

FREQUENTLY ASKED QUESTIONS

Q: Why are officers being changed?

A: Currently, our corporate offices are held by board members. This means our Board President is technically the CEO, and our board treasurer is our technical CFO. Boards need to have offices related to governing, and that is why the proposal clarifies those roles to yield a Chairperson, Vice-Chairperson, and Second Vice-Chairperson. The board will retain full authority over its own work and will have full oversight and power over the management just as it does now. The corporate offices, such as President, are not similar to their public sphere counterparts. These largely deal with signatory responsibility and liability. By moving the corporate offices to operations, we will have a GM who is the CEO/President as opposed to having our CEO sit at the head of the Board as is currently the case. That means that the business of the Co-op can be done more effectively and efficiently. Consider that our current board signs off on tax returns they don't prepare, liquor licenses that bar them from ownership of businesses such as restaurants, and assume responsibility for actions they did not perform. In 1973, with no staff, a working board needed to assume these burdens and functions. In 2018, with 260 staff members, they do not and should not assume these corporate offices. Most large co-ops are set up in the manner we suggest, from food co-ops to REI because it is the wisest course of action.

It's important to note that under these updated articles and bylaws, the CEO still reports to the board and can be replaced by the board at any time, along with other corporate officers. The main goal of this update is to ensure we keep our store running smoothly.

Q: Why remove CA citizenship as a requirement?

A: If a member moves away for a time, we do not expect them to give up their membership. The removal of this, and other requirements is to allow the board to be flexible in determining what membership requirements should be. Also, Sacramento is the capital of the fifth largest economy in the world, and many people frequent our city and shop our store who are not able to become members. We also have members who move in and out of the area. Conflict with our first principle, Open and Voluntary Membership, led to a decision to propose removing the requirement.

Q: Why is the timeline so short for this process?

A: The board has worked hand-in-hand with the Election Committee

every step of the way to make sure our timeframe follows our current bylaws, state law and our Co-operative Principles. We believe this five-week process gives you the time you need to review the updated articles and bylaws, make an informed decision and exercise your democratic right to vote. It's extremely important to us that you feel good about your vote – leading up to close of voting, our directors will be in the store to answer any questions you may have to help you make an educated decision. Find more information at sacfood.coop/bylaws-redraft or email bylawsupdate@sac.coop.

Q: I hear the board has been working on these updated articles and bylaws for two years. Why are we just now seeing them?

A: The Board and the Policy Committee followed the guidelines set out for us in the current bylaws and the Policy Committee Charter. And you heard correctly, the process has been two years in the making. Updating a Co-op's articles and bylaws is a big undertaking, especially when it's the first overhaul in almost 45 years (most cooperatives update their bylaws every 10 years or so!). We consulted legal experts, conducted extensive research on other cooperatives around the country and collaborated with representative focus groups consisting of you, our membership, to gain your thoughts and feedback. Before you are documents that your board believe underscore the structure of our Co-op with almost 10,000 members in 2018 and looking forward for many years to come.

Q: Why now? Why aren't we waiting until the regular election?

A: There are a couple of big reasons why we've decided to move forward with this process now. The first is that, under the updated articles and bylaws, we'll move from a seven-member board to a nine-member board. Holding this vote now will allow us to vote for three new directors in September. Even more importantly, we want to highlight how important we believe these updates are to the future of the Co-op. This is an exciting time for us – the opportunity to exercise our democratic right to vote on a revision of this scale is once-in-a-generation. Because it's so important, the board believes these updates needed to be considered on their own, rather than alongside the regular candidate election where they could get lost in the process. We want to give these updated articles and bylaws the attention they deserve.

Q: Why are we reducing the number of Member Meetings? Doesn't this limit our access to the board?

A: When the board first started working on these updated articles and bylaws, we reviewed the policies of cooperatives around the country to get a sense of what is standard practice. The vast majority of food co-ops in this country have one annual member meeting – we're an exception with our quarterly meeting structure. Changing to an annual meeting structure allows us to put four times as much effort into one meeting celebrating our Co-op and planning for the future, resulting in wider appeal and greater attendance. Members will still always be able to attend regular board meetings.

Q: Why are we opening up preferred shares to non-members?

A: Our current bylaws do not include a provision prohibiting members who own preferred shares from terminating their membership and redeeming the cash value of their shares immediately. This puts the Co-op at great financial risk. The objective of selling preferred shares was to provide the Co-op with cash reserves. Because the shares have defined terms this allows the Co-op to better plan for our financial future. If there is a "run" on cashing out shares via members leaving the Co-op that could have devastating financial impacts to our store. At this time, the board has no plans to sell preferred shares to non-members.

Q: Why nine board members? What's wrong with seven?

We've grown from a handful of founding members to nearly 10,000. We also anticipate more than \$45 million in sales this year, compared to slightly over \$100,000 in 1973. For an organization of our size (that's also rapidly growing), we've found that having only seven directors is just not enough. In addition, expanding our board to nine members allows for greater diversity of voices and better representation of our members' views and experiences.

Q: Why do we need to update our quorums?

A: In the updated articles and bylaws, we have increased the quorum number to five percent in order to better reflect the size of our membership. This quorum size will better ensure representative democracy and that the voices of members will be heard.

Q: Were members enlisted to draft these? Why did the board do this without allowing us to volunteer to help?

