

SOVEREIGN GRACE CHURCHES, INC.
BYLAWS
Amended October 10, 2013

Section 1: GENERAL

Section 1.1 Name. The name of the corporation shall be Sovereign Grace Churches, Inc., hereinafter referred to as "Sovereign Grace."

Section 1.2 Nonprofit Purposes. Sovereign Grace is organized as a convention or association of churches operated exclusively for religious, charitable, and educational purposes. Sovereign Grace is a tax-exempt nonstock corporation under Maryland law and shall be operated exclusively as a nonprofit, religious, charitable, and educational organization dedicated to the purposes stated in the Articles of Amendment and Restatement, dated October 10, 2013.

Section 2: OFFICES

Section 2.1 Resident Agent. Sovereign Grace shall continuously maintain a resident agent in the State of Maryland.

Section 2.2 Principal Office. Sovereign Grace's principal office shall be located at 303 North Hurstbourne Parkway, Suite 160, Louisville, Kentucky 40222.

Section 2.3 Additional Offices. Sovereign Grace may also have offices at such other places as it may from time to time determine and the business of Sovereign Grace may require.

Section 3: STATEMENT OF FAITH

3.1 Statement of Faith. Sovereign Grace and each of the individuals serving on its Board of Directors (the "Executive Committee"), the elders leading the churches that are its corporate members, and its officers and employees, shall subscribe (as defined by the Book of Church Order) to Sovereign Grace's Statement of Faith, which is set forth in Addendum A and incorporated herein by reference.

3.2 Religious Practices of Corporation. To be consistent with its religious mission, Sovereign Grace shall not:

3.2.1 Establish any public or private policies or positions that conflict with the Statement of Faith.

3.2.2 Elect or appoint any Executive Committee or Leadership Team member who has not subscribed to the Statement of Faith, and acted in a manner consistent with the Statement of Faith.

3.2.3 Recognize any church as a member of Sovereign Grace whose elders have not subscribed to the Statement of Faith.

3.2.4 Hire or continue to employ any employee or Leadership Team member who, upon request, refuses to subscribe to the Statement of Faith, or who has acted in a manner inconsistent with the Statement of Faith or the religious mission of Sovereign Grace, and has not fully and properly repented of such action, subject to the orthodoxy and removal standards established by the Book of Church Order for Leadership Team members..

Section 4: BOOK OF CHURCH ORDER

4.1 Standards. The Bylaws are subject to the authority and precedent of The Sovereign Grace Book of Church Order (the “Book of Church Order”), which establishes the foundational standards of government and discipline of this association of churches. All references to chapters of the Book of Church Order herein shall be deemed to include any current amendments to or restatements thereto.

4.2 Interpretation. The Bylaws shall be interpreted and applied in a manner consistent with the provisions of the Book of Church Order, as it may be amended from time to time. If there is any conflict between the Bylaws and the Book of Church Order, then the Book of Church Order shall govern.

Section 5: SOVEREIGN GRACE CHURCH MEMBERS

Section 5.1 Roles as Members, Number, and Term. The local churches that form the association of churches shall be its corporate members. There is no limit to the number of corporate members or the term of their membership, subject to the provisions regarding their removal and disassociation under Section 5.4 and the Book of Church Order.

Section 5.2 Voting. The corporate members shall vote and otherwise participate in matters involving Sovereign Grace through their representatives in the Council of Elders, as further described in the Book of Church Order. The manner in which each corporate member is represented in the Council of Elders is described in the Book of Church Order. Each corporate member shall be represented by at least one of its elders in the Council of Elders; provided, however, that as described in the Book of Church Order, if it has more than five hundred (500) adult church members, it shall be represented by two elders in the Council of Elders.

Section 5.3 Qualification. Each church shall be approved for membership in Sovereign Grace by virtue of its admission or adoption by a Regional Assembly of Elders, as further described in the Book of Church Order.

