

BYLAWS

APPLE STREET MARKET COOPERATIVE

ARTICLE I

CORPORATE AFFAIRS

- A. NAME** – The name of the association is Apple Street Market Cooperative (herein referred to as “the Cooperative”).
- B. PURPOSE** - This association has incorporated as a cooperative association subject to the Ohio Cooperative Law (ORC Chapter 1729) so that it may be operated on a cooperative basis as a Multi-Stakeholder cooperative.
- C. FISCAL YEAR** – The fiscal year shall end on the 31st of December every calendar year.
- D. EXECUTION OF INSTRUMENTS** – All deeds, leases, transfers, contracts, notes, bonds, and other obligations authorized to be executed on behalf of the Corporation shall be signed by the Chairperson, Treasurer, or General Manager except as otherwise determined by the Board of Directors.
- E. CORPORATE RECORDS** – Copies of the following documents shall be kept at the principal office of the Corporation or at the office of the Secretary, but need not all be kept at the same office: (a) the Articles of Incorporation and Bylaws, (b) records of all meetings of Incorporators, Directors, and Members, and (c) the stock and transfer records containing the names and record and addresses of all Members.

ARTICLE II

PRINCIPLES OF GOVERNANCE

- A. VISION** – The vision of the Cooperative is a worker and community owned grocery store based on the Mondragon-USW Union Worker Template. The Cooperative is designed to provide quality, affordable, groceries to the community and consistent, fair, employment for the workers at the grocery store. The Cooperative’s vision is to reinvent the local, walkable, neighborhood grocery store for the benefit of both the employees and the community.
- B. THE BASIC PRINCIPLES AND VALUES OF MONDRAGON** - The Basic Principles of Mondragon assume and bring together the Universal Co-operative Principles updated by the International Co-operative Alliance. The following are the ten principles of Mondragon which form the basis of the principles of this

Cooperative. The Cincinnati Union Cooperative Initiative, the founding partners of this Cooperative, are striving to embody the principles and values of the Mondragon Cooperatives.

1. **OPEN ADMISSION:** The Mondragon Co-operative Experience is open to all men and women who accept the Basic Principles and can prove themselves professionally capable of doing the jobs we are able to create. Therefore there is no discrimination of any type for religious, political, ethnic or sexual reasons.
2. **DEMOCRATIC GOVERNANCE:** This principle represents the basic equality of worker-owners, the importance of the surrounding community of consumers, the corresponding rights to know the details of the Cooperative business, and to have a voice in its governance. These principles and corresponding rights imply acceptance of a democratically organized company based on the sovereignty of the General Assembly, electing governing bodies and collaborating with managerial bodies.
3. **SOVEREIGNTY OF LABOR:** Labor is the main factor for transforming nature, society, and human beings themselves. As a result, the systematic recruitment of outside salaried management has been abandoned. Instead, to the best of its ability, the Cooperative shall strive to create and train managers within the ranks of existing worker-owners.
4. **INSTRUMENTAL AND SUBORDINATE NATURE OF CAPITAL:** Capital is considered to be an instrument subordinate to labor, which is necessary for business development. Therefore it is understood to be worthy of fair and suitable remuneration, which is limited and not directly linked to the profits obtained, and availability subordinate to the continuity and development of the co-operative. Full sovereignty is attached to labor, the wealth created is distributed in terms of the labor provided and there is a will to extend the job options available to all members of society.
5. **PARTICIPATORY MANAGEMENT:** The steady development of self-management which, in turn, requires the development of adequate mechanisms for participation, transparent information, consultation and negotiation, the application of training plans and internal promotion.
6. **PAYMENT SOLIDARITY:** Sufficient and fair pay for work as a basic principle of its management, based on the permanent vocation for sufficient collective social promotion in accordance with the real possibilities the Cooperative as, and fair on an internal, external level and eventually the Mondragon Cooperative Corporation (MCC) level. At the MCC corporate level, through the establishment of a labor framework based on solidarity, as far as both payments and work hours are concerned. In order to avoid differences between co-operatives, pay levels should be between 90% and 110% of the corporate reference. Likewise, annual working hours must be between 97% and 103% of the corporate working calendar.
7. **INTER-COOPERATION:** As the specific application of solidarity and as a requirement for business efficiency, the principle of inter-cooperation should be evident between individual and cooperatives, between subgroups and between the Mondragon cooperative experience, and cooperative movements in the rest of the world.

8. **SOCIAL TRANSFORMATION:** All employees of the cooperative shall become members in good standing of any duly recognized union within 30 days of hiring. All members of the Cooperative shall be involved in the process of working towards a more caring and just economic structure.
9. **UNIVERSALITY:** All members will be in solidarity with all those who work for economic democracy in the area of the Social Economy by adopting the objectives of Peace, Justice and Development, which are inherent to the International Co-operative Movement.
10. **EDUCATION:** To promote the establishment of the principles stated above, it is essential to set aside sufficient human and financial resources for co-operative, professional and youth education.

