



## Board of Directors Meeting Minutes

February 1, 2018

Ten Pin Building – 793 K Street, Arcata

### **Present at meeting:**

**Board Members:** Colin Fiske (Board President), Robert Donovan (Vice President), Leah Stamper (Secretary), James Kloor (Treasurer), Cheri Strong, Ed Smith, Mary Ella Anderson

**Absent Board Members:** None

**Co-op Employees:** Melanie Bettenhausen, Emily Walter, Laurie Talbert, Michelle Sanders, Jason Davenport, Vince Graves-Blandford

**Member-owners:** Roger, David Cobb, Tamara McFarland

### **1. Welcome**

Meeting was called to order at 6:02pm by Colin.

### **2. Agenda Review and Approval**

Ed would like to add an agenda item following the board president report regarding the process of letters being sent that are on behalf of the board. Consensus to approve the agenda as amended.

### **3. Approval of January 4, 2018 Minutes**

James noticed a typo on the last page of the January minutes.

**Motion:** Approve the January 4, 2018 board meeting minutes as corrected.  
Colin moved, 2<sup>nd</sup> from Leah. Motion Passes (5/0/2) Ed and Mary Ella abstained.

### **4. Member Comment Period**

Roger was recently at the Ukiah co-op and noticed good morale at their store and liked the to-go containers they had in the deli. Roger likes the current boards energy. A long time Co-op member and Roger went to eat at the Co-op to get a hot meal. It was disappointing that every item contained sugar and they decided not to get anything. Mentioned having board meetings in the stores sometimes to get more employee participants.

- Colin mentioned that MAC is reviving the topic of member engagement.

### **5. Cooperation Humboldt – Presented by David Cobb and Tamara McFarland**

- David - Cooperation Humboldt is a newly formed nonprofit that will work to help develop a solidarity economy across the North Coast. We aim to identify, support, and nurture cooperative economic efforts that help people meet their needs without exploiting or oppressing anyone, without being exploited or oppressed by anyone, and without destroying Mother Earth. We believe our current society is racist, sexist and that huge corporations will ruin the planet if we let them. We aim to amplify the great things already happening in the solidarity economy here on the North Coast, as well as to build our community's capacity for responsible resilience going forward. We want to normalize the idea of a restructured society.
- Tamara – interested in the food sector of Cooperation Humboldt. We are currently in the process of brainstorming ideas and reaching out to communities to find out what their needs are. Interested in converting front lawns into gardens, developing micro neighborhoods to grow food together, creating little food pantries, and vertical gardens (food walls). Long term we want to promote food forests.
- David – other program areas include the concept of a public bank, such as the one in North Dakota. Another is an Art and Culture program. We are holding a symposium on February 24. In the future we would love to include information about Cooperation Humboldt in the Co-op News and other marketing outlets. We want

to discuss how we can partner with the Co-op to help us both meet our needs. HSU is interested in doing a symposium on solidarity economics in the fall. Perhaps the Co-op would want to be involved.

- Colin – as far as publicity – the Co-op News is printed quarterly, and members can submit letters.
- David - would like to submit content about their organization to the Co-op News.
- Robert - mentioned Cooperative Humboldt could join the Co-op as a member.
- David - there are no worker-owned co-ops in Humboldt County. I would like to see this changed. There will be a workshop to teach people how to create a worker owned co-op.

Find out more about Cooperation Humboldt at <http://cooperationhumboldt.com/>.

**Motion:** Name Cooperative Humboldt as a strategic partner of the Co-op.  
Colin moved, 2<sup>nd</sup> from Leah. Motion Passes (7/0/0).

