

LOUISVILLE COMMUNITY GROCERY, LCA BYLAWS

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BYLAWS OF LOUISVILLE COMMUNITY GROCERY, LCA

ARTICLE I

ORGANIZATION

1.1 NAME. The name of the association is Louisville Community Grocery, LCA (herein referred to as “the Cooperative”).

1.2 PURPOSE. The Cooperative is owned and democratically controlled by its members. The Cooperative is a cooperative association organized under the provisions of Kentucky Revised Statute Chapter 272A. The purpose of the Cooperative is to engage in any lawful act or activity for which an association may be organized under such law. More specifically, the purposes for which this association is formed may be stated as follows:

- 1) Combat food insecurity;
- 2) Operate a multi-stakeholder, Cooperative grocery store;
- 3) Engage in the business of selling fresh, high quality food and other products in a Cooperative manner that is responsive to community needs and supports the regional food economy;
- 4) Develop an attractive and successful business model for worker and community ownership in food retailing and local economic development;
- 5) Create jobs that are secure and educational and support the dignity of all workers of the Cooperative; and
- 6) Engage in education and outreach in the community to encourage healthy eating and supporting a local economy.

1.3 VISION. The Cooperative cultivates strong relationships with food and the community through cooperative principles. We connect the food we eat, the people who produce it, the friends and family we share it with, and those who most need access to safe, healthy food through a member-owned grocery. We strive to buy directly from farmers and food producers whenever possible, and nurture strong connections within our local economy. We are committed to just, safe, and sustainable growing, production, and food delivery practices. We use a democratic cooperative process to effect community decision-making, place-based ownership and investment, and workers’ rights. We strive to minimize our impact on the more than human world and nonrenewable resources. We are committed to being good co-members and good neighbors who listen carefully, and who include our neighbors in the identity, work, responsibility, and benefits of the Cooperative.

1.4 TRIPLE BOTTOM LINE PRINCIPLES. The Cooperative will be operated according to Triple Bottom Line principles. The duty of the managers to maximize financial benefit to the members is supplemented by a co-equal duty to responsibly pursue optimal benefit to concerns of the Cooperative’s community, including its employees and associates and the health and safety of the public, and of the sustainability of the biological environment.

1.5 POWER. Subject to the principles, obligations, and constraints stated in these bylaws, the Cooperative will have all the powers available under Kentucky law.

ARTICLE II

MEMBERSHIP

2.1 REQUEST FOR ADMISSION. Admission to membership in the Cooperative is contingent upon: (i) completion of an application in the form determined by the Board of Directors; (ii) the acceptance by the Board of Directors of the application; (iii) payment of the membership fee in the amount determined by the Board of Directors; (iv) satisfaction of the Bylaw requirements set forth in section 2.2-2.5 for a class of members; and (v) satisfaction of such other terms and requirements as may be determined from time to time by the Board of Directors.

2.2 CLASSES OF MEMBERS. The Cooperative has two classes of members, Consumer Members and Worker Members. These different classes of members have different voting rights, patronage shares, and governance rights based on the amount of business done by and through the Cooperative.

2.2.1 CONSUMER MEMBERS. Consumer Members may be either natural persons or legal entities. All-natural persons or legal entities who elect to become Consumer Members must sign a consumer-owner contract and pay a membership fee set by the Board. Consumer Members will receive patronage dividends dependent on the amount of business done by and through the Cooperative.

2.2.2 WORKER MEMBERS. Worker Members must be natural persons. In order to be an effective Worker Member who shares responsibility for the Cooperative, an employee requires a substantial amount of training and time working at the Cooperative. As a condition precedent to applying for Worker Member status, that person must work for the Cooperative for 18 months for at least 20 hours per week, including approved vacation, sick, or other paid leave. All employees who elect to become Worker Members must sign a worker-owner contract and pay the membership fee set by the board. After receiving worker membership status, Worker Members may receive patronage dividends dependent on the amount of business done by and through the Cooperative.

2.3 NON-DISCRIMINATION. The Cooperative shall not discriminate on social or political grounds or on the basis of race, national origin, creed, age, religion, sex, gender identity, disability, sexual orientation, marital, or veteran status.

2.4 APPLICATION. Each person or entity desiring to join the cooperative will fill out the application required by the Board of Directors with a membership fee determined by the Board, and such application will be reviewed and either approved or disapproved by the Board of Directors. Each application will include an agreement to conform to the duties of members for either consumers or workers and abide by the Bylaws of the Cooperative. If the application is approved, the membership fee will be applied. If the application is not approved, the membership fee will be returned.

