

**By Laws
Gem City Market Cooperative**

Approved by the Board of Directors on March 30, 2017

Revised by the Board of Directors on March 2, 2018

**Article I
Name**

The name of this association is Gem City Market Cooperative (hereinafter “Cooperative”).

**Article II
Purpose**

The purposes for which this association is formed are:

1. Operate a full service, multi-stakeholder, cooperative grocery store consistent with the Principles of Governance in Article III;
2. To engage in the business of selling fresh, high quality food and other products in a cooperative manner that is responsive to community needs;
3. To develop an attractive and successful business model for worker and community ownership in food retailing and local economic development;
4. To create jobs that are secure, educational and that support the dignity of all workers of the Cooperative; and
5. To engage in any other lawful act or activities that a Cooperative may perform under Ohio Revised Code Chapter 1729.

**Article III
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 Greater Dayton Union Cooperative Initiative (GDUCI), the founding partners of this Cooperative, is striving to embody the principles and values of the Mondragon Cooperatives.

1. OPEN ADMISSION: The Mondragon Co-operative Experience is open to all people 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 reasons of nationality, religion, political beliefs, race, ethnicity, gender, gender identity or sexual orientation.

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 collaboration with managerial bodies.

3. SOVEREIGNTY OF LABOR: Worker owners receive competitive and just salaries and dividends based on the profitability of the Cooperative. As far as the wealth generated by the cooperative is concerned, this is distributed among the members in proportion to their labor or patronage and not on the basis of their holdings of share capital.

4. INSTRUMENTAL AND SUBORDINATE NATURE OF CAPITAL: Capital is considered to be an instrument that is necessary for business development but subordinate to labor. Therefore it is understood to be worthy of fair and suitable remuneration, which is limited and not directly linked to the profits obtained. The wealth created is distributed in terms of the labor provided, member support (in accordance with Article VIII) and there is an explicit goal of maximizing the number of good jobs created.

5. PARTICIPATORY MANAGEMENT: The Cooperative is committed to the development of self-management. This in turn, requires the development of adequate mechanisms for participation, transparent information, consultation and negotiation, adequate training and internal promotion.

6. PAYMENT SOLIDARITY: Sufficient and fair pay for work is a basic principle of the Cooperative. In order to promote solidarity, the compensation of

the highest paid workers shall be directly tied to the compensation of the lowest paid workers, so that all wages rise or fall together.

7. **INTER-COOPERATION:** As the specific application of solidarity and as a requirement for business efficiency, the cooperative commits to the principle of inter-cooperation between individual and cooperatives, between subgroups and between the GDUCI cooperatives, 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, or shall pay an applicable representation fee where permissible by law. 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 and economic justice.

10. **EDUCATION:** To promote the establishment of the principles stated above, it is essential to set aside sufficient human and financial resources for cooperative, professional education and workforce development.

Article IV Membership

Section 1. Classes of Ownership

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 of Incorporation and Bylaws. The Cooperative shall have three classes of Membership (herein referred to as Owners), Worker-Owner, Community-Owners and Supporting-Owners.

These three 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.

Each Class of Ownership 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.

Only eligible Worker-Owners or Community-Owners or Supporting-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.

Section 2. Worker Class

The Cooperative shall operate on a cooperative basis with its workers be eligible for ownership. Eligibility for worker ownership in the Cooperative is limited to natural persons who:

- 1) Make a 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 \$3,000, which can be contributed on a weekly basis by paycheck deductions. As soon as the worker has paid \$100 and is continuing to make deductions, that worker shall have satisfied their capital contribution portion of eligibility for governance rights but not patronage dividends. An employee must satisfy their capital contribution of edibility as well as the training requirements below to obtain eligibility for governance rights. 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) Participate in training and have experience. In order to be an effective worker-owner that shares responsibility for the cooperative and shares the social values of the Greater Dayton 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 Greater Dayton 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) Sign the Worker-Owner Contract.
- 4) Agree to the Principles of Governance outlined in Article III.

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:

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.