**6. Board President Report – Reported by Colin**

a) Board Report Assignment

Leah will write the board report for the February 2018 board meeting.

b) Nominating Committee Chair

**Motion:** Confirm Cheri Strong as the Nominating Committee Chair.  
Colin moved, 2<sup>nd</sup> from James. Motion Passes (7/0/0).

c) CA Coop Co-op Conference (Apr. 28/29 – 30)

Cheri reminded everyone that it has been an excellent conference in the past. Leah, James and Colin will meet soon to solidify who, if anyone, wants to attend.

d) Strategic Planning update

Staff is hiring a facilitator for the kick-off meeting on Saturday, March 3, 2-4:30p.m. at Eureka Women's Club. We will try and get as many members to attend as possible. At the meeting three members will be voted to represent the membership to serve on a strategic planning committee.

e) Board correspondence

- Mary Ella – appreciated seeing that we are an inspiration to another Co-op.
- Colin – Van (board attorney) has been sending an email around concerning a new tax law that could affect how co-op dividends are taxed. If anyone is interested in seeing the correspondence, Colin can forward it. James would like to see it.

**7. Board Process for Sending Letters on Behalf of the Board**

- Ed – concerned that at a board meeting in 2016 the board voted for staff to draft a letter to the Board of Supervisors on behalf of the board. This letter was sent prior to ever seeing the final draft.
- Colin – recollection that the board authorized staff to write the letter. Not sure it was specified who should sign the letter. I don't think any board members saw the letter. I requested it later. Is the concern that it was signed from the board instead of from staff?
- Mary Ella – remembers that Ed did not support this letter. If a board member doesn't agree, how should the letter be signed?
- Colin – we function by majority as written in the bylaws. Whatever the majority the board votes is the position of the board. On a case by case basis we can discuss how to represent dissent.
- Colin – in the future, when board directs staff to draft a letter, it needs to be specified who signs the letter. It sounds like this happened during a complicated and transitional time.
- Ed – if a letter is being signed by the board it's due diligence that the board should see the draft letter before being sent.

**8. Deli Sources – Reported by Colin**

There have been discussion/concerns raised at Earth Action and Member Action meetings about deli ingredients and sources of ingredients.

- Leah – at the beginning of the deli remodel we were told that ingredients will be mostly organic. The first new hot bar item I saw was natural beef. Using the word “natural” is greenwashing at its finest. We are selling beef cheaper at the hot bar than you could buy it from the meat counter. There have been many items with quality organic ingredients, but this beef hot dish is concerning.
  - o Melanie – produce comes from local vendors, Earls organic, Veritable vegetable and several other sources. Most deli ingredients are organic. We have been strategically adding staff to help source good deli ingredients. As of this week the pastrami will be nitrate free. Creekstone farmed beef is what is being served in the hot bar. It is grass-fed beef and the company is known for their quality and treatment of animals. Sometimes we focus more on practices than organic certification when purchasing product, as organic certification doesn’t always transfer to good practices.
  - o Leah – wants to make sure we are being transparent about ingredients being used.
  - o Melanie – there is a lot in the works right now that will inform customers. We will soon be easily able to update and label ingredients as they change.
  
- Leah – are staff being directed to the Purchasing Policy?
  - o Melanie – there are many staff involved with the decision-making process. They are moving towards being in-line with the Purchasing Policy.
  - o Leah – doesn’t support compromise because of lack of availability. Would like to revisit beef at a later time. Eel River beef is more in line with our Purchasing Policy than Humboldt Grass Fed.
  
- Colin – the potentially most troubling thing is that we might be designing the menu based on factors other than meeting the Purchasing Policy. If we have items on the menu that we can never sell at a reasonable price with local and organic products then we should remove them. If the price point is too high, then we should take it out of production.
  - o Melanie – this is a slippery slope. A lot of people think our prices are too high. They can get something elsewhere that they think is quality. Feels confident that the work that has been done on the menu is allowing us to do local and organic emphasis with a reasonable price point with margins that will keep us in business. We often underprice for what the quality is. There is concern by deli staff that prices will be too high, and people will be turned away. Ashland Co-op just upped their hot bar/deli items to \$10.99/lb.
  - o Colin – people want to spend money on experiences, not necessarily product. It’s not just how cheap a product costs, it’s the Co-op experience. Thinks people would pay more for a sit-down meal in the Co-op than for the same food in a plastic to-go container.
  
