

Company By-Laws of Trelys Systems LLC

Article 1: Core Principles

Section 1.1 Name: The name of this organization shall be Trelys Systems LLC, hereinafter referred to as "the Company".

Section 1.2 Worker-Owned Cooperative: The Company is fundamentally structured as a worker-owned cooperative. This means that the workers, as Members of the Company, collectively own and control the Company.

Section 1.3 Small Business Empowerment: The Company prioritizes providing services that enhance the ability of small businesses to compete more effectively with large businesses. While the Company serves clients of all sizes, its operations are structured to support the growth and success of smaller enterprises.

Section 1.4 Representative Democracy: The governance structure of the Company shall fundamentally be a Representative Democracy.

[Explanatory Note: Acknowledging that workers may prefer not to be directly involved in administrative decisions, the Company shall use elected leaders to facilitate governance. Failsafe mechanisms shall be in place to ensure that the ultimate decision-making power resides with the collective workforce.]

Section 1.5 Value-Based Compensation: The Company is committed to compensating its workers in a manner that closely approximates the value of their labor, to the extent that it can be accommodated within the constraints of the Company's financial and operational capabilities.

Section 1.6 Inalterability of Core Principles: The Core Principles outlined in this Article are foundational and immutable. They may not be altered, amended, or repealed. These principles constitute the bedrock of the Company and are therefore to be upheld in perpetuity.

Article 2: Membership

Section 2.1 Classes of Membership: All workers fall under one of two classifications.

2.1.1 Full Members: Hereinafter referred to as “Members”, are equal owners of the Company and have the right to participate in the Company's governance, including the right to vote on Company matters, as further defined in subsequent sections of these By-Laws.

2.1.2 Prospective Members: Hereinafter referred to as “Prospects”, do not hold any of the rights associated with Full Membership, but are under consideration for Full Membership status.

Section 2.2 Becoming a Prospective Member: An individual attains Prospective Member status upon being officially hired by the Head of the Department in which the individual will be employed. The roles and responsibilities of Department Heads are described in Section 3.2.

Section 2.3 Becoming a Full Member: A Prospective Member attains Full Member status upon receiving a favorable vote from the Council. The composition, roles, voting procedure, and responsibilities of the Council are described in Section 3.4.

Section 2.4 Voting Rights: Full Members shall have the right to participate in the election of Department Heads and in referendums initiated by various procedures described in these By-Laws. Each Full Member is entitled to one vote in such elections and referendums. Unless stated otherwise in these by-laws, referendums shall pass by a simple majority of votes cast. The specific process for electing Department Heads is described in Section 3.6.1.

Section 2.5 Minimum Participation to Maintain Membership: Since there are no company-mandated hourly requirements for workers, Members must follow a general guideline and meet a minimum standard to maintain their membership.

2.5.1 General Participation Guidelines: The Company does not maintain formal business hours or directly track individual hours. All workers, including Prospective Members, shall participate to a degree that their assigned work and duties are adequately accomplished and remain available for communication as stipulated by any relevant Team Working Agreement.

2.5.2 Technical Department Participation: Technical Department Members must meet work requirements based on their current project status within the Company

- a. If assigned to an external project, Members must meet the work requirements detailed in that project's contract.
- b. If assigned to an internal project, Members must meet the work requirements detailed by their Department Head.
- c. If not assigned to any project(s), Members must remain in communication with their Department Head and submit consideration to be on new projects as they are announced. A Member must not refuse work more than one (1) time in a row. Not responding to project announcements is considered not meeting work requirements.

2.5.3 Support Department Participation: Support Department Members must perform work duties on at least twenty-four (24) business days in a fiscal year.

2.5.4 Failure to Participate: Whether Members are meeting the minimum standards is evaluated at the beginning of each quarter. Any Member not in compliance shall be reviewed for termination by the Council.

2.5.5 Exceptions for Participation: Exceptions can be granted by the Council for periods of absence or when the Company has a lack of available work.

2.5.6 Independent Membership: Membership is not contingent upon having a specific role in the Company. If a situation arises such that a Member is left role-less, this does not in any way affect their good standing as a Member.

- a. Full Members may only be made role-less voluntarily, by the dissolution of a department or role, or by other legitimate restructuring means. Department Heads may not de-facto fire a Full Member by
- b. Prospective Members do not have retention rights, and thus if they would otherwise be left role-less, then they shall be separated from the Company.

[Explanatory Note: For example, if a Department is dissolved, one or more Members may be left role-less. Role-less Members do not affect any financial outcomes for the Company and thus there is no reason to remove them from the Company as long as they remain in good standing.]

Section 2.6 Infraction System: To ensure quality work and adherence to the Company's principles, a system of infractions shall be used for worker accountability.

2.6.1 Quality Infractions: Department Heads have the discretion to issue infractions for work performance issues with a worker, including not meeting contractual requirements for their assigned project(s).

2.6.2 Conduct Infractions: Department Heads and the President have the discretion to issue infractions for conduct issues with a worker.

2.6.3 Department Head Infractions: The President has the discretion to issue infractions for conduct issues with a Department Head.

2.6.4 Infraction Reasoning: Any supervisor issuing an infraction must include a detailed explanation for the infraction.

2.6.5 Review for Termination: Upon a worker accumulating three (3) infractions, a Department Head or the President may recommend the worker to the Council for a termination review. Accumulation of five (5) infractions will automatically trigger a mandatory termination review by the Council. The worker being considered for termination has the right to choose to provide a written or spoken statement to the Council.

2.6.6 Review for Recall: Upon a Department Head accumulating three (3) infractions, the President may recommend the Department Head to the Council for a review for recall. Accumulation of five (5) infractions will automatically trigger a mandatory review for recall by the Council. If the Council determines that a recall is necessary, a referendum will automatically be initiated among the workers of the relevant department to confirm or reject the Council's recommendation. The Department Head being considered for recall has the right to choose to provide a written or spoken statement to the Council. The Department Head being considered for recall does not get to vote on this issue.

2.6.7 Review Protections: If a Council vote for termination or recall does not pass, the reviewed individual shall have two (2) infractions subtracted from the active count of infractions and may not be considered for review again for two (2) quarters, except for a violation that requires an automatic review for termination.

