

# Swarthmore Co-op

## POLICY REGISTER

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Adopted: July 25, 2011

Last revised: November 24, 2014

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Policy Type: Ends  
Policy Title: A – Global End  
Last Revised: August 27, 2012

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Because of the Swarthmore Co-op, the people of Swarthmore and surrounding communities, including members, customers, staff, suppliers, and local businesses, will have a thriving, sustainable, cooperatively owned market that will:

- Provide fairly priced foods and grocery products
- Ensure a compelling shopping experience, in which our customers feel welcomed and gain a sense of community
- Create a positive work environment staffed by engaged employees
- Anchor the Swarthmore business district
- Build connections with surrounding communities
- Provide opportunities for community engagement, education, and outreach
- Strengthen the local food system
- Inspire confidence of members and shoppers in the Co-op's high levels of integrity, accountability and transparency

Policy Type: Executive Limitations  
Policy Title: B – Global Executive Constraint  
Last Revised: July 25, 2011

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The General Manager shall not cause or allow any practice, activity, decision, or organizational circumstance that is unlawful, imprudent, or in violation of commonly accepted business and professional ethics and practices, or in violation of the Cooperative Principles. The General Manager shall not, either by direct action or indirectly, make policy decisions for the organization.

Policy Type: Executive Limitations  
Policy Title: B1 – Financial Condition and Activities  
Last revised: February 4, 2015

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With respect to the actual, ongoing financial conditions and activities, the General Manager shall not cause or allow the development of fiscal jeopardy or material deviation of actual expenditures from Board priorities established in Ends policies or Board-approved budgets.

The General Manager shall not:

1. Allow sales to decline fiscal year over fiscal year.
2. Allow operations to produce a net loss in any fiscal year.
3. Allow liquidity (the ability to meet cash needs in a timely and efficient fashion) to be insufficient.
4. Allow solvency (the relationship of debt to equity) to be insufficient.
  - a. Allow year-end debt service covenant ratio (EBIDTA/loan payments) of not less than 120% of the then most restrictive loan covenant.
5. Incur debt other than trade payables or other reasonable and customary liabilities incurred in the ordinary course of doing business.
6. Acquire, lease, encumber, or dispose of real estate.
7. Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.
8. Cause or allow any requirements of contracts, payroll, loans, or other financial obligations to be in default, unmet, or overdue.
9. Use restricted funds for any purpose other than that required by the restriction.
10. Allow financial record keeping systems to be inadequate or out of conformity with modified accrual-based accounting principles or the applicable accounting standards being employed on the Co-op's annual financial statements.
11. Cause or allow capital expenditures to be made in excess of \$5,000 annually in the aggregate if they are not part of the budget or are not trade payables incurred in the ordinary course of business during any fiscal year.
12. Cause or allow cash donations to any charitable organizations, community groups, or individuals.
13. Cause or allow donations of food or other goods of more than \$500 per annum to charitable organizations or community groups, unless the food or goods could not otherwise be sold.
14. Sell food to any charitable organization or community group at less than cost, to include labor and handling expenses.
15. Offer or allow to be offered a discount that is of a longer duration than a short-term, promotional discount.

16. Enter into any contract for any duration in excess of one year, or requiring expenditures in excess of \$5,000 in any twelve-month period, without obtaining the consent of the Board.

Policy Type: Executive Limitations  
Policy Title: B2 – Business Planning and Financial Budgeting  
Last revised: September 26, 2011

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The General Manager shall not cause or allow business planning and budgeting, for any fiscal year or the remaining part of any fiscal year, to deviate materially from the Board's Ends priorities, risk financial jeopardy, or fail to be derived from a Board approved multiyear plan.

The General Manager shall not cause or allow plans that:

1. Risk incurring those situations or conditions described as unacceptable in the Board policy "Financial Condition and Activities."
2. Omit credible projection of revenues and expenses, owner investment and return, separation of capital and operational items, cash flow, and disclosure of planning assumptions.
3. Plan expenditures in any fiscal year that would result in default under any of the Co-op's financing agreements or cause the insolvency of the Co-op.
4. Have not been tested for feasibility.
5. Provide less for Board governance requirements during the year than is set forth in the Governance Investment Policy (C.8).
- 5-6. Change business direction or make significant changes to product mix, or allow the same.

Policy Type: Executive Limitations  
Policy Title: B3 – Asset Protection  
Last revised: February 4, 2015

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The General Manager shall not allow assets to be unprotected, unreasonably risked, subjected to improper wear and tear, or inadequately maintained.