- Ed – the gap is that the board is not part of the process. As an employee I’ve seen at least 20 deli meetings taking place recently with a lot of consideration for all the concerns being raised. There is a lot of dedication from staff being put into the deli and the remodel.
  - o Melanie – happy we are having this conversation. It’s nearly impossible to transfer all the knowledge of what is happening with the deli and the remodel plans from my head to yours.
  - o Robert – motions that the board has a tremendous amount of trust in staff.

## **{ 5 MINUTE BREAK }**

### **9. Committee Reports/Motions**

#### **9a. Earth Action Committee (EAC) – Reported by Colin**

EAC discussed options for moving towards 100% sustainable energy. We also discussed creating a transportation survey which will be reviewed at the next EAC meeting.

#### **9b. Policies & Procedures Committee (PPC) – Reported by Leah**

The group reviewed new membership documents/letters, board policy manual changes and the process of escheatment.

The board reviewed these documents as included in the February board packet.

- Colin - in both the letter and the chart there is reference to the \$50 patronage bylaw policy. The bylaws allow us to do that, but the policy is no patronage.
- Melanie – the intent is to inform members that they should be spending \$50 annually.
- Colin – we don't want to kick people out that are participating. Two years of no patronage is the standard for expelling members.
- Melanie – there are situations when someone is using a membership number even if it's not theirs. So, if you just go by zero patronage then it leaves out a chunk that won't get addressed because they have a very small amount of patronage. We want to use this as an opportunity to remind them that they should be spending \$50 annually. Let's get started and we will learn and adjust as needed.
- James – have the letter signed by the GM, not the whole board. This is an operational policy.

ACTION: Laurie will make the following change under D.

“No Contact” means no response from the member-owner to the cooperative's written communication requests to the member-owner, and/or return of mail to the Co-op as undeliverable.

**Motion:** Approve proposed changes to the Board Policy Manual (see attachment A) as amended and authorize the letters to be sent and signed by staff.

Motion by Leah, 2<sup>nd</sup> from Colin. Motion passes (7/0/0).

**9c. Member Action Committee (MAC) – Reported by Cheri**

The meeting was spent discussing availability of the Purchasing Policy and that it should be more visible in the stores. There was talk about increasing Annual Membership Meeting attendance by members and employees. It was decided to refocus on member engagement at the February MAC meeting.

**9d. Nominating Committee (NC) – Reported by Cheri**

NC discussed the board application process. Example application questions will be reviewed at the February meeting along with including a conflict of interest form with the application.

**Motion:** Hold the Annual Membership Meeting on October 21, 2018.  
Motion by Cheri, 2<sup>nd</sup> from James. Motion passes (7/0/0).

**10. General Managers Report - February 2018 – Reported by Melanie**

The board reviewed the December financials. Net income is positive.

**Motion:** Approve the February 2018 General Managers report.  
Motion by Leah, 2<sup>nd</sup> from James. Motion passes (7/0/0).

**10. Member Comment Period**

- James – knows multiple people would like to see metal utensils sold at the deli.
- Laurie – brought up the needed signatures of the board on the Shareholders Disclosure document for the renewal of the securities permit. The board reviewed the updated Shareholders Disclosure document and signed it.

**11. New Business (items for next agenda):**

- Budget review

Consensus reached to adjourn the February 1, 2018 meeting at 8:54pm and move into Executive Session.

*Minutes by Emily Walter*



North Coast Co-op  
Board of Directors Executive Session Minutes  
February 1, 2018  
Ten Pin Building – 793 K Street, Arcata

**Present at the meeting:**

**Board Members:** Colin Fiske (Board President), Robert Donovan (Vice President), Leah Stamper (Secretary), James Kloor (Treasurer), Cheri Strong, Ed Smith, Mary Ella Anderson

**Absent Board Members:** None

**Approved guests:** Melanie Bettenhausen

No reportable action this month.