2.6.8 Infraction Expiry: Infractions will expire at a rate of one infraction per two quarters. Two full quarters must pass after the infraction date before it expires.

2.6.9 Council Decision and Reasoning: The individual under review must be informed within one (1) business day of the decision being made. The Council

must provide reasoning for their decision regarding any termination or recall review with the individual under review physically or digitally present. If the outcome is termination and the individual under review does not make themselves available to receive the decision, the Company may proceed with termination actions after the one (1) business day has lapsed.

2.6.10 Automatic Review for Termination: Workers, regardless of leadership position, will be automatically sent to the Council for a termination review for violations that include the following:

- a. Engaging in activities that directly compete against the Company while still affiliated with the Company
- b. Breaching or attempting to breach any of the core values described in Article 1
- c. Fraud, embezzlement, or theft against the Company
- d. Willful misconduct or gross negligence causing material harm to the Cooperative
- e. A material breach of fiduciary duty to the Cooperative
- f. Engaging in discrimination on the basis of:
 - i. Race, color, or ethnicity
 - ii. National origin or ancestry
 - iii. Religion or creed
 - iv. Sex, gender, gender identity, or gender expression
 - v. Sexual orientation
 - vi. Age (as protected by law)
 - vii. Disability or medical condition
 - viii. Marital status, family status, or pregnancy
 - ix. Veteran or military status
 - x. Any other category protected by applicable law
- g. Engaging in harassment that creates a hostile, abusive, or unsafe environment for other Members or anyone associated with doing business with the Company including:
 - i. Verbal harassment (slurs, insults, demeaning jokes, or hostile remarks)
 - ii. Physical harassment (unwanted touching, intimidation, or physical interference)
 - iii. Sexual harassment (unwelcome advances, requests for favors, or other sexual conduct)
 - iv. Psychological harassment (threats, bullying, coercion, manipulation)
 - i. Retaliation against someone who reports misconduct

Article 3: Organizational Structure

Section 3.1 Classes of Department: All workers shall be assigned to one or more departments. Departments fall under one of two classifications.

3.1.1 Technical: Responsible for executing the core project work of the cooperative, including software development, quality assurance, and related technical functions. Technical Departments fulfill client contracts and internal projects, ensuring deliverables meet quality standards and contractual obligations.

3.1.2 Support: Engaged in administrative matters, critical infrastructure management, and generating product demand, thus enabling Technical Departments to operate more efficiently.

Section 3.2 Department Heads

3.2.1 General Responsibilities: Department Heads serve as the elected leader for their respective departments, overseeing both administrative and operational functions.

3.2.2 Department Head Duties and Powers

- a. Exercise general oversight over all activities within their department. This includes the implementation of an infraction system for evaluating and managing employee performance as described in Section 2.6.
- b. Give pay raises or implement pay cuts, within guidelines defined in Section 4.6.
- c. If a Technical Department Head, assign workers to vacancies in projects, working with other relevant Technical Department Heads to maximize team efficiency.
- d. Hire new Prospective Members into the department.
- e. Fire Prospective Members when necessary.
- f. Recommend Prospective Members to the Council for elevation to Full Membership status.
- g. Recommend Full Members to the Council for termination under the guidelines of the infraction system described in Section 2.6.5.
- h. Act as a mediator for internal disputes within the department, seeking resolution in accordance with Company policies.

Section 3.3 President

3.3.1 General Responsibilities: The President serves as the elected leader of the Company, responsible for managing external affairs and higher-level strategic decisions, thereby enabling the Council (Department Heads) to focus on the operations of their departments. While the President takes the lead in external interactions and broad company strategy, they remain ultimately accountable to the Council, reinforcing a cooperative governance structure.

3.3.2 Presidential Duties and Powers

- a. Determining the overall strategic direction of the Company in consultation with the Council.
- b. Managing relationships with other businesses, including partnerships, collaborations, and contracts.
- c. Sign client contracts as the official representative of the Company as described in Section 5.3.
- d. Make purchasing decisions for the Company, within the guidelines described in Section 4.4.2.
- e. Exercise general oversight over Department Heads to ensure compliance with Company policies and objectives.
- f. Provide suggestions to Department Heads regarding labor allocation to optimize efficiency and meet strategic goals.
- g. Initiate new products or services that align with the Company's strategic objectives.
- h. Act as a mediator in disputes between departments to facilitate effective collaboration and problem-solving.
- i. Serve as the tie-breaking vote in Council decisions, as detailed in Section 3.4.6.
- j. Provide oversight for workers that are the sole member of a department.

3.3.3 Role Exclusivity for President: Individuals elected to the position of President cannot simultaneously serve as a Department Head. In exceptional circumstances including where the newly elected President is the sole member of their department, they shall assume both the duties and wages associated with the roles of worker, Department Head, and President as described in Sections 3.2.2, 3.3.2, 3.5.5, and 4.7. However, they shall maintain only a single seat on the Council, with voting power equivalent to the standard weight designated for the President's vote.

Section 3.4 Council

3.4.1 General Responsibilities: The Council serves as a governing body of the Company and is responsible for making key decisions that impact the organization's operations and governance.

3.4.2 Council Composition: The Council is composed of all Department Heads and the President.

3.4.3 Department Head Vote Weight: Each Department Head's vote is weighted according to the formula: $5 + \left(\frac{\text{Number of Members in department}}{\text{Total number of Members in all departments}} \right) \times 20$, rounded to the nearest whole number.

[Explanatory Note: "Total number of Members in all departments" can include the same person multiple times since there is no restriction on working in multiple departments. This is intended to combine the concepts of the U.S. Congress into one entity. Each department gets a flat amount of representation, enhanced by the relative population.]

3.4.4 Presidential Vote Weight: The President's vote is weighted according to the formula: *HighestDepartmentHeadVote + 1*.

[Explanatory Note: This weighted voting system aims to balance the direct influence of Members with the need for fair representation of all departments.]

3.4.5 Council Decisions: All Council decisions are the result of a vote of all Council Members. The vote is decided by a simple majority of the Council Members' respective weighted votes. There exist circumstances where a Council Member may be ineligible to vote on a particular issue, as described elsewhere in these By-Laws.