Section 3. Community Class

The Cooperative shall operate on a cooperative basis with its customers eligible for ownership. Ownership in the Cooperative shall be open to any consumer that supports the purpose of the Cooperative as expressed in the Articles of Incorporation. An application for membership must be accepted by the Board Secretary and shall be accepted unless the Board determines in its discretion that the interests of the Cooperative would be better served by returning the subscription. Any worker-owner shall be ineligible for a Community Class. Eligibility for consumer ownership in the Cooperative is limited to natural persons who

- 1) Make a 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 amount of capital contribution required can be changed by a 2/3's vote of the General Assembly.
- 2) Sign the Community-Owner Contract.
- 3) Agree to support the Principles of Governance outlined in Article III.

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.

Section 4. Supporting Class

Ownership in the Cooperative shall be open to any financial supporter that supports the purpose of the Cooperative as expressed in the Articles of Incorporation. An application shall be accepted unless the Board determines in its discretion that the interests of the Cooperative would be better served by returning the subscription. Eligibility for supporter ownership in the Cooperative is limited to Ohio Residents or a corporation, non-profit or LLC with its principle place of business in Ohio who

- 1) Make a capital contribution of at least \$90.
- 2) Sign the Supporter-Owner Contract.
- 3) Agree to support the Principles of Governance outlined in Article III.

Supporter-Owners will receive one supporting class share regardless of the capital contribution.

Upon any criminal action, tortious action, or other negative actions against the Cooperative, a Supporter-Owner's membership shall be terminated upon the unanimous vote of the Board of Directors. Supporter-Owners shall not receive reimbursement of the capital contribution.

Section 5. 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.

Section 6. 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

Section 7. Dissolution Distributions.

Upon liquidation, dissolution, or sale of all the assets of the Cooperative, 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 two (2) years, or to their heirs, in proportion to the Members' relative Patronage during that period. Except Supporter-Owners shall receive no Patronage or distribution or financial reimbursement. 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 V Meetings

Section 1. Annual Meeting.

General Assemblies must be held annually in May 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 Gem City Market Cooperative locations. Additional General Assemblies may be called under the following conditions: If the Secretary of the Board of Directors 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. The annual meeting shall be held in the City of Dayton, Ohio at the offices of the Cooperative or at any other appropriate place within Montgomery County.

Section 2. 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 members. Notice of Worker-Owner Meetings may be posted ten (10) days prior to the meeting in the break-room of Gem City Market Cooperative at all locations.

Section 3. 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.

Section 4. 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 Gem City 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.

Section 5. General Voting Powers.

Gem City 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 Gem City Market Cooperative as is specifically permitted by O.R.C. 1729.17.

1) Worker-Owner Voting

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

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.

Community-Owners are eligible to vote so long so they meet the Community Class requirements in Article IV, Section 3. If the Community-Owner is on a payment plan for the his or her capital contribution, that individual is eligible to vote so long as payments are current at the time of the Annual Meeting or Special Meeting.

3) Supporter-Owner Voting

Supporter-Owner shall have no voting powers in the Cooperative, except as provided in parts 1 and 2 of this Section.

Section 6. Member Quorum.

A quorum necessary for any action requiring a general Member vote shall be at least sixty-six percent (66%) of existing Worker-Owners holding at least sixty-six percent (66%) 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 Members.

Section 7. Community-Owner Relocation Veto Power

Gem City 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. Gem City Market Cooperative shall also recognize a petition with sixty percent (60%) of the Community-Owners against any attempt to relocate any store location.

Section 8. Special Meetings.

Special meetings of Members may be called at any time by the Board of Directors or the President, by the same percentage and manner of calling for General Assemblies as described in Article V, Section 4. 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 V, Section 4.

Section 9. 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 an assessment must be approved by 75% of the General Assembly or majority of the Board of Directors, please see Article V, Section 5 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 VI Board of Directors

Section 1. Number.

The general powers to manage the affairs of the Cooperative are delegated by the ownership to a nine member Board of Directors.

Section 2. Composition of the Board of Directors.