2.5 PAYMENT PLANS. Those individuals whom the Cooperative certifies as having “low income”, according to standards established by the Board of Directors, shall have the opportunity to pay their membership fee through a payment plan. The terms of the payment plan shall be determined by an agreement between the member and the Board of Directors.

2.6 MEMBERSHIP CERTIFICATE. The Cooperative will issue a member certificate to each member signed by the President and Secretary. A membership certificate is non-transferable. Any membership certificate issued to any member whose member status is terminated as provided in section 2.7, 2.8 or 2.9

of these Bylaws or otherwise will be, without the need for any further action by the Cooperative, canceled and thereafter null and void.

2.7 FORFEITURE BY ACTION OF DIRECTORS. A member's position as a member will be terminated if the Board of Directors determines, in its sole discretion, that the member, by words or action, has acted in a manner detrimental to the Cooperative, or has violated the terms of their membership agreement.

2.8 WITHDRAWAL. Any member may withdraw from the Cooperative by: (i) delivering written notice to the Secretary; (ii) surrendering the member's membership certificate; and (iii) full satisfaction of all financial obligations to the Cooperative.

2.9 DEATH OF MEMBER. Any member who dies shall thereby cease to be a member. The membership reverts to the Cooperative and does not transfer to heirs.

2.10 VOTING.

- (i) Each Consumer and each Worker Member will be entitled to a single vote on any matter put to the members for a vote.
- (ii) The Secretary will certify annually to each member their right to vote. A list of all members will be posted at the Cooperative and electronically, such as on the Cooperative's website or social media page, prior to the annual meeting.
- (iii) A member may not vote by proxy.
- (iv) After there are 7 Worker Members in the Cooperative, the total Worker Members' votes shall be equivalent to 40% of the total Member vote in actions requiring a general member vote. This percentage shall be split evenly among the total number of Worker Members. After there are 7 Worker Members in the Cooperative, the total Consumer Members' votes shall be equivalent to 60% of the total Member vote in actions requiring a general member vote. This percentage shall be split evenly among the total number of Consumer Members.

2.11 HEARING. Any voting member wishing for a hearing before the Board of Directors on any matter pertaining to the business of the Cooperative is entitled to an opportunity to be heard at the next meeting of the Board of Directors by delivering a written petition of ten percent of the members requesting to be heard on a specified topic delivered to the Secretary of the Cooperative.

2.12 DUTIES OF MEMBERS. Each member agrees and covenants to satisfy all obligations imposed upon the members by these Bylaws or the Board of Directors.

2.13 MEMBER CONTRIBUTIONS. From time to time, the Board may put out a call to its membership for additional contributions to promote the financial health of the Cooperative. These calls are to be issued in writing to Consumer and/or Worker Members. The Board of Directors shall establish the amount, manner, whether or not the contribution call is binding, or other method of determining any contribution requirements for members. Contributions may include: tangible or intangible property or other benefit to

the association, including money, labor or other services performed. These contributions and their value are to be recorded in the contributing member's Member Account.

Article III

MEMBER MEETINGS

3.1 ANNUAL MEETING. The annual meeting of the members is held on the third Tuesday of each October of each year for the purpose of electing directors and transacting other business as may properly come before the meeting. If the day fixed for the annual meeting is a legal holiday at the place of the meeting, the meeting will be held on the next succeeding business day. If the annual meeting is not held on such date, the Board of Directors will cause the meeting to be held as soon thereafter as is practicable. Unless the Board of Directors provides notice of a different location, the annual meeting of the members will be held at the principal office of the Cooperative.

3.2 SPECIAL MEETINGS. The Board of Directors is entitled to call a membership meeting at any time. Ten percent (10%) of the voting membership may file a petition with the President, stating the specific business related to an organic matter to be brought before the Cooperative, and demand a special membership meeting at any time. Upon the presentation of a petition from at least ten percent (10%) of the voting members, the Board of Directors shall call the special meeting for the requested purpose.

An "organic matter" is a major decision, including mergers and acquisitions, consolidation, division, sale or purchase of major property, sale of the cooperative, sale of substantially all assets (other than inventory) outside the ordinary course, and liquidation.