3.4.6 Tie Breaking: If a Council vote results in a tie, the outcome will be decided in favor of the President's vote.

3.4.7 Amending By-Laws: An amendment to these By-Laws may be proposed to the Council by any Full Member and the Council may vote on whether to initiate a referendum to codify the proposed amendment. If a referendum is initiated, the previous and proposed wording to the By-Laws as well as any relevant context shall be presented as part of the referendum. The referendum is decided by a simple majority vote, available to all Members. The By-Laws may be amended at any time.

3.4.8 Council Duties and Powers

- a.** Ratify Pay Structures, as described in Section 4.1.3.
- b.** Initiate amendment referendums to these By-Laws, as described in Section 3.4.7.
- c.** Convene regularly to discuss and develop strategic suggestions for the Company, in consultation with the President.
- d.** Vote to establish or dissolve departments as necessary.
- e.** Vote to approve or deny the transition of Prospective Members to Full Membership status.
- f.** Review workers being submitted for termination or recall as described in Section 2.6.
- g.** Execute specific duties as prescribed elsewhere in these By-Laws.
- h.** Maintain regulatory compliance for all aspects of the business. This duty may be delegated to qualified internal or external entities as needed.

Section 3.5 Elected Positions and Terms

3.5.1 Term Duration: All elected leaders are granted a term of three years.

3.5.2 Candidacy Statement: Candidates for any leadership position must submit a written statement outlining their stance on current issues and their qualifications. The Council shall review this document for accuracy, making minimal revisions where necessary. The specific format of this statement is determined by the Council.

[Explanatory Note: The purpose of the review is to prevent exaggerations or false promises.]

3.5.3 Campaigning Limitations: Candidates are restricted to campaigning solely through their approved Candidacy Statement and answering questions in a public forum. Additional campaigning activities, including distributing materials, soliciting votes, or using company resources for promotion, are strictly prohibited. Violation of this rule will result in immediate disqualification and one (1) infraction as described in Section 2.6.

[Explanatory Note: Campaigning takes time and resources away from performing job duties and due to the decentralized nature of the Company, may unfairly skew election outcomes. To maintain fairness and focus, voting decisions should be based solely on each candidate's approved Candidacy Statement, publicly available forums, and the workers' own knowledge.]

3.5.4 Elected Leader Security: Elected leaders cannot be terminated from their positions unless they violate rules that warrant automatic termination, described in Section 2.6.10. They may, however, be subject to recall as described in Section 3.5.7.

3.5.5 Elected Leader Work Balance: Elected leaders may choose to take on standard work assignments in addition to their leadership duties, based on their capacity and the needs of the department. Elected leaders choosing to engage in standard work must ensure that this does not interfere with or compromise their leadership responsibilities.

3.5.6 Special Elections: Under certain circumstances, described in the following sections, a special election may be initiated. The special election shall be held within ten (10) business days of the exigent circumstances and shall have the same format as a standard election.

3.5.7 Leadership Recall: All elected leaders are subject to recall after one (1) quarter of their current term has elapsed. Department Members may recall their leaders through a successful petition process and subsequent referendum. A recall petition is successful if twenty percent (20%) of the department's members sign the petition and submit the petition to the Council for verification. Petition verification must be completed within three (3) business days. The recall referendum is held the next business day after petition verification. The recall referendum is decided by a simple majority. In the case of a successful recall, the recalled leader shall exit the role immediately and a special election shall be initiated to take place ten (10) business days after the recall referendum. The newly elected leader shall assume the role on the next business day. In the time between a successful recall referendum and the special election, the President, or the Council if the President is the leader that was recalled, shall either act as the interim Department Head or appoint a Member to act as the interim leader. Recalled leaders are permitted to run for election again during following election cycles.

3.5.8 Interim Leadership: Should a leader exit the Company or be successfully recalled, the Council shall appoint a temporary replacement until a special election determines the new leader, who will assume the role immediately. The special election must occur ten (10) business days after the previous leader exits the role.

Section 3.6 Election Processes and Voting

3.6.1 Election of Department Heads: Department Heads are elected through the Score Voting method. Each voter assigns each candidate a score from zero (0) to five (5). Whichever candidate has the highest score wins. In case of a tie, a first-past-the-post election will be conducted the following business day among the tied candidates. Candidacy is open to any Full Member of the respective department.

3.6.2 Election of the President: The President is elected by the Council through a weighted vote. No sitting Council member may vote in this election if they are a candidate for the position.

3.6.3 Ballots: Ballots must include the finalized Candidacy Statements for each candidate on the ballot. The incumbent, if running, shall be marked as such on the ballot.

Article 4: Compensation and Company Finances

Section 4.1 Company Income

4.1.1 Total Profit: This represents the overall profit of the Company after accounting for all variable and fixed costs, such as services, subscriptions, utilities, and other operational expenditures, but not including wages. This serves as the initial financial pool from which other types of profit are derived.

4.1.2 Operations Profit: A predetermined percentage of the Total Profit is allocated for operational purposes, known as the Pay Structure described in Section 4.1.3. This includes wages for Support Departments, wages for the President, and contributions to the Company Savings. Other allocations may be made, as necessary, by the Council.

4.1.3 Pay Structure: The percentages allocated for Operations Profit are determined by a Pay Structure. This structure may be updated and ratified by the Council as needed, always with the aim of compensating the President and each Support Department with a percentage of Total Profit as close to the actual value of their work as possible, as well as allocating a sufficient percentage to Company Savings for future operations.

- a. The Council ratifies a Pay Structure that includes Support Departments, Presidential Pay, and Company Savings. This portion of the Pay Structure applies to all profit across the Company.
- b. Where applicable, the Council assigns a Framework Distribution percentage and degradation timeline for each individual contract as described in Section 5.7.