Section 5.4 Removal and Disassociation. The removal and disassociation of a corporate member are defined in the Book of Church Order. A church may be removed from Sovereign Grace if it is removed as a partnering church by its Regional Assembly of Elders, or if it voluntarily disassociates itself from its Regional Assembly of Elders. The procedures for both are described further in the Book of Church Order.

Section 6: THE EXECUTIVE COMMITTEE AS THE GOVERNING BOARD

Section 6.1 Roles as Executive Committee, Number, and Term. The Executive Committee oversees and governs the Leadership Team and the essential functions of Sovereign Grace, and shall consist of nine (9) persons, or such other number, as may be determined from time to time, according the Book of Church Order. With the exception of the initial Executive Committee members, who shall serve staggered terms ranging from one (1) to three (3) years, subsequent Executive Committee members shall serve terms of four (4) years, with no term limits, as further described in the Book of Church Order. .

Section 6.2 Qualification, Nomination, and Election. The qualifications, nomination, and election of the Executive Committee members are described in the Book of Church Order.

Section 6.3 Vacancy. The process for selecting one or more successors in the event the office of any member of the Executive Committee becomes vacant is addressed in the Book of Church Order.

Section 6.4 Powers. The Executive Committee may exercise all such powers on behalf of Sovereign Grace to do all such lawful acts and things permitted by statute, the Articles of Incorporation, or these Bylaws.

Section 6.6 Removal and Resignation. The removal and resignation of Executive Committee members are addressed in the Book of Church Order. An individual may be removed from the Executive Committee when, in the sole judgment and discretion of the Executive Committee, it is determined by a majority of independent members of the Executive Committee at a meeting duly called for that purpose and at which a quorum of a simple majority is present that the individual should no longer serve on the Executive Committee, and the removal is confirmed by a majority of independent members of the Council of Elders at a meeting duly called for that purpose and at which a quorum of a simple majority is present. Any member of the Executive Committee may resign by submitting his resignation in writing to the Chairman or Executive Director, which resignation shall be effective upon formal acceptance by the Executive Committee or such date as the Executive Committee shall set.

Section 6.7 Transactions with Interested Executive Committee Members. If both of the conditions in Sections 6.7.1 or 6.7.2 below are met, no contract or other transaction between Sovereign Grace and one or more of its Executive Committee Members—or between any other corporation, firm, association, or entity of which one or more of Sovereign Grace’s Executive Committee members, directors, officers, or trustees are also owners, directors, or members of the governance of such entity, or in which entity an Executive Committee Member has a financial interest shall be either void or voidable for any of the following reasons: (1) the common directorship or interest; (2) the presence of such interested individual(s) at the meeting of the Executive Committee or a committee thereof which authorizes, approves, or ratifies such contract or transaction; or, (3) the counting of the vote of the Executive Committee Member for the authorization, approval, or ratification of the contract or transaction.

6.7.1 The common directorship or interest is disclosed or known to the Executive Committee or the Sovereign Grace committee voting on the transaction, and the Executive Committee or Sovereign Grace committee authorizes, approves, or ratifies the contract or transaction by the affirmative vote of a majority of non-conflicted Executive Committee members, even if the non-conflicted Executive Committee members constitute less than a quorum; and

6.7.2 The contract or transaction is fair and reasonable to Sovereign Grace.

Common or interested Executive Committee members may be counted in determining the presence of a quorum at a meeting of the Executive Committee or a committee thereof which authorizes, approves, or ratifies such contract or transaction.

Notwithstanding the above, no loan shall be made by Sovereign Grace to any individual serving on its Executive Committee or Leadership Team, or anyone who is otherwise serving as an officer, as provided further in Section 12.6 of these Bylaws.

Section 6.8 Compensation and Reimbursement of Executive Committee Members. Individuals on the Executive Committee shall serve as volunteers, and thus may not receive compensation for their service on the Executive Committee, but may be entitled to reimbursement for any reasonable expenses incurred in attending such meetings, and may be reasonably compensated for other services rendered to Sovereign Grace.