Executive session ended at 9:50pm

*Reported by Colin Fiske*

# Attachment A

## Section 3 – Termination of Membership

### A. Voluntary, Death, or Dissolution:

- 1) Member-owners may terminate their membership, effective immediately, at any time by written notification to the Board Secretary. (Bylaws, Section 3.01)
- 2) Upon the death of a member-owner, the membership, and all membership rights, are immediately terminated. (Bylaws, Section 3.02)
- 3) Upon the dissolution of a member-owner that is a legal entity, the membership, and all membership rights, are immediately terminated. (Bylaws, Section 3.02)

### B. Membership termination through expulsion:

- 1) A member-owner may be expelled by a two-thirds (2/3) vote of the Board of Directors for any of the reasons specified in Bylaws Section 3.03(a). These reasons include failure to patronize the Co-op in the amount of at least FIFTY dollars (\$50.00) during the immediately preceding fiscal year. However, it is the intent of the Board only to expel member-owners who have not spent any money at the Co-op for at least two fiscal years. ~~\_; for this reason, where a member owner has failed to patronize the Co-op for one fiscal year, the member owner will be provided written notice as prescribed at Section 3 D (3) of these policies, prior to expulsion.~~ Other reasons for expulsion include: shoplifting from the Co-op, causing damage to the Co-op, or harassing or threatening its Employees.
- 2) Following the end of each fiscal year, the Board shall ensure that all member-owners who did not patronize the Co-op during the last fiscal year receive notice, ~~as provided in Section 3 D (3) of these policies,~~ stating that continued non-patronage may result in expulsion. In addition, the notice will include notice of “no contact”, as provided in Section 3 D (3a) of these policies.
- 3) When a member-owner has failed to patronize the Co-op for two fiscal years *and* the member-owner has failed to respond in writing to notices required by Section 3 D (3) of these policies, and in the absence of extenuating circumstances, the Board shall expel the member-owner pursuant to Bylaw Section 3.03.
- 4) If the Board of Directors determines that expulsion is appropriate, the expulsion shall become effective on a resolution adopted by two thirds (2/3) vote of the Board of Directors. On expulsion of a member-owner, the name of the member-owner shall be stricken from the membership register and all of his or her membership rights shall cease except for any rights of settlement or redemption as provided in Section 3.04 of the Bylaws.

### C. Termination of ~~Joint~~ Memberships

Although the Co-op's Bylaws and policies contemplate a singular membership, it has been the practice of the Co-op to permit household shopping on a single membership. Membership applications from 1990 to the present have included space for collecting information about a second member-owner. California law permits joint memberships. Pursuant to the Co-op's policies, a condition of joint membership is that each joint member-owner designates the other joint member-owner as their Designated Beneficiary in

the case of termination (due to death, dissolution or expulsion), and jointly designates one of the joint member-owners to receive any Redemption Proceeds on termination of the membership.

The procedures for termination of memberships are as follows:

1.) Single membership no second member-owner on application, but spouse is using membership.

- a.) Voluntary: Where a single member-owner gives notice to the Co-op of the intent to withdraw, and there is no second member-owner on the contract, the membership terminates, triggering the member-owner's redemption rights. Because proprietary interests in the Co-op are not transferrable, and there is no contract between the spouse and the Co-op, the member-owner will have the exclusive right to the Redemption Proceeds from the Co-op.
- b.) Death or Dissolution: Where the Co-op receives notice of the death or dissolution of the member-owner, the membership terminates as of the date of death or dissolution, triggering redemption rights. A spouse or heir may demonstrate a legal claim to the Redemption Proceeds, which the Co-op would honor. The spouse or heir may open a new, single-person membership. In the case of dissolution, the original member-owner will retain the original membership number. In the case of death, the surviving spouse's new membership may be designated by the same membership number.
- c.) Expulsion: Where a single member-owner is expelled from the Co-op, the redemption rights will be triggered as indicated above. However, if the expulsion is due to no contact, the Co-op will not be able to redeem the shares (there is no means of locating the member-owner). In this case, the Co-op will hold the proprietary interests until they are properly claimed or until they become subject to transfer to the Co-op after the third year of no contact (Policies, Section 3 D (4)). A spouse or heir would need to demonstrate a legal claim to have rights in the Redemption Proceeds following expulsion for no contact, and such claim would only be honored prior to the transfer to the Co-op. Following transfer to the Co-op, a member-owner has no further claim to the proprietary interests or to any redemption proceeds.

2.) Joint membership, with second member-owner on application.