4.1.4 Technical Profit: This refers to the remaining percentage of the Total Profit after deducting the Operations Profit. The Technical Profit is solely allocated to the workers on a given project, ensuring that they are financially rewarded for their contributions, with the exception of the following cases

- a. Framework Distributions are allocated from Technical Profit
- b. Legacy Distributions are allocated from Technical Profit

Section 4.2 Wages for Support Departments

4.2.1 Work Logging: Workers in Support departments will be compensated based on full or half days worked, rather than hours. A 'full day worked' is defined as any day where significant work activity is either automatically or manually logged by the worker in the Company's system. A 'half day worked' can be logged when a smaller but still meaningful amount of work is completed.

[Explanatory Note: This approach is adopted to not penalize efficient workers who are able to complete their work in less time.]

4.2.2 Work Validation: Workers are expected to exercise fair judgment in logging full or half days, and all such logs are subject to oversight and approval by the respective Department Head. If any worker is found to be under-performing or logging an insignificant amount of work, they are subject to receiving infractions as described in Section 2.6.

4.2.3 Proportional Distribution: Each worker is entitled to a share of their department's Pay Structure allocation, calculated as follows for any given pay period:

$$\frac{DaysWorked_w}{N} \frac{DaysWorked_n}{\sum_{n=1}^N DaysWorked_n}$$

- $DaysWorked_w$ is the number of days a single worker logged work activities for the pay period.
- N is the total number of workers in the department.
- $\sum_{n=0}^N DaysWorked_n$ is the sum of $DaysWorked_w$ for all workers in the department.

Section 4.3 Wages for Technical Departments

4.3.1 Role-Based Distribution: All profit from work involving a technical team is distributed amongst any given team based on the role, seniority level, assigned engagement, and membership status that each worker on the team has. Each role comes with a certain number of points. Seniority level and membership status are multipliers for the given role's points. The total number of points for the individual and team members determines the profit distribution the individual worker is entitled to.

4.3.2 Role Points: There are several possible roles on any given team and the points they receive that contribute towards profit distribution.

- a. Developer
 - i. 20 points
- b. Tester
 - i. 8 points
- c. Business Analyst
 - i. 5 points

4.3.3 Seniority Multipliers: There are three (3) levels of seniority and an associated point multiplier that contributes towards profit distribution.

- a. Senior
 - i. Multiplier of 2.5
- b. Intermediate
 - i. Multiplier of 1.75
- c. Junior
 - i. Multiplier of 1.0

4.3.4 Assigned Engagement Multipliers: There are five (5) levels of engagement and an associated point multiplier that contributes towards profit distribution. This multiplier is determined (and adjusted as needed) for all team members by the Department Head for the assigned member role.

- a. None
 - i. Multiplier of 0.0
 - 1. Used for when a team member is removed from the team
- b. Minimal
 - i. Multiplier of 0.2
- c. Light
 - i. Multiplier of 0.4
- d. Moderate
 - i. Multiplier of 0.6
- e. High
 - i. Multiplier of 0.8
- f. Primary
 - i. Multiplier of 1.0

4.3.5 Membership Status Multipliers: There are two (2) levels of membership status and an associated point multiplier that contributes towards profit distribution.

- a. Full Member
 - i. Multiplier of 0.8
- b. Prospective Member
 - i. Multiplier of 1.0

4.3.6 Individual Point Totals: The point total for any individual worker is the summed amount of points for their role(s) on the team, multiplied by the relevant Seniority Multiplier for their seniority in that particular role, multiplied by the relevant Assigned Engagement Multiplier, multiplied by the relevant Membership Status Multiplier based on their current membership status:

$$AllRolePoints * SeniorityMultiplier * AssignedEngagementMultiplier * MembershipStat$$

4.3.7 Active Development Distribution Amounts: For contracted projects that are actively being developed, any particular worker is entitled to a percentage distribution of the Technical Profit equal to the amount of points divided by the

total number of points for all current members of the team:
$$\frac{IndividualPoints_w}{\sum_{n=1}^N IndividualPoints_n}$$

- $IndividualPoints_w$ is the total amount of Individual Points a particular worker on this particular team has.
- N is the total number of workers on this particular team
- $\sum_{i=0}^N IndividualPoints_i$ is the sum of $IndividualPoints_w$ for all workers on this particular team

4.3.8 Passive Distribution Amounts: For framework teams, contracted projects that are collecting post-development income (termed “Tail Payments”), and Legacy Distribution of Ongoing Projects, any particular worker is entitled to a distribution of the Tail Payment, Framework Profit, or Legacy Distribution (whichever is relevant) equal to their individual average points throughout the active period of the project, adjusted by the age of the contributions, divided by the total number of points for all contributors to the project, adjusted by the age of

the contributions:
$$\frac{\sum_{t=1}^T (IndividualPoints_w * DaysIn_t * AgeDecay_t)}{\sum_{n=1}^N \sum_{t=1}^T (IndividualPoints_n * DaysIn_t * AgeDecay_t)}$$

- $IndividualPoints_w$ is the total amount of Individual Points a particular worker on this particular team has for a particular time interval
- N is the total number of workers on this particular team

- t is a given time interval, delineated by when a relevant event happens such as a change in team membership, an existing member gets a change in seniority level, or any other factor that affects the calculation of this formula
- T is the total number of time intervals for this particular project
- $DaysIn_t$ is the total number of days for a given time interval
- $AgeDecay_t$ is the multiplier that lowers the value of older contributions. After two (2) years, the value of contributions decay by ten percent (10%) per year prior to the date the calculation is being performed.

Section 4.4 Company Savings

4.4.1 Definition: A reserve fund for strategic purchases and benefits systems.

4.4.2 Presidential Discretion: The President has sole discretion to use funds from Company Savings to advance the Company's strategic goals. All such expenditures must be accurately recorded and made transparently available for review by all Members, ensuring accountability.

4.4.3 Benefits and Pensions: All benefit systems will be financed from Company Savings. The Council may establish benefits systems as needed.

4.4.4 Emergency Stipend: For Members that must step away from the Company due to extenuating circumstances, the Council may approve a stipend for that Member that is funded by Company Savings.

4.4.5 Strategic Considerations: To safeguard Company Savings and worker pay, the allocation to Company Savings in any Pay Structure must range between five percent (5%) and thirty percent (30%) inclusive.