The General Manager shall not allow:

1. Equipment and facilities to be inadequately insured, or otherwise unable to be replaced if damaged or destroyed, including coverage for any losses incurred due to business interruption.
2. Unnecessary exposure to liability or lack of insurance protection from claims of liability, including any claims made against the Board of Directors and/or its members.
3. Inadequate security of premises and property.
4. Data, intellectual property, or files to be unprotected from loss, theft or significant damage.
5. Purchasing that is uncontrolled or subject to conflicts of interest.
6. Lack of due diligence in contracts.
7. Damage to the Co-op's goodwill, public image, or credibility.
8. Receipt, processing, or disbursement of funds under controls insufficient to meet the Board-appointed accountant's or auditor's standards.
9. An absence of, or less than strict compliance with, written procedures established by the General Manager with respect to the handling of cash.
10. Investment or holding of operating capital in insecure instruments, including uninsured checking accounts or in non-interest-bearing accounts except where necessary to facilitate ease in operation transactions.
11. Change of the Co-op's names(s), logo(s), and "tag-lines" or brand-related statement or image.
12. Use of the Co-op's name(s), logo(s), tag line(s), or brand-related statement or image to start or to assist or participate in starting any other organization or group (other than a duly constituted committee of the Co-op), or to assist or participate in such a group.
13. Creation of any charitable program in the name of the Co-op.
14. Make any equity investment in any entity.

Policy Type: Executive Limitations

Policy Title: B4 – Membership

Last Revised: March 26, 2012

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The General Manager shall not allow members to be uninformed or misinformed of their rights and responsibilities, and shall not fail to promote, monitor, and support membership in the organization.

The General Manager shall not:

1. Create or implement a member equity system or patronage dividend system or fail to execute any member equity system or patronage dividend system as approved by the Board.
2. Fail to ensure that members are given access to the Co-op bylaws and other pertinent information about their rights and responsibilities.
3. Fail to ensure that there is an up-to-date ownership database at all times.
4. Fail to include in the budget sufficient operational resources to enable compliance with all membership policies.
5. Fail to develop and maintain systems and processes by which membership statistics can be accurately reported to the Board.
6. Issue, or allow to be issued, membership shares other than in exchange for payment by a member.

Policy Type: Executive Limitations  
Policy Title: B5 –Member and Customer Relations  
Last Revised: July 25, 2011

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With respect to interactions with customers and/or members, the General Manager shall not be unresponsive to customer needs and shall not cause or allow conditions, procedures, or decisions that are unwelcoming, unsafe, undignified, unprofessional, disrespectful, inequitable, or unnecessarily intrusive. In all respects, value and service shall not fall below market standards.

The General Manager shall not:

1. Operate without a system for soliciting and considering customer opinion regarding preferences, product requests, grievances, complaints, and suggestions.
2. Operate without written customer-service policies that clearly communicate to employees the Co-op's expectations for the conduct of employee interactions with customers and members and outline means for establishing and reinforcing a culture of service.
3. Cause or allow quality and freshness of product to drop below market standards.
4. Cause or allow product not to be consistently stocked.
5. Cause or allow the name, address, phone number, email address, bank or credit card information, or any other personal information about any member or customer to be disclosed to any person without the written consent of the individual who is the subject of the information, except to the extent necessary or appropriate to operate the Co-op and comply with applicable law.
6. Cause or allow discrimination against customers or members on the basis of sex, race, color, age, religion, national origin, sexual orientation, pregnancy, marital status, medical condition, veteran status, disability, gender identity and expression, or any other legally protected category.

Policy Type: Executive Limitations  
Policy Title: B6 – Staff Treatment and Compensation  
Last revised: September 24, 2012

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With regard to the treatment of Co-op employees or member-volunteers who are providing services to or on behalf of the Co-op, the General Manager shall not cause or allow conditions that are unlawful, unsafe, unfair, undignified, disrespectful, disorganized, or unclear.

The General Manager shall not:

1. Operate without clear and readily accessible personnel policies, as documented in the employee handbook, that:
  - a. Clarify rules for staff, as documented in the Employee Handbook
  - b. Provide for fair and thorough handling of grievances
  - c. Are accessible to all employees
  - d. Inform staff that employment is neither permanent nor guaranteed
  - e. Include a progressive improvement policy
  - f. Allow staff to report to the Board any allegations of improper or illegal management actions
  - g. Protect staff from being reprimanded or retaliated against for reporting suspected wrongdoing
2. Cause or allow personnel policies to be inconsistently applied.
3. Provide for inadequate documentation, security and retention of personnel records and all personnel related decisions.
4. Establish compensation and benefits that are internally and externally inequitable, or that risk financial jeopardy to the organization.
5. Establish or change retirement or health-care benefits.
6. Change his or her compensation or benefits.
7. Cause or allow harassment of or discrimination against employees on the basis of sex, race, religion, national origin, sexual orientation, pregnancy, marital status, medical condition, veteran status, disability, gender identity and expression, or any other legally protected category.