3.3. MEMBERSHIP MEETINGS. Two times annually, the membership will be entitled to have a meeting with the Board of Directors for the purpose of the Board receiving feedback from the membership. These meetings shall take place on the third Tuesday in January and June. Unless the Board of Directors provides notice of a different location, these meetings will be held at the principal office of the Cooperative.

3.4 NOTICE OF MEETINGS.

- (i) The Secretary must deliver notice to each member who is entitled to notice of or who has a vote at the annual or membership meetings either by personal delivery, mail, orally by telephone or voice-mail, by email, text message, or social media message, or by other electronic means not less than ten (10) nor more than fifty (50) days before the meeting. The notice will state the place, day, and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called.
- (ii) At any time, upon properly authorized written request of the members, the Secretary will give notice of a special meeting of members to be held on such date and at such place and time as the Secretary may fix, not less than ten (10) or no more than thirty-five (35) days after receipt of said request, and if the Secretary neglects or refuses to issue such notice, the person making the request may do so and fix the date for such meeting.
- (iii) If such notice is mailed, it is deemed delivered when deposited in the United States mail properly addressed and postage prepaid to the member at the member's address as it appears on the membership books of the Cooperative. If the notice is given in any other manner, it is deemed delivered on the date posted.

- (iv) Whenever any notice is required to be given to any member under the provisions of these Bylaws, the Articles of Association, or the Kentucky Limited Cooperative Association Act (herein referred to as “the Act”), a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, will be deemed equivalent to the giving of such notice.

3.5 QUORUM. Two percent (2%) of the members constitutes a quorum at any annual or special meeting of the Cooperative. If less than a quorum is present at any meeting, the members present have the power to adjourn to a day certain, and the Secretary will give notice of the adjourned meeting to each member. At least three (3) days written notice will be given by the Secretary to all members of the time and place of the adjourned meeting.

3.6 MANNER OF ACTING. If a quorum is present, the affirmative vote of the majority of the members entitled to vote on the subject matter at the meeting is deemed the act of the members, unless the vote of a greater number is required by these Bylaws, the Articles of Association, or the Act.

3.7 UNANIMOUS ACTION BY MEMBERS WITHOUT A MEETING. Any action which could be taken at a meeting of the members may be taken without a meeting if a written consent setting forth the action so taken is signed by all members entitled to vote with respect to the subject matter thereof. Any such consent will be inserted in the minute book as if it were the minutes of a meeting of the members.

3.8 SUPERMAJORITY REQUIRED FOR CERTAIN DECISIONS. The following actions by the Cooperative may only be made through an election with approval of at least two-thirds of all voting members entitled to vote:

- (i) To merge the Cooperative with another cooperative or business organization;
- (ii) to sell the Cooperative or substantially all of its assets; or
- (iii) to amend the Articles of Association.

3.9. OPEN RECORDS. All members shall be entitled to review the financial records, meeting minutes, and other documents executed by the Cooperative with written notice issued to the Secretary of the Board. The written open records request shall identify what documents the member wishes to review. The Secretary of the Board shall coordinate with the member a time and place to inspect the documents of the Cooperative within 15-days of receipt of the written request to inspect the Cooperative documents.

ARTICLE IV.

DIRECTORS

4.1 NUMBER OF DIRECTORS. The Board of Directors will consist of up to (9) nine members, all save one of whom will be elected by the members. Three of the nine Directors, or 30% will be Worker Members or will be elected to represent Worker Members. Before there are Worker Members, Representatives for the worker owner interest *pro tem* will be elected by voting member owners to the Board. When the first Worker Members comes on that person will have the option to replace one of the elected *pro tem* representatives on the board after a vote for replacement by the majority of the membership; as soon as there are 3 Worker Members, at least one must serve on the board in one of the 3 available seats.. One director must be a representative of the Louisville Association for Community Economics (LACE) selected by LACE. All other directors must be members of the Cooperative.

4.2 BOARD OF DIRECTORS REQUIREMENTS. The Board of Directors is required to have at minimum 1/3 (one-third) of its directors reside within the neighborhoods of Shawnee, Portland, Russell, Smoketown, Shelby Park, Old Louisville, or within 1 mile of these neighborhoods. Residency will be confirmed by the Board of Directors.

4.3 ELECTION OF DIRECTORS, STAGGERED.

4.3.1 From and after the first annual meeting of the members, the directors of the Cooperative shall be divided into three classes, each class to be as nearly equal in number as possible, said classes to be designated as class I, class II and class III directors.

