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Loconomics Cooperative Bylaws
Sharing Responsibility for the Common Good

1. Statement of Values Regarding Responsibility for the Common Good. Loconomics Cooperative, Inc. aligns itself with the Rochdale cooperative principles, one of which provides that cooperatives shall have concern for and work for the sustainable development of their communities. Although a cooperative corporation, as a legal entity, is designed primarily to serve the interests of its Owners, Loconomics recognizes that the wellbeing of its Owners depends on the economic wellbeing of our communities. Therefore, Loconomics Bylaws, policies, and activities shall also consider and advance the wellbeing of freelance workers as a class of workers in society and the health and vitality of local economies.

2. Mission of Loconomics. Loconomics Cooperative’s mission is to use technology, shared ownership, and community to strengthen local economies. We provide tools, a marketplace, and community to our Owners, empowering them to thrive in their work as local service professionals. We provide their clients an app where they can discover and directly book local service professionals safely and easily, without middle-men.

3. Background on Choice of Cooperative Structure. Loconomics is a California Cooperative Corporation and chose to form as a cooperative in order to steward its tools, platform, services, resources, community, and opportunities as a commons. As writer David Bollier describes, “A commons may arise whenever a group of people decides that it wishes to manage a resource in a collective manner, with a special regard for equitable access […] and long-term stewardship.” As a cooperative, Loconomics is an autonomous organization that is substantially shielded from the lust for wealth accumulation and short-term gain, thereby allowing it to focus on activities that grow and spread benefit among the Owners and communities. Further, it is principally governed by its primary stakeholders – independent entrepreneurs – whose livelihoods Loconomics aims to support and enhance.

A cooperative structure generally demands that every Owner have an equal vote in the election of the Board and in other major decisions. A cooperative structure also generally demands that the profits of the enterprise be returned to the Owners in proportion to each Owners’ participation in generating value for the company. Loconomics believes that its mission will be most effectively advanced by this combination of factors, which distinguish a cooperative from a conventional for-profit corporation.

1. Recommended reading: Think Like a Commoner, by David Bollier
Loconomics Ownership

1. Statement of Values Regarding Ownership. The vast majority of Owners of Loconomics will be independent or freelance service professionals, in order to ensure that Loconomics operates, first and foremost, to advance the status, stability, and interests of freelance workers. The employees and independent contractors who grow and run the company can also become Owners, to help ensure that Loconomics provides healthy and positive working conditions to everyone who works for the company. In addition, Loconomics may accept three types of organizations to be Owners. To promote worker empowerment and self-determination, Loconomics may welcome worker-owned cooperatives to become Owners. To promote delivery of services to low-income communities, Loconomics may invite certain nonprofit organizations to become Owners and use the platform to offer pro bono and donation-based services to low-income communities. And to promote the expansion of platform cooperatives worldwide, Loconomics may negotiate agreements with licensing partners to become Owners and use Loconomics’ technology to create platform cooperatives in areas where Loconomics itself cannot.**

2. Ownership Committee. The Board of Directors shall appoint an Ownership Committee consisting of at least two Directors, and that Committee shall be responsible for ensuring that Loconomics creates and communicates clear procedures for becoming an Owner and terminating an Ownership. The Ownership Committee shall create a system for reviewing Ownership applications submitted by Independent Contractors, Worker Cooperatives, and Nonprofits. The Ownership Committee shall also create a system for reviewing requests by Owners or former Owners to have their User Accounts or Ownership Interests restored after involuntarily termination.

3. Who May Be An Owner of Loconomics. Loconomics may admit an unlimited number of Owners. The following qualify to be Owners of Loconomics, and each category of Owner has a somewhat different set of rights than the others:

   i. A Service Professional. A Loconomics Service Professional, defined as an individual who offers services through the Loconomics Marketplace.

   ii. An Employee. A Loconomics Employee, defined as an individual who is legally employed by Loconomics.

   iii. An Independent Contractor. A Loconomics Independent Contractor, defined as an individual who regularly provides services to Loconomics.

   iv. A Worker Cooperative. A Worker Cooperative, defined here as a business entity with all of the following characteristics:

      i. At least 80% of control is held by people who work in the business;

      ii. At least 80% of its workers are voting member-owners;
iii. Control is shared among owners on a one-member-one-vote basis; and
iv. Earnings are primarily distributed based on the value or quantity of work done by each member-owner.

v. A Nonprofit. A nonprofit corporation exempt from taxation under 501(c)(3) or 501(c)(4) which offers services to low-income communities on a pro bono basis or in exchange for an optional donation.

vi. A Licensing Partner. A Licensing Partner, defined here as an organization or business entity that uses part or all of Loconomics’ technology, brand, or other assets under a licensing agreement executed by Loconomics and the Licensing Partner. Any entity to which Loconomics licenses assets must meet high standards of democratic governance and social responsibility, as determined by Staff Trustees and the Board.

4. Policy against Discrimination. In accepting Owners, Loconomics shall not discriminate based on ancestry, age (for individuals 18 and above), color, disability, gender, gender identity, gender expression, marital status, national origin, race, religion, sex, or sexual orientation.

5. Steps to Becoming an Owner.
   i. Service Professional Owners. To become an Owner of Loconomics and be eligible for patronage dividends, a Service Professional must do each of the following:
      i. Create a profile. Create an online profile on the Loconomics Marketplace describing the Owner and the services that the Owner provides.
      ii. Complete two bookings with positive reviews. Complete services for at least two service bookings through the Loconomics Marketplace or online scheduler with a Client review of 3 stars or higher. Service Professionals regulated by HIPAA are exempt from the positive reviews requirement. The Board has the authority to amend this requirement by majority vote.
      iii. Complete Owner Acknowledgment. Complete an Owner Acknowledgment in order to acknowledge, among other things, that the Owner has had an opportunity to view and agrees to these Bylaws, the Loconomics Terms of Service, and any other policies or resolutions adopted by Loconomics.
      iv. Provide Owner Information. Complete an informational form to provide Loconomics with an email address, a second email address (if available) for back-up purposes, a phone number, and mailing address.
      v. Pay User Fee. Pay any User Fee associated with use of the Platform, if applicable, as determined from time to time by the Board of Directors.
   ii. Employee Owners. To become an Owner of Loconomics, a Loconomics Employee must do each of the following:
      i. Complete Owner Acknowledgment. Complete an Owner Acknowledgment in order to acknowledge, among other things, that the Owner has had an opportunity to view and agrees to these Bylaws, the Loconomics Terms of Service.
Service, and any other policies or resolutions adopted by Loconomics.

ii. Provide Owner information. Complete an informational form to provide Loconomics with an email address, a second email address (if available) for back-up purposes, a phone number, and mailing address.

iii. Independent Contractor Owners. Independent Contractors may become Owners of Loconomics if approved by the Ownership Committee, based on criteria to be developed by the Ownership Committee. Criteria may include anticipated length of service, nature of contract work, and the Independent Contractor’s expressed interest in the mission of Loconomics. This category of Ownership is designed primarily for individuals who provide services to Loconomics on an ongoing basis, such as software developers, marketing consultants, bookkeepers, or accountants.

To become an Owner of Loconomics, a Loconomics Independent Contractor must do each of the following:

i. Be approved. Ask to or be invited to become an Owner and receive approval from the Ownership Committee.

ii. Complete Owner Acknowledgment. Complete an Owner Acknowledgment in order to acknowledge, among other things, that the Owner has had an opportunity to view and agrees to these Bylaws, the Loconomics Terms of Service, and any other policies or resolutions adopted by Loconomics.

iii. Provide Owner information. Complete an informational form to provide Loconomics with an email address, a second email address (if available) for back-up purposes, a phone number, and mailing address.

iv. Worker Cooperative Owners. Worker Cooperatives may become Owners of Loconomics if approved by the Ownership Committee, based on criteria to be developed by the Ownership Committee. To become an Owner of Loconomics, a Worker Cooperative must do each of the following:

i. Be approved. Ask to become an Owner and receive approval from the Ownership Committee.

ii. Sign Cooperation Agreement. Sign a mutually negotiated Cooperation Agreement between Loconomics and the Worker Cooperative that outlines the responsibilities of each party.

iii. Complete Agreement Checklist. The Cooperation Agreement outlines the necessary steps to be taken for the Worker Cooperative to become an Owner. This may include creating an online profile for both the Worker Cooperative and its worker-owners on the Loconomics Marketplace describing the Worker Cooperative and the services that the Worker Cooperative provides.

iv. Provide Owner Information and Designated Representative Information. Complete an informational form to provide Loconomics with the name, email, phone number, and mailing address of a Designated Representative at the Worker Cooperative, along with an email address, phone
number, and mailing address for the Worker Cooperative entity.

v. Complete Owner Acknowledgment. Complete an Owner Acknowledgment in order to acknowledge, among other things, that the Designated Representative is an individual who has been empowered by the Worker Cooperative to act on its behalf with regard to Loconomics, and that the Designated Representative has had an opportunity to view and agrees, on behalf of the Worker Cooperative, to these Bylaws, the Loconomics Terms of Service, and any other policies or resolutions adopted by Loconomics.

v. Nonprofit Owners. Nonprofit organizations may become Owners of Loconomics if approved by the Ownership Committee, based on criteria to be developed by the Ownership Committee. Ownership criteria may include, but is not limited to, the types of services provided, the extent to which the services fill an important need in the community, and the extent to which such a Nonprofit Owner may compete unfairly with existing Service Professional Owners providing similar services at low cost in that region or neighborhood. To become an Owner of Loconomics, a nonprofit must do each of the following:

i. Be approved. Ask to become an Owner and receive approval from the Ownership Committee.

ii. Sign Cooperation Agreement. Sign a mutually negotiated Cooperation Agreement between Loconomics and the Nonprofit that outlines the responsibilities of each party.

iii. Complete Agreement Checklist. The Cooperation Agreement outlines the necessary steps to be taken for the Nonprofit to become an Owner. This may include creating an online profile for both the organization and its employees on the Loconomics Marketplace describing the Nonprofit and the services that the Nonprofit provides.

iv. Provide Owner Information and Designated Representative Information. Complete an informational form to provide Loconomics with the name, email, phone number, and mailing address of a Designated Representative individual at the Nonprofit, along with an email address, phone number, and mailing address for the Nonprofit entity.

v. Complete Owner Acknowledgment. Complete an Owner Acknowledgment in order to acknowledge, among other things, that the Designated Representative is an individual who has been empowered by the Nonprofit to act on its behalf with regard to Loconomics, and that the Designated Representative has had an opportunity to view and agrees, on behalf of the Nonprofit, to these Bylaws, the Loconomics Terms of Service, and any other policies or resolutions adopted by Loconomics.

vi. Licensing Partner Owners. Licensing Partners may become Owners of Loconomics if approved by the Ownership Committee, based on criteria to be developed by the
Ownership Committee. To become an Owner of Loconomics, a Licensing Partner must do each of the following:

i. Be approved. Ask to become an Owner and receive approval from the Ownership Committee.

ii. Sign Cooperation Agreement. Sign a mutually negotiated Cooperation Agreement between Loconomics and the Licensing Partner that outlines the responsibilities of each party.

iii. Complete Agreement Checklist. The Cooperation Agreement outlines the necessary steps to be taken for the Licensing Partner to become an Owner. This may include a review of the bylaws, ownership structure, and business plan of the Licensing Partner to ensure it meets the mission set forth by Loconomics.

iv. Provide Owner Information and Designated Representative Information. Complete an informational form to provide Loconomics with the name, email, phone number, and mailing address of a Designated Representative at the Licensing Partner, along with an email address, phone number, and mailing address for the Licensing Partner entity.

v. Complete Owner Acknowledgment. Complete an Owner Acknowledgment in order to acknowledge, among other things, that the Designated Representative is an individual who has been empowered by the Licensing Partner to act on its behalf with regard to Loconomics, and that the Designated Representative has had an opportunity to view and agrees, on behalf of the Licensing Partner, to these Bylaws, the Loconomics Terms of Service, and any other policies or resolutions adopted by Loconomics.