Section 7: MEETINGS OF THE EXECUTIVE COMMITTEE

Section 7.1 Notice. Regular and special meetings of the Executive Committee may be held with oral or written notice at such time and place either within or outside the State of Maryland as shall from time to time be determined by the Executive Committee.

Section 7.2 Waiver of Notice. Whenever any notice is required to be given under the provisions of the statutes or of the Articles of Incorporation, or by these Bylaws, a waiver thereof in writing signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto. Attendance at a meeting by a person entitled to notice shall constitute a waiver of proper notice of such meeting, except where attendance is for the express purpose of objecting to the transaction of business because the meeting is not lawfully called or convened.

Section 7.3 Quorum. A majority of the Executive Committee members shall be necessary and sufficient to constitute a quorum for the transaction of business, and the act of a majority of the Executive Committee members present and voting at a duly constituted meeting of the Executive Committee shall be the act of the Executive Committee.

Section 7.4 Action without a Meeting Through Unanimous Written Consent. Any action required or permitted to be taken at a meeting of the Executive Committee or a committee thereof may be taken without a meeting if a unanimous consent which sets forth the action is (1) given in writing or by electronic transmission by each Executive Committee member; and (2) filed in paper or electronic form with the minutes of proceedings of the Executive Committee or the committee thereof.

Section 7.5 Meeting by Remote Means of Communication. Members of the Executive Committee or of any committee designated thereby may participate in a meeting of the Executive Committee or committee by means of a conference telephone or other communications equipment whereby all persons participating in the meeting can effectively communicate with one another at the same time. Participation by such means shall constitute presence in person at such meeting. When such a meeting is conducted by means of a conference telephone or similar communications equipment, the minutes recording any action taken at such meeting, shall also note who participated in person, and who participated by alternative communications.

Section 7.6 Dissent to Action of Executive Committee. Since, as noted in Section 7.3, the act of a majority of the Executive Committee members present and voting at a duly constituted meeting of the Executive Committee shall be the act of the Executive Committee, an Executive Committee member who is present at a meeting of the Executive Committee at which action on any Sovereign Grace matter is taken is presumed to have assented to the action (even if the Executive Committee member voted against the action). The Executive Committee shall record each vote numerically by noting the number of Executive Committee members who voted for and against the action. If, in addition to having his vote recorded, an Executive Committee member wants to formally record his dissent to the action (1) he must announce his dissent at the meeting, request that his dissent be entered in the minutes of the meeting, and file his written dissent to the action with the secretary of the meeting before the meeting is adjourned, or (2) forward his written dissent within 2 weeks after the meeting is adjourned, by electronic mail to the secretary of the meeting or the secretary of Sovereign Grace. By accepting electronic mail as a second means of communicating formal dissents, Sovereign Grace is providing Executive Committee members a mechanism that is more convenient than post office mail and more consistent with modern technology, at least on the date these Bylaws were adopted. The right to dissent does not apply, however, if the Executive Committee member voted in favor of the action, or failed to make his dissent known at the meeting.

Section 8: OFFICERS

Section 8.1 Positions. The Executive Committee shall appoint an Executive Director, who shall serve as the president / chief executive officer of Sovereign Grace, subject to the confirmation of the corporate members at a regular or special meeting of the Council of Elders, as further described in the Book of Church Order. The Executive Committee shall also appoint a Chairman, a Secretary, and a Treasurer. The Executive Committee shall be responsible for forming a Leadership Team consisting of officers who

manage on a regular basis the essential services of Sovereign Grace. The Executive Committee may also establish and elect such assistant officer positions as it determines from time to time may best serve the needs of Sovereign Grace. Two or more offices may be held by the same person.