4.3.2. Each director will be elected for a term of three years. Each director whose term has not expired at the time of the adoption of these Bylaws will continue to hold office until their term expires and until their successors have been duly elected and qualified.

4.3.3 At the first annual meeting of the members there shall be elected eight (8) directors of the Cooperative, as follows: (a) three (3) members of class I directors who shall hold office until the second annual meeting of the members at which second annual meeting the number of class I directors elected to office shall hold office for a term of three (3) years or until their respective successors are duly elected and qualified; (b) three (3) members of class II directors who shall hold office until the third annual meeting of the shareholders at which the number of class II directors elected to office shall hold office for a term of three (3) years or until their respective successors are duly elected and qualified, and (c) two (2) members of class III directors who shall hold office for a term of three (3) years or until their respective successors are duly elected and qualified and following the expiration of their initial term of office the number of class III directors elected shall hold office for a term of three (3) years or until their respective successors are duly elected and qualified. In the first election of directors, all eight (8) directors shall be elected as a single group, and each director shall thereafter be designated as class I, class II and class III by lot.

4.4 VACANCIES. Any vacancy on the Board of Directors due to death, resignation, or removal will be filled by a majority vote of the remaining directors on the Board of Directors though less than a quorum of the Board of Directors. A director elected to fill a vacancy shall serve for the unexpired term of his or her predecessor in office. If any duly elected director will be absent for four (4) successive regular board meetings, said director will forfeit directorship.

4.5. TERM LIMITS. Directors may serve two (2) consecutive terms if re-elected.

4.6 DUTIES. The property and business of the Cooperative will be managed by its Board of Directors. In addition to the powers and authorities these Bylaws expressly conferred upon them, the Board of Directors may exercise all powers of the Cooperative and do all such lawful acts and things as are not by statute or by the Certificate of Association or by these Bylaws directed or required to be exercised or done by the members.

4.7 REMOVAL OF DIRECTORS OR OFFICERS.

4.7.1 At a special meeting of members called expressly for that purpose and in accordance with the requirements to call a special meeting in section 3.2, one (1) or more directors (including the entire Board) may be removed, with or without cause, by a majority vote of the members then entitled to vote on the election of directors.

4.7.2 Any member may bring charges against an officer or director by filing them in writing with the Secretary of the Cooperative, together with a petition signed by ten percent (10%) of the members, requesting the removal of the director or officer in question. The removal must be voted upon at the next annual meeting or special meeting of the Cooperative, and by a vote of the majority of the members but in no event less than a quorum, at such meeting of the Cooperative, may remove the director or officer. The director or officer against whom such charges are made will be informed in writing of the charges at least ten (10) days previous to the meeting and is entitled to an opportunity at the meeting to be heard in person or by counselor or both and to present witnesses, and the person or persons bringing the charges against them is entitled to the same opportunity.

4.8 REFERENDUM. Upon demand of one-third of the entire Board of Directors any matter that has been approved or passed by the Board must be referred to the membership of the Cooperative for a decision at the next special or annual meeting, provided that a special meeting is called for this purpose unless an annual meeting is to be held within thirty (30) days from the time of such demand.

4.9 COMPENSATION. Directors and directors serving as officers shall not receive any salary or other compensation for their services. A director or officer is entitled, subject to the submission of appropriate documentation, to reimbursement for reasonable expenses incurred in the discharge of Cooperative business.

4.10 MEETINGS OF THE BOARD. The Board of Directors may meet immediately after the annual meeting of the members for the purpose of organization and for such other business as may properly come before the meeting, provided a majority of the whole Board is present, or they may meet at such place and time as is agreed upon or upon call of the President.

4.11 REGULAR MEETINGS. Regular meetings of the Board of Directors may be held at such time and place as will from time to time be determined by the Board.

4.12 SPECIAL BOARD MEETINGS. Special meetings of the Board of Directors may be called by the President on five (5) days' notice to each director, provided however there may be a meeting of directors without notice, but in such case the entire Board must be present. Special board meetings must be called by the President on the request of not fewer than three (3) directors.

4.13 MEETINGS BY TELEPHONE. Members of the Board, or any committee designated by the Board, may participate in a Board or committee meeting by a conference telephone or similar communications equipment by which all persons participating in the meeting can hear each other at the same time. Participation by such means constitutes presence in person at a meeting.