6. Owners May Not Transfer Their Ownership Interests. An Ownership Interest is personal to an Owner. No Owner may transfer their Ownership Interest, and except as otherwise provided, no Owner may transfer any right arising from Ownership Interest. Except as otherwise provided, any attempted assignment or transfer of an Ownership Interest shall be void, and will not confer rights on the intended assignee or transferee.

7. Voluntary Resignation of Ownership. The following processes shall be used by an Owner wishing to voluntarily resign and relinquish their Ownership Interest:

i. Service Professional Owners. A Service Professional Owner may voluntarily resign as an Owner of Loconomics by doing any of the following:

   i. Cancellation Form: An Owner may provide notice of resignation to Loconomics by completing a “Cancel Cooperative Ownership” form provided on the Loconomics website. The resignation shall become effective at the time the Owner completes and submits the form.

   ii. Email Notice: An Owner may provide notice of resignation by emailing notice to support@loconomics.com. The resignation shall become effective at the time the Owner emails the notice of resignation.
iii. Deletion, Cancellation, or Expiration of User Account: An Owner may resign by canceling or deleting their User Account, and/or by allowing the User Account to expire as a result of not paying any required User Fees. Termination of Ownership shall not, however, be effective immediately upon the deletion, cancellation, or expiration of the User Account. In the event that the Owner deletes their User Account, the Ownership Committee shall immediately notify the Owner that the Ownership will terminate 30 days after the deletion, cancellation, or expiration of the User Account. This notice and 30 day period is designed to ensure that the Owner actually intended to terminate their Ownership. If the Owner does not intend to terminate their Ownership, the Owner may ensure continuation of Ownership by undeleting the User Account, creating a new User Account, and paying any required User Fees.

ii. Worker Cooperative Owners, Nonprofit Owners, and Licensing Partner Owners. A Worker Cooperative Owner, Nonprofit Owner or Licensing Partner Owner may voluntarily resign as an Owner of Loconomics in accordance with the terms of their respective Cooperation Agreements.

iii. Employee Owners and Independent Contractor Owners. An Employee Owner or Independent Contractor Owner may resign as an Owner of Loconomics by doing either of the following:
   
i. Ending services: The Owner voluntarily and clearly demonstrates through words or actions that they resign as an employee or have ended or completed services to Loconomics.
   
ii. Emailing Notice: Even if the Employee Owner or Independent Contractor Owner has not ended or doesn’t intend to end their services to Loconomics, they may nevertheless decide not to be an Owner of Loconomics, and may provide notice of resignation of Ownership by emailing notice to support@@loconomics.com. The resignation shall become effective at the time the Owner emails the notice of resignation.

8. Involuntary Termination of an Ownership Interest.
   
i. Service Professional Owners. An Ownership Interest held by a Service Professional Owner may be terminated by Loconomics according to the following procedures:
      
i. When Loconomics staff or Directors observe that an Owner has been disrespectful, disruptive, or has violated the Terms of Service, these Bylaws, or other Loconomics policies, the staff member or Director may block or suspend the Owner’s access to their User Account.
      
ii. When Loconomics blocks or suspends an Owner’s access to their User Account, Loconomics shall deliver notice of the User Account suspension or blockage to the Owner, explaining why the account was blocked, and the Owner shall be given 15 days in which the Owner shall have an opportunity to
write a request to have User Account access restored, along with any explanation for why the account should be restored.

iii. If the Owner does not make a request to have the User Account restored, the Owner’s Ownership shall be terminated.

iv. The Ownership Committee shall review all requests for the restoration of a User Account within 15 days of receiving a request.

v. If the Loconomics Ownership Committee reviews the Owners’ request and determines that restoration of the User Account would create a substantial risk that the Owner could cause harm to the Company, its integrity, quality of service, users, or reputation, then the Owner’s Ownership Interest shall be terminated.

vi. The Ownership Committee shall weigh factors that include the feasibility of monitoring the Owner’s use of and compliance with rules in the Marketplace, the risk that restoration of the account would offend other Users, and the need to apply standards of review and rules consistently for all Owners.

vii. Notwithstanding the above, an Ownership Interest shall be automatically terminated upon the death or dissolution of the Owner.

ii. Worker Cooperative Owners, Nonprofit Owners, and Licensing Partner Owners. An Ownership Interest held by a Worker Cooperative Owner, Nonprofit Owner or Licensing Partner Owner may be terminated by Loconomics in accordance with the terms of their respective Cooperation Agreements.

iii. Employee Owners. By becoming an Employee Owner of Loconomics, the Owner thereby acknowledges that Ownership is solely contingent on being an employee of the Company. Loconomics may terminate an Employee Owner’s Ownership Interest if Loconomics first terminates employment of the Owner, with or without cause. An Employee who has been terminated from employment may exercise any rights of redress available to the employee under the law and/or under any Loconomics human relations policies, employment policies, or employment contracts. However, there otherwise shall be no process whereby an Employee Owner who has been terminated from employment may dispute the termination of their Ownership Interest if they no longer work for Loconomics.

iv. Independent Contractor Owners. By becoming an Independent Contractor Owner of Loconomics, the Owner thereby acknowledges that Ownership is solely contingent on providing services to the Company on an ongoing basis. Loconomics may terminate an Independent Contractor Owner’s Ownership Interest if Loconomics first notifies the Independent Contractor that Loconomics will no longer need the services of the Independent Contractor. An Independent Contractor who receives such notification from Loconomics may exercise any rights of redress available to the Independent Contractor under the law and/or under any contract with Loconomics. However, there otherwise shall be no process whereby an
Independent Contractor Owner may dispute the termination of their Ownership Interest if they no longer work with Loconomics.
Sharing Information

1. Statement of Values Regarding Information Sharing and Transparency. To enhance accountability, to provide Owners with as much information as they need to effectively participate in the democratic process, to create public trust, to educate communities about cooperatives, to contribute to a knowledge commons, and to encourage replication of Loconomics’ cooperative model, Loconomics will strive to be a transparent business, to share information about how it operates, and to encourage others to use and adapt these Bylaws in establishing other cooperatives.

2. Sharing These Bylaws. These Bylaws are hereby published with a Creative Commons Attribution-ShareAlike 4.0 License (CC BY-SA 4.0) with the added provision that any organization that uses any portion of these Bylaws as a basis for its own bylaws shall publish its bylaws on that organization’s website, so that the public can access, learn from, and use the bylaws. Per the CC BY-SA 4.0 license, any individual may use, copy, remix, transform, or build upon the material, as long as they distribute their contributions under the same license as the original. For any documents derived from these Bylaws, it is sufficient to give attribution by saying “This document borrows from or is adapted from the Loconomics Cooperative Bylaws.”

3. Information for Owners. Loconomics shall maintain a webpage on the Platform entitled “Information for Owners” or a similar title. This page shall provide a direct link to:
   i. Articles of Incorporation
   ii. Bylaws
   iii. Terms of Service
   iv. Budget request forms
   v. A listing of any benefits, perks, or services offered specifically for Owners
   vi. Meeting agendas, meeting minutes, and, when available, meeting transcripts
   vii. Owner discussion forums
   viii. Board decisions and resolutions
   ix. Policies
   x. Loconomics’ Annual Reports
   xi. Other information to assist Owners with maximizing the benefits and opportunities associated with Ownership.

4. Annual Report. By April 30 of each year, Loconomics shall send each Owner a copy of the Annual Report, consisting of a profit and loss statement, cash flows statement, and balance sheet as of the end of the prior fiscal year, and the Annual Report shall be accompanied by any pertinent report by independent accountants, and if there is no such report from an independent accountant, the President, Secretary, or Treasurer of Loconomics shall certify that the annual report was prepared from the books and
records of Loconomics without audit. The Annual Report shall also include a statement of where the names and addresses of current Owners are located.\(^2\) In addition, the Annual Report shall include a description of any transactions (payments, loans, guaranties, indemnifications, or advances) valued at more than $1,000 in which any Officer, Director, Staff Trustee, or organization holding appointment power had a direct or indirect financial interest, other than regular compensation of the Officers, Directors, or Staff Trustees.\(^3\)

5. Audits. When Loconomics has at least 5,000 Owners or Loconomics’ gross annual income exceeds $2,000,000, Loconomics shall annually engage an independent accountant to audit Loconomics’ financial statements using generally accepted auditing standards.

\(^2\) See section 12591 of the California Corporations Code.

\(^3\) See section 12592 of the California Corporations Code.
Sharing Power and Decision-Making

1. Statement of Values with Regard to Shared Power and Decision-Making. Loconomics aims to 1) create an equal opportunity for Owners to participate in governance, 2) empower all Owners with the confidence and motivation to influence the activities and choices of the organization, and 3) integrate into Loconomics the wisdom, needs, and ideas of a broad spectrum of its Owners through various channels of communication. Loconomics will aim to actively counteract the tendency for power to concentrate among highly influential or privileged individuals.

2. Overview of Loconomics Governance. Loconomics is a pioneer in the Platform Cooperativism movement and stewards this innovative ownership structure with excitement and special care to ensure its long-term success. Because managing the desires of potentially thousands of Owners is difficult and complex, both a polycentric governance structure and a collaborative design approach have been chosen. It ensures a checks and balances of power in creating, maintaining, and governing the best possible platform for all Owners. The primary roles within Loconomics governance are summarized here and explained in greater detail in subsequent sections:

   i. Board of Directors: Loconomics shall be managed under the oversight and care of the Board of Directors, with the management of the day-to-day operations delegated to Staff Trustees. As described in detail below, one Director shall be elected by Employee Owners, two Directors appointed by nonprofit organizations, and the remainder of Directors shall be Service Provider Owners elected by all Owners.

   ii. Staff Trustees: Loconomics shall build a team of Staff Trustees to whom the Board shall delegate day-to-day operations. Staff Trusteeship is a model of organizational governance that views most or all staff members of the organization as trustees of its mission for the benefit of stakeholders. The Staff Trustees will primarily propel and steer the organization with oversight from the Board and collaboration with Owners. Each “Staff Trustee” becomes a point of direct accountability for the organization, listening to and responding to the needs of Owners. Staff Trustees have heightened responsibility, and, as such, heightened influence. In order to carry out their heightened responsibilities, each Staff Trustee has a great deal of agency and autonomy to respond appropriately in the best interests of the Owners and the Cooperative.

   iii. Service Provider Owners: Service Provider Owners elect and make up a majority of the Board of Directors, take part in certain major decisions described in these Bylaws, shall be encouraged to and have the opportunity to bring ideas and proposals to the Loconomics Board of Directors and Staff Trustees, via processes
described below, and shall otherwise participate in the shaping of Loconomics through participation as collaborators in helping Staff Trustees design new features and benefits. As Loconomics grows, Service Provider Owners will also have the opportunity to create professional and/or regional guilds to help them engage and grow professionally with offline activities with support from Staff Trustees.

iv. Advisory Board: The Board of Directors shall appoint an Advisory Board consisting of at least 3 and no more than 20 individuals that the Board believes will offer helpful advice, expertise, support, and skills that will aid in the success of Loconomics. The Advisory Board shall serve an advisory role and shall have no power to make decisions that are binding on Loconomics. The terms of Advisory Board members shall be up to two years and may be renewed by the Board. The Board of Directors shall invite Owners and Staff Trustees to offer suggestions and nominations for the Advisory Board.