The Board of Directors shall consist of the following:

- a. Five directors elected by the Worker-Owners
- b. Three directors elected by the Community-Owners
- c. One Director elected by the Founders (GDUCI or its successor)

Section 3. Worker-Owner Directors

Five of the nine 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.

Section 4. Community-Owner Directors

Three of the nine 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. At least two of the three Community-Owner Directors shall reside within the Cooperative's trade area, as defined in the October 2015 Associated Wholesale Grocers Market Study. The Community-Owner Board seats shall rotate on a two year basis; with the two board seats reserved for community members in the trade area operating on staggered terms and Community-Owner Board Members shall be subject to recall if a petition of sixty percent (60%) of Community-Owners sign a petition.

Section 5. Founders Director

One of the nine Board of Director seats shall be reserved for the Founders, the Greater Dayton Union Cooperative Initiative (GDUCI). These Bylaws constitute evidence that Gem City Market was founded through the energy and ideas of GDUCI. 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 GDUCI and shall not profit from Gem City Market 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 GDUCI.

Section 6. 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, GDUCI, 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 seven (7) Board Members chosen by the Greater Dayton Union Cooperative Initiative Steering Committee by majority vote. Two (2) Board Members shall act as the “stand-in” for the Community-Owners until that class reaches minimum capacity, four (4) Board Members shall act as the “stand-in” for the Worker-Owners until that class reaches minimum capacity, and one (1) Board Member shall act as the permanent Founder seat. 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, but no sooner than one (1) year from incorporation of the Cooperative.

At the first Community-Owner class board member election, the Board of Directors seats shall increase from seven to nine as outlined in Sections 1 and 2: One of the two Community-Owner Director seats reserved for a member within the Cooperative’s trade area shall be elected to an initial term of three years, which will then be a two year term pursuant to Section 4. At the time of the first Community-Owner class board member election, if the Worker-Owner class has not reached capacity then the initial board shall appoint a fifth “stand-in” Worker-Owner Director.

Section 7. General Powers

The duties and powers of the Board of Directors shall include all powers given to a cooperative under the Ohio Revised Code, consistent with the laws of the United States and with the Cooperative’s Articles of Incorporation and By-laws.

Further, 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.

Section 8. Special Powers

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. Article of IIX may only be amended with the consent of the Founders director.

- 2) Vetoes of the Community-Owner Directors: (A) The Community-Owner Director shall have a veto over any attempt to relocate any Gem City Market location. (B) 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. (C) The Community-Owner Directors shall have the last right over the selection of any Manager of Consumer Affairs that the Cooperative hires.

Section 9. Vacancies.

In the event of any vacancy in the Board of Directors, through death, resignation or other cause, the remaining Directors shall, by a majority vote, elect a successor to hold office until the next annual meeting, at which time a Director shall be elected to complete the terms of the Director whose place was vacant. The Board shall appoint an individual who is qualified to represent the ownership class represented by the previous Director, within sixty (60) days.

Section 10. Removal.

Any Director may be removed from office with or without cause by a vote of not less than two-thirds of the membership class from which the Director had been elected. After a second consecutive absence or third missed meeting within one year, the Board can review the status of an appointed member and remove said Board Member through the regular majority process. Any Director whose membership is terminated under Article IV shall be immediately removed from office (Board Member membership may be terminated under Article IV by a unanimous vote minus one).

Section 11. 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 [unless on the Board]. 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.

Section 12. 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.

Section 13. 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 or these bylaws.

The Board may meet by telephone or video conference.

The Board may vote electronically. Such votes must include a motion from one Director sent to electronically to all Directors, which shall be second by a Director by electronic means to all Directors and shall allow Directors a period not less than seven (7) days to respond to all Directors electronically. The Board secretary shall tally the votes and report the motion and vote results in minutes.

Section 14. Director Fees and Expenses.

The Directors shall be reimbursed for their reasonable expenses incurred when engaged in the business of the Cooperative.

Section 15. 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.

Section 16. 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.

Section 17. 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 direct business purpose of the Cooperative.

Article VII Officers of the Board

Section 1. Officers.