4.14 NOTICE OF SPECIAL BOARD MEETINGS. Notice of a special board meeting or committee meeting stating the place, day, and hour of the meeting must be given to a director in person, by mail, orally by telephone or voice-mail, by email, text message, or social media message, or by other electronic means. Such notice must specify the agenda for the special board meeting or committee meeting, including the purpose of the meeting. Notice sent by mail is considered effective if sent 5 days before a meeting; all other forms of notice are effective if sent 3 days before a meeting.

4.15 WAIVER OF NOTICE. A director may waive any notice of any meeting of the Board of Directors as required by this agreement before or after the date and time of the meeting stated in the notice. The waiver must be in writing, signed by the director entitled to the notice, and filed with the minutes of such meetings. A director's attendance, including by conference call or other means at a meeting waives any required notice to the director of the meeting, unless the director objects to holding the meeting or

transacting business at the meeting promptly upon the director's arrival and does not vote for or assent to action taken at the meeting.

4.16 BOARD MEETING QUORUM. A majority of the number of directors in office will constitute a quorum for the transaction of business at any board meeting, but if less than a majority is present at a meeting, a majority of the directors may adjourn the meeting without further notice.

4.17 MANNER OF ACTING. The act of the majority of the directors present at a board meeting at which there is a quorum will be the act of the Board, unless the vote of a greater number is required by these Bylaws, the Articles of Association, or the Act.

4.18 ACTION BY BOARD OR COMMITTEES WITHOUT A MEETING. Any action which may be taken at a board or committee meeting may be taken without a meeting if written consent setting forth the action so taken is signed or electronically signed by each of the directors or by each committee member. Any such written consent will be inserted in the minute book as if it were the minutes of a board or a committee meeting.

4.19 RESIGNATION. Any director may resign at any time by delivering written notice to the President, the Secretary of the Board, or to the registered office of the Cooperative, or by giving oral notice at a directors' or members' meeting. Any such resignation takes effect at the time specified, or if the time is not specified, upon delivery thereof, and, unless otherwise specified, the acceptance of such resignation is not necessary to make it effective.

4.20 CONFLICT OF INTEREST. Directors shall be under an affirmative duty to disclose any actual or potential conflicts of interest in any matter under consideration by the Board, and such interest shall be made a matter of record in the minutes of the meeting. Directors having such an interest shall be permitted to make a statement with regard to the matter and shall then be required to leave the meeting room. A transaction in which a director has an interest shall be prohibited unless the transaction is fair to the Cooperative and is approved by a majority of all disinterested directors.

ARTICLE V.

OFFICERS

5.1 OFFICERS. The officers of the Cooperative will be chosen by the directors and will be a president, vice-president, secretary, and treasurer.

5.2 ELECTION OF OFFICERS. The Board of Directors, at its first meeting after each annual meeting of members, will elect officers. No officer need be a member of the Cooperative.

5.3 REMOVAL OF OFFICERS. Any officer elected by the Board of Directors may be removed at any time by the majority vote of the Board of Directors.

5.4 RESIGNATION. Any officer may resign by delivering written notice to the President, or the Secretary, or by giving oral notice at any meeting of the Board. Any such resignation takes effect at the time specified, or if the time is not specified, upon delivery thereof and, unless otherwise specified, the acceptance of such resignation is not necessary to make it effective.

5.5 PERSONNEL. The Board of Directors may contract with a general manager and a marketing sales manager. The Board of Directors may appoint a certified public accountant to make an annual audit of the books of the Cooperative.

5.6 SALARIES. The Board of Directors shall fix the pay rate or salary of employees (including worker Members) of the Cooperative.

5.7 DUTIES MAY BE DELEGATED. In case of the absence of any officer or personnel of the Cooperative or for any reason that the Board may deem sufficient, the Board of Directors may delegate, for the time being, the powers or duties or any part thereof of such officer or personnel to any person, provided a majority of the entire Board concur therein.

5.8 EXECUTION OF INSTRUMENTS. Except as otherwise determined by the Board of Directors, all deeds, leases, transfers, contracts, notes, bonds, and other obligations authorized by the Board of Directors to be executed on behalf of the Cooperative will be signed by the President, Treasurer, and Secretary.

ARTICLE VI.

PRESIDENT

6.1 DUTIES. The President is the chief executive officer of the Cooperative and maintains the following duties:

- (i) preside at all meetings of the members and directors;
- (ii) have a general and active management of the business of the Cooperative, and see that all orders and resolutions of the Board are carried into effect subject, however, to the right of directors to delegate any specific powers, except such as may be by statute exclusively conferred on the President, to any other officer or officers, committee, or employee or employees of the Cooperative;
- (iii) except as otherwise determined by the Board of Directors, execute all deeds, leases, transfers, contracts, notes, bonds, and other obligations on behalf of the Cooperative, which also requires the signature of the Secretary and Treasurer.