Section 4.5 Vestment

4.5.1 Vestment Description: Vestment represents the extent to which Full Members are entitled to a share of the Company Savings upon departure. While Full Members are part of the company, they do not exercise any direct control over the funds represented by their vestment.

4.5.2 Full Vestment: A Full Member is considered fully vested when their contributions to Company Savings are equal to or greater than

$\frac{1}{\text{Number of vested Members}}$ of the current value of Company Savings, assessed quarterly.

4.5.3 Partial Vestment: A Member is considered partially vested when they have contributed to Company Savings a dollar amount that is greater than zero (0) but less than the requirements for full vestment, assessed quarterly.

4.5.4 Vestment Review: Vesting status shall be reviewed on the first business day of each quarter. Full Members who achieve partial vesting status will maintain that status for the following quarter, regardless of fluctuations in Company Savings. Once attained, full vestment status is irreversible, except when a Member departs the Company, at which point the vestment is realized.

4.5.5 Passive Vestment Contributions: All non-vested Full Members gain credit towards vestment passively. For any distribution to Company Savings, each non-vested Full Member gets credited for their proportionate share of that

distribution, equal to: $\frac{\text{Income}_{FM}}{1 - \text{Allocation}_{CS}} \times \text{Allocation}_{CS}$

- Income_{FM} is the amount of income a particular non-vested Full Member receives from some amount of Total Profit being distributed using a Pay Structure.
- Allocation_{CS} is the allocated percentage of Total Profit to be distributed to Company Savings, set by a Pay Structure.

4.5.6 Voluntary Vestment Contributions: All Full Members may choose to contribute their own money into Company Savings.

- a. Only non-vested Full Members receive vestment credit.
- b. One hundred percent (100%) of any voluntary contribution is credited towards vestment.
- c. Full Members may choose to contribute a lump sum at any time, or designate a certain percentage of their income to automatically contribute into Company Savings.
 - i. Any automatic contribution may be changed or revoked by the Full Member at any time, with no permission required.

4.5.7 Payout Pool: One hundred percent (100%) of Company Savings is considered available for vesting payouts.

4.5.8 Vestment Payout: Upon leaving the Company, members receive a payout equivalent to their vestment. For partially vested Members, the payout shall be equal to their vestment amount. For fully vested Members, the payout shall be equal to: $\frac{1}{\text{Number of fully vested Members}}$

a. No payout shall exceed $\frac{1}{\text{Number of fully vested Members}}$

4.5.9 Payout Prioritization: In the event the Company Savings is insufficient to cover both fully and partially vested Members that are leaving the Company simultaneously, payouts will be prioritized for fully vested Members first. The remainder, if any, shall be split among the partially vested Members proportional

to their vestment, equal to: $\frac{\text{PartialVestmentAmount}_M}{\sum_{n=1}^N \text{PartialVestmentAmount}_n}$.

- $\text{PartialVestmentAmount}_M$ is the amount of vestment a particular partially vested Member has.
- N is the total number of partially vested Members exiting the Company simultaneously.
- $\sum_{n=0}^N \text{PartialVestmentAmount}_n$ is the sum of $\text{PartialVestmentAmount}_M$ for all partially vested Members exiting the Company simultaneously.

4.5.10 Vestment Forfeiture: Vestment shall remain intact for any Member and be honored upon any Member's exit of the Company except if the Member's exit is precipitated by any violations that require an automatic review for termination as described in Section 2.6.10

Section 4.6 Incentive-Based Compensation

4.6.1 Source of Incentives: Extra compensation for high-performing workers shall be sourced from the profit allocated for Company Savings.

4.6.2 Awarding Points: Department Heads may award points to workers in their Department, thereby diverting funds from Company Savings to these workers' wages. Department Heads may also remove points based on performance.

4.6.3 Point Limitations: Each worker in any department can earn a maximum of one hundred (100) points per department, including Prospects. Department Heads have a point limitation equal to $\text{ExistingPoints} + 100$. This means Department Heads have a maximum point limitation of 200 points.

4.6.4 Total Incentive Allocation: All points across all departments represent twenty-five percent (25%) of the total amount allocated for Company Savings.

4.6.5 Technical Incentive Allocation: The total number of points across Technical departments represent a share of the amount allocated for Company Savings equal to:

$TotalIncentiveAllocation \times (1 - OperationsProfitPercentage)$.

4.6.6 Support Incentive Allocation: The total number of points across Support departments represent a share of the amount allocated for Company Savings equal to: $TotalIncentiveAllocation \times OperationsProfitPercentage$.

[Explanatory Note: This allocation approach allows the points to represent equitable values across all departments.]

Section 4.7 Leadership Compensation

4.7.1 Shift in Duties: Department Heads will focus more on managerial tasks, taking them away from standard work. This shift and their expanded responsibilities merit additional compensation.

4.7.2 Point Allocation: Upon taking the role, Department Heads automatically receive an additional one hundred (100) points in their department. If they lose their position, their point total for that department is reduced by one hundred (100) points.

4.7.3 Presidential Pay: The President's compensation shall be an allocated item from the ratified Pay Structure as described in Section 4.1.3.

Section 4.8 Founder Period

4.8.1 Recognition of Early Risks: Acknowledging that launching a business entails considerable investments of money and time with uncertain outcomes, this section outlines the mechanism to appropriately reward the Founders and First Workers for their initial risk-taking.

4.8.2 Commencement of Founder Period: The "Founder Period" shall commence on the first business day of the fiscal quarter immediately following the first moment in which the Company has earned at least one million dollars (\$1,000,000.00) in Total Profit within a one-year period. Subsequent to this

commencement, additional compensations to Founders and First Workers will be sourced from the incoming Total Profit, as further described in the following Sections.

4.8.3 Definition of Founders: "Founders" refers to the individuals who were actively engaged in the formulation and establishment of the Company prior to its official launch.

4.8.4 Definition of First Workers: "First Workers" refers to the workers who joined the Company between its official launch date and the initiation of the Founder Period. Both Members and Prospects qualify.

4.8.5 Founders' Distribution Agreement: Before the Company's official launch, all Founders must arrive at a consensus regarding the percentage of the "Founder Distribution" each is to receive. This agreement shall take into consideration both time and monetary investment from each Founder.