ARTICLE III

MEMBERS

- A. **MEMBERSHIP ORGANIZATION** - The Cooperative shall operate on a cooperative basis, with earnings and losses allocated on the basis of patronage and with voting by Members in accordance with the Articles and Bylaws. The Cooperative shall have two classes of Membership (herein referred to as Owners), Worker-Owners and Community-Owners.
- B. **MEMBERSHIP ELIGIBILITY** – There shall be two classes of owners or stakeholders in the Cooperative. These two classes of owners shall have different eligibility requirements as well as different voting rights, patronage shares, and governance rights on the basis of the amount of business done by and through the cooperative as is consistent with Ohio Revised Code 1729.17.
 1. **WORKER-OWNERS** – Worker-owners shall be limited to natural persons that satisfy the following requirements: 1) **CAPITAL CONTRIBUTION:** When an employee joins a cooperative as a worker-owner, they are making a commitment to share capital with the cooperative. All employees that wish to become worker-owners must make a capital contribution of \$5,000, which can be contributed on a weekly basis by paycheck deductions. As soon as the worker has paid \$500 and is continuing to make deductions, that worker shall have satisfied their capital contribution portion of eligibility for governance rights but not patronage dividends. Governance rights consist of the right to run and vote for the Board of Directors. The amount of capital contribution required can be changed by a 2/3's vote of the General Assembly. 2) **TRAINING AND EXPERIENCE:** In order to be an effective worker-owner that shares responsibility for the cooperative and shares the social values of the Cincinnati Union Cooperative Initiative, an employee requires a substantial amount of training and time in the particular cooperative. All employees that wish to become worker-owners must work for 12 months for at least 20 hours per week, this includes approved vacation, sick time, or other paid, approved leave. Additionally, all employees must attend 75% of applicable trainings provided by the

Cincinnati Union Cooperative Initiative during the 12 month period. If the hours worked requirement is not met in the 12 month period, the employee can count the weeks they were eligible and continue to add weeks until they reach a total of 12 months of eligibility. If the training requirement is not met the employee can attend the amount of meetings missed that would equal 75% of applicable trainings within the initial 12 month period, until the employee reaches eligibility. If an employee leaves employment before reaching 12 months not due to discipline that employee's time and trainings attended will count towards eligibility if and when the employee returns to employment. 3) **WORKER-OWNER CONTRACT**: All employees that wish to become worker-owners must sign the Worker-Owner Contract. 4) **MONDRAGON PRINCIPLES**: All employees that wish to become Worker-Owners must agree to the Mondragon principles outlined in Article II.

2. **COMMUNITY-OWNERS** – Community-Owners shall be limited to natural persons that satisfy the following requirements: 1) **CAPITAL CONTRIBUTION**: When a consumer or supporter joins a cooperative as a Community-Owner they are making a commitment to share capital with the cooperative. All consumers or supporters that wish to become Community-Owners must make an initial capital contribution of \$100, which can be subsidized by another Community-Owner, a non-profit, or any other source. The Board of Directors may only require a capital contribution with the approval of the General Assembly. 2) **COMMUNITY-OWNER CONTRACT**: All consumers or supporters that wish to become Community-Owners must sign the Community-Owner Contract. 3) **MONDRAGON PRINCIPLES**: All consumers or supporters that wish to become Community-Owners must agree to the Mondragon Principles outlined in Article II.

C. OWNERSHIP SHARES - The Cooperative has two classes of common voting stock (hereinafter “Worker-Owner Shares” and “Community-Owner Shares”), and holders of common voting stock are designated hereinafter as “Worker-Owners” and “Community-Owners.”

1. **ONE SHARE** – Each Worker-Owner or Community-Owner shall own one and only one share of each type of stock, although if eligible a natural person may own one share of each type.
2. **SHARE OWNERSHIP** – Only eligible Worker-Owners or Community-Owners may own an Ownership share, except that, in the event of the death of an Owner, his or her estate may hold the Ownership Share pending repurchase by the Cooperative.

D. WORKER-OWNER OWNERSHIP TERMINATION - Upon voluntary or involuntary termination of a Worker-Owner's employment by the Cooperative, except for temporary layoffs or absences, his or her ownership shall be terminated and the Cooperative shall redeem his or her Worker-Owner share for consideration determined as follows:

1. **WORKER-OWNER SHARE WORTH** - After year-end adjustments, the Owner's Individual Capital Account balance other than Written Notices of

Allocation shall be paid to the terminated Owner as consideration for the Ownership Share in cash, promissory notes, or other property as determined by the Board of Directors. If there is no positive balance in the terminated Owner's Individual Capital Account other than Written Notices of Allocation, then the Ownership Share shall be returned to the Cooperative for no consideration.

2. **COMMUNITY-OWNER SHARE WORTH** - After year-end adjustments, the Owner's Individual Capital Account balance other than Written Notices of Allocation shall be paid to the terminated Owner as consideration for the Ownership Share in cash, promissory notes, or other property as determined by the Board of Directors. If there is no positive balance in the terminated Owner's Individual Capital Account other than Written Notices of Allocation, then the Ownership Share shall be returned to the Cooperative for no consideration.

E. COMMUNITY-OWNER OWNERSHIP TERMINATION – Upon any criminal action, tortious action, or other negative actions against the Cooperative, a Community-Owner’s membership shall be terminated upon the unanimous vote of the Board of Directors and the Cooperative shall redeem his or her Community-Owners share for the amount of Patronage dividends due to the consumer in the Fiscal Year.

F. TRANSFER RESTRICTIONS - No share or interest therein may be sold, assigned, or otherwise transferred, voluntarily or involuntarily, by operation of law or otherwise, except for a transfer to the Cooperative.