Policy Type: Executive Limitations  
Policy Title: B7 – Co-op Premises  
Last Revised: February 27, 2012

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With regard to the store premises, the General Manager shall not cause or allow conditions that are unlawful, unsafe, unkempt, unwelcoming, or in violation of any agreement or other requirement of Swarthmore Borough or other public entity.

Further, the General Manager shall not cause or allow:

1. For-profit organizations (other than those who have a business relationship with the Co-op) to solicit business at the Co-op, through direct contact or printed information.
2. Representatives of non-profit organizations to solicit on the store premises.
3. Any organization not affiliated with the Co-op to hold an after-hours event at the store.
4. Any organization with a religious or political affiliation or purpose to hold an event at the store.
5. Any activity that requires a permit or other permission from Swarthmore Borough, other than to hold special events or to make repairs, or any activity that requires a permit or other permission from any other public entity.
6. Any music or other ambient sound, except as produced by ordinary store operations or necessary repairs, that is unwelcoming, unpleasant, unreasonably noisy, unsuitable for customers and employees, or illegal.
7. Except in the event of an emergency, the store to be closed without prior approval of the Board.

Policy Type: Executive Limitations  
Policy Title: B8 – Communications with, Counsel to, and Support of the Board  
Last Revised: July 28, 2014

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The General Manager shall not permit the Board to be unsupported in its work or uninformed of events or conditions that are significant or material to the Board's fiduciary obligations and/or its responsibilities of leadership and oversight.

The General Manager shall not:

1. Submit monitoring reports that are untimely or inaccurate, or that lack operational definitions and verifiable data directly related to each section of the policy.
2. Fail to report any actual or anticipated noncompliance with any Board policy, along with a plan for reaching compliance, in an untimely manner.
3. Present information in an untimely manner or in unnecessarily complex form, especially when that information is needed for Board decision making.
4. Fail to marshal for the Board as many staff and external points of view, issues, and options as needed for fully informed Board choices.
5. Let the Board be unaware of relevant trends, public events of the Co-op, anticipated adverse media coverage, or material internal and external changes, particularly changes in the assumptions on which any Board policy has previously been established.
6. Withhold his or her opinion if he or she believes the Board is not in compliance with its own policies on governance process and Board-management delegation, particularly in the case of Board behavior that is detrimental to the work relationship between the Board and the General Manager.
7. Deal with the Board in a way that favors or privileges certain Board members over others, except when responding to officers or committees duly charged by the Board.
8. Fail to supply for the Board's consideration and vote all decisions delegated to the General Manager yet required by law, regulation, or contract to be Board - approved.
9. Fail to provide adequate resources, including personnel, to support the Board in fulfilling its duties in governing the Co-op, and to ensure a workable mechanism for official Board, officer, or committee communications.
10. Fail to inform the Board promptly of any grievance brought by an employee; any threatened or filed lawsuit or claim of unlawful or wrongful behavior, or other claim for injury or damages against the Co-op or any of its employees or agents; any accident or harm to a customer on the premises requiring medical attention; any law enforcement or regulatory action taken against the Co-op or any law enforcement or regulatory action taken against any of its employees or agents that

occurred in the context or that is relevant to their employment; or any other situation representing potential jeopardy to the organization.

Policy Type: Executive Limitations  
Policy Title: B9 – Communications with Members, Customers, and Others  
Last Revised: February 27, 2012

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The General Manager shall not fail to ensure that all employees of the Co-op represent the Co-op in an exemplary manner and that communications with members, customers, and the public promote the Co-op through positive means. In all communications, the General Manager shall not fail to respect the processes of governance and the respective roles of the Board and the General Manager.

The GM shall not fail to:

1. Respect the confidentiality of matters identified by the Board as being of a sensitive nature.
2. Ensure that communications with members, customers, and the public through advertising, social media, email or otherwise be conducted judiciously, in a positive tone, and in a manner that reflects positively on the organization.
3. Recognize that the General Manager and the other employees of the Co-op are viewed as representatives of the Co-op, and accordingly may not fail to conduct themselves in a manner that fosters confidence and reflects positively on the organization.
4. Refrain from communicating with members or the public concerning matters within the Board's, rather than the General Manager's sphere of responsibility, except as authorized by the Board or to repeat explicitly stated Board decisions. The General Manager shall not undermine the decisions or policies of the Board in communications with the membership, the public, or store personnel.