4.8.6 Proportional Distribution for First Workers: Each First Worker is entitled to a share of the "First Worker Distribution," calculated as follows:

$$\frac{Days_{FW}}{\sum_{n=1}^N Days_n}$$

- $Days_{FW}$ is the number of days between a First Worker's hire date and the beginning of the Founder Period.
- N is the total number of First Workers
- $\sum_{n=0}^N Days_n$ is the sum of $Days_{FW}$ for all First Workers.

[Explanatory Note: This approach ensures that First Workers are distributed a share that is exactly proportional to their tenure with the Company]

4.8.7 Allocation for Founder Distribution: Initially, five percent (5%) of the Total Profit shall be allocated for Founder Distribution.

4.8.8 Allocation for First Worker Distribution: Initially, two and one-half percent (2.5%) of the Total Profit shall be allocated for First Worker Distribution.

4.8.9 Decrease in Distribution: The percentage allocations for both Founder and First Worker Distributions shall diminish by one-quarter percent (0.25%) per annum, commencing one year after the start date of the Founder Period.

4.8.10 Founder Distribution Floor: The Founder Distribution shall not fall below a floor of one percent (1%) and each Founder's share shall persist until they cease to be a Member of the Company, subject to exceptions for extenuating circumstances that may be approved by the Council. Any granted exceptions must include a cessation date.

4.8.11 Termination of First Worker Distribution: The First Worker Distribution shall be phased out entirely when its allocation percentage decrements to zero percent (0%).

[Explanatory Note: This approach aims to duly reward Founders for taking the highest initial risks, without overly concentrating wealth. First Workers, while instrumental, assume less risk, and thus their rewards are set to eventually phase out.]

4.8.12 Current Worker Exclusivity: Only Founders and First Workers that are currently Members of the Company at the time the Founders Period begins are eligible to receive these distributions. If a Founder is no longer with the Company when the Founder Period commences, any missing Founders' allocations shall be distributed amongst the remaining Founders proportionate to the remaining Founders' own allocation percentages. Missing First Workers employment dates shall simply be ignored in the calculation of the First Worker Distribution.

Section 4.9 Outside Investment

4.9.1 Purpose and Scope: This section outlines the conditions under which the company may pursue external funding opportunities. Any such activities must align with the Core Principles as described in Article 1 and uphold the values of a worker's cooperative.

4.9.2 Investment Contract: For each investment, the company and the potential investor shall enter into a legally binding contract. This contract must be approved by a weighted Council vote and include the following key terms:

- a.** The total amount to be invested.
- b.** The agreed-upon return on investment (ROI).
- c.** The time period between the investment and the commencement of ROI payments.
- d.** The percentage of Total Profit allocated for investment returns or the fixed amount to be paid at a certain time interval.
- e.** Contingencies for scenarios in which the Company is unable to repay the investor as expected, acknowledging the inherent risks of the investment.

[Example: An investor agrees to invest \$10,000. In return, the Company commits to repaying \$15,000 through a 10% share of Total Profit, beginning two quarters later.]

4.9.3 Council Representation for Investors: In addition to the investment contract, the investor will be entitled to one seat on the Council during the active period of the agreement. Each investor seat is granted a vote weight equal to the average vote weight held by non-investor Council Members. One seat on the Council shall be allocated to each distinct entity holding an investment contract. Any attempt to circumvent this rule, such as creating multiple entities under their control to acquire additional Council seats, will be considered a serious violation and grounds for immediate termination of the investment contract, associated Council representation, and the immediate termination of any non-investor Council Member found to be complicit.

Article 5: Contract Handling

Section 5.1 Contract Terms: The Company operates on a service-for-hire business model, meaning the Company must enter into contractual agreements with external entities. The Company shall only agree to contract terms that meet the requirements listed in this Article.

5.1.1 Work Requirements: The Company does not maintain formal work hour requirements for any worker, as described in Section 2.5.1. Contracts must align with this internal ideal or be flexible enough to fit the following requirements.

- a. Contracts must use outcome-based metrics such as milestones for evaluating the performance of the team.
- b. Contracts must not impose required work hours, except to define hours of availability.
 - i. If a client absolutely requires an hour-tracked contract, the Company may accept the contract if the hours are tracked using the set availability hours stipulated in the Team Working Agreement. Hours tracked in this manner do not affect the compensation of workers. All compensation rules described in Article 4 remain the sole way of compensating workers.

[Explanatory Note: A common issue with time-based performance evaluation is that fast workers are “punished” with more (often menial) work. Workers’ time is their own as long as they are adequately completing their work and communicating with their team.]

Section 5.2 Contract Payment Arrangements: As stated in Section 1.4, the Company is geared towards providing growth to small businesses. This means the contract terms of Section 5.2.1 are preferred for small business accessibility, but contracts may have terms following any combination of the methods listed in this section below.

5.2.1 Revenue Share: The Client shall pay to the Company an agreed-upon percentage of their gross revenue for an agreed-upon amount of time. This first period of time will be considered “Active Development”. Once Active Development has concluded, the gross revenue share paid to the Company may decay by a certain agreed-upon increment per agreed-upon time interval until the gross revenue share reaches 0%, or remain constant for a set period of time.

- a. During Active Development, the Client shall pay the original agreed-upon percentage at a recurring time interval, no less frequently than monthly.
 - i. The calculation of the owed amount will happen at the end of one interval, and that amount shall be due the next interval.

- b. The time period after Active Development and before either the percentage decay reaches a pre-determined maintenance floor or the constant revenue share reaches the end of its set period of time is called the Tail Period.
 - i. The Tail Period is used instead of up-front payments to keep out-of-pocket costs minimal for the Client
 - ii. Tail Payments (payments made during the Tail Period) are distributed to workers as described in Section 4.3.7.
- c. During the Tail Period, the Client may request more development from the Company, which will incur an additional increase in the current gross revenue share for an agreed-upon amount of time or an increase in the length of the Tail Period for a constant revenue percentage share.
 - i. Additional development costs will be treated the same as Active Development and are subject to distribution described in Section 4.3.6.
- d. When the Tail Period has concluded, the Company is no longer required to perform any work to develop the product.
- e. After the Tail Period has ended, the Client will be only paying a pre-determined percentage for maintenance, which the Company shall provide. The Client may choose to end maintenance which will constitute completion of the contract and no more work shall be performed.