6.2 POWERS. The President is ex-officio a member of all standing committees of the Board of Directors and has the power and duties of supervision and management usually vested in the office of president of an association.

6.3 SUSPENSION OF OFFICERS. The President has power to suspend any officer for cause or pending an investigation, but such suspended officer is entitled to appeal to the Board of Directors within 30 days, upon which a meeting of the Board will be called immediately upon notice of such an appeal being given. Time of notice to be as for special meetings as herein provided for.

ARTICLE VII.

VICE-PRESIDENT

7.1 DUTIES. The Vice-President will perform the duties and exercise the powers of the president during any absence or incapacity of the President and will perform such other duties from time to time as delegated by the Board of Directors.

ARTICLE VIII.

SECRETARY

8.1 DUTIES.

- (i) The Secretary will record in the book or electronic folder to be kept for that purpose, all votes and minutes of all proceedings of the Cooperative and of the Board of Directors. The Secretary will see that proper notice is given of all meetings of the members and of the Board of Directors, will perform such duties as may be required by the Board of Directors or the President, will make such reports and perform such other duties as are incident to said office, and will be responsible only to the Board of Directors. Committees of the Board of Directors will submit their minutes to the Secretary for record keeping.
- (ii) MEMBERSHIP RECORDS. The Secretary will sign all membership certificates and keep complete records thereof.
- (iii) BYLAWS. The Secretary will furnish all new members with a copy, which may be electronic, of the Bylaws of the Cooperative and will send electronically, including by posting on social media, or otherwise every member copies of all amendments and alterations in the Bylaws of the Cooperative.
- (iv) Except as otherwise determined by the Board of Directors, the Secretary will execute all deeds, leases, transfers, contracts, notes, bonds, and other obligations on behalf of the Cooperative, which also requires the signature of the President and Treasurer.

ARTICLE IX.

TREASURER

9.1 BOND. The Treasurer will give bond in such sum as the Board may require for the faithful discharge of the Treasurer's duties.

9.2 DUTIES. The Treasurer will receive all monies paid to the Cooperative, enter the receipts and disbursements in the books of the Cooperative to be kept for that purpose, and deposit the moneys in the depository or depositories designated by the Board of Directors in the name of the Cooperative. The Treasurer will disburse the funds of the Cooperative as may be ordered by the Board of Directors; taking proper vouchers for such disbursements. The Treasurer will produce to the Board of Directors when requested, a report of receipts and disbursements and balances on hand belonging to the Cooperative.

Except as otherwise determined by the Board of Directors, the Treasurer will execute all deeds, leases, transfers, contracts, notes, bonds, and other obligations on behalf of the Cooperative, which also requires the signature of the Secretary and President.

9.3 OTHER DUTIES. The Treasurer will perform such other duties as may be imposed upon the Treasurer by the Board of Directors.

ARTICLE X.

INDEMNIFICATION

10.1 To the fullest extent permitted by the Act, the Cooperative will indemnify any person made, or threatened to be made, a party to any proceeding (whether brought by or in the right of the Cooperative or otherwise) by reason of the fact that such person is or was a director or officer of the Cooperative, against judgements, penalties, fines, settlements, and reasonable expenses (including attorney's fees) actually incurred in connection with such proceeding; and the Board may, at any time, approve indemnification of any other person which the cooperative has the power to indemnify under the Act. This indemnification will not be deemed exclusive of any other rights to which a person may be entitled as a matter of law or by contract or by vote of the Board or the members. The Cooperative may purchase and maintain indemnification insurance for any person to the extent allowed by applicable law. Any indemnification of a director, including any payment or reimbursement of expenses, will be reported to the members with the notice of the next meeting of members or prior thereto in a written report containing a brief description of the proceedings involving the director being indemnified and the nature and extent of such indemnification.

ARTICLE XI.