Policy Type: Executive Limitations  
Policy Title: B10 – Conflict of Interest  
Last Revised: July 28, 2014

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The General Manager shall not fail to respect the responsibility of the organization to operate ethically and always with due regard that the resources of the Co-op are owned by its members. The General Manager shall not permit behavior of any employee of the Co-op, including the General Manager, that constitutes a conflict of interest, constitutes the use of the Co-op's resources for personal, non-Co-op purposes, or that compromises the employee's ability to perform his or her duties.

The GM shall not cause or allow:

1. Without the express written consent of the Board, any business paid for by the Co-op to be awarded to any member of the Board of Directors or to any company in which a Board member or a member of his or her immediate family or household has a financial interest or a compensation arrangement.
2. Any employee of the Co-op to use the Co-op's facilities and resources for personal benefit or non-Co-op purposes.
3. Any individual to be hired by the Co-op who is an immediate family member of a director during the director's term of office. The GM may never hire any family member for short term work or as an independent contractor.

Policy Type: Executive Limitations  
Policy Title: B11 – Emergency General Manager Succession  
Last revised: November 26,2012

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The General Manager shall not operate without a plan for emergency management succession.

The General Manager shall not cause or allow:

1. Failure to establish a "chain of command" to be used at any time the General Manager is unable to serve because of a planned or emergency absence.
2. Failure to inform the Board president of this chain of command and, in a timely manner, of any changes to it (such as those necessitated by store personnel changes).
3. There to be fewer than one other senior store employee sufficiently familiar with Board and General Manager issues and processes for that employee to be able to take over with reasonable proficiency as interim successor.

Policy Type: Board Process  
Policy Title: C – Global Governance Commitment  
Last Revised: July 25, 2011

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Acting on behalf of our owners, the Board ensures that our cooperative produces benefit and value, while avoiding unacceptable actions and situations.

Policy Type: Board Process  
Policy Title: C1 – Governing Style  
Last Revised: July 25, 2011

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We will govern in a way that emphasizes empowerment and clear accountability. In order to do this, we will:

1. Focus our vision outward and toward the future.
2. Observe the 10 Policy Governance principles.
3. Maintain group discipline, authority, responsibility and collegiality.
4. Clearly distinguish Board and General Manager roles.
5. Encourage diverse viewpoints.
6. Obey all relevant laws and bylaws.

Policy Type: Board Process  
Policy Title: C2 – The Board’s Job  
Last Revised: July 25, 2011

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In order to govern successfully, we will:

1. Create and sustain a meaningful relationship with member-owners.
2. Hire, compensate, delegate responsibility to, and hold accountable a General Manager. (See D. Board GM Relationship Policies)
3. Have expectations in the form of written governing policies that realistically address the broadest levels of all organizational decisions and situations. We will write these policies in the form of Ends, Executive Limitations, Board Process, and Board-Management Relationship, as described in the Policy Governance principles.
4. Assign responsibility to the GM in a way that honors our commitment to empowerment and clear distinction of roles.
5. Rigorously monitor operational performance in the areas of Ends and Executive Limitations, and Board performance in the areas of Board Process and Board-Management Relationship.
6. Perpetuate the Board’s leadership capacity using ongoing education, training and recruitment.
7. Select and evaluate professional consultants (legal, accounting and audit, et al.) related to the Board’s oversight responsibilities.

Policy Type: Board Process  
Policy Title: C3 – Agenda Planning  
Last Revised: July 25, 2011

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We will follow an annual agenda that focuses our attention upward and outward.

1. Our annual governance cycle will run from January 1 to December 31.
2. We will create, and modify as necessary, an annual calendar that includes but is not limited to the following: budget and planning process, membership meetings, Board training schedule, monitoring schedule, and the GM evaluation and compensation decisions as outlined in our Board-Management Relationship policies.
3. We will limit the amount of meeting time taken up by Executive Limitations monitoring reports, discouraging discussion unless the reports indicate policy violations, or the policy criteria themselves need review.

Policy Type: Board Process  
Policy Title: C4 – Board Meetings  
Last Revised: July 25, 2011

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Board meetings are for the task of getting the Board's job done.

1. We will use Board meeting time only for work that is the whole Board's responsibility.
2. Meetings will be open to the membership except when executive session is officially called. Each agenda shall include a provision for an executive session.
3. We will seek consensus through discussion. We will then finalize and document decisions through the use of motions, seconds and majority vote.
4. The meeting agenda will be determined by the Board president, and may be modified at the meeting by a majority vote of the Board.

Policy Type: Board Process  
Policy Title: C5 – Directors’ Code of Conduct  
Last Revised: July 25, 2011

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We each commit ourselves to ethical, businesslike and lawful conduct.

