

# **ARTICLES OF INCORPORATION OF APPLE STREET MARKET COOPERATIVE**

## **ARTICLE I**

### **NAME**

The name of the association is **Apple Street Market Cooperative**.

## **ARTICLE II**

### **PRINCIPAL PLACE OF BUSINESS**

The principal place of business of the association is in **Hamilton County, Cincinnati Ohio**.

## **ARTICLE III**

### **PURPOSE; POWERS**

**3.1 Purpose** – The purpose of Apple Street Market Cooperative is to unify the interests and needs of grocery consumers and employees to provide 1) affordable, desirable, and convenient groceries, and 2) steady, sustainable, and profitable employment. The initial purpose of Apple Street Market Cooperative is to create a full-service grocery store at the 4145 Apple Street location in Cincinnati OH. However, Apple Street Market Cooperative reserves the right to engage in any lawful business or activity for which a cooperative association may be engaged in as defined by Ohio Revised Code Section 1729.

**3.2 Powers** – The Association is a corporation organized as a cooperative association under and subject to the Ohio Cooperative Law. The Association has all powers conferred on associations by the Ohio Cooperative Law.

## **ARTICLE IV**

### **CAPITAL**

**4.1 Capital Stock** – The Association shall be a cooperative association with capital stock, divided into shares and classes as follows:

**Common** – Four thousand nine hundred fifty (4,950) shares Common with no par value.

**Preferred** – Fifty (50) shares Preferred with par value of One Thousand Dollars (\$1,000) per share.

**4.2 Common Stock** –

(a) Only Members of the Association in one of the two specified classes, consumer or employee, shall be eligible to acquire and hold Common Stock. Common Stock may not be transferred, sold, or issued to a person who is not eligible to acquire and hold Common Stock and any attempt to do so shall be void and without effect. Consumer and employee common stock shall hold different voting rights, but only as reflected by their different amount of business done by and through Apple Street Market Cooperative as allowed by ORC Section 1729.17. For more information of voting rights of the different classes please see Apple Street Market Cooperative’s Bylaws in the attached documents.

(b) Although all members of the Association are expected to acquire and hold shares of Common Stock, the Net Margin (profits) of the Association in excess of dividends on Preferred Stock and additions to the Association’s Capital Reserve shall be allocated among the Members in proportion to their Patronage Transactions (as defined and provided for in the Bylaws), not in proportion to their ownership of shares of Common stock.

(c) If Common stock comes into the possession of a person who is not a Member eligible to hold Common stock or a holder of Common stock ceases to be eligible to be a Member and is no longer eligible to hold Common stock, such holder shall have no vote in the affairs of the Association, and the Association shall have the right, by action of the Board of Directors, to either (i) purchase such share(s) of Common stock at the redemption price specified in any stock redemption or similar agreement by which such Common stock is bound, or the book value of such share(s), if there is no such agreement; or (ii) to convert the share(s) to shares of Preferred stock with no par value equal to the amount for which such share(s) could then have been purchased under clause (i). If the holder fails to deliver the certificate evidencing the Common stock, the Association may cancel the certificate in its records and issue Preferred stock in replacement.

**4.3 Preferred Stock** –

(a) Shares of Preferred stock may be issued or transferred to any person, subject to the terms and conditions of these Articles of Incorporation.

**(b)** Preferred stock may be issued to an investor who wishes to make an equity investment in the Association but is not a Member or eligible to become one and own Common stock.

**(c)** Preferred stock may be issued to replace Common stock held by an individual who was previously a Member but has ceased to be an eligible holder of Common stock.

**(d)** Preferred stock may be issued in connection with Non-Voting Membership.

**(e)** Preferred stock may be issued in separate series of one or more shares as a designated by the Board of Directors.

**4.4 Capital Credits** – The Association may issue Capital Credits that represent ownership of a stated portion of the Association’s equity capital (the “Stated Value”). Capital Credits may be issued in any capital pool or classification designated by the Board of Directors, including as Patronage Dividends or as defined and provided in the Bylaws. No Capital Credits shall have preference over other Capital Credits. Capital Credits may not be issued for less consideration than their Stated Value, and may be paid for in cash or property, as the Board determines, and may be paid for by reinvestment/retention of Patronage Refunds.