G. CERTIFICATES FOR SHARES - Each Member is entitled to a certificate representing his or her share in such form as prescribed by the Board of Directors. The certificate shall be signed by the Chairperson and the Treasurer when it is issued. Each share shall set forth conspicuously on the face or back of the certificate either the full text of the restrictions prescribed in section E and F of this Article, or a statement that such restrictions exist and that the Corporation will furnish a copy of such restrictions to the Shareholder upon written request and without charge. In case of the loss, destruction, or mutilation of a share certificate, a duplicate certificate may be issued in its place, upon such terms as the Board of Directors may prescribe.

H. DISSOLUTION DISTRIBUTIONS - Upon liquidation, dissolution, or sale of all the assets of the Corporation, any assets left after payment of all debts and Individual Capital Account balances shall be distributed to all persons who were Owners during the immediately preceding ten (10) years, or to their heirs, in proportion to the Members' relative Patronage during that period. No distribution need be made to any person who fails to acknowledge the receipt of notice of liquidation in a timely manner. Said notice shall be deemed sufficient if sent by certified mail, at least 30 days before distribution of any residual assets, to the person's last known business or residence address.

ARTICLE IV

MEMBERSHIP MEETINGS

- A. ANNUAL MEETINGS** - General Assemblies must be held annually on the third Wednesday of every January after both classes of membership have reached minimum capacity. Minimum capacity is defined herein as 100 Community-Owners and 7 Worker-Owners. The Board of Directors may otherwise set another day for the Annual General Assembly as long as notice is posted on all social media websites created by the Cooperative as well as physically posted at the Apple Street Market Cooperative locations. Additional General Assemblies may be called under the following conditions: If Management receives a signed and notarized petition by a majority either of the Worker-Owners or Community-Owners. This assembly must convene within ninety (90) days' of receipt of said petition, and must include any proposed agenda items. If the Annual General Assembly is omitted on the day in question the Board of Directors may reschedule the Meeting for another day within the next two calendar months, and any business transacted can be the same as the Annual General Assembly.
- B. REGULAR WORKER-OWNER MEETINGS** – Regular Worker-Owner meetings may be held without call or special notice at any time or place chosen by the Board Chairman or majority of Worker-Owners as long as notice is given to the Community-Owner Board member. Notice of Worker-Owner Meetings may be posted ten (10) days prior to the meeting in the break-room of Apple Street Market Cooperative at all locations.
- C. ABSENTEE VOTING** - A Voting Member may cast an absentee vote on any matter to be acted upon by the Members, if an absentee vote has been authorized and provided by the Board. A Voting Member may deliver an absentee vote to the Cooperative by personal delivery to the office of the Cooperative, or by mail, telephone facsimile, or by e-mail or any other means of electronic transmission that accomplishes delivery of a complete and legible absentee vote to the Cooperative upon the terms prescribed for such absentee vote.
- D. NOTICES.** A written notice of each Member meeting shall be posted to all social media websites created by the organization as well as physically posting the notice at all locations of Apple Street Market Cooperative in the front of the store not less than twenty (20) days prior to the date of the meeting. Notice may be sent by personal delivery, mail, telephone facsimile, or by e-mail or other means of electronic transmission that reasonably assures actual delivery of the notice. No final action shall be taken at any special meeting on any matter not specified in the notice.
- E. GENERAL VOTING POWER** – Apple Street Market Cooperative recognizes that the general contribution, risk, and labor contribution is far greater for Worker-Owners than for Community-Owners and thereby accords more voting power to Worker-Owners than to Community-Owners in recognition of this reality. This difference in voting power is based on the amount of business done by and through Apple Street Market Cooperative as is specifically permitted by O.R.C. 1729.17.

1. **WORKER-OWNER VOTING POWER** – After reaching capacity, herein recognized as 7 Worker-Owners, the total Worker-Owner vote shall be equivalent to 65% of the total Owner vote (in actions requiring a general Member vote). This percentage shall be split evenly between the total numbers of Worker-Owners.
 2. **COMMUNITY-OWNER VOTING POWER** – After reaching capacity, herein recognized as 100 Community-Owners, the total Community-Owner vote shall be equivalent to 35% of the total Member vote (in actions requiring a general Member vote). This percentage shall be split evenly between the total numbers of Community-Owners.
- F. MEMBER QUORUM** - A quorum necessary for any action requiring a general Member vote shall be at-least eighty percent (80%) of existing Worker-Owners holding at least eighty percent (80%) of the votes entitled to be cast within the Worker-Owner class on such matter and participating in person or by Absentee Vote. The quorum shall be established by a registration of the Voting Members present or otherwise participating in the meeting or action without a meeting. Due to the potentially large number of minimally involved Community-Owners, there shall be no quorum requirement for the Community-Owner class aside from the presence of the Community-Owner Board Member.
- G. COMMUNITY-OWNER RELOCATION VETO POWER** – Apple Street Market Cooperative recognizes the importance of the consumer and the surrounding community in the maintenance of the Cooperative, and thereby accords the Community-Owner class the power to veto any attempt at relocating any store location with sixty percent (60%) of the Community-Owner votes. Apple Street Market Cooperative shall also recognize a petition with sixty percent (60%) of the Community-Owners against any attempt to relocate any store location.
- H. SPECIAL MEETINGS** - Special meetings of Members may be called at any time by the Board or the President, by the same percentage and manner of calling for General Assemblies as described in Article IV(A). Special meetings may be called for any lawful purpose. Notice of Special Meetings shall be in the same manner as General Assemblies as described in Article IV(A).
- I. BUSINESS OF ANNUAL AND SPECIAL MEETINGS** – The normal course and conduct of the business of the Cooperative shall be governed by the General Manager, at the behest and direction of the Board of Directors and the Regular Worker-Owner Meetings. The role of Annual and Special Meetings shall be to discuss long-term goals, changing trends, and major changes in the business of the Cooperative, for example:
1. **MEMBERSHIP RENEWAL CONTRIBUTIONS** - Membership Renewal Contributions for the Community-Owner Class must be approved by a vote of the General Assembly at an Annual or Special Meeting. A decision to request Membership Renewal Contributions must be approved by 75% of the General Assembly, please see Article IV(E) above for details of voting power by class within the General Assembly.
 2. **DIVISION OF THE COOPERATIVE** – The decision to divide the