1. Every director is responsible at all times for acting in good faith, in a manner which she/he reasonably believes to be in the best interests of the Co-op, and with such care as an ordinarily prudent person in a like position would use under similar circumstances.
2. A director is responsible for being aware of and following the Co-op’s bylaws, mission, and policies.
3. Directors must demonstrate unconflicted loyalty to the interests of the Co-op’s owners. This accountability supersedes any conflicting loyalty such as that to advocacy or interest groups, membership on other Boards or staffs, and the personal interest of any director acting as an individual consumer or member.
  - a. There will be no self-dealing or any conduct of private business or personal services between any director and the Co-op except as procedurally controlled to assure openness, competitive opportunity and equal access to “inside” information.
  - b. When the Board is to decide on an issue about which a director has an unavoidable conflict of interest, that director shall abstain from the conversation and the vote.
  - c. A director who applies for employment with the Co-op must first resign from the Board.
  - d. A family member of a director may not be hired as an employee of the Co-op during the director’s term of office.
  - e. Any director who is also a paid employee has the same duties and responsibilities as any other director, and has the additional duty of clearly segregating staff and Board responsibilities. Any director who is also a paid employee will resign from the Board if and when their employment ends.
4. Directors may not attempt to exercise individual authority over the organization.
  - a. Bring complete honesty and personal integrity to the Board. A director must disclose to the Board any conflict of interest he or she may have regarding a particular matter before the Board considers or votes on the matter.
  - b. When interacting with the GM or employees, directors must carefully and openly recognize their lack of authority.
  - c. When interacting with the public, the press, or other entities, directors must recognize the same limitation and the inability of any director to speak for the Board except to repeat explicitly stated Board decisions.

5. Directors will respect the confidentiality appropriate to issues of a sensitive nature and must continue to honor confidentiality after leaving Board service.
6. Directors will prepare for and attempt to attend all Board meetings and trainings, and shall inform the Board president in the event the director cannot attend a meeting or training.
7. Directors will support the legitimacy and authority of the Board's decision on any matter, irrespective of the director's personal position on the issue.
8. Any director who does not follow the code of conduct policy shall resign from the Board if requested to do so by a 2/3 majority vote of the remaining Board.
9. Directors shall recognize that they are viewed as representatives of the Co-op and accordingly should conduct themselves in a manner that fosters confidence and reflects positively upon the organization.
10. Directors shall fill out a conflict-of-interest for administered annually by the Board president.

Policy Type: Board Process  
Policy Title: C6 – Officers' Roles  
Last Revised: July 23, 2012

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We will elect officers in order to help us accomplish our job.

1. No officer has any authority to supervise or direct the GM.
2. Officers may delegate their authority but remain accountable for its use.
3. The president ensures the Board acts consistently with Board policies and any applicable laws.
  - a. The president is authorized to use any reasonable interpretation of the provisions in the Board Process and Board-Management Relationship policies.
  - b. The president respects that the position does not grant its holder authority greater than that of any other Board member, except as provided in the bylaws or by vote of the Board.
  - c. The president will develop the agenda for Board meetings.
  - d. The president will chair Board meetings, and ensure that deliberations are fair, open, and thorough, but also timely, orderly, and to the point.
  - e. The president ensures that committees are formed and operate as necessary to carry out the Board's business; be an ex-officio member of all committees.
  - f. The president is the formal point of contact between the Board and the General Manager.
  - g. The president ensures that the General Manager is regularly and fairly evaluated.
  - h. The president ensures that a compensation plan for the General Manager is developed and presented to the Board for review and approval.
  - i. The president ensures that annual meetings of the membership are held as required by the bylaws and shall develop an orderly process for the conduct of the meetings.
  - j. The president reports to the membership at the Annual Meeting and any other meetings of the membership.
  - k. The president is authorized to sign all contractual notes, bonds, other evidence of indebtedness, and other official instruments or documents of the Co-op as provided in the bylaws or by vote of the Board.
  - l. The president plans for leadership (officer) perpetuation.
  - m. The president may represent the Board to outside parties within the limits imposed by any applicable laws, bylaws, and decisions of the Board.
4. The vice-president will perform the duties of the president in her/his absence.

5. The treasurer will lead the Board's process for creating and monitoring the Board's (not the Co-op's) budget
  - a. In addition, the treasurer will facilitate the Board's understanding of the financial condition of the Co-op and oversee the maintenance of accounting records, the preparation of financial statements, and the filing of required reports and returns.
  - b. The treasurer will serve as chair of the Finance Committee.
6. The secretary will make sure the Board's documents, including the Policy Register and the Board Calendar, are accurate, up to date, and appropriately maintained.
  - a. In addition, the secretary will be responsible for the recording and keeping of adequate minutes of all meetings of the Board and of owners, issuing notices required under these bylaws, and authenticating records of the Cooperative.
  - b. The secretary will serve as a member of the Governance Committee.

