative.
  - New employment to the Cooperative and election to the Board.
  - Unsuccessful application for employment to the Cooperative and election to the Board.
  - Termination from Employment at the Cooperative and election to the Board.
- 4.04 Terms and Elections.** Elections shall occur annually, in a manner prescribed by the Board. Directors shall serve a term of three (3) years and shall serve staggered terms so that approximately one-third (1/3) of the Board is elected each year. No Director may serve more than three (3) consecutive terms, after which a director must spend one full year out of office to be elected to a subsequent term(s).
- 4.05 Vacancies.** Any vacancy among Directors may be filled by appointment by the Board. A Director so appointed shall be appointed until the end of the pertinent term.
- 4.06 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. A Director may be removed by decision of the member-owners in accordance with the petition and voting provisions of these bylaws.
- 4.07 Meetings.** (a) The Board shall hold regular monthly meetings at such time and place as it shall determine. A special meeting of the Board shall be convened at the discretion of the President, or within two (2) weeks upon receipt of a written request by at least three (3) members of the Board to the President. All Directors shall be notified in writing of said meeting at least five (5) days in advance, unless the Board agrees to a shorter notice. Only Directors shall have the authority to vote in board meetings. Decision-making and voting shall be conducted by the method determined by the Board. The Board will provide reasonable notice of all board meetings to member-owners. Attendance at any meeting constitutes waiver of notice of that meeting. Meetings generally shall be open to all member-owners, but the Board in its sole discretion may limit member-owner participation. The Board may at any time decide to go into 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 of a matter that may, by law or contract, be considered confidential.
- (b) 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.

- 4.08 Action Without a Meeting.** Any action required or permitted to be taken at a meeting of the Board may be taken without a meeting if a consent or consents to the action in record form are signed, before, on or after the effective date of the action by all of the Directors in office on the date the last consent is signed. Such actions may be taken through electronic means and the consent or consents must be filed with the Secretary of the Cooperative and recorded in the minutes of the next regularly scheduled meeting.
- 4.09 Quorum.** A majority of the current Directors shall constitute a quorum and no decisions shall be made without a quorum.
- 4.10 Fiduciary Duty.** A Director of the Cooperative shall stand in a fiduciary relation to the Cooperative and shall perform his or her duties as a Director, including his or her duties as a member of any committee of the Board upon which he or she may serve, in good faith, in a manner he or she reasonably believes to be in the best interest of the Cooperative, and with such care, including reasonable inquiry, zeal and diligence, as a person of ordinary prudence would use under similar circumstances.
- 4.11 Conflicts of Interest.** Directors shall be under an obligation to disclose their actual or potential conflicts of interest. Directors having such a conflict shall have the opportunity to make a statement to the Board and then will absent themselves from further discussion and decision of any related matter under consideration by the Board unless otherwise determined by the Board. Directors may not do business with the Cooperative except in the same manner as other member-owners generally do business with the Cooperative or under other conditions that are procedurally defined to avoid preferential treatment.
- 4.12 Officers.** The Board will elect officers according to the requirements of state law and as necessary for the effective conduct of Board business. The officers of the Board of Directors of the Cooperative shall be a President, Vice-President, Secretary and Treasurer. The officers, who must be Directors of the Cooperative, shall be elected at the first Board meeting following the annual election of Directors and serve one (1) year terms. The same person may hold any two or more offices, except that the same person may not hold the offices of President and Secretary or where to do so would violate any requirements of state law. The board shall enact duties, rules, and limitations for officers through the adoption of resolutions or written policies. A vacancy in any office shall be filled by the Board without undue delay, at its regular meeting, or at a special meeting called for this purpose.
- 4.13 Indemnification.** Every person who was or is a party or is threatened to be made a party to or is involved in any action, suit, proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person, or another of whom the person is or was a director, officer, employee, volunteer or agent of the Cooperative shall be indemnified and held harmless to the fullest extent permissible under the law against all expenses, liability, and loss (including attorney's fees), judgments, damages, punitive damages, fines, and amounts paid or to be paid in settlement reasonably incurred or suffered by the person in connection therewith, so long as such person acted in good faith and in a manner he or she reasonably believed to be within the scope of his or her authority and for a purpose that person reasonably believed to be in, or not opposed to, the best interests of the Cooperative and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. Such right of

indemnification shall not be exclusive of any other right which such directors, officers, employees, volunteers or agents may have or thereafter acquire and, without limiting the generality of such statement, they shall be entitled to their respective rights of indemnification under any bylaw, agreement, provision of law, or otherwise, as well as their rights under this Section. The Cooperative shall be entitled to purchase insurance for such indemnification, as determined from time to time by the Board.