3. Conflict of Interest Policy. To ensure that decisions are made with the best interests of the Cooperative in mind, in the event that Loconomics contemplates a contract or transaction in which a Director or Staff Trustee has a material financial interest, Loconomics shall follow the procedures described in the Conflict of Interest Policy, attached as Appendix 1.

4. Conflict Resolution and Grievances Procedures. While this polycentric governance structure seeks to maintain a system of checks and balances, conflicts may arise. To help navigate any conflicts or grievances among or between Service Provider Owners, Staff Trustees, and Directors, Loconomics shall follow the procedures described in the Conflict Resolution and Grievances Procedures Policy.

4. See section 5210 of the California Corporations Code.
5. See section 12360(d) of the California Corporations Code.
1. Number and Term of Directors. There shall be no more than 15 and no fewer than 4 Directors on the Board. Within those limits, the number of Directors may be raised, but not reduced, by a vote of the Directors. A vote of the Owners shall be required to reduce the number of Directors within these limits. Except as otherwise provided, the term of office of the Directors shall be two years, except for the Directors appointed by the Board to fill a vacancy, in which case the term will last until the next election.

2. The Initial Cooperative Board of Directors. Loconomics, Inc. filed Restated Articles of Incorporation and converted to a cooperative corporation, Loconomics Cooperative, Inc. in June of 2014. The Board of Directors, in adopting the first cooperative Bylaws, and prior to the admittance of owners into Loconomics, thereby also appointed the Initial Cooperative Board of Directors consisting of Joshua Danielson, YaVette Holts, Christopher Tellez, Amy Johnson, and Janelle Orsi. The Initial Board of Directors may serve until one year after the first election of three additional Directors, at which time an election will be held and appointments will be made to replace the Initial Directors, with the exception of Joshua Danielson, who shall serve in the position of Employee Director until one year after Loconomics hires its third full-time employee. The unequal terms of Initial Cooperative Directors foster stability by preventing a complete Board turnover in the first elections.

3. Board Elections and Appointments. Loconomics shall elect and appoint its Board of Directors as follows:
   i. Nomination and Election Process:
      i. Setting an Election Window: In order to maximize Owner participation in elections, voting shall take place during a seven to fifteen day period. The exact length of the voting window shall be determined by the Elections Committee, within that range. At least 90 days prior to an election, the Board shall choose a date on which the seven to fifteen-day voting window shall commence.**
      ii. Appointment of an Elections Committee: At least 90 days prior to an election, the Board shall appoint an Elections Committee tasked with managing a fair process for nominations and elections.
   iii. Nomination Process:
      i. **Employee Representative Director:** Any Employee Owner that has become a Staff Trustee may nominate themself or another Employee who has become a Staff Trustee to run for election to the Employee Representative Board seat elected by Employee Owners.
ii. Service Provider Owner Directors Elected by All Owners: For any Board seats elected by all Owners, the following process shall be used:

i. Ensuring Profession-Proportional Representation on the Board: The intent of these procedures is to produce at least six Service Provider Owner Board Directors that best represent the professional makeup of the Cooperative. From time-to-time, the Staff Trustees shall take a census of Loconomics Owners to determine the number of Owners representing each profession. The Staff Trustees, with oversight from the Board, shall then group all professionals into up to six categories of similar professions. For example, elder care providers and childcare providers might be lumped together into one category. House cleaners and handy people might be grouped into another category. The Staff Trustees may create one category of “professional” for worker-owners of Worker Cooperatives, if the Staff Trustees deem it important to have one Board seat that represents the unique interests Worker Cooperative Owners. Because the professional make-up of Loconomics might evolve over time, the Staff Trustees may alter the categories as often as needed in order to ensure representation of diverse professionals on the Board. At least 90 days before the election, Staff Trustees, with oversight from the Elections Committee, will determine which profession(s) each open board seat will represent.

ii. Communication of Nomination Process: At least 75 days and no more than 90 days in advance of the commencement of voting, the Elections Committee, with the help of Staff Trustees, shall communicate to Owners the following:

i. The number of open board seats;
ii. The profession(s) each open board seat will represent; and
iii. The nomination processes and deadlines to submit nominations.

iii. Nomination Period: Nominations may be submitted up to 75 days and no fewer than 30 days prior to the commencement of voting.

iv. Eligibility to Nominate and to Be Nominated: Any Owner may nominate any Service Provider Owner who has completed at least 25 marketplace bookings through the Platform. In the case of Service Provider Owners that are Worker Cooperatives and Nonprofits, the worker-owners and employees of those entities are eligible to both nominate and be nominated.

v. Confirmation of Candidacy: The Elections Committee shall contact each person who is nominated to verify that they are willing to serve on the Board, if elected.
vi. Managing a Large Number of Nominations: In the event that more than 6 nominees accept candidacy for an open board seat, then in order to keep Candidates at a manageable number, the 6 Candidates with the highest levels of patronage in the 12 months prior shall be placed on the final ballot for each open board seat.

vii. Staggered Elections: To ensure continuity in the Board, no more than three Service Provider Owner seats will be elected each election unless circumstances require that an additional vacant seat be filled.

viii. Term Limits: Candidates that have already served on the Board for two terms will not be eligible to run for the Board again.

iii. Withdrawal of Candidacy: A Candidate may withdraw their candidacy at any time prior to the commencement of voting.**

iv. Election Process:

i. Employee Representative Director: Given that the number of Employee Owners at Loconomics will be quite small, relative to the total number of Owners, the Board may use any reasonable procedure to manage the election of the Employee Representative Director.

ii. Service Provider Directors Elected by All Owners: For Service Provider Directors to be elected by all Owners, the following process shall be used:

   i. Candidate Profiles: The Election Committee shall ensure that Candidates for the Board of Directors shall each have an online profile, visible to Service Provider Owners, consisting of a Brief Written Candidate Statement (no more than 300 words), a link to the Candidate’s User profile on the Loconomics Platform, a Candidate Statement Video (no longer than 3 minutes), and any other information, documents, or links the Candidate wishes to share with Owners prior to the voting. Any Candidate who fails to submit a Brief Written Candidate Statement within fifteen days of the commencement of voting shall be disqualified and removed from the ballot.

   ii. Election Discussion Forum: Loconomics shall provide Service Provider Candidates and Owners access to an online discussion forum where Owners and Service Provider Candidates may engage in discussion for at least 21 days prior to the commencement of voting.

   iii. Distribution of Ballot Links: Voting shall take place online and each Owner shall be given a link to an online ballot with which the Owner may vote. Paper ballots shall not be used. By becoming Owners of Loconomics, all Owners thereby consent to the use of electronic
ballots. In the case of Worker Cooperative Owners, Nonprofit Owners, and Licensing Partners, the worker-owners and employees of those entities may each be eligible to receive ballots and vote, as determined by the Cooperative Agreement between Loconomics and each Owner.

iv. **Voting for Each Board Seat:** Each Owner will vote for one candidate for each open board seat regardless of whether or not the seats represent the Owner’s profession.

v. **Rank Choice Voting:** All elections of Directors shall be held using a system of rank choice (also known as instant runoff) voting. The Board shall arrange for the implementation of an instant runoff voting protocol according to these guidelines:

The ballot shall give voters the option of ranking at least their three top choices for each Board seat in order of preference.

The Elections Committee shall then conduct the instant runoff re-tabulation in rounds. In each round, the Elections Committee shall take a count of the continuing candidates that each voter has ranked highest. The Candidate with the fewest votes after each round shall be eliminated until one remains for each Board seat to be filled.

The Board may adopt additional rules consistent with this subsection to implement these standards.

- **Board Seats Appointed by Nonprofits:** Two Directors shall be appointed by nonprofit organizations whose missions include the protection of workers and freelancers, and/or the creation of a more economically just and equitable society. The Executive Director (or other leader) of each organization shall obtain any necessary approvals from the board of directors or employees of such organization and shall communicate a nominee to the Loconomics Secretary by a deadline provided to the organization by the Loconomics Secretary. The Loconomics Secretary will have 21 days to have the Loconomics Board of Directors and Staff Trustees review the nominee, request an interview, if desired, and approve the nominee. Should the nominee not be approved, the Loconomics Secretary will ask the nonprofit organization to submit another nominee. The two appointed Directors shall be as follows:

  i. **Economic Justice and Localization Director:** To help ensure that the Loconomics Board of Directors keeps an eye toward broader movements for economic justice and localization, every two years, one Director position shall be appointed by the Sustainable Economies Law Center (SELC). If SELC fails to appoint a Director prior to the deadline specified by the Secretary or if SELC
no longer exists, the Director shall be appointed by the New Economy Coalition (NEC). If NEC fails to appoint a Director prior to the deadline specified by the Secretary, or if NEC no longer exists, the Director shall be appointed by the Business Alliance for Local Living Economies (BALLE). If BALLE fails to appoint a Director prior to the deadline specified by the Secretary or if BALLE no longer exists, the Loconomics Board of Directors may select three different nonprofits to receive the appointment power for this Director position, in the order of priority chosen by the Board of Directors. Other potential nonprofits include the Institute for Local Self Reliance, Shareable, Post Carbon Institute, and Transition US.

ii. Freelance Worker Empowerment Director: To help ensure that the Loconomics Board of Directors keeps an eye toward the broader interests of workers and freelancers in this society, every two years, one Director position shall be appointed by the U.S. Federation of Worker Cooperatives (USFWC). If USFWC fails to appoint a Director prior to the deadline specified by the Secretary or if the USFWC no longer exists, the Director shall be appointed by the Freelancers Union. If Freelancers Union fails to appoint a Director prior to the deadline specified by the Secretary or if the Freelancers Union no longer exists, the Director shall be appointed by Democracy at Work Institute, a cooperative development organization. If Democracy at Work Institute fails to appoint a Director prior to the deadline specified by the Secretary or if Democracy at Work Institute no longer exists, the Director shall be appointed by Democracy Collaborative. If Democracy Collaborative fails to appoint a Director prior to the deadline specified by the Secretary or if Democracy Collaborative no longer exists, then the Loconomics Board of Directors may select three different nonprofits to receive the appointment power for this Director position, in the order of priority chosen by the Board of Directors. Other potential nonprofits include Green For All, the National Cooperative Business Association, the Center for Economic Democracy, Prospera, and The Working World.