Cooperative must be approved by 75% of the General Assembly.

3. **MERGER OR ACQUISITION OF OR BY THE COOPERATIVE** – The decision to merge the Cooperative with another entity or for the Cooperative to acquire or be acquired by another entity must be approved by 75% of the General Assembly.

ARTICLE V

BOARD OF DIRECTORS

A. SELECTION AND COMPOSITION OF THE BOARD OF DIRECTORS –

The Regular Board of Directors shall be composed of eleven Directors per storefront and selected to represent the interests of the Ownership, to continue the values of the founding partners, and to direct the management of the General Manager. The Regular Board of Directors shall be composed and selected as follows:

1. **FOUNDERS SEAT** – One of the five Board of Director seats shall be reserved for the Founders, the Cincinnati Union Cooperative Initiative (CUCI). These Bylaws constitute evidence that Apple Street Market Cooperative was founded through the energy and ideas of the Cincinnati Union Cooperative Initiative. The Founders shall be able to maintain the social values and unique governance model through the seat reserved to the Founders. The Founders shall be limited to maintaining the values and unique governance of CUCI and shall not profit from Apple Street Market Cooperative in any way unavailable to any other member. The Founders shall not govern the Cooperative in any manner that in good faith goes outside of maintaining the values and unique governance of CUCI.
2. **COMMUNITY-OWNERS SEAT** – Three of the eleven Board of Director seats shall be reserved for the Community-Owner class, to be elected solely by the Community-Owner after the Community-Owner class reaches minimum capacity. Minimum capacity shall mean one hundred (100) Community-Owners. The Community-Owner Board seat shall rotate on a two year basis and the Community-Owner Board Member shall be subject to recall if a petition of sixty percent (60%) of Community-Owners sign a petition.
3. **WORKER-OWNER SEATS** – Seven of the eleven Board of Director seats shall be reserved for the Worker-Owner class, to be elected solely by the Worker-Owners after the Worker-Owner class reaches minimum capacity. Minimum capacity shall mean seven (7) worker owners. Worker-Owner Board Members shall serve two years by majority vote of Worker-Owners. Worker-Owner Board Member elections shall take place every year unless a majority of Worker-Owners signs a petition indicating satisfaction with the current Board. Worker-Owner Board Members shall be subject to recall if a petition of sixty percent (60%) of Worker-Owners is signed calling for their recall.

- B. INITIAL BOARD** – Before either class of members reach minimum capacity, herein defined as seven (7) Worker-Owners or one hundred (100) Community-Owners, the Cooperative shall be said to be in a stage of “incubation.” During the incubation period, a Board is necessary to bring the Cooperative into fruition and the role of the Founders, Cincinnati Union Cooperative Initiative is instrumental in this. While the Cooperative is in the incubation stage, before membership in either class reaches minimum capacity the Board shall consist of three (3) Board Members chosen by the Cincinnati Union Cooperative Initiative. One Board Member shall act as the permanent Founder seat, one Board Member shall act as the “stand-in” for the Community-Owners until that class reaches minimum capacity, and the final Board Member shall act as the “stand-in” for the Worker-Owners until that class reaches minimum capacity. If one class reaches minimum capacity before the other, that class can replace its stand-in chosen by the Board as soon as a valid election can be organized.
- C. GENERAL POWERS OF THE BOARD** – The Board of Directors shall run the day to day business of the Cooperative by instructing the General Manager. The General Manager shall give consistent weekly updates on the day-to-day operations of the business. In daily practice, there is a wide delegation of powers, hence the importance of electing the Board of Directors, which is renewable every four years - half of its members every two years- and the appointment via this body of all managerial staff, to which much of the day-to-day, financial and strategic running of the company is delegated. This, however, is always based on the fact that the highest capacity for decision-making and control, the final word, lies in hands of the Regular Worker-Owner Meetings.
- D. SPECIAL POWERS OF THE BOARD** – Certain Directors shall have special veto powers associated with their role and the class of owners they represent.
- 1. VETO OF THE FOUNDERS DIRECTOR** – No sale of the Cooperative or substantially all of its assets may take place without the express consent of the Founders director.
 - 2. VEToes OF THE COMMUNITY-OWNER DIRECTOR** – 1) A majority of the Community-Owner Directors shall have a veto over any attempt to relocate any Apple Street Market Cooperative location. 2) A majority of the Community-Owner Directors shall have the ability to call for a product referendum if there is Community-Owner discontent over a certain type of food or product offered by the Cooperative or not offered by the Cooperative. This power goes along with the responsibility of the Cooperative to respect the desires and wishes of the Community-Owners in terms of merchandise selection, quality, and brands that the Community-Owners desire. Product referendum results will then be brought to the Board of Directors to see if a change in selection, quality, or brands is economically feasible. 3) A majority of the Community-Owner Directors shall have veto power over the selection of any Manager of Consumer Affairs that the Cooperative hires.
- E. BOARD MEETINGS** - The Board shall meet regularly at such time and place as the Board determines. Special meetings of the Board may be called by the