A: The board involved members in three separate ways. First, several members have been working with the board as part of the policy committee, where they helped review, adjust and enhance the initial draft. Second, we engaged with a representative cross-section of our members in focused group conversations to get their thoughts and feedback on the proposals. Finally, and most importantly, the Co-op is a representative democracy. The members voted in, and entrusted the board to take on tasks like

this – the board has completed its work, and has presented back to the members so that they can decide. The board has a responsibility under law and under the bylaws to do the very work they are doing. Unelected, self-selected parties taking on a technically demanding and important process instead of such work being handled by elected representatives is not reflective of a representative form, or any form, of democracy.

Q: Why is there no red line comparison?

A: The bylaw revision is a slate revision. The question was asked, "If we had ideal bylaws, what might those look like?" The intent has been to retain the values and spirit of the cooperative in the redraft, yet to allow the board to forward the best document possible. In order to achieve the purposes needed or of clear value, as well as keep the document readable, the new set of bylaws was written from scratch. In fact, if you put both documents into Word and tell it to produce a redline, it simply crosses out the old set in its entirety, and replaces them with the new set. The current bylaws are available on the Co-op's website.

Q: Why do we need term limits?

A: 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. Through term limits, our organization can better represent the diversity of our growing membership and continue to bring fresh voices to the table and ensure the Co-op's long-term success. In addition, these term limits are retroactive to enact a 10-year lifetime limit on serving as a director, which means we can get even more fresh faces to serve on the board and positively represent our membership

THE BELOW Q & As WERE NOT INCLUDED IN THE MAILER

Q: Has the bylaws amendment process (requiring a publicized meeting, etc.) been eliminated?

A: The amendment process is being followed exactly as laid out by the members. There was a publicized meeting on 10th May where a thorough Q&A was entered into by all in attendance.

Q: How do we keep our board and management in 'check'?

A: The board answers to the members. As a representative democracy, the bylaws allow for the voting out, or indeed the recall of directors who are not doing their job.

In turn, the board supervises the management on behalf of the membership. In practice, the biggest decision the board ever makes is the choice of CEO of the co-op. Once we hire them, we provide them goals to aim for, and monitor proscribed activities as part of our regular board meetings. If anything, the new bylaws reduce the likelihood of wrongdoing by addressing weaknesses in our system, such as allowing board members to serve 27 of 29 years.

Q: Why do you want one big annual meeting? Is that common?

A: The vast majority of food co-ops in this country have one annual member meeting. We are an exception with quarterly meetings, which have generally had limited attendance. Having one annual meeting allows us to put 4 times as much effort into one meeting, with correspondingly wider appeal and greater attendance. We expect to draw hundreds of member instead of a dozen or two of the same faces in attendance we have in our current bylaw set up – a fact which demonstrates the low value of the current system to a vast majority of members. The experience of hundreds of other coops tells us that this move is the correct move.

Q: Why doesn't this call us OWNERS?

A: The standard nomenclature used by the International Co-operative Alliance, federal and state law, the National Cooperative Business Association, and pretty much every culturally or statutorily relevant group is the word "Member". This indicates the status that you are a part of the organization, while clarifying that you do not have property rights over the organization itself, merely the equity that you put into it. Ownership is a function of the membership as a whole, not of individual members. So, in fact, WE own it!

Q: Why will having fewer meetings help? Will this harm communication?

A: Communication has been less than ideal largely because a lot of board time is currently taken up by an inefficient and ineffective meeting schedule. Our goal is to reduce the amount of busy-work we have, specifically to increase our capacity to hold face-to-face dialogue with our members. We have not met many who favor meetings for the sake of having meetings.

Q: Member work is not mentioned here – are you getting rid of it completely?

A: We remain committed to providing volunteer opportunities to help the wider community, as provided for in our Ends. However, it is easier to responsibly manage programs such as these when the rules are not rigidly set out in the bylaws. It may seem paradoxical, but without being so prescriptive, we can be more flexible and provide better service to our community partners, as intended by Co-operative Principle 7. This is especially important as we are a Union shop and labor law is constantly evolving.

Q: Why are there new provisions regarding membership suspension and termination?

A: The termination section codifies current practice which already allows for termination for any reason (which rightly assumes that a supermajority of elected representatives constrained by law and bylaws will almost certainly act reasonably in handling such rare

cases on behalf of the membership). The suspension section was added to allow for a less drastic alternative to ejecting a member for malfeasance.

Q: Membership fee - is that the \$5?

A: Yes. That is the administrative fee associated with joining the Co-op.

Q: Nominating Committee members can be removed by the Board at its sole discretion? - that seems sweeping.

A: The Nominating committee is founded here with the intent that it be a more independent arm of the co-op, much like the elections committee is today. Since the committee is charged with vetting candidates, it is imperative that the board be able to handle any malfeasance by committee members.

Q: Why would we no longer allow a staff member to be on the Board?

A: The proposed Bylaws allow for one employee to serve on the board, just like today.

Q. I thought that when we vote on proposals or initiatives that there were supposed to be pro and con arguments. I didn't receive either in my ballot and I don't see them online. What happened?

In relation to the pro/con arguments, neither argument was included in the ballot packet nor will they be posted online. While we did receive one con argument submission, it did not meet the requirement of five signatories. We believed that including only a pro argument was not fair, although we could have chosen to do so.

It is more important to understand that our current bylaws do not require either a pro or con (or both) argument. We consulted legal counsel to ensure due diligence. As members ourselves, we understood that there could be some concern.

The distribution and voting of the bylaw and article revisions is governed only by the current bylaws. No pro or con (or both) are required under the current bylaws. There is no requirement to include the pro/con and no ramifications from a legal perspective in not publishing them or using an alternative, such as an online tool easily accessible to members.