**4.5 Dividends on Capital Stock and Capital Credits –**

**(a) Preferred** - Upon the designation of each series of Preferred stock, the Board of Directors shall establish dividend rights and preferences, if any, for such series. The dividend on any series of Preferred stock may be non-cumulative or cumulative and may not exceed eight percent (8%) of par value per annum. The right to receive dividends on Preferred stock of any series may be given preference over dividends that can or may be paid on any other series of Preferred stock.

**(b) Common** - The corporation shall not pay dividends on Common stock, but shall instead allocate the Net Margin (profits) of the Association in excess of dividends on Preferred Stock and additions to the Association’s Capital Reserve among the Members as Patronage Refunds, as provided in Section 4.6 below and the Association’s By-Laws.

**(c) Capital Credits** - There shall be no dividends on capital credits.

**(d) Condition of Payment of Dividends** - It shall be a condition of all dividends to be declared paid on capital stock that the Association be able to confirm the current address and status of the holder of such capital stock before such dividend becomes payable. If, after reasonable inquiry, the current address and status of a shareholder cannot be confirmed, no dividend shall be declared or paid upon the capital stock held by that shareholder. No dividends may be paid unless there are sufficient amounts in the Association’s Capital Reserve (defined in the Bylaws) from which such dividends can be paid.

**4.6 Patronage Refunds** - The Net Margins (savings) of the Association in excess of Association Net Margins (as this term is described in the Bylaws) are allocated and distributed annually to the Association’s Patrons as Patronage Refunds. The calculation, allocation, and distribution of Patronage Refunds are further described and defined in the Bylaws.

**4.7 Transfer of Capital Credits** - Capital Credits may not be transferred or encumbered without written consent of the Board of Directors.

**4.8 Redemption of Capital Credits** - Shares of capital stock and capital credits may be redeemed when and in a manner and order determined by the Board of Directors. Capital Credits must be redeemed at the lesser of Stated Value or book value of the Capital Credits. Common stock shall be redeemed at book value unless otherwise expressly provided in an employment, subscription or stock redemption agreement for said stock or capital credits. In the case of any Affected Stockholder who is entitled to receive fair cash value for any of the corporation's stock or capital credits pursuant to the Ohio Cooperative Law, "fair cash value" shall be the lesser of par or Stated Value or book value of such stock and capital credits unless otherwise expressly provided in an employment, subscription, or redemption agreement for said stock or capital credits. For purposes of these Articles and Bylaws, "Affected Stockholder" means any shareholder who is not a Member and is an "affected stockholder" as defined in the Ohio Cooperative Law.

**4.9 Lien and Right of Offset** – To secure payment of any obligation of the holder to the Association, the Association has a first lien and security interest in all capital stock, dividends on capital stock, Patronage Refunds and Capital Credits that it issues or allocates to the holder. At the option of the Board of Directors, the Association may offset the amount of any such dividends and the present value (based on the Association's history of equity redemption) of the holder's capital stock, Patronage Refunds and Capital Credits against the obligation; but nothing in these Articles of Incorporation gives the holder any right to require an offset.

**4.10 Condition of Forfeiture** – It shall be a condition of all capital stock and capital credits issued or allocated by the Association that the Association may effect forfeiture to the Association of any such stock, Patronage Refunds and capital credits issued or allocated to a person whose current address and status cannot be confirmed by the Association as provided and permitted in section 1729.03(H) of the Ohio Cooperative Law.

## **ARTICLE V**

### **ORIGINAL AGENT OF APPOINTMENT**

**5.1** The incorporators, being at least a majority of the incorporators of Apple Street Market Cooperative hereby appoint the following to be statutory agent upon whom any process, notice or demand required or permitted by statute to be served upon the corporation may be served.

## **ARTICLE VI**

### **ADDRESS OF AGENT**

**6.1** Casey Whitten-Amadon, 6103 Scarlet Dr. Cincinnati, OH 45224

## **ARTICLE VII**

### **ACCEPTANCE OF APPOINTMENT**

**7.1** Casey Whitten-Amadon hereby accepts this appointment, please see Initial Article of Incorporation form for Signature.

## **ARTICLE VIII**

### **FILING FEE**

**8.1** The filing fee is hereby attached for 1,500 total shares. The Cooperation reserves the right to issue more shares if necessary and will amend the Article of Incorporation in a related fashion.