The Officers of the Cooperative shall consist of a President of the Board of Directors, Vice President, Secretary, Treasurer and any other officers as the Board of Directors may determine.

Section 2. Election.

The Officers shall be elected by the Board of Directors for a one year terms at the new Board's first meeting. Each Officer shall be a member of the Board of Directors.

Section 3. Removal.

Any Officer may be removed from office with or without cause by a vote of the majority of the quorum of the Board present at any meeting, the notice for which shall include the purpose.

Section 4. President.

The President 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; and 4) preside at meetings of the Board. The President may appoint and delegate authority to such employee as the Vice President or the Chairperson deems necessary for the efficient and effective management of the Cooperative's business.

Section 5. Vice President.

The Vice President 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.

Section 6. Secretary.

The Secretary will be responsible for the integrity of the Board's documents and will preside at meetings of the Board in the event of the President and Vice President's absence. Further, the Secretary shall keep a record of each meeting of the Members and of the Board; give notices as required by law; and perform other duties and have such powers as the Board requires or delegates.

Section 7. 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; and 3) Perform other duties and have such powers as the Board requires or delegates.

**Article VIII
Patronage**

Section 1. Patronage

The Cooperative operates on a cooperative basis and allocates earnings and losses to Worker-Owners and Community-Owners, which shall be paid to membership in the form of a Patronage Dividend.

All profits made by and through patronage of the membership, whether it be Worker-Owner or Community-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. Supporter-Owners shall not receive a Patronage Dividend.

1. Direct Patronage Distribution.

Of the membership patronage dividend, twenty percent (20%) shall be directly distributed in the form of store credit. 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. Community-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

Section 2. Patronage by Class.

Gem City Market 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 Gem City Market as is specifically permitted by O.R.C. 1729.17. Of the total Patronage Distribution, seventy percent (70%) shall be divided equally among the Worker-Owners after that class has reached capacity and thirty percent (30%) shall be divided equally among Community-Owners.

Section 3. 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.

Section 4. 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.

Section 5. 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 3 of this Article.

Section 6. 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.
3. "Member Patronage" is the total number of hours worked for the Corporation by Members during the fiscal year.
4. 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.

5. 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.
6. 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.
7. 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.

Section 7. 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.
2. 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").
3. 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.

4. 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.

5. Account Balance.

The Cooperative shall issue annually to each Member an Individual Capital Account Statement that discloses his or her account balance and any changes since the previous Statement.

Section 8. 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.

Section 9. 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.

Section 10. Capital Distributions to Members.

Membership Shares and Written Notices of Allocation shall be redeemed by the Corporation in accordance with this section.

Section 11. Redemption of Written Notices of Allocations.

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.

Section 12. 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-Owners 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 Shares.

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.

3. Redemption of Supporter-Owner Shares

Supporter-Owner shares shall not be redeemed upon termination of Membership.

Section 13. Dissolution of 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 IIX
Union Committee

Section 1. Unions as Partners for Success.

It is acknowledged by the Cooperative that labor unions have been critical partners in the founding of GDUCI and therefore the Gem City Market. Furthermore, the Cooperative acknowledges the contribution that Social Councils and collective bargaining has made to the resilience and success of the Mondragon Cooperative Corporation. The Mondragon cooperatives have created Social Councils which offer a formal structure that allows shop floor worker-owners more input and dialogue on a day-to-day basis on issues including wages, benefits, and working conditions. The Cooperative notes that collective bargaining is a productive and democratic method

of setting terms and conditions of employment, and union representation can be a tool to promote the democratic and solidarity principles embraced in Article III.

Section 2. Union Neutrality

In accordance with US Law, employees of the cooperative have a right to participate or refrain from participating in protected concerted activity or union activity. The Board of Directors and all supervisory employees of the Cooperative shall remain neutral on the question of whether non-supervisory employees are represented for purposes of collective bargaining by a labor union.