Chairperson or any two (2) Directors. All meetings shall be held on such notice as the Board prescribes; provided, however, that any business may be transacted at any meeting without specification of such business in the notice of the meeting. The General Manager of each store location of the Cooperative shall be entitled to attend all meetings of the Board as a non-voting guest. In addition, the Union Committee shall be entitled to have its chair or other representatives attend meetings of the Board and present reports to the Board at reasonably frequent intervals.

- F. ORGANIZATIONAL MEETING** - An organizational meeting of the Board shall be held at or before the next regular Board meeting following each annual meeting of the Owners for the purpose of election of officers for the ensuing year and to transact such other business as may properly come before the meeting. The Directors and officers in office prior to the Owners annual meeting shall continue to hold office until the organizational meeting.
- G. BOARD QUORUM; BOARD VOTING** - A quorum necessary for transaction of business at any meeting of the Board shall be the majority of Directors. All matters determined by the Board shall require a supporting vote from a majority of the Directors present, except where a greater vote is required by law.
- H. DIRECTOR FEES AND EXPENSES** - The Directors shall be reimbursed for their reasonable expenses incurred when engaged in the business of the Cooperative.
- I. FAITHFUL PERFORMANCE** - The Board may require each officer, agent, and employee having control or custody of any of the Cooperative's funds or property to give bond or be insured for faithful performance and the cost shall be borne by the Cooperative.
- J. EXAMINATION OF FINANCIAL STATEMENTS** - The Board shall have the records and financial statements of the Cooperative audited or reviewed by an independent certified public accountant at least once each fiscal year and a report of such examination shall be made to the Members at or before the next annual meeting.
- K. BORROWINGS** - The Board shall have the power to authorize the borrowing of money by the Cooperative and encumbrance of the Cooperative's assets as security for repayment of the amounts borrowed. The Board may authorize a guaranty of another person's financial obligation, if such guaranty will serve a business purpose of the Cooperative.

ARTICLE VI

OFFICERS OF THE BOARD

- A. CHAIRPERSON** - The Board shall appoint and employ a Chairperson and the Board may terminate such employment at its discretion. The Chairperson should be,

but need not be a Voting Member. The Chairperson may fill one or more other officer positions in addition to the position of Chairperson. The Chairperson shall: 1) actively manage and supervise the business of the Cooperative; 2) control the employment, supervision, compensation, discipline, and discharge of the Cooperative's employees; 3) perform other duties and have such powers as the Board requires or delegates. The Chairperson may appoint and delegate authority to such employee as the Vice-Chair as the Chairperson deems necessary for the efficient and effective management of the Cooperative's business.

- B. VICE-CHAIR** – The Board shall determine if a Vice-Chair is necessary. If a Vice-Chair is necessary the Vice-Chair shall: 1) Perform the duties of the President in the absence or disability of the President; 2) Perform such other duties as required by the Board.
- C. SECRETARY** – The Board shall determine if a separate Secretary and Treasurer is necessary. The Secretary shall: 1) Keep a record of each meeting of the Members and of the Board; 2) Give notices as required by law; 3) Perform other duties and have such powers as the Board requires or delegates.
- D. TREASURER** - The Treasurer shall: 1) Supervise the safekeeping of all funds and property of the Cooperative; 2) Supervise the records of all financial transactions of the Cooperative; 3) Perform other duties and have such powers as the Board requires or delegates.

ARTICLE VII

UNION COMMITTEE

- A. UNION MEMBERSHIP-** In order to fulfill the letter and the meaning of the bylaws of Apple Street Market Cooperative, all employees of Apple Street Market Cooperative with the exception of the individuals holding the office of the General Manager and Shift Managers shall become members in good standing with any duly recognized union within 30 days of being hired. If no union is formed under the National Labor Relations Act, then the Cooperative reserves the right to coordinate a positive relationship with an international union of the employee's choice outside the confines of the National Labor Relations Act. The individual holding the position of the General Manager or Shift Manager may voluntarily pay dues to the union and participate and national and international affairs of the union, as an individual. However, nothing in this Article shall affect the right of Union Members to change the union that represents them. Additionally, a "Union Committee" shall be created by the employees of Apple Street Market, whether or not the "Union Committee" is connected to a union formed under the National Labor Relations Act.
- B. ELECTION OF UNION COMMITTEE** - At each general meeting of the Owners, all non-managerial employees of the Cooperative shall elect a Union Committee to represent their interests as employees. This Union Committee shall consist of three or seven plus or minus two, each of whom shall be an employee of the Cooperative.

Neither the current President of the Cooperative or any Director shall be eligible to serve on the Union Committee. Nothing in this Article shall affect the right of a union formed under the National Labor Relations Act to form a separate committee or separate leadership with their own procedures, if that union so chooses.

C. DIVISION REPRESENTATION - If the Cooperative has multiple divisions or business units, the non-managerial employees employed in each such division or business unit shall be entitled to elect at least one member of the Union Committee.