**4.14 Directors Not Personally Liable.** To the fullest extent that the laws of the Commonwealth of Pennsylvania as in effect on the date of the adoption of this section or as such laws are thereafter amended, permit elimination or limitation of the liability of Directors, no Director of the Cooperative shall be personally liable as such for monetary damages for any action taken, or any failure to take action, as a Director. Specifically, a Director shall not be personally liable for monetary damages, unless: (1) the Director has breached or failed to perform the duties of his or her office and (2) the breach or failure to perform constitutes self-dealing, willful misconduct, or recklessness. Any amendment or repeal of this section or adoption of any other provision of these Bylaws or the Cooperative's Articles of Incorporation which has the effect of increasing Director liability shall operate prospectively only and shall not have any effect with respect to any action taken, or failure to act, prior to the adoption of such amendment, repeal, or other provision. In performing his or her duties, a Director may rely in good faith upon information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by (a) one or more officers or employees of the Cooperative whom the Director reasonably believes to be reliable and competent in the matters presented, or (b) counsel, public accounts, or other persons as to matters with the Director reasonably believes to be within the professional or expert competence of such person, or (c) a committee of the Board of Directors or Cooperative upon which the Director does not serve, duly designated in accordance with law, as to matters within its designated authority, which committee the Director reasonably believes to merit confidence. A Director shall not be considered to be acting in good faith, however, if such Director has knowledge concerning a matter which would cause his or her reliance on any of the foregoing to be unwarranted. In discharging the duties of their respective positions, the Board of Directors, committees of the Board of Directors and Cooperative, and individual Directors may, in considering the best interests of the Cooperative, consider the effects of any action upon employees, upon suppliers of the Cooperative, and upon communities in which offices or other establishment of the Cooperative are located, and all other pertinent factors. The consideration of those factors shall not constitute a violation of such person's fiduciary standard of care. In addition, absent breach of fiduciary duty, lack of good faith, or self-dealing, actions taken by a Director or failure to take action shall be presumed to be in the best interests of the Cooperative.

## **ARTICLE V: BOARD COMMITTEES**

**5.01 Executive Committee.** The Board, by resolution adopted by a majority of the directors in office, may appoint or convene an executive committee, which if convened shall include all officers of the board but may include other such directors at the Board's discretion. The Board shall determine the tenure, power, and duties of the Executive Committee, subject to any limitations under state law, but any appointments shall be revisited at the same time that officers are appointed annually. The board may allot to the executive committee all or any stated portion of the board's functions and powers, subject to the board's general direction,

approval and control, and subject to any limitations under state law. Copies of the minutes of any executive committee meeting shall be mailed or emailed to all directors within five (5) days.

- 5.02 Other Committees.** The Board, by resolution adopted by a majority of the directors in office, may appoint other committees. The Board shall develop and maintain 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. Any committee that reports to the Board shall be subject to the board's general direction, guidance, oversight, limitations, regulations, approval, and control. The board may suspend or terminate a Board Committee at any time. Copies of the minutes of all Board committee meetings shall be mailed or emailed to all directors within five (5) days. Committees that do not report to the board are at the discretion of the General Manager.