Where there are two member-owners on the application, each will have designated the other joint member-owner as their beneficiary; however, either joint member may voluntarily terminate the membership and receive all redemption proceeds.

- a.) Voluntary: Where one or both joint member-owners wish to voluntarily terminate the membership, the Co-op will redeem the proprietary interests to the joint member-owner who initiates the request. If one joint member-owner wishes to remain a member-owner of the Co-op, the Co-op will terminate the joint membership and open a new, single-person membership for the remaining member-owner, and the new membership may be designated by the same membership number.
- b.) Death or Dissolution: In the case of Death or Dissolution, the membership will terminate, and the surviving designated beneficiary will have rights to the Redemption Proceeds. The surviving joint member-owner may open a new membership, and the new membership may be designated by the same membership number.
- c.) Expulsion: Where a joint member-owner is expelled, the Co-op will terminate the membership, triggering redemption rights. The Redemption Proceeds will be paid to the remaining joint member-

owner. The remaining joint member-owner may open a new membership, and the new membership may be designated by the same membership number.

3.) Trusts: A member-owner's proprietary interest in the Co-op cannot be placed in a trust because the propriety interests are not transferrable. This means that a beneficiary of a trust could not receive the proprietary interests. A beneficiary of the trust may receive the Redemption Proceeds equal to the value of the proprietary interest. The Co-op recognizes that member-owners may wish to ensure that their heirs receive the value of the proprietary interest through distribution of the Redemption Proceeds to a trust. To accommodate these member-owners, the cooperative permits the member-owners to designate the Trustee of their trust as the beneficiary of the Redemption Proceeds in the event of membership termination. The membership may be either a single or joint membership. In the case of a joint membership, the Trustee will be designated as a secondary beneficiary following the surviving joint member-owner.

a.) Termination of Single Membership with Trustee named as beneficiary: On termination, the member-owner's Redemption rights are triggered and the Co-op will pay the Redemption Proceeds to the Trustee of the member-owner's trust. The member-owner can list the right to receive the Redemption Proceeds as an asset in their trust, putting the trustee on notice to collect that asset after the death of the member-settlor of the trust.

b.) Termination of Joint Membership with Trustee named as beneficiary: On termination of the joint membership, the remaining joint member-owner is named as the primary beneficiary, and will receive the Redemption Proceeds. If neither joint member-owner is able to receive the Redemption Proceeds—for example in the case of simultaneous death—the trustee, as beneficiary, will be able to receive the Redemption Proceeds. If there is a remaining joint member-owner, the membership will still be terminated and proceeds redeemed; however, if the remaining member-owner wishes to open a new account, the new account will be a single membership and the Trustee can be named as beneficiary. The new membership may be designated by the same membership number.

c.) Trustee Situs: Trustee does not need to be a resident of the state of California as the trustee will not become a member-owner of the Co-op, but will only be entitled to receive the Redemption Proceeds.

#### D. Maintenance of Membership Rolls Policy (Section 3).

1) It is the intent of the Board to maintain an ~~active-current~~ roll of ~~all active~~ memberships in order to minimize administrative burden and negative impact to the environment. Membership rolls are maintained either through patronage as described in Section 3 B (1) of these policies, or through “no-contact”. “No Contact” means no written communication from the member, no response from the member-owner to the cooperative’s written communication requests to the member-owner, including undeliverable mail and/or return of mail to the Co-op as undeliverable. In evaluating whether there has been “Contact” the Co-op will not consider shopping or voting, which could be done by someone other than the member-owner, using the member-owner’s number. “Contact” includes receipt of a cancelled check or redeemed voucher negotiating the member-owner’s patronage refund or share dividends, but does not include mail returned to the cooperative as undeliverable.

~~Contact includes response to written communication requests by the Co-op or negotiation of distributions of patronage refunds and/or share dividends made to the member-owner. “Contact” does not include usage of the membership number in the store, or voting, because the Co-op has no effective means of verifying that the user (or voter) of the number is the member-owner. “Terminated” memberships are those described in Article III of the Bylaws.~~



2) In the case of death or dissolution, the cooperative has not received notice of the death or dissolution and is not able to declare the membership terminated. Where there has been no contact with the cooperative through written communication from the member-owner, or negotiation of distributions of patronage refunds and/or share dividends, the membership is in jeopardy of becoming terminated.