D. ROLE OF THE UNION COMMITTEE: The role of the Union Committee shall be to represent the interests of the non-managerial employees as workers, and to provide non-managerial employees with a means to actively participate in the management of the Cooperative's business activities. The Union Committee shall meet at regular intervals to provide those non-managerial employees who are not Directors on the Board with an opportunity to provide their input into the Cooperative's decision-making process and an opportunity to express their concerns (if any) about the affairs of the Cooperative, including, but not limited to: 1) working conditions; 2) terms and conditions of employment (to the extent such terms of employment are not governed by provisions of a collective bargaining agreement); 3) the manner in which the Cooperative is conducting its business on a day-to-day basis; and 4) changes or potential changes in the business and business methods of the Cooperative.

E. GRIEVANCE PROCEDURE - The Union Committee shall discuss and evaluate the concerns raised by the non-managerial employees, and shall have the right to report on such concerns to the Board of Directors and to meet with the Board to provide the Board with recommendations relating to such concerns. Such recommendations shall be advisory, and shall not be binding on the Board. If an impasse has been reached by the Cooperative Union Committee and the Cooperative Board in handling a grievance and official notice has been given by the Union Committee to the Cooperative Board of Directors, a special employee meeting must be called within thirty (30) days' of the receipt of notice. The Union Committee must provide the following: the details of the grievance, the history of the grievance, and the written willingness of the Union Committee and aggrieved party to submit the resolution of the grievance by a majority vote of the non-managerial employees. If a union formed under the National Labor Relations Act wants to have a different grievance procedure, the union will have to negotiate with the Board of Directors and add that procedure into the collective bargaining agreement.

F. EMPLOYMENT CONTRACT – The Union Committee and the Management Committee led by the General Manager and the Shift Manager shall negotiate a contract for employment with Apple Street Market Cooperative. Apple Street Market Cooperative will use this contract as the standard for employment contracts with all employees, to avoid favoritism and discrimination. This contract shall cover wages, hours, and grievance procedures and shall be carried out in an atmosphere where the financial books of the Cooperative are open to the union committee. The negotiations will be carried out in such a way as to conform to the

basic concept of interest-based bargaining and resolution of all grievances internally without work stoppage or lock out, taking into account that all employees have the right to be Worker-Owners. If a union formed under the National Labor Relations Act wants to bargain in a different manner, that union will have to negotiate the details of such bargaining with the Board of Directors.

ARTICLE VIII

INDEMNIFICATION OF DIRECTORS AND OTHER OFFICERS

- A. INDEMNIFICATION** – The Cooperative shall indemnify and hold harmless each person who serves or has served in the past as an Officer or Director of the Cooperative, or in any capacity with respect to an employee benefit plan of the Cooperative, against all liabilities and expenses incurred by him or her in connection with the defense or disposition of any action, suit, or other proceeding (whether civil or criminal) in which he or she may be involved, while in office or thereafter, by reason of having been such an Officer or Director; except with respect to any matter as to which he or she shall have been adjudicated not to have acted in good faith in the reasonable belief that his or her action was in the best interests of the Cooperative, or with respect to any matter as to which he or she shall agree or be ordered by any court of competent jurisdiction to make payment to the Cooperative. This indemnification shall be in addition to any other right which any such person may have or obtain and shall inure to the benefit of the heirs of any such person.
- B. INSURANCE** – The Cooperative may purchase insurance to cover any liability or expense reasonably incurred by employees, Members, Officers, or Directors by reason of their having acted in such positions.

ARTICLE IX

EMPLOYEE CODE OF CONDUCT

- A. SOCIAL VALUES** - By becoming a worker owner an individual accepts the code of conduct of the Apple Street Market Cooperative which includes hard, thoughtful work, participation in democratic structures, solidarity and respect of fellow employees and seeking in cooperation to make the cooperative an efficient, profitable enterprise. Solidarity requires direct communication, open mindedness to the opinions of others, and respect for others even if they vote differently on a given issue. Solidarity is impossible if an atmosphere of racism, classism, sexism, or homophobia prevails. Solidarity is impossible in the context of Apple Street Market Cooperative unless we do our jobs diligently, study hard to make the coop innovative, and in a good natured, honest way, conduct the

nature of the Cooperative. A positive attitude toward training and education is absolutely essential for the co-op to function. Careful study of the documents of the Cooperative, the bylaws, and the business practices and production practices are a requirement for each Worker-Owner and those employees who aspire to be Worker-Owners. Finally, an attitude of friendly, constructive criticism and self-criticism without malice is absolutely essential.