Policy Type: Board Process  
Policy Title: C7 – Board Committee Principles  
Last Revised: July 25, 2011

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We will use Board committees only to help us accomplish our responsibilities.

1. Committees will reinforce and support the wholeness of the Board.
  - a. In particular, committees help the whole Board move forward when they research alternatives and bring back options and information.
2. Board committees may not speak or act for the Board except when formally given such authority for specific and time-limited purposes.
3. The Board will establish, regularly review and control committee responsibilities in written committee charters.
  - a. We will carefully state committee expectations and authority to make sure they do not conflict with authority delegated to the GM.

Policy Type: Board Process  
Policy Title: C8 – Governance Investment  
Last Revised: July 25, 2011

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We will invest in the Board's governance capacity.

1. We will make sure that Board skills, methods and supports are sufficient to allow us to govern with excellence.
2. We will incur governance costs prudently, though not at the expense of endangering the development and maintenance of superior capability.
  - a. We will use training and retraining liberally to orient new directors and candidates for membership, as well as to maintain and increase existing directors' skills and understanding.
  - b. We will arrange outside monitoring assistance as necessary so that the Board can exercise confident control over organizational performance.
  - c. We will use outreach mechanisms as needed to ensure our ability to listen to owner viewpoints and values.
  - d. We will use professional and administrative support.
3. We will develop the Board's annual budget in a timely way so as to not interfere with the development of the Cooperative's annual budget. In no case will we complete this work later than October.

Policy Type: Board-Management Relationship  
Policy Title: D – Global Board-Management Connection  
Last Revised: July 25, 2011

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The Board's sole official connection to the operations of the cooperative will be through the General Manager.

Policy Type: Board-Management Relationship

Policy Title: D1 – Unity of Control

Last Revised: July 25, 2011

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Only officially passed motions of the Board are binding on the GM.

1. Decisions or instructions of individual directors, officers, or committees are not binding on the GM except in rare instances when the Board has specifically authorized this power.
2. In the case of directors or committees requesting information or assistance without Board authorization, the GM can refuse any requests that, in the GM's opinion, may disrupt operations or that require too much staff time or resources.

Policy Type: Board-Management Relationship

Policy Title: D2 – Accountability of the GM

Last Revised: November 24, 2014

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The General Manager is the Board's only link to operational achievement and conduct.

1. The Board shall evaluate the GM's overall performance and any incentive arrangement related to the performance of the Co-op as written in the Ends.
2. The Board will not instruct or evaluate any employee other than the GM.

Policy Type: Board-Management Relationship

Policy Title: D3 – Delegation to the GM

Last Revised: July 25, 2011

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The Board delegates authority to the GM through written Ends and Executive Limitations policies.

1. As long as the GM uses any reasonable interpretation of the Board's Ends and Executive Limitations policies, the GM is authorized to establish all further policies, practices and plans for the cooperative.
2. The Board will respect and accept the GM's choices as long as those choices are based on reasonable interpretations of Board policies.
3. If the Board changes an Ends or Executive Limitations policy, the change applies only in the future.

Policy Type: Board-Management Relationship  
Policy Title: D4 – Monitoring GM Performance  
Last Revised: July 25, 2011

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The Board will systematically and rigorously monitor and evaluate the GM's job performance.

1. Monitoring is how the Board determines the degree to which the GM is following Board policies. Information that does not directly relate to Ends or Executive Limitations policies is not monitoring information.
2. The Board will acquire monitoring information by one or more of three methods: (a) by internal report, in which the GM discloses interpretations and compliance information to the Board; (b) by external report, in which an external, disinterested third party selected by the Board assesses compliance with Board policies; or (c) by direct Board inspection, in which a designated director or committee assesses compliance with the policy criteria.
3. In every case, the standard for compliance will be any reasonable GM interpretation (as described by operational definitions and metrics) of the Board policy being monitored. The Board is the final arbiter of reasonableness but will always judge with a "reasonable person" test rather than with interpretations favored by individual directors or by the Board as a whole.
4. The GM is compliant with a policy if he/she presents a reasonable interpretation and adequate data that demonstrate accomplishment of that interpretation.
5. The Board will monitor all policies that instruct the GM. The Board can monitor any policy at any time by any method listed above but will ordinarily follow the schedule outlined in the Board Annual Calendar.
6. The Board's annual evaluation of the General Manager, based on a summary of monitoring reports received from January 1 through December 31, will be completed by March 1. The Board will make its decisions concerning the evaluation no later than April 1.
7. The Board will complete the GM compensation process no later than April 1.