## **ARTICLE IX**

### **INITIAL DIRECTORS**

**9.1** The initial directors shall be as follows; Casey Whitten-Amadon, Kristen Barker, and Flequer Vera. The addresses are as follows; 1) Casey Whitten-Amadon, 6103 Scarlet Dr. Cincinnati, OH 45224; 2) Kristen Barker, 4122 Langland St. Cincinnati, OH 45223; 3) Flequer Vera, 4211 Williamson Pl., Cincinnati OH 45223. Please see the attached form for the signatures of the initial directors.

## **ARTICLE X**

### **MEMBERSHIP**

**10.1 Members** -The Association has Members. To be eligible for Membership in the Association a person has two different methods of becoming a member. To be eligible under the first method the member

must: (i) be employed by the Association, (ii) be accepted to Membership by the Board of Directors, (iii) be trained fully in the role of governance and the principles of the Cincinnati Union Cooperative Initiative, and (iv) acquire at least one share of the Association's Common "worker-owner" stock as may be required as a condition of Membership. Eligibility under the first method shall make the member a "worker-owner" and the "worker-owner" shall have the rights, responsibilities and voting power as set forth for "worker-owners" in the By-laws. To be eligible under the second method the member must: (i) acquire at least one share of the Association's Common "consumer" stock either by a full or subsidized purchase, (ii) sign the "consumer" membership agreement, and (iii) remain in good standing as determined in good faith by the Board. Eligibility under the second method shall make the member a "consumer-member" and the "consumer-member" shall have the rights, responsibilities and voting power as set forth for "consumer-members" in the By-laws. The procedure conditions under which Members are accepted into Membership and by which Membership may be terminated shall be set forth in the Bylaws.

**10.2 Voting.** The Members shall be entitled to exercise of all of the voting control of the Association. Each Member of the Association shall be entitled to one (1) vote in the election of Directors and on every other matter submitted to a vote of the Members of the Association. However, the voting power of worker-owners and consumer-members shall reflect the amount of business done with and through Apple Street Market Cooperative as is allowed by O.R.C. Section 1729.17. Neither ownership of capital stock nor other equity interests in the Association shall otherwise confer upon the holder any voting rights in the Association, except that Affected Stockholders shall be entitled to notice and participation in matters to be decided by the Members to the extent provided in the Ohio Cooperative Law. Absentee Votes may be case as provided in the Bylaws. Cumulative voting and proxy voting are not permitted.

**10.3 Patronage Refunds.** The Net Margin (savings) of the Association in excess of dividends on capital stock and additions to the Capital Reserve shall be distributed as Patronage Refunds to Members annually on the basis of Patronage Transactions as defined and provided for in the Bylaws. The terms "Capital Reserve," "Member," "Net Margin," "Patronage Refund," "Patronage Transaction," and "Patron" as used in these Articles of Incorporation shall have the meanings defined in the Bylaws.

## **ARTICLE XI**

### **BOARD OF DIRECTORS**

**11.1 Management by Board of Directors** - Government of the Association and management of its affairs are vested in a Board of Directors. The Bylaws prescribe the qualifications, number, classification, terms, and manner of selection of Directors.

**11.2 Role of the Founders** - These Articles of Incorporation constitute direct evidence that Apple Street Market Cooperative was incubated through the efforts and ideas of the Cincinnati Union Cooperative Initiative. Due to this effort and intellectual capital, the Cincinnati Union Cooperative Initiative retains the right to be considered a "founder" and therefore to pick the entire Board of Directors until each class of members reaches capacity, as defined in the Bylaws. When either class reaches capacity, the Board of Directors shall hold a first annual election within the class and replace the Cincinnati Union

Cooperative Initiative Director with the elected member from the specific class. Even after both classes reach capacity, the Cincinnati Union Cooperative Initiative shall have the right to retain one board seat chosen by the organization.

**11.3 Limitation of the Founders** - The role of the Cincinnati Union Cooperative Initiative in governing Apple Street Market Cooperative shall herein be limited to maintaining the unique governance model, maintaining the social values of the Cincinnati Union Cooperative Initiative, and maintaining the training of worker-owners and consumer-members with the ideals of the Cincinnati Union Cooperative Initiative. In no way should any Cincinnati Union Cooperative Initiative appointee act for personal profit to the detriment of Apple Street Market Cooperative. Any governance outside of these parameters by the Cincinnati Union Cooperative Initiative is strictly forbidden. Neither the Cincinnati Union Cooperative Initiative nor any person representing CUCI is permitted to profit from governing Apple Street Market Cooperative in any manner unavailable to any other member.