FINANCIALS AND PATRONAGE DIVIDENDS

11.1 DEFINITIONS.

- i.) The "Collective Account" shall be Surplus, Profit, and reserves that are retained in the Cooperative and not distributed to members.
- ii.) "Loss" shall be defined as the excess of expenses over revenues for a fiscal year.
- iii.) "Member Account" shall be defined as each member's capital account in the Cooperative.
- iv.) "Patronage" shall be defined as the hours worked by Worker Members for the Cooperative or purchases made by each Consumer Member of the Cooperative.
- v.) "Patronage Dividends" shall have the definition contained in the Internal Revenue Code Section 1388(a) (dividends paid to members based on Patronage).
- vi.) "Profit" shall be defined as the excess of revenues over expenses for a fiscal year attributable to non-member labor or Purchases. The Board determines the amount of Profit each fiscal year.

- vii.) “Purchases” shall be defined as all purchases of merchandise or services on the Cooperative plan, except: (1) unless otherwise specified by the Board, services will not qualify as purchases; (2) the Board may designate specified merchandise (such as sale merchandise and merchandise with low profit margins) as not being sold on the Cooperative plan and not qualifying as “Purchases”; and (3) the Board may establish separate allocation units or pools for specified merchandise or services, and distribute net profits on the basis of the value of the business done with or for members with respect to such units or pools.
- viii.) “Surplus” shall be defined as the excess of revenues over expenses for a fiscal year attributable to member labor or Purchases. The Board determines the amount of Surplus each fiscal year.
- ix.) “Written Notice of Allocation” is defined in accordance with 26 U.S. Code Section 1388 as any capital stock, revolving fund certificate, retain certificate, certificate of indebtedness, letter of advice, or other written notice, which discloses to the recipient the stated dollar amount allocated to them by the organization and the portion thereof, if any, which constitutes a Patronage Dividend.

11.2 PATRONAGE DIVIDENDS. The Cooperative operates on a cooperative basis in accordance with Subchapter T of the Internal Revenue Code. The Board determines the amount of Surplus each year, which are those earnings that in the Board’s opinion are not needed to conduct the business of the Cooperative. For fiscal years with Surplus earnings, the Cooperative may, at the discretion of the Board, declare a Patronage Dividend to be distributed among the Consumer and Worker Members in accordance with the patronage business generated by each member during that fiscal year.

11.2.1 PATRONAGE DETERMINATION. The Patronage Dividend may be returned annually to active members at the discretion of the Board. When the Board determines a Patronage Dividend shall be issued, the Patronage Dividend shall be paid to Consumer Members in proportion to their Purchases from the Cooperative and to Worker Members based on their hours worked for the Cooperative during the fiscal year for which the Patronage Dividend is declared. The Board determines the formula for the division of patronage between Worker and Consumer classes.

11.2.2 BOARD DISCRETION. The Board’s decision of whether there is a Surplus and the amount returned to each member will be conclusive. The Board will determine the amount of Surplus for the prior fiscal year, the time and manner of distribution of Patronage Dividends from such amount, and any other related matters. The Board may elect not to declare or distribute a Patronage Dividend of Surplus for any fiscal year if it determines that such election is in the best interest of the Cooperative. Any distribution that would be less than \$2.00 shall not be distributed and the related profits shall not be allocated.

11.3 FORM OF PAYMENT; TAXATION. Patronage Dividends may be distributed in cash, merchandise credits, qualified or non-qualified written notices of allocation (as such terms are defined in 26 U.S.C. § 1388), other property, or any combination of the above as determined from time to time by the Board. For a qualified written notice of allocation, at least 20% must be distributed in cash, including store credit with an option for cash redemption, or by qualified check. The portion of the Patronage Dividend distributed as a qualified or non-qualified Written Notice

of Allocation must be designated as such by the Board in accordance with 26 U.S.C. § 1388 and shall be made to each individual Member Account.

11.3.1 CONSENT. MEMBERS' COVENANT TO DECLARE INCOME FOR TAX PURPOSES. Each member, by such act or membership alone, consents that the amount of any distribution with respect to his or her Patronage which is made in the form of a qualified Written Notice of Allocation will be taken into account as part of the member's taxable income at its stated dollar amount in the manner provided in 26 U.S.C. § 1385(a) in the taxable year in which the member receives such qualified Written Notice of Allocation.

11.4. ALLOCATIONS. Any Profits shall be credited to the Collective Account. At the discretion of the Board, Surplus shall be paid as Patronage Dividends in direct proportion to Patronage during the fiscal year. The Board of Directors is authorized to determine any allocation percentages of the Profits and Surplus as it deems necessary for the good of the Cooperative.

11.5. LOSSES. The Board of Directors is authorized to determine any allocation percentages of a Loss as it deems necessary for the good of the Cooperative.