5.2.2 Recurring Payments: The Client shall pay to the Company a fixed recurring amount in static intervals for an agreed-upon amount of time.

- a. One contract may have more than one recurring payment period to cover instances such as an Active Development period and a Maintenance period
- b. Recurring payment agreements may extend beyond the period of service in order to reduce monthly payment amounts for the Client.

5.2.3 Single Payment: The Client shall pay to the Company a fixed amount before services are rendered.

- a. If the Client pays exclusively with a single payment, the single payment shall be distributed as if it was paid via recurring payments. The single payment shall be distributed over the course of the Active Development period in two week intervals.
- b. If the Client pays with a single payment in addition to another method, the single payment shall be distributed all at once.

[Explanatory Note: Splitting a single payment across several months prevents workers from getting a single lump sum for work and then receiving nothing for several months after.]

5.2.4 Ongoing Project: The Company may reach an agreement with a Client or begin an internal project or product where the Company has ongoing work with either no end date or an unknown end date. In such a case, the following requirements must be fulfilled:

- a. If the project is for a client, the Client and Company must reach a payment agreement, either with recurring payments or as a certain percentage (or percentages) of whatever various work items or products that the Company is delivering.
 - i. Either payment type requires the Company and Client agree to a recurring time interval for payments. In the case of a percentage agreement, the calculation of the owed amount will happen at the end of one interval, and that amount shall be due the next interval.
- b. If the project is internal, the payment interval shall be two (2) weeks and all income shall be distributed the same as if it were for a client contract.
- c. The Company must determine a payment schedule for Legacy Distributions to ensure that past work on a project is still being rewarded. This schedule may be either a set percentage of the Technical Profit, or a rising percentage with an upper limit of the entirety of the Technical Profit.

[Explanatory Note: Since ongoing work may not have a known end date, the Company is still beholden to reward past work on the project in the same manner as Tail Payments do in a Revenue Share agreement.]

- d. Any such agreement with a Client must include termination conditions that account for the continued payment for any product produced by the Company that is sold to consumers or that is directly used by consumers and generates revenue for the Client, either as a decaying percentage share or an ongoing percentage. Otherwise, termination of an agreement shall require cessation of providing the product or service.
- e. No agreement can be reached (of any type) where a Client will receive ownership of any framework code. All framework code is proprietary and Clients are only allowed to license software that is created from that framework.
 - i. Clients may be allowed to own code if the work being agreed to is done entirely without the use of any pre-existing or framework code or any pre-existing or framework code is

used in an obfuscated manner such that it could not be replicated.

f. An internal project may require a separate business entity. In such a case, the Company shall establish and control the business entity and the Council shall appoint executive staff as necessary to lead the business, paid with a Council-decided percentage of the separate entity's revenue.

- i. Separate business entities under Company control should generally require minimal staffing to avoid compromising any of the goals of operating as a cooperative in the first place.
- ii. If the Council decides, by a weighted vote referendum, that a separate business entity controlled by the Company will be given control of itself, it shall be established as a worker cooperative with its own by-laws, written by the current executive staff or the Council, and approved by the Council. The Council and the existing executive staff or the separate entity shall create a Client agreement, if deemed necessary by the Council, with the Company for compensation of any work done by the Company that the separate entity uses or development by the Company that the separate entity will need.

[Explanatory Note: Separate business entities will most likely be Software-as-a-Service (SaaS) platforms. These entities may require separate leadership but generally shouldn't require many staff members other than one or more executives since Trelys workers will handle development. If a separate entity gets large enough that it is necessary for it to operate completely separately, the relevant parties will make a fair Client agreement.]

Section 5.3 Client Responsibilities: Services such as software development require a team-based approach for maximum efficiency. Not just between the Company's workers, but between the Company and the Client. In order to ensure any project is successful, the Client must accept several responsibilities.

5.3.1 Designated Representative: The Client shall designate a representative of their interests. This representative is responsible for being the conduit for communication with the Client. This designated representative shall be the final say on all matters regarding the services provided. They shall also be present for all relevant matters and communication where Client input, knowledge, or data is needed such as, but not limited to:

- Prioritizing work
- Evaluating performance

- Interpreting requirements

5.3.2 Communication: Proper communication is crucial for the Company and Client to effectively work together. The Designated Representative and the Company team will designate communication availability hours as part of the Team Working Agreement which shall outline how the team operates executing the project.

5.3.3 Payment Timeliness: The Client shall make all payments on the agreed date(s) or owe a late payment penalty.

5.3.4 Maintaining Scope: The Client and the Company shall work together to ensure that scope creep is minimized so that all expected deliverables stay within the original scope of the contract. Contracts may contain conditions that require extra payment if the original scope is breached by a certain party, whether it be by scope creep or underperformance by the team.

Section 5.4 Deliverables

5.4.1 Clear Deliverables: The Client and the Company shall only agree to a fixed-cost contract that has clearly defined, objective features and deliverables. Revenue Share contracts must have clearly defined minimum deliverables. Features and deliverables must be ranked using the following terms:

- Mandatory:** Indicates a feature or deliverable that must be completed, otherwise the contract cannot be considered complete.
- Preferred:** Indicates a feature or deliverable that should be completed for the contract to be considered complete, but may be not completed given extenuating circumstances.
- Optional:** Indicates a feature or deliverable that is desirable to the Client but does not affect the completion of the contract.

5.4.2 Maintaining Scope: The Client and the Company shall work together to ensure that scope creep is minimized so that all expected deliverables stay within the original scope of the contract. Contracts may contain conditions that require extra payment if the original scope is breached by a certain party, whether it be by scope creep or underperformance by the team.

5.4.3 Unlimited Scope: In a Revenue Share contract, the Client may be granted unlimited features. In such a case, the only limiting factor on deliverables is the remaining development time.

