

SACRAMENTO NATURAL
FOODS CO-OP

ARTICLES + BYLAWS

2018 UPDATE

FROM YOUR BOARD OF DIRECTORS

FACT
SHEET

BACKGROUND

We're proud that the Sacramento Natural Foods Co-op operates under an internationally recognized core set of seven principles. The spirit of Democratic Member Control is Principle #2. This principle acknowledges that the ultimate authority of our Co-op is our body of members, who elect the board of directors to serve as the unified voice of the Co-op and govern the business. The board is responsible for ensuring the Co-op meets all California regulations, maintains its financial fitness and adheres to our member-first principles. The guiding light for our board is our set of articles and bylaws - the "operating manual" that forms the basis for how the Co-op functions and how we—the board—delegate responsibility.

WHAT'S CHANGED?

A lot has changed in our Co-op and our community since we were founded 45 years ago.

- We have expanded into a 42,000 sq. ft. store, from our previous 16,000 sq. ft. location
- We anticipate \$45 million in sales this year, vs. \$108,058 in 1973
- Our Co-op team has grown from 1 to more than 250 employees
- We have grown from a handful of founding members to almost 10,000
- Our beginning asset base was \$450...now it is over \$13 million

If you have questions about the updated articles, bylaws or special meeting please email bylawsupdate@sac.coop. Please note that your question and the answer may be posted to the new web page dedicated to the update, although your name will not be used.

WHAT HASN'T CHANGED?

The Co-op's Articles and Bylaws have not undergone a major revision in 45 years. Governance experts commonly recommend a comprehensive overhaul as often as every ten years. The revision to our old articles and bylaws will ensure our Co-op's ability to keep up with our growth and plan for the future accordingly.

To bring our articles and bylaws up to date, we are holding a special meeting in which the board is asking members to approve updated articles and bylaws. These legally-binding documents have been approved and endorsed by the full board based on recommendations by the Policy Committee and our legal counsel. The updates will modernize the Co-op, bring us fully into compliance with relevant California Corporations Codes and improve our governance to match the Co-op's scale and scope. In short, this update will better meet the needs of our membership and other stakeholders.

WHAT EXACTLY WILL CHANGE IN OUR ARTICLES AND BYLAWS?

Overall, the updated articles and bylaws will help the Co-op become a more flexible, adaptable and modern organization, while maintaining the same Co-op principles we've held for 45 years. Below are a few key changes that will be made if you—the membership—adopt them.

1: EXPAND THE CO - OP BOARD FROM 7 MEMBERS TO 9 MEMBERS

Increasing the number of members to serve on our Co-op board will improve our capacity to govern such a large cooperative, allow the board to better represent the diversity of our member base while stabilizing transitions when board terms expire.

2. DESIGN OUR NOMINATING COMMITTEE TO ENSURE A REPRESENTATIVE DEMOCRACY

The updated articles and bylaws will provide for a nominating committee chaired by a sitting board member who will work alongside four members at large to ensure our democratic process is being fully realized. The newly reformed committee will also be better able to properly vet candidates on behalf of the membership.

3: UPDATE BOARD MEMBER TERM LIMITS

As Co-op membership has swelled to nearly 10,000, our pool of talented, diverse candidates for the Co-op board has increased with it. Incumbent biases are notable in larger cooperatives, which tends to limit board diversity and representation for some groups. Through term limits, our organization can better represent the diversity of our growing membership and continue to bring fresh voices to the table to ensure the Co-op's long-term success.

4: UPDATE CURRENT STANDARDS FOR QUORUMS

The Co-op has thousands of members, but our quorum standards haven't evolved with this growth—this jeopardizes democratic member control. The updated articles and bylaws will establish quorum requirements that properly reflect the size of our growing membership.

5: MODERNIZE OFFICER POSITIONS

We're not the same small co-op we were in 1973. As a nearly \$45 million business, our Co-op is a complex organization with sophisticated operations. Under the current articles and bylaws, the store's management staff needs specific board positions to sign off on the many minute details of day-to-day operations. By transitioning some state-mandated corporate officer positions to operations—with the board's consent and oversight—we can ensure the store is running efficiently and effectively on a daily basis. In turn the board can focus on broader Co-op governance and more effectively plan for the future. The board will retain all powers it currently holds, board officers will comprise a Chairperson, Vice Chair, and Second Vice Chair. The board executive positions will lead the board in accomplishing its duties just as the current president, vice president and board secretary positions do.

6: EMPOWERS THE BOARD TO FULFILL ITS FIDUCIARY DUTY

Under the updated articles and bylaws, we'll reduce the number of mandates for committees and cumbersome processes that have become outdated or counterproductive. While the board may elect to continue any number of committees, it may also choose to focus on creating committees or task forces that match the needs of today's Co-op. Providing the board with the flexibility to match the needs of good governance with the needs of the Co-op makes the board more efficient. These articles and bylaws will allow the board to develop its annual calendar and strategic plan to better align with membership's needs and market demands. In order for us to synergize with other cooperative grocers and remain compliant under law, our fiscal year mandate must change, which the updated bylaws will finally allow.

WHY NOW?

We strongly believe that the advantages of moving forward sooner than later are substantial.

1. Acting during our special meeting enhances the director election process by presenting members with the opportunity to elect three directors in September versus the two seats available to fill under current policies. Board diversity is known to improve the governance of organization.

2. Allowing the risks associated with low quorums, which have the potential to lead to undemocratic actions, for any length of time is contrary to maintaining healthy stewardship of our Co-op.

3. Drawing on the experience of a whole system of cooperatives, consultants, professionals and in-house talent the updates are vetted and the consensus of the board underscores the vast improvement that's been made over our current articles and bylaws.

4. Addressing the material threats to the financial sustainability of our Co-op, which are embedded in our current bylaws, must be addressed at the earliest opportunity.

Economic markets are increasingly volatile, our Co-op needs to be resilient and adaptive. Current bylaws unduly restrict our Co-op's ability to secure capital. This is a serious threat to our ability to both protect what we have and grow.

5. Settling for substandard articles and bylaws is counter-intuitive. We have an amazing cooperative. Together we can choose better now and keep our future outlook sensational.

These are some of the reasons your board of directors believes that the expedient vote of the membership on the proposed updates will serve to protect and strengthen the viability of our Co-op.



SAVE THE DATE

MAY 11 - JUNE 4

Visit with the Board during this time period to ask questions about the updated articles and bylaws and the upcoming special meeting—schedule to be posted on the bylaws update page.

JUNE 4

Voting opens for the proposed action at our special meeting. You will receive a guide to the updated articles and bylaws in the mail.

JUNE 16

A special meeting will take place at 6 pm, upstairs in the Training and Conference Room.

JUNE 17

Voting Closes

JUNE 22

Results are announced to membership

For more information on the updated articles and bylaws and what they mean for the Co-op community and information on the special meeting, visit: www.sac.coop/bylaws-redraft