• The Role of the Board of Directors. The Board delegates the management of the day-to-day operations to Staff Trustees and therefore does not direct the on-the-ground or technology work of Loconomics. Rather, the Board primarily oversees the processes of governance and policies that enable Staff Trustees to accomplish the on-the-ground work and maintain and improve the technology platform. The role of all Directors shall always be to fulfill their duty of care by:
  
• Closely monitoring the activities of Loconomics.
• Regularly reviewing financials and financial decisions, including contracts for expenditures exceeding $10,000 and changes to staff compensation.
• Monitoring compliance with the law.
• Reviewing internal policies adopted by Staff Trustees.
• Reviewing periodic budget proposals made by Staff Trustees.
• **Fulfilling special roles of oversight** described below to ensure that the Staff Trustees are carrying out their duties.
• **Committing to two-days of training** with Staff Trustees to learn about the day-to-day operations that their roles oversee.
• Making reasonable inquiry into any concerning activities or decisions by Staff Trustees.
• Intervening when Staff Trustees or others are making overly risky or illegal decisions.
• Following the Conflict Resolution and Grievances Procedures Policy when concerns are raised.

Special Roles and Officers of the Board of Directors. The Board shall appoint one Director, from among the Service Provider Directors or the Initial Directors, to each of the following special Officer positions (with the exception of the President), some of which are also known as “Stewards” in light of their oversight responsibilities. The Board of Directors shall adopt reasonable procedures to ensure a fair appointment process for the Officers. Staff Trustees will provide or coordinate the necessary training that all Officers need to carry out their duties.**

1. **The President.** The role the Employee Representative Director shall also be that of the President. The duties of the President shall be:
   i. Carrying out all legally required duties of a President.
   ii. When called upon to do so, executing contracts or other instruments that may from time to time be authorized by the Board of Directors.
   iii. Scheduling and facilitating Director meetings, or appointing and overseeing others to schedule and facilitate meetings.

2. **Governance Steward.** The Governance Steward provides oversight to ensure the healthy functioning of governance processes in the Cooperative. The Governance Steward is not expected to exert regular influence on any particular policy or proposal adopted by Staff Trustees. Rather, the Steward is expected to be knowledgeable enough about policies to be able to notice troubling trends. The Steward is expected to make an inquiry into whether the process being used is functioning in a manner that keeps Loconomics aligned with its mission and accountable to Owners. Staff Trustees are expected to coordinate a yearly evaluation of governance and share it with the Governance Steward. The duties of the Governance Steward shall be:

   • **Developing an understanding of internal governance practices and procedures** of the Cooperative and particularly of the Staff Trustees.
   • **Reading new proposals and policies adopted by Staff Trustees.**
• Being available to offer governance advice to Staff Trustees.
• Ensuring that the Staff Trustees are working to ensure polycentric governance structures and engaging Owners meaningfully in the work of the Cooperative.
• Communicating with individual Staff Trustees to assess how smoothly internal governance structures are operating.
• Reporting to the Board about the overall status of internal governance practices.
• Periodically reviewing decisions to ensure that they were validly made in adherence to any Cooperative policies.
• Meeting quarterly with Staff Trustees for an estimated 2-3 hours to fulfill the above duties.

1. Financial Steward and Treasurer: The Financial Steward, also the Treasurer, provides oversight over the financial status and operations of the Cooperative. The Financial Steward is not expected to take part in financial decision-making by Staff Trustees, but may intervene when there is concern about financial transgressions, expenditures that do not advance the Cooperative’s mission, or financial instability of the Cooperative. The duties of the Financial Steward and Treasurer shall be:
   i. Developing an understanding of basic corporate and cooperative finance.
   ii. Communicating with Staff Trustees in charge of managing Cooperative finances on at least a monthly basis to learn about current and planned expenditures and projected revenue.
   iii. Reviewing internal procedures for managing and reviewing finances.
   iv. Ensuring that Staff Trustees are keeping adequate and correct accounts of the corporation’s properties and business transactions, including accounts of its assets, liabilities, receipts, disbursements, gains, and losses.
   v. Discussing with Staff Trustees any concerns about any confusing or concerning budget items, expenditures, or transactions, and bringing any unresolved concerns to the Board.
   vi. Reporting to the rest of the Board about the financial status of the Cooperative.
   vii. Ensuring that the Cooperative makes its financial information available to Owners, in accordance with any Cooperative policies regarding transparency.
   viii. Reviewing all conflicts of interest to ensure Staff Trustees followed rules outlined in Appendix 1.
   ix. Meeting monthly with Staff Trustees for an estimated 2-3 hours to fulfill the above duties.

2. Legal Compliance Steward and Secretary. The Legal Compliance Steward, also the Secretary, provides oversight to ensure that the Cooperative follows the Corporations Code in regard to filings, documentation, and record keeping. The Legal Compliance Steward does not oversee external legal agreements for the Cooperative. The Duties of the Legal Compliance Steward and Secretary shall be:
   i. Annually reviewing a legal compliance checklist prepared by Staff Trustees
and ensuring that the Cooperative is staying up-to-date with all filings and is operating in compliance with the law.

ii. Ensuring that the Cooperative is keeping proper meeting records and following procedures under the Corporations Code.

iii. Ensuring that Staff Trustees provide Owners with all reports and information required by the Cooperative’s policies on Transparency and Recordkeeping.

iv. Fielding and responding to complaints and grievances by Staff Trustees in accordance with any Whistleblower or Grievance Policies adopted by the Cooperative.

v. Keeping an online folder shared with all Directors containing minutes of all meetings of the Directors, and, if applicable, meetings of committees of Directors and of Owners.

vi. Seeing that all notices are given in accordance with the provisions of these Bylaws or as required by law.

vii. Discussing with Staff Trustees any concerns about any confusing or concerning practices or legal compliance items, and bringing any unresolved concerns to the Board.

viii. Reporting to the rest of the Board about legal compliance status and the status of any complaints.

ix. Meeting quarterly with Staff Trustees for an estimated 2-3 hours to fulfill the above duties.

3. **Product Steward.** The Product Steward provides oversight to ensure both Service Provider Owners and Staff Trustees follow a collaborative design process. They are responsible for ensuring that both Service Provider Owners and Staff Trustees engage with the design process. The duties of the Product Steward shall be:

   i. Developing an understanding of the collaborative design process used by Staff Trustees and how Service Provider Owner feedback plays into the maintenance and development of features.

   ii. Maintaining access to all Owner feedback to review periodically that feedback is constructive and being heard and responded to by Staff Trustees.

   iii. Observing the collaborative design process to ensure Service Provider Owner collaboration was integrated into design of what's in the product roadmap.

   iv. Helping to facilitate collaborator sessions to solicit real-time feedback from Owners used in the collaborative design process.

   v. Reporting to the Board about the overall status of the platform.

   vi. Discussing with Staff Trustees any concerns about product development and bringing to the attention of the Board any unresolved concerns.

   vii. Meeting monthly with Staff Trustees for an estimated 2-3 hours to fulfill the above duties.

4. **Communications Steward.** The Communications Steward provides oversight on
the creation and dissemination of communications by Staff Trustees. These communications are on behalf of Service Provider Owners and should reflect their tone and voice. The duties of the Communications Steward shall be:

i. Developing an understanding of basic marketing and press relations and how the tone and voice of communications work to engage, motivate, and incentivize.

ii. Periodically reviewing newsletters, marketing materials, and communications to Clients and Service Provider Owners to ensure they reflect the tone and voice of Service Provider Owners.

iii. Reporting to the Board about the overall effectiveness of the communications strategy.

iv. Discussing with Staff Trustees any concerns about marketing or communications and offering advice on how to improve.

v. Meeting monthly with Staff Trustees for an estimated 2-3 hours to fulfill the above duties.

5. **Offline Activities Steward.** The Offline Activities Steward provides oversight over the offline activities of Service Provider Owners and the facilitation and support received from Staff Trustees. The duties of the Offline Activities Steward shall be:

i. Developing an understanding of how Service Provider Owners engage with each other offline, what they seek to gain from each other, and how the Cooperative can provide support.

ii. Periodically reviewing Service Provide Owner budget requests to ensure they meet the guidelines outlined in any related policies.

iii. Reporting to the Board about the overall effectiveness of offline activities of Service Provider Owners and support they receive from Staff Trustees.

iv. Discussing with Staff Trustees any concerns about the support they provide Service Provider Owners for offline activities.

v. Meeting monthly with Staff Trustees for an estimated 2-3 hours to fulfill the above duties.

6. **Compensation of Board Stewards/Officers.** So long as it is financially viable to do so, Stewards will be paid an hourly wage to compensate them for their time, and this wage may not exceed the median hourly wage of Management Occupations where the Board Steward/Officer lives, as determined by the Bureau of Labor Statistics. Additionally, should in-person meetings be requested by Staff Trustees, reasonable transportation, lodging, and food expenses will be reimbursed in line with the current Staff Travel Policy.

7. **Resignation or Removal of Officers.** Any Officer may resign at any time with written notice to Loconomics. Officers can be removed by a vote of the Board.

8. **Filling Vacancies:** Vacancies shall be filled at the next Board meeting, and an Officer that fills a vacancy shall serve until the end of the term to have been served
by the Officer that was removed.\footnote{9}

- How the Board Makes Decisions. The Board shall have two ways of making decisions:
  1. Decisions Made Without a Meeting: Since the Directors are likely to be geographically dispersed, many matters may be discussed via email or using an online discussion and decision-making platform such as Loomio or GitHub, and no proposal shall be adopted unless all Directors consent in writing and/or all Directors click to demonstrate their consent to a proposal. All decisions made in this manner shall be filed with the corporate records.
  2. Decisions During a Meeting: Unless a different manner of voting is specified for a particular type of decision, any decision to be made by the Directors during a meeting shall be made by a majority vote of all Directors, and each Director shall have one vote.

- Director Meetings.
  1. Regular Meetings: Unless Directors agree to a different time of day and day of the week, regular meetings of the Board will be held the first Tuesday of February, April, June, August, October, and December at 8:00 a.m. Pacific Time, and shall be held electronically, in person, or by phone. If the day fixed for the regular meeting falls on a legal holiday, the meeting shall be held at the same time on the next day.
  2. Special Meetings: Special meetings of the Board shall be held upon 48 hours’ notice delivered to the Directors by electronic transmission.
  3. Waiving Notice of a Meeting: Notice of a meeting need not be given to any Director who provides a waiver of notice or consent to holding the meeting or an approval of the minutes in writing, whether before or after the meeting, or who attends the meeting without protesting the lack of notice to that Director. All waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meetings.
  4. Quorum: A majority of Directors shall constitute a quorum for a Board meeting.