ARTICLE X

PATRONAGE/ COOPERATIVE DIVIDENDS INTERNAL CAPITAL ACCOUNTS

- A. MONDRAGON FINANCING** – The goal of the Cooperative financing is designed to put job creation, long term growth of the Cooperative, job security and payment support in the event of unemployment, above maximizing personal profit sharing. Therefore out of net income, 10% of profits shall be paid to Mondragon USA Cooperative, as the Coop of Coops. Mondragon USA Cooperative’s role is to support the growth and sustainability of cooperatives in the United States. If 10% of income comes through non-members, this income shall be allocated for the Mondragon financing of cooperatives because this income shall already be subject to corporate tax.
- B. PATRONAGE** - All profits made by and through patronage of the membership, whether it be Worker-Owner or Consumer-Owner, shall be paid to the membership in the form of a Patronage Dividend. The Patronage Dividend shall be allocated as follows unless otherwise determined for the Board of Directors; with twenty percent (20%) directly distributed through cash or checks to members and eighty percent (80%) distributed to the Internal Capital Accounts of Owners to be utilized at the direction of the Board of Directors.
- 1. DIRECT PATRONAGE DISTRIBUTION** – Of the membership patronage dividend, twenty percent (20%) shall be directly distributed in the form of store credit, cash, or check. By becoming a member of the Cooperative, each Owner shall be deemed to have consented to include in his or her taxable income the amount of any Qualified Written Notices of Allocation and to pay tax thereon in accordance with Subchapter T. The amount of patronage not directly paid in checks or cash shall be allocated to the Internal Capital Accounts of the Ownership.
 - 2. OWNERSHIP CLASS PATRONAGE OVERLAP** – Worker-Owner patronage shall be determined on the amount of hours worked within a year for the Cooperative. Consumer-Owner patronage shall be determined on the amount of money spent on groceries within a year at the Cooperative. Profits made through Community-Owners shall be considered to overlap with the profit made through Worker-Owners. For example, if 40% of consumer profit is made through Community-Owners and 60% of employees are Worker-Owners, then 60% of total profits are

considered to be made by and through the patronage of the Cooperatives Owners. If 55% of consumer profit is made through Community-Owners and 40% of employees are Worker-Owners, then 55 % of total profits are considered to be made by and through the patronage of the Cooperatives Owners, because the patronage of the different Ownership classes shall be said to overlap.

- 3. PATRONAGE BY CLASS** - Apple Street Market Cooperative recognizes that the general contribution, risk, and labor contribution is far greater for Worker-Owners than for Community-Owners and thereby accords more patronage to Worker-Owners than to Community-Owners in recognition of this reality. This difference in patronage is based on the amount of business done by and through Apple Street Market Cooperative as is specifically permitted by O.R.C. 1729.17. Of the total Patronage Distribution, sixty five percent (65%) shall be divided equally among the Worker-Owners after that class has reached capacity and thirty five percent (35%) shall be divided equally among Community-Owners.

C. INTERNAL CAPITAL ACCOUNTS - The Corporation shall have a system of Internal Capital Accounts as equity accounts to reflect its net worth, to reflect the allocation of net worth among the Members, and to determine the redemption value of Ownership Shares and Written Notices of Allocation as hereinafter defined. The Internal Capital Accounts consist of Individual Capital Accounts and a Cooperative Reserve Fund. The sum of the balances of the Internal Capital Accounts is the net worth of the Corporation.

D. INDIVIDUAL CAPITAL ACCOUNTS. The Corporation shall maintain for each Member an Individual Capital Account that reflects the value of the Member's relative equity in the Corporation. The balance in any Individual Capital Account results from and is increased by: (a) the initial Membership Fee, plus any other paid-in capital from or on behalf of the Member in excess of the Membership Fee, and (b) the amount of any Written Notices of Allocation issued to the Member. The balance in any Individual Capital Account is decreased by: (a) any losses allocated to the Individual Capital Accounts, and (b) the redemption, in cash or notes of indebtedness, of a Written Notice of Allocation previously issued to the Member and recorded in the Member's Individual Capital Account.

E. RETAINED EARNINGS ACCOUNT. The Corporation shall maintain an unallocated retained earnings account (hereinafter, "Retained Earnings Account") that reflects the portion of net worth not allocated to Individual Capital Accounts. The balance in the Retained Earnings Account results from and is increased by: (a) that portion of retained earnings not allocated to Individual Capital Accounts, and (b) any gifts or grants to the Corporation, unless otherwise allocated to Individual Accounts. The Retained Earnings Account balance is decreased by any losses allocated to the Retained Earnings Account. The Corporation shall maintain a Retained Earnings Account balance with reference to a target amount for business purposes, in accordance with section 2.C of this Article.

F. DEFINITIONS - The following definitions shall apply to terms used herein.

1. **ACCOUNTING NET INCOME** - The book net income for the fiscal year computed in accordance with Generally Accepted Accounting Principles (GAAP).
2. **PATRONAGE** - The total number of hours worked for the Cooperative by Worker-Owner members and total amount of money spent at the Cooperative by Community-Owners during the fiscal year. "Member Patronage" is the total number of hours worked for the Corporation by Members during the fiscal year.
3. **PATRONAGE INCOME** - That portion of Accounting Net Income resulting from the Member Patronage and is calculated by multiplying the Accounting Net Income (minus any Ancillary Income) by the ratio of Member Patronage to Patronage.
4. **ANCILLARY INCOME** - That portion of Accounting Net Income resulting from transactions that do not facilitate the primary business of the Corporation and do not result from Member Patronage.
5. **PATRONAGE DIVIDEND** - The positive amount of Patronage Income allocated to the Members in proportion to their relative Member Patronage during the fiscal year and may consist of any combination of cash and Written Notices of Allocation.
6. **WRITTEN NOTICE OF ALLOCATION** - The certificate issued to each Member specifying the amount, if any, of the Patronage Dividend allocated to the Member and retained by the Cooperative.

G. PATRONAGE ALLOCATIONS - Patronage Net Income shall be allocated as Patronage Dividends to the Members on the basis of their relative Patronage within 8 1/2 months after the end of the fiscal year.