# APPENDICES

LAST MODIFIED OCT OBER 24,2011111111111

Appendices: *Committee Charters (adopted Oct. 24, 2011; last revision August 27, 2012)*  
*Policy Governance Source Document (“Principles of Policy Governance”)*  
*Bylaws (last amended by the membership May 3, 2012)*

# Board Committee Charters

## Swarthmore Co-op

### **EXECUTIVE COMMITTEE CHARTER**

*(Adopted October 24, 2011)*

#### **Membership**

The President, Vice-President, Secretary, and Treasurer of the Board, by virtue of their positions, comprise the Executive Committee.

#### **Activities**

1. Meet as needed to address significant issues requiring the attention of the Board of Directors.

# Board Committee Charters

## Swarthmore Co-op

### **FINANCE COMMITTEE CHARTER**

*(Adopted October 24, 2011)*

#### **Purpose**

The Finance committee reviews, analyzes, and, if appropriate, prepares financial information that is presented to the Board.

#### **Meetings**

As needed.

#### **Activities**

1. The chair, or another committee member designated by the chair, shall attend all meetings of the Board and be prepared to discuss current financial conditions of the Co-op and any other financial issues of concern to the Board.
2. In advance of Board meetings, the chair shall ensure that Board members are provided with information in summary form of the Co-op's current financial condition and any other financial information relevant to the meeting.
3. Work closely with the General Manager and provide support as needed or requested.
4. Provide assistance to the General Manager in preparation of annual operational and capital budgets.
5. Provide leadership to the Board of Directors as appropriate in the Board's review of finance-related monitoring reports from the General Manager.

#### **Membership**

The committee shall consist of the Treasurer as the Chair of the Finance Committee, and one or more other Board members.

# Board Committee Charters

## Swarthmore Co-op

### **GOVERNANCE COMMITTEE CHARTER**

*(Adopted October 24, 2011; revised February 27, 2012)*

#### **Purpose**

Ensure that all members of the Board of Directors and all employees of the Co-op understand and are in compliance with all applicable laws, regulations, and policies that concern the operation and conduct of the Swarthmore Co-op and its Board of Directors.

#### **Meetings**

Meets as needed, but should meet sufficiently in advance to the annual meeting to review possible bylaws changes and other relevant issues.

#### **Activities**

1. Review all governing documents, including Articles of Incorporation, Bylaws and policies of the Swarthmore Co-op.
2. Maintain and update all legal documents and distribute appropriately.
3. Recommend changes in bylaws, documents, and policies to Board of Directors.
4. In consultation with other committees and the General Manager, recommend and prepare the ballot for any action items for vote by the general membership.
5. As necessary, assist in ensuring that the respective roles of the Board of Directors, General Manager, and general membership are observed.
6. As necessary, negotiate or assist in negotiating agreements with consultants, lawyers, and mediators.
7. Lead the Board's reporting and monitoring of Board Process and Board-Management Relationship policies.
8. Organize the Board education process.

#### **Membership**

Two or more members of the Board and any additional person who may be appointed by the Board. The Board Secretary shall be a member to ensure that document changes are made.

# Board Committee Charters

## Swarthmore Co-op

### **MEMBERSHIP COMMITTEE**

*(Adopted October 24, 2011; revised August 27, 2012)*

#### **Purpose**

To facilitate communication and coordination between the Board and the General Manager (and staff) with respect to membership, and to serve as a resource for the General Manager for membership-related matters, in order to ensure a robust, active member base to support the Swarthmore Co-op.

Membership is an area in which coordination and cooperation between the General Manager and Board are especially necessary. It is understood that the Board is responsible for setting policy related to membership and that the General Manager and staff are responsible for the administrative aspects of membership (e.g., issuing cards and other materials, maintaining the database) and for acting pursuant to the Board's policy decisions (e.g., providing membership benefits per the Board's decisions). The Membership Committee is responsible for identifying and requesting membership-related data from the General Manager to provide the Board in order that the Board may understand the membership aspects of the Co-op. The Committee will also support the General Manger on membership related-matters when requested.

#### **Meetings**

The Membership Committee should meet no less than quarterly with the General Manager, and report back to the full Board following such meetings.

#### **Membership**

Three members of the Board of Directors, appointed by the Board President after consultation with the General Manager.

# Board Committee Charters

## Swarthmore Co-op

### **NOMINATING COMMITTEE CHARTER**

*(Adopted October 24, 2011)*

#### **Purpose**

To ensure a robust, active Board of Directors to support the Swarthmore Co-op.

#### **Meetings**

At least 5–6 months before the annual meeting to select nominees for Board positions; as needed for training and orientation of Board members.