- Working Groups and Empowered Committees. By a vote of the Directors, the Board may establish Working Groups and Empowered Committees to serve at the pleasure of the Board. Working Groups and Empowered Committees may include Directors, Owners, Staff Trustees, and members of the general public. “Working Groups” shall refer to groups that explore topics, work on issues, and bring ideas and proposals to the Loconomics Board, Staff Trustees, or Owners. Working Groups shall not have the same authority as the Board. By contrast, an “Empowered Committee” shall refer to a group that includes two or more Directors and has the same authority as the Board, except with respect to:
  1. Approval of any action that by law requires approval by the majority of the Owners.
  2. Filling vacancies of the Board or any committee that has authority of the Board.
  3. Fixing compensation of Directors for serving on the Board.
  4. Amendment or repeal of the Bylaws or adoption of new Bylaws.
5. Amendment or repeal of any resolution that the Board has expressly deemed not amendable or able to be repealed.

6. Establishment of committees of the Board or appointing Owners to such committees.

7. Expenditure of corporate funds to support a nominee for Director (if there are more people nominated for Director than open slots available).

- **Resignation, Removal, and Filling Board Vacancies:**
  1. Resignation of Directors: A Director may resign at any time by providing written notice to the President or Secretary (and preferably to the entire Board), and resignation shall be effective upon electronic transmission of the written notice.
  2. Removal of Directors: Any Director may be removed without cause by the affirmative vote of a majority of Owners represented and voting at a duly held meeting at which a quorum [defined below] is present, or by written ballot to all Owners. However, if Loconomics has fewer than 50 Owners, the removal shall be approved by an affirmative vote or written ballot of a majority of all Owners. If a Director was appointed by a nonprofit organization, that organization may also unilaterally remove that Director. If the Director was elected by Employee Owners, that Director may also be removed without cause by the affirmative vote of a majority of all Employee Owners through a ballot submitted to Employee Owners outside of a meeting.
  3. Declaration of Vacancies: The Board may declare vacant the office of any Director who has been declared of unsound mind by a final order of court or who has not attended three or more consecutive regular or special meetings of the Board. **
  4. Filing Vacancies: Vacancies may be filled by a majority of the Directors then in office, whether or not less than a quorum, or by a sole remaining Director. However, vacancies created by the removal of a Director may be filled only by approval of the Owners or by the organization or Employee Owners empowered to appoint/elect the Director position in question. The Owners may elect a Director at any time to fill any vacancy not filled by the Directors, Employee Owners, or nonprofit organizations empowered to appoint a position.

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6. See section 12360(d) of the California Corporations Code.

7. See section 12364(c) of the California Corporations Code.

8. See section 12362(a)(1) of the California Corporations Code.

9. See section 12364(a) of the California Corporations Code.

10. See section 12362(g) of the California Corporations Code.

11. See section 12362 of the California Corporations Code.
11. See section 12361 of the California Corporations Code.

12. See section 12224 of the California Corporations Code.

13. See section 12364 of the California Corporations Code.
Staff Trustees: Role, Duties, and Responsibilities

1. Role of Staff Trustees. The Board of Loconomics delegates the management of the day-to-day operations to the employees using the Staff Trusteeship organizational governance model where:

   i. Most or all staff members of the organization are viewed as trustees of its mission, steering the organization under the Board’s oversight. In a Staff Trusteeship cooperative, the Board of Directors takes on a role that is more akin to that of a guardian, overseeing the activities of the organization and ensuring that staff-initiated and Owner-initiated practices, projects, and policies are effectively advancing the mission and remaining accountable to the community. The Staff Trusteeship model derives in part from the recognition that organizations are more effective when those who steer the organization are also doing the work “on the ground” on a full-time or nearly full-time basis. In addition, rather than assuming that a cooperative will be accountable to its Owners primarily through Owners’ election of Directors, a Staff Trusteeship cooperative puts most or all staff members in the position of being directly accountable to Owners in the staff member’s daily work. A separate policy, adopted by Staff Trustees with oversight from the Board, will specify the process whereby employees may be confirmed as Staff Trustees after six months of employment.

   ii. Each “Staff Trustee” is a point of accountability for the Cooperative. They take on responsibility to listen to the needs of the Cooperative and its Owners, and to carry out work that meets those needs. In comparison to staff of conventional businesses, staff in a Staff Trusteeship cooperative have heightened responsibility, and, as such, heightened influence within the organization.

   iii. Each Staff Trustee will have relatively equal powers to other Staff Trustees. Each Staff Trustee will have opportunities to influence the activities of the organization and to influence their own realm of expertise within the Cooperative.

2. Duties and Responsibilities of Staff Trustees. Staff Trustees shall have a duty of care and duty of loyalty to the Cooperative that is similar to that of Boards of Directors. However, in absence of malice or recklessness, Staff Trustees shall not be liable for the debts and liabilities of the Cooperative. Rather, such duties shall be overseen and enforced by the Board, and the failure of a Staff Trustee to uphold their duties may result in the loss of a Staff Trustee’s job and any accompanying benefits. Staff Trustees shall have the responsibility to:
i. Maintain a clear Staff Trustee Governance Policy that ensures that all Staff Trustees have relatively equal powers and opportunities to shape the Cooperative.

ii. Make decisions using an “advice process” that ensures that input of multiple stakeholders is incorporated into decisions.

iii. Manage all day-to-day operations following any Staff policies including:
   i. Hiring and firing of employees.
   ii. Preparing periodic budgets for the Board to review.

iv. Continually make improvements in the Cooperative’s work and processes.

v. Build the scaffolding for a polycentric organization by creating forums and opportunities for Service Provider Owners to carry out the Cooperative’s work. Thus, while Staff Trustees will hold a good amount of power in shaping the organization, staff will simultaneously seek ways to spread that power throughout the organization as it grows.

vi. Take action to resolve problems and tensions perceived by Staff Trustees.

vii. Engage with Service Provider Owners and stakeholders and facilitate their involvement with the Cooperative.

viii. Respond quickly to market opportunities that could potentially benefit Service Provider Owners.

ix. Make strategic decisions based on their knowledge and experience.

x. Maintain clear internal communication processes and platforms.

xi. Maintain transparent and effective sharing of information throughout organization.

3. Staff Policies. To ensure that Staff Trustees have the freedom to make decisions with the best interests of the Cooperative in mind in a way that’s clear to the Board of Directors and Service Provider Owners, Staff Trustees shall adopt and follow policies and procedures for governance, internal operations, and compensation and benefits. These policies will evolve and be amended by Staff Trustees, with Board oversight, as the Cooperative grows and learns from its day-to-day operations.
Service Provider Owners: Role, Duties, and Responsibilities

1. The Role of Service Provider Owners. One governance role of Service Provider Owners is to nominate and elect the majority of the Board of Directors. Service Provider Owners can nominate themselves or fellow Service Provider Owners that they feel represent their interests. Service Provider Owners shall have a duty of influence to the Cooperative to ensure their ideas are communicated to both Staff Trustees and the Board. This communication is integral to the work of Staff Trustees to create and maintain a Cooperative that generates the most value for Service Provider Owners. In addition, Service Provider Owners act as collaborators in designing the technology of the Cooperative and lead offline activities that help them grow professionally and personally.

2. Duties and Responsibilities of Service Provider Owners. Although participation of individual Service Provider Owners is not required beyond paying User Fees, it is integral in making the Cooperative work for them. Service Provider Owners shall be encouraged to:
   i. Provide constructive feedback. Staff Trustees shall continually seek Service Provider Owner constructive feedback about how to improve the platform through surveys and in-app forms.
   ii. Act as collaborators in the design process. Staff Trustees work with Service Provider Owners using a collaborative design approach when building new features and benefits for the platform to ensure they are clear, provide value, are usable, and technologically feasible before Staff Trustees implement them.
   iii. Respect that not all feedback can be incorporated. Because responding to and fulfilling the desires of many Service Provider Owners is difficult and complex, Staff Trustees will make the results of collaborative design processes available to collaborators and the Board. Additionally, Staff Trustees will make an effort to respond to feedback when resources allow.
   iv. Build and lead offline activities. While the Cooperative’s technology platform provides a number of features and benefits, Service Provider Owners are encouraged to complement these with offline activities that help them professionally and personally connect. These can include but are not limited to:
      i. Professional networking events.
      ii. Professional workshops.
      iii. Annual gatherings.

3. Service Provider Owner Budget Requests. Service Provider Owners may submit an Owner Budget Request through the app under Owner Information. Guidelines and
details will be found there.
Owner Communication, Voting, and Meetings

1. Owner Forum. Loconomics shall create an Owner Forum on its own website, through a private Facebook group, Loomio group, or a similar platform, and only Owners shall have access. The Owner Forum shall include a message board where Owners may discuss topics of their choosing. Loconomics Staff Trustees may monitor and moderate the forum to ensure that all content is appropriate, relevant, and respectful.

2. Owner Voting. Each Owner shall have one vote on each matter submitted to the Owners for a vote. Each Owner must be an Owner of Loconomics for more than 20 days before the Owner is eligible to vote in elections or other Owner decisions. Neither cumulative nor proxy voting shall be permitted for any purpose. Unless otherwise specified, a matter submitted to the Owners may be decided by a majority vote of Owners participating in a meeting or responding to a ballot submitted to Owners, so long as a quorum participates in that vote.

3. Owners Meetings. Owner meetings shall be held as follows:
   
i. Annual Owners Meetings. An Annual Owners Meeting shall be held on the first Monday or Tuesday in November at 5:00 p.m. Pacific Time, unless a different day and time is chosen and communicated to the Owners at least 35 days in advance. At the Annual Owners Meeting, the Board of Directors shall present (for no more than 30 minutes or 6,000 words) an update on the financial results and forecasts of Loconomics, a summary of progress and new development with the Marketplace and technology, and any other matters that the Board believes is relevant to Owners’ understanding of the health, development, and activities of Loconomics.
   
   ii. Special Owner Meetings. Special meetings of the Owners for any lawful purpose may be called by the Board, President, Secretary, or by a written request submitted by at least 1% of the Owners to board@loconomics.com. Within 20 days after receipt of the request, the President or Secretary shall cause notice to be given to the Owners entitled to vote that a meeting will be held at a time fixed by the Board not less than 35 nor more than 90 days after the receipt of the request.

   iii. Notice of Meetings. An Owner shall be entitled to notice of any meeting, so long as that Owner’s Ownership Interest became official at least 30 days before the meeting date. Whenever the Owners are required to take any action at a meeting, a written notice of the meeting shall be given not less than 10 nor more than 90 days before the date of the meeting to each Owner who, on the record date for notice of the meeting, is entitled to vote. The notice shall state the following:
      
i. Meeting date and time;
      
ii. Instructions for accessing the electronic platform on which the meeting will be
held, such as log-in or call-in information for telephone/video/web conference;

iii. In the case of a special Owners meeting, the general nature of the business to be transacted, and that no other business may be transacted, or

iv. In the case of the regular Owners meeting, those matters which the Board intends to present for action by the Owners.