1. **FORM OF PATRONAGE** - In any proportions determined by the Board of Directors, Patronage Dividends may be paid in cash, in Qualified Written Notices of Allocation, or in Non-qualified Written Notices of Allocation as defined in Subchapter T of the Federal Internal Revenue Code of 1986, as amended from time to time (hereinafter, "Subchapter T").
2. **WRITTEN NOTICE OF ALLOCATION** - The amount of any Written Notice of Allocation issued to a Member shall be credited to the Member's Individual Capital Account and the amount thus retained by the Cooperative may be used for any and all corporate purposes. Written Notices of Allocation are non-transferable unless otherwise approved by the Board of Directors.
3. **TAXABLE INCOME** - By becoming a Member of the Cooperative, each Member shall be deemed to have consented to include in his or her taxable income the amount of any Qualified Written Notices of Allocation and to pay tax thereon in accordance with Subchapter T.
4. **ACCOUNT BALANCE** - The Cooperative shall issue annually to each Worker-Owner an Individual Capital Account Statement that discloses his or her account balance and any changes since the previous Statement.

- H. UNALLOCATED RETAINED EARNINGS** - From time to time, the Board of Directors shall establish an overall target amount for unallocated retained earnings on the basis of stated business purposes and needs. Annually, the Board of Directors shall make allocations of retained earnings to the Retained Earnings Account with reference to the target amount and business purposes and needs. Such allocations shall be from: (1) Ancillary Income and Non-member Patronage Income, and (2) if necessary for business purposes, from Patronage Net Income.
- I. LOSSES** - If the Corporation incurs a net loss in any fiscal year, such net loss shall be charged against the balances in the Internal Capital Accounts as determined by the Board of Directors.
- J. CAPITAL DISTRIBUTIONS TO MEMBERS** - Membership Shares and Written Notices of Allocation shall be redeemed by the Corporation in accordance with this section.
- K. REDEMPTION OF WRITTEN NOTICES OF ALLOCATION** - All Written Notices of Allocation credited to a Member's Individual Capital Account shall be redeemed by the Corporation in accordance with their terms and procedures as determined by the Board of Directors.
- L. REDEMPTION OF MEMBERSHIP SHARES** - Upon termination of Membership in accordance with the Bylaws, the Membership Share held by the terminated Member shall be transferred to the Corporation for the consideration defined herein; (1) After year-end adjustments, the Member's Individual Capital Account balance other than Written Notices of Allocation shall be paid to the terminated Member as consideration for the Membership Share in cash, promissory notes, or other property as determined by the Board of Directors. (2) If there is no positive balance in the terminated Member's Individual Capital Account other than Written Notices of Allocation, then the Membership Share shall be returned to the Corporation for no consideration. (3) Written Notices of Allocation, if any, shall be redeemed in accordance with their terms in the manner described below.
- 1. REDEMPTION OF WORKER-OWNER SHARES** - Upon termination of Membership either by voluntary or forced termination, the redemption of the Worker-Owner share can be fulfilled over a (10) year period or immediately depending on the financial feasibility of the Cooperative.
 - 2. REDEMPTION OF COMMUNITY-OWNER SHARE** - Upon termination of Membership according to the bylaws, the redemption of the Community-Owner share can be fulfilled over a (1) year period or immediately depending on the financial feasibility of the Cooperative.
- M. DISSOLUTION DISTRIBUTIONS** - Upon liquidation, dissolution, or sale of all the assets of the Corporation, any assets left after payment of all debts and Individual Capital Account balances shall be distributed to all persons who were Members during the immediately preceding ten (10) years, or to their heirs, in proportion to the Members' relative Patronage during that period. No

distribution need be made to any person who fails to acknowledge the receipt of notice of liquidation in a timely manner. Said notice shall be deemed sufficient if sent by certified mail, at least 30 days before distribution of any residual assets, to the person's last known business or residence address.

ARTICLE XI

Provisions for Amending the Bylaws

- A. GENERAL AMENDMENTS** - The bylaws may be amended by an affirmative vote of seventy five percent (75%) of the votes within the General Assembly on the amendment. Please refer to Article IV General Assembly for a detailed description of the different voting power of the respective classes of membership. The notice of such action to amend must contain the text of the proposed amendment. These bylaws may be amended by an affirmative vote of seventy five percent (75%) of the votes within the general assembly provided that no changes are made to the ten Basic Principles of the Mondragon Co-operatives or the Union Co-op Model from the USW-Mondragon March 26, 2012 agreement. No changes may be made to the bylaws which hinders or restricts in any way the right of the CUCI/Mondragon USA delegate to the Apple Street Market Cooperative to fully inspect the financial records of the Apple Street Market Cooperative. No changes to the bylaws may be made which hinders or restricts in any way the CUCI/Mondragon USA delegate to the Apple Street Market Cooperative from exercising his or her right to veto any sale of the Apple Street Market Cooperative, its' productive assets, intellectual property, or divisions to any individual or legal entity not explicitly approved in writing by the CUCI/Mondragon delegate. No changes to the bylaws may be made that violate local, state, federal, or when applicable, international laws.
- B. CONFLICT** - All sections and articles of these bylaws shall not conflict with the Mondragon union coop template and if found at a later date to be in conflict, they shall be automatically amended in the plainest language available. Any subsidiaries, branches, or divisions of Apple Street Market Cooperative created after the date of these bylaws shall be made to conform to all aspects of these bylaws.