Section 8.2 Term of Office. The Executive Committee shall elect officers of Sovereign Grace, who shall serve at the pleasure of the Executive Committee. Any officer elected or appointed by the Executive Committee may be removed at any time by the affirmative vote of a majority of the whole Executive Committee, whenever, in their judgment, the best interests of Sovereign Grace will be served thereby. If the office of any officer becomes vacant for any reason, the vacancy shall be filled by the Executive Committee, unless the Executive Committee determines that the best interests of Sovereign Grace may be served by eliminating or leaving that position vacant. In case of the absence or disability of an officer of Sovereign Grace, or in any other case that the Executive Committee may deem sufficient reason therefore, the Executive Committee, by a majority vote, may delegate for the time being any or all of the powers or duties of any officer to any other officer, Director, or any other person.

Section 8.3 The Chairman. The Chairman shall be a member of the Executive Committee and shall preside at its meetings. He shall have such other rights, duties, and powers as are authorized by the Executive Committee from time to time.

Section 8.4 Executive Director. The Sovereign Grace Executive Director shall have the general powers and duties described in the Book of Church Order.

Section 8.5 Secretary. The Secretary shall:

- attend all meetings of the Executive Committee and record all votes and maintain the minutes of all proceedings in appropriate books or records to be kept for that purpose, and shall perform like duties for any Sovereign Grace committees when required;
- give, or cause to be given, such notice as is required of all meetings of the Executive Committee and shall have such other rights, duties, and powers as are authorized by the Executive Committee from time to time; and
- keep in safe custody the seal of Sovereign Grace and, when authorized by the Executive Committee, affix the same to any instrument requiring it, and when so affixed it shall be attested by the signature of the secretary, or by the signature of the treasurer or an assistant secretary.

Section 8.6 Treasurer. The Treasurer shall:

- if required by the Executive Committee, oversee the deliver all funds and securities of Sovereign Grace to such bank or trust company as the directors shall designate as a depository, and shall assure the keeping of full and accurate accounts of receipts and disbursements in books belonging to Sovereign Grace;
- oversee disbursing the funds of Sovereign Grace as may be ordered by the Executive Committee, taking proper vouchers for such disbursements, and shall render to the Chairman and the Executive Committee, at the regular meetings of the Executive Committee or whenever they may require it, an account of all financial transactions and of the financial condition of Sovereign Grace;
- if required by the Executive Committee, give Sovereign Grace a bond in such sum and with such surety or sureties as shall be satisfactory to the Executive Committee for the faithful performance of the duties of his office, and for the restoration to Sovereign Grace, in case of death, resignation, retirement or removal from office, of all books, papers, vouchers, money, and other property of whatever kind in possession or under the control of the treasurer, belonging to Sovereign Grace; and
- have such other rights, duties, and powers as are authorized by the Executive Committee from time to time.

Section 8.7 Assistant Secretaries. If one is appointed by the Executive Committee, the assistant

secretaries, in the order of their seniority shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary, and shall have such other rights, duties, and powers as are authorized by the Executive Committee from time to time.

Section 8.8 Assistant Treasurers. If one is appointed by the Executive Committee, the assistant treasurers in the order of their seniority shall, in the absence or disability of the treasurer, perform the duties and exercise the powers of the treasurer, and shall have such other rights, duties, and powers as are authorized by the Executive Committee from time to time.

Section 9: ORDINATION, COMMISSIONING, AND LICENSING

Section 9.1 Ordination. Sovereign Grace shall develop and maintain the essential standards and practices for the ordination of ministers in its association of churches, which shall be implemented by the Regional Assemblies of Elders and their local churches, as further described in the Book of Church Order.

Section 9.2 Licensing. Sovereign Grace shall have discretion to license individuals for ministry purposes in accordance with standards and procedures that it shall develop in writing.

Section 9.3 Qualifications. The requirements for ordination and licensing in Sovereign Grace are based on the same Scriptural principles. To qualify for licensing, an individual must:

9.3.1 practice personal holiness, maintain a life above reproach, have a good reputation both inside and outside the Church, be able to teach others, and otherwise meet the requirements for overseers found in 1 Timothy 3:1-7, Titus 1:5-9, and 1 Peter 5:1-4, among other Scriptures, as understood and interpreted by Sovereign Grace; and

9.3.2 satisfy any other criteria that the Executive Committee deems necessary for individuals to receive licensing as a minister.