Meeting Platform. Since Owners will be geographically dispersed, all Owner Meetings shall be held virtually, using a platform that enables Owners to know who is present, to hear or read communication, and to respond during the meeting. While Loconomics has a small number of Owners, meetings will likely be held via a platform like Google Hangout. As Loconomics grows, meetings will likely be held via a platform like GotoMeeting or via a live written chat platform. In the event that the meeting will have a large number of participants or a large number of agenda items, the Board may choose to hold the meeting over a 72-hour period by using a virtual message board platform such as Loomio. In this way, multiple agenda items may be addressed simultaneously and participating Owners will have the opportunity to read and respond over the course of the 72 hours. However, no decisions shall be made or actions may be taken at any meeting that takes place over a 72 hour period. All actions and decisions related to such a meeting must be made by written ballot submitted to Owners after the meeting.

v. Consent to Electronic Meetings. By becoming an Owner of this Cooperative, an Owner thereby consents to the holding of all meetings via electronic platforms. Any person who does not consent to the holding of electronic meetings may not be an Owner of Loconomics, since it would create an unreasonable burden on Loconomics and its Owners to hold meetings in person.

vi. Recordings and Transcripts of Meetings. Loconomics shall maintain a record of the electronic meeting and shall make the record available to Owners. This record shall provide a list of Owners in attendance. In order to protect the privacy of Owners, Loconomics may provide the list of meeting participants only to those Owners who request the list in writing and who make an affirmation that they will not share the list or use it for commercial purposes. In the case of a meeting held via electronic chat, Loconomics shall maintain a copy of the complete transcript (including the names of any participant who spoke) and share it with Owners on the “Information for Owners” webpage. In the case of a meeting held through teleconference, Loconomics shall capture a sound recording of the conversation, if possible, and make the recording available to Owners on the “Information for Owners” webpage.

vii. Requiring RSVPs for Meetings. Loconomics may create a mechanism through which Owners will be required to RSVP in order to attend a meeting. This is to ensure that Loconomics is able to secure or create an electronic meeting platform capable of hosting the number of Owners planning to attend. This also allows Loconomics to provide each Owner with a personalized link to participate in the
meeting.

viii. Quorum. The lesser of 250 Owners or Owners representing 1 percent of the voting power shall constitute a quorum at a meeting of Owners. However, if Loconomics has fewer than 100 Owners, 10 percent of the voting power shall constitute a quorum. If Loconomics has fewer than 500 Owners, 5 percent of the voting power shall constitute a quorum.

ix. Meeting Procedures. The Board of Directors shall establish reasonable meeting procedures and/or rules of order for Owner Meetings. The Board shall designate one or more people to facilitate the meeting as necessary.

x. Owner Proposals. An Owner may place an item of business before the Owners as part of the Annual Meeting or a Special Meeting if (a) written notice stating the item in the form of a proposal (such as “We propose that Loconomics create a second class of Owners…..”), describing the item in reasonable detail, and bearing signatures (or another form of demonstrated approval) of at least fifteen owners is submitted to the Loconomics Secretary or President no later than 45 days prior to the date set for the Meeting, and (b) at least one Director then in office concurs in writing that the proposed item of business is an appropriate matter for Owners to act upon. The matter shall be included as a discussion item on the meeting agenda provided to Owners at least 10 days in advance of the meeting and on an electronic ballot, if applicable, that will be submitted to the Owners following the Meeting. Any Owner whose proposed item of business is approved for inclusion as a discussion item for the Meeting may also submit a concise statement, not to exceed 250 words, in favor of the proposal. Subject to any modifications that may be considered appropriate by a majority of the Directors, this statement will be sent to Owners along with the meeting agenda submitted to Owners at least 10 days in advance of the meeting. Any non-concurring Directors may also include any opposing or additional statement relating to the proposal that they may consider appropriate, not to exceed 250 words.

4. Owner Proposals Outside of Meetings. Any action that may be taken at any Regular or Special Owners Meeting may be taken without a meeting if Loconomics distributes an electronic ballot to every Owner entitled to vote on that proposal. The ballot shall set forth the proposal, provide the opportunity to specify approval or disapproval of the proposal, indicate the number of responses needed to meet quorum, indicate the percentage of approvals necessary to pass the proposal, and provide a reasonable time within which to submit the ballot. To approve a proposal, Loconomics must receive the number of written ballots that is at least equal to the quorum required for a meeting, and the number of approvals must be at least equal to the number of approvals required at a meeting. The Secretary shall cause a vote to be taken by written ballot upon any action or recommendation proposed in writing and signed by at least 15 Owners.
Sharing Wealth and Prosperity

   i. Reinvesting in Loconomics: The vast majority of Loconomics’ earnings will be re-invested into Loconomics to grow the Loconomics community, to create benefits and services for freelance workers, and to advance Loconomics’ social mission. This will be particularly important during the early years of Loconomics’ development, in order to ensure that the company launches on a strong foundation. The price of services at Loconomics will generally be set with the goal of meeting operating costs, as opposed to generating a profit, which sets Loconomics apart from conventional businesses that set prices with the goal of earning a profit for shareholders.
   ii. Sharing Earnings Among Owners: When Loconomics’ earnings exceed costs, the resulting surplus income will be primarily allocated or distributed to Owners, as described below.
   iii. Avoiding Profiting Off the Labor of Others: In addition, in accordance with cooperative values, and to dis incentivize Owners from earning money from the participation of Non-Owner Service Providers, Loconomics will avoid paying Owners dividends deriving from the portion of Loconomics’ earnings that are attributed to fee payments made by Non-Owner Service Providers.
   iv. Fair and Reasonable Employee Compensation: The financial provisions of these Bylaws also reflect two important values with regard to employee compensation: 1) Employee compensation is capped with reference to area median wages, in order to prevent Loconomics from providing excess benefits to its employees, and 2) Loconomics strives to pay a market wage to its employees, based on occupation, in order to attract top talent, and in line with the 6th principle of Muhammad Yunus’ Social Business: "Workforce gets market wage with better working conditions."**
   v. Preventing Commodification and De-Mutualization of Loconomics: Since it is not beyond the realm of possibility that a for-profit company could offer to purchase Loconomics, it is important to acknowledge here that Loconomics intends to avoid this at all costs, opting to manage Loconomics as a commons for the long-term benefit of its Owners and communities.

2. Sharing Profits. When Loconomics has Net Earnings (defined as the excess of revenues over expenses) for a fiscal year, the allocation of those Net Earnings shall be determined by means of the following steps. By becoming an Owner of Loconomics, all Owners thereby accept the following method of surplus distribution as reasonable and equitable, in consideration of the mission and values of Loconomics:**
   i. Step 1: Determining the Percentage of Gross Income Attributable to
Owners. Loconomics shall determine the percentage of total **gross income** attributable to User Fees and other fees paid to Loconomics by Licensing Partner Owners, Service Provider Owners, and booking fees paid to Loconomics by Clients of Service Provider Owners. User Fees include, but are not limited to, monthly fees and fees paid for a la carte services offered by Loconomics, excluding payment processing fees, background check fees, or other similar fees for services provided by third parties, which do not generate net income for Loconomics. This will not include fees paid to Loconomics by Non-Owner Service Providers (including, but not limited to, User Fees), fees paid by the Clients of Non-Owner Service Providers, fees from Non-Owner Licensees, and other sources of income not attributable to the patronage of Owners.

### ii. Step 2: Separating Owner Net Earnings from Collective Earnings.

Second, the **Net Earnings** shall be divided into two pools - Owner Net Earnings and Collective Net Earnings. Owner Net Earnings shall be Loconomics' total Net Earnings multiplied by the percentage of total gross income attributable to business done with Owners, as determined in Step 1, above. All Net Earnings not determined to be Owner Net earnings shall be considered Collective Net Earnings.

- **i.** To illustrate Step 1 and Step 2: Imagine that during one year, Loconomics receives $10 million in payments from Users of the Platform. Of this $10 million, $8 million is derived from User Fees and other fees paid to Loconomics by Licensing Partner Owners, Service Provider Owners, and booking fees paid to Loconomics by Clients of Service Provider Owners and $2 million is derived from User Fees and other fees paid to Loconomics by Non-Owner Service Providers, their Clients, and Non-Owner Licensees. Using an 8:2 ratio, if Loconomics has $1 million in Net Earnings at the end of a fiscal year, then $800,000 of the Net Earnings shall be considered Owners Net Earnings, and $200,000 shall be considered Collective Net Earnings.

### iii. Step 3: Feeding the Cooperative’s Indivisible Account.

Loconomics shall maintain an accounting of funds called the Indivisible Account. Funds in the Indivisible Account may be reinvested in Loconomics, used for the purpose of improving and growing Loconomics, used for regular Cooperative expenses, used to finance the development of other cooperatives, or donated to charitable, educational, or social welfare organizations. Except upon sale or dissolution of Loconomics, funds in the Indivisible Account may not be distributed as dividends or otherwise paid to Owners of Loconomics. In Step 3, Loconomics shall allocate the following to the Indivisible Account:

- **i.** Allocating all Collective Net Earnings to the Indivisible Account: All Collective Net Earnings shall be allocated to the Indivisible Account.

- **ii.** Allocating a Portion of Owner Net Earnings to the Indivisible Account: In addition, and if applicable, Loconomics shall allocate a portion of Owner Net
Earnings to the Indivisible Account, but only as follows:

i. **From 2016 to 2020,** Owner Net Earnings shall be credited to the Indivisible Account as necessary to bring the year’s contribution to the Indivisible Account up to 50% of the year’s Net Earnings. The purpose is to reserve Loconomics’ early earnings to ensure that Loconomics can meet its obligations when its initial promissory notes go into repayment in 2016.

ii. **Beginning in 2020,** Owner Net Earnings shall be credited to the Indivisible Account as necessary to bring the year’s contribution to the Indivisible Account up to 30% of the year’s Net Earnings.

iv. Step 4: Feeding the Owners’ Participatory Budgeting Account. The Board may, at its discretion, allocate a portion of the Indivisible Account into an account called the Owners’ Participatory Budgeting Account. In this case, the Board shall establish a participatory budgeting process through which Owners can, within boundaries defined by the Board, propose initiatives and vote on how the funds will be spent or donated using a platform such as CoBudget.

v. Step 5: Calculating Each Owner’s Portion of the Owner Net Earnings: Owner Net Earnings not allocated to the Indivisible Account or Participatory Budgeting Account shall be apportioned – but not necessarily distributed – to Owners in proportion to each Owner’s “Patronage Units.” For Licensing Partner Owners and Service Provider Owners, every $1 paid to Loconomics in the form of User Fees and other fees will equal one Patronage Unit. For each Employee or Independent Contractor Owner, every six hours of work for Loconomics shall equal one Patronage Unit. The amount apportioned to an Owner may also be referred to as a “Patronage Dividend.”

i. To illustrate: After Steps 1-4, if $500,000 in Owner Net Earnings remain to be allocated among Owners, and if the total Patronage Units of all Owners is 1,500,000, then an Owner with 300 Patronage Units will get a Patronage Dividend of $100 (300/1,500,000 x $500,000).

vi. Step 6: Making Cash Distributions and Capital Account Allocations to Owners: No later than 8.5 months after the close of the fiscal year, the Board shall decide, based on the financial needs of Loconomics, if and what portion of each Owner’s total Patronage Dividend shall be distributed to the Owner as cash and what portion shall be allocated to the Owner’s Capital Account:

i. **Cash Distributions:** Any cash dividends must be paid no later than 8.5 months after the close of a fiscal year. Any distribution made in cash may also be made in the form of an account credit for use on the Platform, if the Owner consents to receiving the dividend in this way.