#### **Activities**

1. Recruit candidates for membership on the Board of Directors by personal contact, phone, or in writing.
2. Publicize the position openings on the Board.
3. May assist the Board of Directors by notifying appointees and reviewing Board responsibilities with them.
4. Be responsible for preparing the ballot for the election.
5. Prepare information on nominees and post the information in the store, include it in a newsletter or other communication to members prior to the election, and include with the ballot for the annual meeting.
6. Be responsible for the training and orientation of new Board members.

#### **Membership**

Three or more members of the Board of Directors.

# Principles of Policy Governance

1. **Ownership:** The Board connects its authority and accountability to those who morally if not legally own the organization—if such a class exists beyond the Board itself—seeing its task as servant-leader to and for that group. “Owners,” as used in the Policy Governance model, are not all stakeholders, but only those who stand in a position corresponding to shareholders in an equity corporation.
2. **Governance Position:** With the ownership above it and operational matters below it, governance forms a distinct link in the chain of command or moral authority. Its role is commander, not advisor. It exists to exercise that authority and properly empower others rather than to be management’s consultant, ornament, or adversary. The Board—not the staff—bears full and direct responsibility for the process and products of governance, just as it bears accountability for any authority and performance expectations delegated to others.
3. **Board Holism:** The Board makes authoritative decisions directed toward management and toward itself, its individual members, and committees only as a total group. That is, the Board’s authority is a group authority rather than a summation of individual authorities.
4. **Ends Policies:** The Board defines in writing the (a) results, changes, or benefits that should come about for specified (b) recipients, beneficiaries, or otherwise defined impacted groups, and (c) at what cost or relative priority for the various benefits or various beneficiaries. These are not all the possible “side benefits” that may occur, but those that form the purpose of the organization, the achievement of which constitutes organizational success. Policy documents containing solely these decisions are categorized as “Ends” in describing the Policy Governance model, but can be called by whatever name a Board chooses, as long as the concept is strictly preserved.
5. **Board Means Policies:** The Board defines in writing those behaviors, values-added, practices, disciplines, and conduct of the Board itself and of the Board’s delegation/accountability relationship with its own subcomponents and with the executive part of the organization. Because these are non-ends decisions, they are called “Board means” to distinguish them from ends and staff means. In describing the Policy Governance model, documents containing solely these decisions are categorized as Governance Process and Board-Management Delegation, but can be called by whatever name a Board chooses, as long as the concept is strictly preserved.
6. **Executive Limitations Policies:** The Board makes decisions with respect to its staff’s means decisions and actions only in a proscriptive way in order simultaneously (a) to avoid prescribing means and (b) to put off limits those means that would be unacceptable even if they work. Policy documents containing solely these decisions are categorized as “Executive Limitations” in describing the Policy Governance model, but can be called by whatever name a Board chooses, as long as the concept is strictly preserved.

7. **Policy “Sizes”:** The Board’s decisions in Ends, Governance Process, Board-Management Delegation, and Executive Limitations are made beginning at the broadest, most inclusive level and, if necessary, continuing into more detailed levels that narrow the interpretative range of higher levels, one articulated level at a time. These documents—which replace or obviate Board expressions of mission, vision, philosophy, values, strategy, and budget—are called policies in describing the Policy Governance model, but can be called by whatever name a Board chooses, as long as the concept is strictly preserved.
8. **Delegation to Management:** If the Board chooses to delegate to management through a chief executive officer, it honors the exclusive authority/accountability of that role as the sole connector between governance and management.
9. **Any Reasonable Interpretation:** In delegating further decisions—beyond the ones recorded in Board policies—the Board grants the delegatee the right to use any reasonable interpretation of those policies. In the case of Ends and Executive Limitations when a CEO exists, that delegatee is the CEO. In the case of Governance Process and Board-Management Delegation, that delegatee is the CGO (chief governance officer) except when the Board has explicitly designated another Board member or Board committee.
10. **Monitoring:** The Board monitors organizational performance through fair but systematic assessment of whether a reasonable interpretation of its Ends policies is being achieved and a reasonable interpretation of its Executive Limitations policies is being avoided. If there is a CEO, this constitutes the CEO's evaluation.

All other practices, documents, and disciplines must be consistent with the above principles. For example, if an outside authority demands Board actions inconsistent with Policy Governance, the Board creatively uses the consent agenda or other device to be lawful without compromising governance.

Policy Governance is a precision system that promises excellence in governance only if used with precision. These governance principles form a seamless paradigm or model. As with a clock, removing one wheel may not spoil its looks but will seriously damage its ability to tell time. So in Policy Governance, all the above pieces must be in place for Policy Governance to be effective. When all brought into play, they allow for a governing Board to realize owner accountability. When they are not used completely, true owner accountability is not available.

Policy Governance Boards live these principles in everything they are, do and say.

**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 transferee 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.

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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.