11.6. DISTRIBUTIONS OF INTEREST ON MEMBER ACCOUNTS. The Cooperative may, by a decision of the Board, pay interest to members on the Member Accounts. The interest may be paid in cash or as an additional credit to the Member Accounts. The rate of interest shall be determined by the Board, but may not, in one year, exceed 1 percent of each member's contributed capital, which includes capital contributions, membership fees, and capital credits.

11.7 UNCLAIMED DIVIDENDS. Unless it has taken specific action to the contrary, the Board will be conclusively presumed to have exercised its discretion under the Act to cause the expiration and reversion to the Cooperative of any Patronage Dividend that was paid in the form of a qualified or non-qualified Written Notice of Allocation or in merchandise credits, to the extent it has not been used or redeemed on or before 180 days following declaration of the Patronage Dividend. The Cooperative may, in its discretion, treat any written communication that it receives from a member regarding his or her unredeemed Patronage Dividend as a request for payment of the Patronage Dividend in cash, whether or not the member has explicitly made such a request.

11.8 TAX CONSENT NOTIFICATION FOR PATRONAGE EARNINGS. The IRS generally requires each member receiving a patronage earning to include that amount as taxable gross income in the year it was received.

11.9 MEMBER ACCOUNTS GENERALLY. The balance in any Member 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 Member Account is decreased by: (a) Any losses allocated to the Member Account, 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 Account.

11.10 PAYMENT RIGHTS UPON MEMBERSHIP TERMINATION. When a membership is terminated for any reason, including a member's death, the amount in the Member Account will automatically be converted to debt owed to the former member, or, if necessary, to the member's estate, or to another assignee designated by the member. The Cooperative shall repay the debt within five

years of the membership termination. The Cooperative in settling a Member Account, shall have the right to set off any and all indebtedness of the former member to the Cooperative.

ARTICLE XII.

FISCAL YEAR

12.1 FISCAL YEAR. The fiscal year begins on the 1st day of January each year and will end on the 31st day of December each year.

ARTICLE XIII.

OWNERSHIP OF PROPERTY

13.1 DISSOLUTION DISTRIBUTIONS. Upon liquidation, dissolution, or sale of the Cooperative, any assets left after payment of all debts and Member Account balances shall be distributed to a charity or cause as determined by the membership. No distribution need be made to any person who fails to acknowledge a 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 XIV.

AMENDMENTS

14.1 The Bylaws may be altered or amended by vote of two-thirds of the members cast at any annual or special meeting of the Cooperative, provided the notice of the proposed amendments has been mailed to each member of the Cooperative at least ten (10) days before the date of such meeting, or has been presented in writing at a previous annual or special meeting of the Cooperative.

ARTICLE XV.

NEUTRALITY

15.1 The Cooperative recognizes that it is the policy of the United States to encourage the practice and procedure of collective bargaining and to protect the exercise by workers of full freedom of association, self-organization, and designation of representatives of their own choosing, for the purpose of negotiating the terms and conditions of their employment or other mutual aid or protection.

15.2 The Cooperative shall adopt a neutral position in the event any labor organization seeks to represent employees of the Cooperative.

15.3 Neutrality means that the Cooperative will not conduct itself or communicate in a negative, derogatory, or demeaning nature about any labor organization that seeks to represent employees of the Cooperative, including but not limited to comment on the motives, integrity, character, or performance of any labor organization or its officers and agents. The Cooperative shall not engage in conduct, threats, misrepresentations, or delaying tactics that might frustrate the desires of employees or interfere with employee efforts to select representation by a labor organization. The Cooperative shall not provide any support or assistance of any kind to any person or group which is opposed to the principles of this article. In addition, neutrality means that the Cooperative and its agents will not conduct a campaign to oppose

employee representation by a labor organization. Upon request, the Cooperative will advise its employees in writing and orally that it is not opposed to a labor organization being selected as their bargaining agent.

15.4 The Cooperative agrees to instruct its owners and agents (including Board members and management) on the obligations and duties of this article and to direct its agents to avoid any conduct or actions that are inconsistent with this article.

ARTICLE XVI.

ADOPTION

16.1 The following Bylaws of the Louisville Community Grocery, LCA (the “Cooperative”) were adopted by the organizers on August 25 2019.

____ Cassia Herron, President _____
Name
Title

____ Amanda Fuller, Secretary _____
Name
Title