ii. **Capital Account Allocations:** Any portion of the Patronage Dividend not distributed as cash to an Owner shall be allocated to the Owner’s Capital
Account no later than 8.5 months after the close of the fiscal year. The Owner’s Capital Account represents the value of an Owner’s interest in Loconomics, because this is the amount that will likely be distributed to the Owner if they leave, and which shall otherwise be distributed to the Owner over time in the form of cash dividends. The amount in an Owner’s Capital Account also represents the Owner’s re-investment in Loconomics, since the amount shall be available for operating expenses of Loconomics and has the potential to be lost.

vii. Step 7: Deciding the Income Tax Status of Money Allocated to Owners’ Capital Accounts. When allocating Patronage Dividends to Owners’ Capital Accounts, the Board shall decide whether to give Owners a Qualified Written Notice of Allocation (“Qualified WNA”) or a Non-Qualified Written Notice of Allocation (“Non-Qualified WNA”), or a combination of the two. By becoming an Owner of Loconomics, the Owner thereby consents to receiving any written notices of allocation in electronic form.

i. Qualified WNAs: A Qualified WNA is called “qualified” because, under Subchapter T of the Internal Revenue Code, it qualifies as tax-exempt or as a tax-deductible expense for Loconomics. With a Qualified WNA, the Owner shall pay tax on the funds allocated to the Owner’s Capital Account, even though the Owner did not receive those funds as cash. In order to issue a Qualified WNA, Loconomics must distribute at least 20% of an Owner’s total Patronage Dividend in the form of cash, as required by Subchapter T, in order to ensure that the Owner has cash available to pay taxes on the portion of the funds allocated to the Owner’s Capital Account.

ii. Owners’ Covenant to Declare Income for Tax Purposes. By becoming an Owner of Loconomics, the Owner thereby agrees that they shall take into account on their income tax return any patronage dividends which are made in qualified written notices of allocation (as defined in 26 U.S.C. Section 1388) at their stated dollar amounts in the manner provided in 26 U.S.C. Section 1385(a) for the taxable year in which the Owner receives such written notices of allocation.

ii. Non-Qualified WNAs: A Non-Qualified WNA is called “non-qualified” because, under Subchapter T, it neither qualifies as tax-exempt nor as a tax-deductible expense for Loconomics. With a Non-Qualified WNA, the Owner shall be notified of the amount allocated to the Owner’s Capital Account, but the Owner shall not owe taxes on the amount of a Non-Qualified WNA unless and until the amount is distributed as cash. Loconomics shall pay tax, at the time of the allocation, on amounts allocated through Non-Qualified WNAs. Later, when Loconomics distributes those amounts as cash to Owners, Loconomics can then treat the distributions as tax-deductible business expenses.
viii. Step 7: Periodic Redemption of Owner Capital Accounts. Loconomics shall aim to pay out in cash (or in the form of credits that may be used to pay User Fees) to the Owners all funds credited to their Owner Capital Accounts within three years of the date they were first credited, unless such funds were lost as a result of company losses.

ix. Step 8: Distribution of 1099-PATR Forms. By January 31 of each year, Loconomics shall provide each Owner with a 1099-PATR form describing patronage dividends paid in cash or allocated to the Owner’s Capital Account during the prior fiscal year. By becoming an Owner of Loconomics, an Owner thereby consents to receiving the 1099-PATR in electronic form.

3. What Happens upon Termination of an Ownership: When an Owner’s Ownership Interest is terminated – whether by voluntary resignation, automatic termination, or involuntary termination – any amount in the Owner’s Capital Account shall be converted into a debt by Loconomics payable to the Owner within three years (though preferably much sooner). In addition, Loconomics shall, within 8.5 months of the close of the fiscal year in which the Ownership Interest was terminated, add to Loconomics’ total debt to the Owner the full amount of any Patronage Dividend due to the Owner from that year. The Owner shall be liable for any charges, dues, or other obligations that the Owner owes Loconomics and which were incurred before the termination or resignation, and Loconomics may offset its debt to the Owner with such charges, dues, and obligations. Unless the Loconomics Board of Directors adopts a resolution or executes Terms of Service stating otherwise, a resigning Owner shall have no right to a refund of their User Fees.

4. Employee Compensation Policy. Employee compensation will be set with regard to the following rules:
   i. Capped Salaries: Employees of Loconomics may not be paid a base gross salary that is more than 3.5 times the median per capita wage for all occupations in the region where the employee is employed, as calculated by the Bureau of Labor Statistics in its most current Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates reports. For example, as of May 2015, the median hourly wage for all occupations in the San Francisco-Redwood City-South San Francisco, CA Metropolitan Division is $26.34. At that time and in that region, a Loconomics employee could not be allowed to make more than $92.19 per hour or $191,755 per year.
   ii. Paying Market Rate Salaries: Employees of Loconomics will, when financially feasible, be paid market salaries for their respective roles, as determined by the Bureau of Labor Statistics in its most current Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates reports, based on the median wage for the particular category of occupation and in the region in which the employee is employed. For example, as of May 2015, the median hourly wage of a
Software Developer in the San Francisco-Redwood City-South San Francisco, CA Metropolitan Division area is $55.44. In sum, using the example in this paragraph and above, Loconomics would strive to pay any software developer employees at least $55.44 per hour, but no more than $92.19 per hour. If the Employee is being hired to fulfill multiple roles, a blended average of median wages for multiple applicable occupations will be used.

iii. Non-monetary Benefits: To attract and maintain top talent, Loconomics will aim to offer competitive benefit packages, as described in any policies to be adopted by Staff Trustees.

iv. Independent Contractor Pay: Independent contractors of Loconomics will, when financially feasible, aim to pay 1.3 times the median wage for their respective occupation, as determined by the Bureau of Labor Statistics in its most current Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates reports for the region in which the independent contractor is hired, with a cap of 3.5 times the median wage for all occupations.

v. Financially Feasible: Salaries, non-monetary benefits, and independent contractor pay must be within the feasibility of the then-current financial performance of Loconomics, as determined by Staff Trustees, under the oversight of the Board. A review of feasibility will be made before any new hiring process begins.

vi. Changing Any Provision of this Section: The provisions of this Section 43 of the Bylaws may not be changed unless approved by a majority of all Owners, a majority of all Directors, and additionally approved by the majority of the following individuals, if living: Joshua Danielson, Janelle Orsi, and Fernando Gago. This Section is intentionally difficult to change, in order to prevent powerful stakeholders in Loconomics from pressuring the Cooperative to pay excessive or below-market compensation.

5. Dissolution or Sale of Loconomics.

i. Loconomics is Not for Sale: Loconomics shall not, under any circumstances, accept an offer by any person or corporation to purchase Loconomics and/or the majority of its assets for the purpose of operating Loconomics under a stock corporation or other conventional for-profit company. It shall never be considered a violation of a Director’s fiduciary duty to vote against a buyout of Loconomics. In the event that a court is asked to consider whether this section of the Bylaws creates an unreasonable restraint on alienation, the court should analyze this restraint in consideration of the values and mission of Loconomics, along with a view toward the current economic conditions in the world where the vast majority of wealth is controlled by a relatively small number of corporations and individuals. Loconomics aims to grow the wealth and economic stability of the many, and therefore consciously aims to restrain its ability to contribute to the consolidation of wealth by freely selling Loconomics to a high bidder. In addition, a court should consider the
following affirmation: By becoming an Owner of Loconomics, an Owner thereby affirms that it is in the Owner’s interest to be part of a cooperative that is stewarded to provide for the needs of Owners in the long term, and the Owner therefore affirms that any restraint on the ability to sell Loconomics is reasonable and in the interest of the Owner.

ii. Distribution of Proceeds:

i. Distribution to Past and Current Owners: Upon liquidation, dissolution, sale of the entity, or sale of the assets of Loconomics, any assets left after payment of all debts and after payment Owner Account balances to Owners, shall be distributed to all persons or entities who are current or living past Owners in proportion to the total number of months they were an Owner.\(^\text{15}\) Prior to making such distributions, Loconomics shall mail each eligible current and past Owner a Notice of Liquidation and Distribution, requesting that the Owner respond and provide an address to which or method whereby Loconomics should submit payment. All current and living past Owners have the responsibility of updating Loconomics with their current contact information. No distribution need be made to any Owner who fails to acknowledge the receipt of Notice of Liquidation and Distribution in a timely manner. Said notice shall be deemed sufficient if sent to the last known email address(es) provided by the Owner to Loconomics, at least 60 days before distribution.

ii. Distribution to Nonprofits: However, if the dollar amount of such distributable assets exceeds 1,000 times the number of current and living past Owners, then any proceeds beyond that amount shall be distributed to at least ten and no more than one hundred nonprofit organizations selected by current Owners in a participatory selection process to be created and administered by the Board. The purpose of this provision is to prevent Owners from selling their Cooperative in order to get a quick cash payout averaging more than $1,000 per person.

iii. Changing Any Provision of this Section: The provisions of this Section 44 of the Bylaws may not be changed unless approved by a majority of all Owners, a majority of all Directors, and additionally approved by the majority of the following individuals, if living: Joshua Danielson, Janelle Orsi, and Fernando Gago.\(^\text{16}\) This Section is intentionally difficult to change to prevent a corporate buyout of Loconomics.

\(^{14}\) See section 12331 of the California Corporations Code.

\(^{15}\) See sections 12653, 12655, and 12656 of the California Corporations Code.

\(^{16}\) See section 12331 of the California Corporations Code.
Sharing Risk

1. Statement of Values Regarding Sharing Risk. Loconomics believes that communities are more stable when risks are spread widely, falling lightly on a broader number of people, rather than falling heavily on a select few. Loconomics also believes that sharing risk broadly helps to reduce reliance on wealthy individuals who are generally more capable of absorbing loss. As such, to the extent that it needs to raise capital, Loconomics will aim to raise small amounts of capital from a large number of people. In addition, Loconomics will aim to spread its losses – if any – in ways that fall equitably on all Owners.

2. Background on Financing the Creation of Loconomics. Loconomics was incorporated as a California Corporation in March 2011 with the intention of later converting to a California Benefit Corporation, which it did in May 2012. The Loconomics Platform was created through the work of eleven people who received cash and stock options in exchange for their work. The cash investment was made by Joshua Danielson, Fernando Gago, and Nigel Harrison through the purchase of stock options and promissory notes. At the time of conversion to a cooperative, all eleven people relinquished their stock, stock options, and outstanding promissory notes in exchange for promissory notes that compensate each of the eleven people at a rate of approximately $75 per hour for the time they put into the creation of the Loconomics platform and the risk they took in building the company. These promissory notes total $750,000, accumulate interest at a rate of 5%, and are repayable over the term of 5-10 years. In addition, Joshua Danielson continues to make loans, as needed, to sustain the company, at a rate of 3.25% interest. Loconomics has otherwise not received any investments or loans as of the time that these Bylaws were initially adopted.

3. Allocation of Losses. Until there is a positive balance in the Owner Capital Accounts, all net losses for a fiscal year shall be allocated to the Indivisible Account, even if the Indivisible Account ends up with a negative balance. Once Owner Capital Accounts have a positive balance, then losses may be allocated to the Owner Capital Accounts or to the Indivisible Account, or a combination of the two, as determined by the Board. Losses shall not be allocated on the basis of patronage. Rather, any losses allocated to Owner Capital Accounts shall be allocated equally across Owner Capital Accounts. However, if allocation of a loss would cause any Owner Capital Account balance to go below zero, then the amount by which that account would have gone into the negative shall be allocated to the Indivisible Account.