Section 9.4 Removal or Disqualification of Individuals as Licensed Ministers. The Executive Committee shall establish a policy regarding the grounds for removing or disqualifying an individual from licensing.

Section 9.5 Responsibilities of Licensed Ministers. Individuals licensed by Sovereign Grace shall serve in various positions and perform various duties in fulfillment of their calling to Sovereign Grace as an association of churches or to one or more local churches affiliated with Sovereign Grace. Such duties may include, but not be limited to, providing executive, administrative, financial, and/or technological oversight to Sovereign Grace or one or more of its affiliated local churches, and serving as a pastor and/or a worship leader for one or more of its affiliated local churches. All individuals ordained or licensed by Sovereign Grace shall carry out the ministry of Sovereign Grace as an ecclesiastical entity, and may perform the duties of a minister of the gospel of Jesus Christ, including teaching, counseling, administering baptism and the Lord's supper, officiating at weddings and funerals, advising the board on matters of church discipline, disbursing church monies appropriated through the approved church budget, and equipping others for ministry.

Section 10: BOOKS AND RECORDS

Section 10.1 Records. Sovereign Grace shall keep correct and complete books and records of its accounts and transactions, and minutes of the proceedings of its Executive Committee and any other committee when exercising any of the powers of the Executive Committee.

Section 10.2 Form. The books and records of Sovereign Grace shall be in written form, electronic form, or in any other form which can be converted within a reasonable time into written form for visual inspection.

Section 11: FISCAL MATTERS

Section 11.1 Deposits. The Executive Committee shall select banks, trust companies, or other depositories in which all funds of Sovereign Grace not otherwise employed shall, from time to time, be deposited to the credit of Sovereign Grace.

Section 11.2 Checks. The Executive Committee shall have the power to fix, and from time to time to change, the maximum dollar amount above which dual signatures are required, unless otherwise set. All checks or demands for money and notes of Sovereign Grace exceeding \$2,999 shall be signed by any two such officers or such other persons as the Executive Committee may from time to time designate. The signature of only one such officer or other designated person shall be required for checks or demands for money and notes of Sovereign Grace in the amount of \$2,999 or less.

Section 11.3 Fiscal Years. The Executive Committee shall have the power to fix, and from time to time to change, the fiscal year of Sovereign Grace. Unless otherwise fixed by the Executive Committee, the fiscal year shall commence on September 1 and shall terminate on the following August 31.

Section 11.4 Accounting and Fiduciary Guidelines. The Executive Committee shall conduct its affairs with unimpeachable integrity in the sight of God and men, and shall to that end maintain prudent and responsible control and accountability over all funds it receives and ensure that all funds are dedicated to Sovereign Grace's religious, charitable, and educational purposes.

Section 11.5 Designated Contributions. Sovereign Grace may accept any designated contribution, grant, bequest, or devise consistent with its general tax-exempt purposes, as set forth in the Articles of Incorporation. As so limited, donor-designated contributions will be accepted for special funds, purposes or uses, and such designations generally will be honored. However, Sovereign Grace shall reserve all right, title, and interest in and to and control of such contributions, as well as full discretion as to the ultimate expenditure or distribution thereof in connection with any special fund, purpose or use. Further, Sovereign Grace shall retain sufficient control over all donated funds (including designated contributions) to assure that such funds will be used to carry out Sovereign Grace's religious, charitable, and educational purposes.

Section 11.6 Loans to Directors and Officers Prohibited. No loans shall be made by Sovereign Grace to its Directors or officers. Any Director or officer who assents to or participates in the making of any such loan shall be liable to Sovereign Grace for the amount of such loan until it is repaid.