- a. All Revenue Share contracts shall have a list of minimum deliverables that are required prior to the system being launched.
- b. The Company may put restrictions in the contract on the complexity or type of features that will be developed, but still grant unlimited features within those bounds.

Section 5.5 Time Periods: Since many digital services can be ambiguous in nature, set periods of time will be defined for how exactly the Company shall support the services being provided.

5.5.1 Active Development: During the Active Development period, the Client may request any features, maintenance, or other development or deliverable that falls within the scope of the contract. The Client has near unilateral control over what the Company produces as long as it does not breach scope

5.5.2 Maintenance: During the Maintenance period, the Client may request fixes for any feature in scope of the contract if it stops working correctly for any reason. The Client may also request small quality-of-life improvements. These improvements may include changing colors, fixing text errors (typos), or any other trivial matter that improves user experience without a significant investment of time. Due to the technical nature of Company services, the Company decides whether or not an improvement qualifies as “trivial” and therefore whether or not the requested improvement will be completed.

5.5.3 Emergency Plan: Since many of the Company’s contracts are expected to include maintaining some form of digital service, any contract involving such service must include or expressly reject an emergency plan for handling unexpected outages. The scope of a requested emergency plan may affect the cost of the contract overall.

5.5.4 Development Extensions: Contracts may include exercisable options to start a new Active Development period after the original Active Development period has ended. Contracts may also include exercisable options to extend the Maintenance period beyond its original expiration date.

Section 5.6 Contract Flexibility: Contracts may include any other terms that do not expressly conflict with the required terms and restrictions described in the rest of this Article 5. Anything not expressly forbidden or beyond the basic requirements may be included within reason at the discretion of the Council.

Section 5.7 Framework Distribution: While not required to be explicitly stated in the Client contract, if and when it is determined a contract project will utilize a pre-existing framework asset, the Council shall immediately evaluate the value provided by the framework and assign a fair value-based percentage allocation of the Technical Profit (Section 4.1.4) to be distributed for this particular contract.

- a. This allocation shall decay over time (no more frequently than monthly) at a set decrement until it reaches zero percent (0%).
 - i. Framework Distributions shall continue and decrement perpetually for any period where payments, that are not allocated for Maintenance, are being received by the Company, as long as the distribution percentage is above zero percent (0%).
- b. Framework Distributions are paid exclusively to the workers that developed the framework(s) as described in Section 4.3.8.

Section 5.8 Legacy Distribution: While not required to be explicitly stated in the Client contract or internal agreement, if a contract is for an Ongoing Project, the Council shall immediately assign a fair value-based percentage of Technical Profit to be allocated as a Legacy Distribution to reward past work on the given contract.

- a. This allocation shall either be a flat percentage or rise from zero percent (0%) by a predetermined increment monthly and reach a predetermined percentage cap.
 - i. In either case, Legacy Distributions shall continue and increment perpetually for any period where payments, that are not allocated for Maintenance, are being received by the Company.
- b. Legacy Distributions are paid exclusively to the workers that were assigned to the Ongoing Project as described in Section 4.3.8.

Section 5.8 Contract Acceptance: Contracts must meet all of the requirements described in this Article. In order to verify that a contract is compliant, it must be reviewed. Contracts are only considered valid and binding once the following conditions have been met.

5.8.1 Contract Review: The contract must be reviewed for compliance with these By-Laws by either the Council or a designated representative or legal entity.

5.8.2 Council Approval: After Contract Review, the contract must be approved by a standard weighted vote by the Council.

5.8.3 Company Signing: After being approved by the Council, the Contract must either be signed or vetoed by the President. The veto process is described below in Section 5.6.5.

5.8.4 Client Signing: If the President signed the contract, the Client must then sign the contract, at which time the contract either goes into effect immediately or according to any time frame specified by the terms of the contract itself.

5.8.5 Veto Process: If the President vetoed the contract, the Council must either accept the veto within three (3) business days, amend the contract and start the acceptance process again, or hold a veto override vote. The veto override vote must exclude the President and reach or exceed a threshold of seventy percent (70%). If no action is taken within the specified three (3) business days, the veto stands and the contract is not accepted.

[Explanatory Note: The 70% threshold may seem high, but when the President's weight is excluded, that threshold is more easily achievable compared to the original vote.]

Article 6: Gradual Implementation of By-Laws

Section 6.1 Overview: This article details the gradual implementation of specific articles and sections of these Bylaws, acknowledging that certain processes and structures may be overly burdensome for a small-scale operation. The intention is to phase in these elements as the company grows, to ensure efficiency and practicality.

Section 6.2 By-Law Exemptions

6.2.1 Exemption for Minimum Participation to Maintain Membership (2.5): No minimum participation is required to maintain Membership other than work considered critical for the Company.

6.2.2 Exemption for Infraction System (2.6): Infractions will not be tracked until both any department has four (4) workers in it and the infraction system has been implemented and tested in the internal website and approved by the Council no later than the beginning of the Founder Period

6.2.3 Exemption for Role Exclusivity for President (3.3.3): While the company has fewer than ten (10) Members, the President may perform in multiple roles as needed. The small size of the Company constitutes the “exceptional circumstances” described in Section 3.3.3.

6.2.4 Exemption for Council (3.4): While the company has fewer than ten (10) Members, the Council does not need to be formally established. It may be established at an earlier time if a general referendum is proposed by a single Member and passes via a majority vote. Until the Council is formally established, the President has unilateral authority to make all decisions that would normally be carried out by the Council.

6.2.5 Exemption for Electing Leadership (3.5, 3.6): Initial leaders shall be elected by all of the Founders prior to the Company launching officially. Upon the end of a full leadership term or the Founder Period, whichever comes first, these Sections will be phased in and a staggered schedule for leadership elections shall be established and approved by the Council.

6.2.6 Exemption for Vestment (4.5): All Founders shall immediately be considered fully vested.

6.2.7 Exemption for Membership (2.3): All Founders shall immediately be considered Full Members of the Company.

6.2.8 Exemption for Extra Compensation (4.6, 4.7.2): Incentive-Based Compensation and Department Head Compensation will be instituted when it has been implemented and tested in the internal website and approved by the Council no later than the beginning of the Founder Period.