4. Capitalizing the Company. In order to maintain its independence and self-determination, Loconomics shall limit the ways in which it accepts capital, and shall be careful not to undermine its core values by accepting capital with tight strings attached.
i. Loans / Promissory Notes: Loconomics shall consider loans and promissory a generally acceptable form of finance for Loconomics, since the note holder’s returns are capped and the note holder does not have the potential to maximize profits. Annual interest rates paid by Loconomics shall never exceed 10%, unless the loan is approved by the Owners. However, under no circumstance may Loconomics pay more than 15% interest on any loan. If Loconomics raises capital through loans, then, if feasible under securities laws, Loconomics shall prioritize smaller loans from non-accredited investors, rather than receiving one or a few large loans from wealthy investors, in order to fulfill its mission of economic justice and shared risk.

ii. Owner Capital Contributions: Loconomics may solicit or require capital contributions from Owners, and such amounts shall be added to an Owner’s Capital Account. Loconomics may choose to pay interest on such capital contributions, or on the balance of or any portion of an Owner’s Capital Account, as determined by the Board. Loconomics shall generally require equal capital contributions by Owners, but may waive a requirement for pre-existing Owners to contribute capital.

iii. Equity Investments and Preferred Shares: Loconomics shall not accept equity investments or issue preferred shares unless such investments or shares are approved by a majority of all Owners. The return on any such investments shall never exceed 15% per year.

17. See section 12451 of the California Corporations Code.
Other Information about the Cooperative Corporation

1. Fiscal Year. The fiscal year of Loconomics is January 1st through December 31st.

2. Electronic Notice and Documents. By becoming an Owner of Loconomics, an Owner thereby agrees to receive any notice or documents required under these Bylaws or under the law via email and/or via a messaging platform internal to the Loconomics online community. A person who does not consent to receiving notice electronically may not be an Owner of Loconomics, due to the infeasibility of mailing notices to a potentially large number of people.

3. Unclaimed Interests. Any proprietary interest in Loconomics held by an Owner that would otherwise escheat to the State of California as unclaimed personal property shall instead become the property of Loconomics if Loconomics gives at least 60 days prior notice of the proposed transfer to the affected Owner by (1) first-class or second-class mail to the last address of the Owner shown on Loconomics’ records, and (2) by publication in a newspaper of general circulation in the county in which Loconomics has its principal office. No property or funds shall become the property of Loconomics under this section if written notice objecting to the transfer is received by Loconomics from the affected Owner prior to the date of the proposed transfer.\(^\text{18}\)

4. Indemnification. Loconomics shall have the power to indemnify its Officers, Directors, Owners, employees, and agents to the fullest extent permitted by law.

5. Dissolution: Except in special circumstances described in Section 12630 of the California Corporations Code, there are two ways in which the corporation may decide to voluntarily wind up and dissolve.

   i. Approval of Majority of Owners: The majority of all Owners approve.

   ii. Approval of Board and Owners: Dissolution is approved by the Directors and by the Owners at duly called Director and Owner meetings.

\(^\text{18}\). See section 12466 of the California Corporations Code.
About These Bylaws

1. Definitions and Word Use.
   i. The corporation, Loconomics Cooperative, Inc., may be referred to as “the Cooperative,” “the Loconomics Cooperative,” “Loconomics,” or “the Company” in these Bylaws. These Bylaws and the Terms of Service will use the words “Platform,” “Website,” “Services,” “Marketplace,” and “Community” to refer the web-based platform, website, services, marketplace, and community that the Company has created and offers to the public.
   ii. Some of the words and phrases used in these Bylaws and the Terms of Service are defined here as follows:
      i. “Service Professional” shall refer to an individual who uses the Platform to offer and provide services.
      ii. “Service Providers” shall be used to collectively refer to Service Professionals, Worker Cooperatives, and Nonprofits offering services through the Platform.
      iii. “Client” shall refer to an individual or entity that uses the Platform to search for, book, and/or purchase services of a Service Provider.
      iv. “Visitor” shall refer to any person who visits the website, whether or not they offer or receive Services.
      v. “User” shall refer to Service Providers, Clients, and Visitors, collectively.
      vi. “Owner,” also referred to as a “Member,” shall refer to a person who is legally a member of the Loconomics Cooperative, under the Cooperative Corporation law. An Owner holds an “Ownership Interest” or “Membership,” which confers rights under these Bylaws.
      vii. “User Account” shall refer to an individualized portal, account, or platform through which a person or entity offers or accesses services and transacts in the Marketplace.

2. Footnotes. The role of the footnotes is to make reference – for the benefit of the reader – to the laws or principles that govern a particular provision of the Bylaws. However, these footnotes shall not be considered to be a legally binding part of these Bylaws.

3. Hyperlinks. Some words in these Bylaws are hyperlinked, and these hyperlinks are provided for the convenience of the reader. Links may change from time to time. The hyperlinks and the pages and documents to which they link shall not be considered to be legally binding parts of these Bylaws.

4. Cartoons, Illustrations, and Videos. If these Bylaws or any online copies of these Bylaws contain cartoons, illustrations, or explanatory videos, these graphics and videos are provided to incentivize readers to read the Bylaws and to help the readers understand
the information. These graphics and videos shall not be considered to be legally binding parts of these Bylaws.

5. Changes to These Bylaws.
   i. Changes by Directors: Except as otherwise provided, Bylaws changes can be effected by a vote of Directors.
   ii. Changes Requiring Approval by Specified Individuals: As described in Sections 43 and 44, changes to those particular sections require additional approval by specified individuals.
   iii. Changes Requiring Approval by Owners: Bylaws can be changed only by approval of the Owners if the action would do any of the following:
      i. Materially and adversely affect the rights or obligations of Owners as to voting, dissolution, redemption, transfer, distributions, patronage distributions, patronage, property rights, or rights to repayment of contributed capital.
      ii. Increase or decrease the number of Owners authorized in total or for any class.
      iii. Effect an exchange, reclassification, or cancellation of all or part of the Ownership Interests.
   iv. Authorize a new class of membership.
   v. Specify or change a fixed number of Directors, change the maximum or minimum number of Directors, or changing from a fixed to a variable board or vice versa.
   vi. Increase the term for any or all Directors.
   vii. Adopt, amend, or appeal any provision allowing for a Director to be appointed by a nonprofit organization.
   viii. Increase quorum for Owner meetings.

iv. Providing Notice of Bylaws Changes: Within 3 days of adopting changes to the Bylaws, Loconomics shall post a copy of the new Bylaws on the Loconomics website. Within 30 days of adopting changes to the Bylaws, Loconomics shall provide a link to the new Bylaws and a brief summary of the changes to all Owners, Directors, and to Joshua Danielson, Janelle Orsi, and Fernando Gago.

19. See section 12330 of the California Corporations Code.
20. See section 12331(b) of the California Corporations Code.
21. See section 12360(a) of the California Corporations Code.
22. See section 12360(d) of the California Corporations Code.
Certificate of Secretary

I certify that I am the duly elected and acting Secretary of Loconomics Cooperative, Inc. that these Bylaws, consisting of 43 pages plus an Appendix, are the Bylaws of this Cooperative as adopted by the Directors on __, 2016, prior to the admission of Owners, and that these Bylaws have not been amended or modified since that date. Executed on __, 2016 at Oakland, California, by __.

Amy Johnson
Appendix 1: Conflict of Interest Policy
Article I: Purpose

The purpose of the Conflict of Interest Policy is to protect Loconomics’ interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a Loconomics Officer, Director, Staff Trustee, or member of an Empowered Committee (collectively referred in this Policy as “Decision-makers” and each of which may be referred to as a “Decision-maker”). This Policy is intended to expand upon the California state statute governing conflicts of interest in a Cooperative Corporation, and incorporates elements of nonprofits’ common conflict of interest policies, further expanding the policy to apply to staff of Loconomics.23

23. See section 12373 of the California Corporations Code.
Article II: Definitions

1. Interested Person: Any Decision-maker who has a direct or indirect financial interest, as defined below, is an interested person.

2. Financial Interest: A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:
   i. An ownership or investment interest in any entity with which Loconomics has a transaction or arrangement,
   ii. A compensation arrangement with Loconomics or with any entity or individual with which Loconomics has a transaction or arrangement, or
   iii. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which Loconomics is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the Board or appropriate Decision-making body decides that a conflict of interest exists.
Article III: Procedures

1. Duty to Disclose: In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the other Decision-makers considering the proposed transaction or arrangement and to the Board.

2. Determining Whether a Conflict of Interest Exists: After disclosure of the financial interest and all material facts, and after any discussion with the interested person, they shall leave the Decision-makers’ meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Decision-makers shall decide if a conflict of interest exists. In the alternative, if no meeting takes place, the remaining Decision-makers shall make this decision by electronic vote. A vote of a majority of those Decision-makers shall be required to determine that a conflict of interest exists. The Decision-making body, if it is not the Board, shall provide notice to the Board of such decision and the basis for it. The Board may intervene if it feels the decision was inappropriate.

3. Procedures for Addressing the Conflict of Interest:
   i. An interested person may make a presentation at the Decision-makers’ meeting, but after the presentation, they shall leave the meeting during the discussion and vote on the transaction or arrangement involving the possible conflict of interest. In the alternative, if no meeting takes place, the remaining Decision-makers’ shall discuss and vote on the matter electronically, not counting the vote of the interested person.
   ii. If appropriate, the Decision-makers’ shall, by majority vote, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
   iii. After exercising due diligence, the Decision-makers’ shall determine whether Loconomics can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
   iv. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Decision-makers’ shall determine by a majority vote of the disinterested Decision-makers’ whether the transaction or arrangement is in Loconomics’ best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.
   v. The Decision-making body, if it is not the Board, shall provide notice to the Board of such decision and the basis for it. The Board may intervene if it feels the decision was inappropriate.
4. Violations of the Conflicts of Interest Policy:
   i. If the Board or Decision-makers have reasonable cause to believe a Decision-
      maker or committee member has failed to disclose actual or possible conflicts of
      interest, it shall inform the person of the basis for such belief and afford the person
      an opportunity to explain the alleged failure to disclose.
   ii. If, after hearing the person's response and after making further investigation as
        warranted by the circumstances, the Board or Decision-makers determine the
        person has failed to disclose an actual or possible conflict of interest, they shall
        take appropriate disciplinary and corrective action.
Article IV: Records of Proceedings

The minutes of the Decision-makers shall contain:

1. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the Decision-makers’ decision as to whether a conflict of interest in fact existed.

2. The names of the persons who took part in discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.
Article V: Periodic Reviews

To ensure Loconomics operates in a manner consistent with its mission, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

1. Whether compensation arrangements and benefits are reasonable, based on standards and measures adopted by Loconomics, and the result of arm's length bargaining.
2. Whether partnerships, joint ventures, and arrangements with management organizations conform to Loconomics' written policies, are properly recorded, reflect reasonable investment or payments for goods and services, and further Loconomics' mission.