Section 12: INDEMNIFICATION

Section 12.1 Indemnification. Any person made or threatened to be made a party to any action or proceeding, whether civil or criminal, by reason of the fact that he or she is or was an Executive Committee member, officer, employee, or agent of Sovereign Grace, may be indemnified by Sovereign Grace, and Sovereign Grace may advance his or her related expenses, to the full extent permitted by law if the Executive Committee chooses to do so.

Section 12.2 Immunity for Service as Officer or Other Non-Executive Committee Member. No officer or other person who renders service to or for Sovereign Grace, in a capacity other than as a member of the Executive Committee, shall be liable, and no cause of action may be brought, for damages resulting from the exercise of judgment or discretion in connection with the duties or responsibilities of such officer, or, in the case of other persons, for damages resulting from an act or omission in rendering such services, unless the act or omission involved willful or wanton, conduct; provided, however, such relief from liability shall not apply in any instance where such relief is inconsistent with any provision applicable to corporations described in Section 501(c)(3) of the Code.

Section 12.3 Exception for Liability to Sovereign Grace. Notwithstanding the foregoing paragraphs, the liability of an Executive Committee member, officer or other person to Sovereign Grace shall not be limited to the extent that it is proved that he or she actually received an improper benefit or profit in money, property, or services for the amount of the money, property, or services actually received, or to the extent that a judgment or other final adjudication adverse to the person is entered in a proceeding on a finding in the proceeding that the person's action, or failure to act, was the result of active or deliberate dishonesty and was material to the cause of action adjudicated in the proceeding.

Section 12.4 Insurance. Sovereign Grace may purchase and maintain insurance to indemnify: (a) itself for any obligation which it incurs as a result of the indemnification specified above; and (b) its Executive Committee members, officers, employees, and agents.

Section 13: SEAL

Sovereign Grace shall have a seal consisting of two concentric circles, between which shall be inscribed the name, "Sovereign Grace Ministries, Inc.," and in the center of which shall be inscribed the year of its organization (1988), and the words, "Corporate Seal, State of Maryland." Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or otherwise reproduced, or by writing the word "(seal)" adjacent to the signature of a person authorized to sign a document on behalf of Sovereign Grace.

Section 14: AMENDMENTS

Section 14.1 Book of Church Order. As stated in Section 4, the Bylaws are subject to the authority and precedent of the Sovereign Grace Book of Church Order. No amendments, alterations, or repeal may be made to the Articles of Incorporation or Bylaws that are in conflict with the Sovereign Grace Book of Church Order.

Section 14.2 Amendments allowed by the Executive Committee. Subject to Section 14.1, the Articles of Incorporation and these Bylaws may be amended or altered by a super majority vote of at least two-thirds of the of the Executive Committee members in attendance at any regular meeting of the Executive Committee or at any special meeting of the Executive Committee if notice of the proposed alteration or repeal is contained in the notice of such meeting or notice is properly waived as outlined in Section 7 of these Bylaws. Notice of any meeting of the Executive Committee in which the proposed amendment, alteration, or repeal of these Bylaws is contained shall be in writing and shall be provided to each Executive Committee Member not less than 7 days prior to the meeting.

Section 14.3 Exception for Certain Amendments. In addition to the approval process described in Section 14.2, any amendments, alterations, or repeals of Sections 1, 4, 5, and 14, as well as any vote to dissolve Sovereign Grace as a corporation, must also be adopted by a majority vote of the corporate members at a regular or special Council of Elders meeting held according to the Sovereign Grace Book of Church Order requirements.

Section 14.4 Notice of Meeting. Notice of any meeting of the Executive Committee or Council of Elders in which the proposed amendment, alteration, or repeal occurs is legally sufficient if Sovereign Grace gives notice that states that the purpose of the meeting will be to act on the proposed amendment, and either (1) includes a copy of the amendment or a summary of the proposed changes, or (2) identifies a website at which the amendment or summary of proposed changes may be accessed and a telephone number or address where the Executive Committee members or Council of Elders representative of the corporate member may request a paper copy of the amendment or summary of proposed changes.