- a. Neutral means that, except as explicitly provided herein, the Cooperative will not at any time involve itself in the matter of whether or not its employees will be unionized.
- b. If a Labor Union provides the Company with a written notice indicating its desire to represent a proposed bargaining unit at the Cooperative, or if employees of the Cooperative provide written notice to the Cooperative, the Union and the Cooperative will agree on the appropriate bargaining unit, using National Labor Relations Board principles.
- c. Within 5 days after the appropriate bargaining unit has been determined, the Cooperative will provide the Union with a list of all employees in the proposed bargaining unit, including full name, home address, job title and department. The Cooperative will provide monthly updates of this information.
- d. Upon written request by a Union, the Cooperative will grant the Union reasonable access to its facilities to distribute literature and meet with unrepresented Employees in non-work areas during non-work times (including breaks, lunch periods, and before and after shift changes) in a manner that does not interfere with the business of the cooperative.
- e. Upon written request by the Union, the Company will recognize the Union without an NLRB election if the Union secures a simple majority of authorization cards of the Employees in the proposed bargaining unit (card check recognition). The card check will be conducted by a mutually agreeable neutral third party within 5 days after the Union's request. The neutral third party shall maintain the confidentiality of the cards.
- f. Should a majority of the non-supervisory employees of the Cooperative choose to be represented by a union, the Cooperative agrees that the Parties will

negotiate for a total of 180 days from date of Union recognition. Any unresolved issues for a first collective bargaining agreement will be submitted to a mutually-agreeable arbitrator for resolution within 30 days after the 180-day negotiation period ends, using procedures developed by the parties. The arbitrator's ruling is due 30 days after the close of the hearing.

- g. Any alleged violation or dispute involving any aspect of Article IIV, including but not limited to, the scope of a proposed bargaining unit, will be brought before a mutually agreed-to arbitrator within 15 days of submission of the dispute by the charging party. The arbitrator shall rule on the dispute at the close of the hearing. The arbitrator's decision will be final and binding on the parties.

Section 3. Unlawful Interference or Support.

The Cooperative shall at no time dominate or interfere with the formation or administration of any labor organization or contribute financial or other support to it.

Article IX Miscellaneous Provisions

Section 1. Indemnification of Directors

The Cooperative shall indemnify each person who has, does or will serve as a director or officer of the Cooperative and their heirs and personal representatives against any and all costs and expenses, including but not limited to, counsel fees, judgments paid, and amounts paid in settlement, that are actually and reasonably incurred in connection with the defense of any claim, action, suit, or proceeding, whether civil, criminal, administrative or otherwise in nature, in which he or she may be involved by reason of being or having been a director or officer of the corporation.

No indemnification shall be made as to matters which such director or officer shall be adjudged in any action, suit or proceeding to be liable for his or her own fraud or conscious misconduct in the performance of a duty to the corporation or a duty under federal or state laws. A conviction or judgment, whether based on a plea of guilty or nolo contendere or its equivalent, or after trial, in a criminal action, suit or proceeding shall not be deemed an adjudication of liability for fraud or conscious misconduct in the performance of duty to the corporation, if such officer or director acted in good faith in what he considered to be the best interests of the corporation.

The Cooperative shall purchase insurance to cover any liability or expenses reasonably incurred by employees, Members, Officers or Directors by reasons of their having acted in such positions.

Section 2. Employee code of conduct.

By becoming a worker owner an individual accepts the code of conduct of Gem City market, 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 Gem City Market 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. Openness 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.

Section 3. Amendments to By-laws.

The By-laws of the Cooperative may be altered, rescinded or amended by vote of 5 of the 7 Directors or by of two-thirds of the Worker-Owners and two-thirds of the Community-Owners, except as otherwise provided for within the by-laws. No changes to the By-laws shall be made that change Article III or Article IIX, Section 2 expect by unanimous vote of the Board. Further, no changes to the By-laws shall be made that hinder or restrict the right of the Founders to veto any sale of Gem City Market, its productive assets, intellectual property or divisions to any individual or legal entity not explicitly approved in writing by the GDUCI.

Section 4. Majority Vote.

All decisions referred to in these by-laws are made by majority vote unless otherwise indicated.