## **ARTICLE VI: CAPITALIZATION AND PATRONAGE DIVIDENDS**

- 6.01 Capitalization.** The Board may arrange for the capitalization of the Cooperative through any of the following means: sale of common stock, collection of membership fees, allocation of retained earnings to member-owner capital accounts based on member patronage, sale of preferred stock, issuance of non-qualified promissory notes, the securing of loans from banks or other financial institutions, and the receipt of any gifts or grants to the Cooperative, provided the means to do so complies with the Cooperative's Articles of Incorporation and all federal and state laws and regulations.
- 6.02 Individual Equity Shares.** Individual equity investment is required as a tenet of member-ownership. Applicants must purchase of one (1) Class A Voting Share, and the number of Class B Common Shares, as the board shall set. The board shall set the value of all shares. These moneys shall be credited to individual member-owner capital accounts and shall be represented as Equity on the Cooperative's Balance Sheet. A certificate of shares in the Cooperative shall be issued to each owner-member upon full payment for such shares. Such certificates shall be numbered and registered as issued, and include the date of issue and the standard value. Certificates shall be signed by the President and Treasurer.
- 6.03 Allocations to member-owners.** The Cooperative shall allocate and distribute to member-owners 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 how such allocations and distributions will be made.
- 6.04 Consent of member-owners.** By obtaining or retaining membership in the Cooperative, each member-owner 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 Cooperative. Each member-owner also agrees that if his or her patronage dividend is not cashed, deposited or negotiated within 90 days of the date on which it was issued by the Cooperative, the Cooperative shall have the right to make a contribution in the name of that member to support other organizations aligned with the Cooperative's purpose in a manner as may be directed by the Board from time to time.

## **ARTICLE VII: MISCELLANEOUS**

**7.01 Rules of Order.** The Board shall include the rules of order to be used in each meeting and guidance on how to access a copy of the rules of order in the notice of meetings. Except as the Board at any time otherwise provides and except as otherwise provided in these Bylaws, the Current Edition of *Robert's Rules of Order Newly Revised* governs all:

- A. Member Meetings;
- B. Board Meetings;
- C. Member Committee Meetings; and
- D. Board Committee Meetings.

**7.02 Governing Law.** These Bylaws shall be governed by, and interpreted under, the laws of the Commonwealth of Pennsylvania.

**7.03 Waiver.** The failure of the Cooperative or a member-owner to assert a right or remedy provided in these Bylaws does not waive the right or remedy provided in these Bylaws.

**7.04 Lack of Notice.** The failure of a member-owner or Director to receive notice of a meeting, action, or vote does not affect, or invalidate, an action or vote taken by the member-owners or Board.

**7.05 Electronic Documents.**

A. If a member-owner or Director owns, controls, or has reasonable access to the applicable or necessary hardware and software, then, regardless of a contrary Bylaw, as determined by the Board, and as authorized by Law:

1. the member-owner or Director consents and agrees to:
  - a. use, accept, send, and receive an electronic signature, contract, record, notice, vote, communication, and other document regarding a transaction, business, or activity with, for, or involving the Cooperative (henceforth "Electronic Document"), and
  - b. electronically conduct an action, transaction, business or activity with, for, or involving the Cooperative;
2. an Electronic Document sent to or received from a member-owner or Director satisfies any requirement that the underlying signature, contract, record, notice, vote, communication, or other document be in writing;
3. electronically sending an Electronic Document to, or receiving an Electronic Document from, the member-owner or Director satisfies any requirement that the underlying signature, contract, record, notice, vote, communication, or other document be sent or received personally or by mail; and;
4. the member-owner or Director electronically taking an action provided in these Bylaws satisfies any requirement regarding the form or manner of taking the action.

B. An Electronic Document electronically sent to a member-owner or Director or former member-owner at the member-owner or Director or former member-owner's last known electronic address is considered sent and received on the date sent by the Cooperative. An Electronic Document electronically received from a member-owner or Director or former member-owner is considered sent and received on the date received by the Cooperative.

**ARTICLE VIII: AMENDMENT OF BYLAWS**



**8.01 Amendments.** These bylaws may be amended or repealed in whole or in part by a majority of the member-owners who participate in the vote. An amendment may be proposed by decision of the Board or by petition of at least fifteen percent (15%) of active member-owners. Written notice of the proposed amendment shall be given to the membership not less than fifteen (15) days nor more than forty-five (45) days prior to the voting process, which shall be held at a time and in a manner determined by the Board. There shall be included in or enclosed with the notice to the member-owners a copy of the proposed amendment or a summary of the changes to be effected thereby.