3) Following the end of each fiscal year, the Board shall ensure that all member-owners who did not contact the Co-op during the last fiscal year receive notice mailed to the last known address stating the membership is in jeopardy of being terminated ~~and request that the member-owner contact the Co-op.~~

a. The notice shall explain the legal status of the member-owner's proprietary interest after one, two and three years of no contact and it will direct the member-owner as to how to affirm his or her proprietary rights ~~and request that the member-owner contact the Co-op.~~

When a member-owner has failed to contact the Co-op for two fiscal years and the member-owner has failed to respond in writing to notices required by Section 3 D (3) of these policies, the Co-op will send an additional notice and request for contact. The notice shall explain the legal status of the member-owner's proprietary interest after one, two and three years of no contact and it will direct the member-owner as to how to affirm his or her proprietary rights.

When a member-owner has failed to contact the Co-op for three fiscal years and the member-owner has failed to respond in writing to notices required by Section 3D (3) of these policies, the Co-op will send an additional notice and request for contact. The notice shall provide that after the third year, the property will be transferred to the Co-op in accordance with California Cooperative Law section 12446 and Bylaws section 2.07.

4) If the Board of Directors determines that expulsion is appropriate, the expulsion shall become effective on a resolution adopted by two thirds (2/3) vote of the Board of Directors. On expulsion of a member-owner, the name of the member-owner shall be stricken from the membership register and all of his or her membership rights shall cease except for any rights of settlement or redemption as provided in Section 3.04 of the Bylaws.4)

~~"No Contact" means no response from the member owner to the cooperative's written communication requests. In evaluating whether there has been "Contact" the Co-op will not consider shopping or voting, which could be done by someone other than the member owner, using the member owner's number. "Contact" includes receipt of a cancelled check or redeemed voucher negotiating the member owner's patronage refund, but does not include mail returned to the cooperative as undeliverable.~~

5) Redemption Proceeds, as used in these Policies, refers to any amounts due to a member-owner, or a legal or designated beneficiary of a member-owner, on the termination of a membership, exclusive of any amounts due from the member-owner to the cooperative. For purposes of redemption, in the case of termination by death or dissolution, the value of a membership account shall be as of the date of death or dissolution, rather than the date of termination of the membership.

#### E. Cooperative exemption from California's escheat laws:

1) Certain unclaimed personal property, including a member-owner's proprietary interests in a cooperative, and accrued but unpaid patronage and any dividends, will escheat to the state of

California pursuant to California's Code of Civil Procedure section 1516. The property will escheat if the following applies: first, there has been no contact between the member-owner and the cooperative for 3 years, and second, the cooperative does not know the location of the member-owner.

2) California's Cooperative Law section 12446 provides an exception to the escheat rule and provides that property that would otherwise escheat will instead become property of the cooperative if the cooperative has a requisite provision in its Bylaws, and it follows a specified procedure.

3) Unclaimed Proprietary Interest Procedure:

a. The General Manager shall report annually to the Board on the number of member-owners who received notices pursuant to Section 3 D(3) of these policies. The General Manager's report shall list all memberships terminated because of voluntary termination, or termination by death or dissolution, and shall state the disposition of the proprietary interests associated with the membership.

b. The report shall list all memberships terminated because of expulsion, including expulsion for lack of contact, and the report shall indicate the form of notice given to alert the member-owner of the risk the membership will become terminated.

c. The report shall list all memberships for which there has been no contact, and shall state the value of the unclaimed proprietary interests, broken down by the number of years of no contact.

d. After three fiscal years of no contact, and following notice and procedure, as prescribed in these policies and California law, unclaimed propriety interests shall be transferred to the Co-op pursuant to the California Corporations Code section 12446, and Bylaws Section 2.07.

e. This policy shall be interpreted in such a way as to ensure compliance with all applicable statutes and the most recent version of the State of California Unclaimed Property Holder Handbook. The Board shall review and update this policy as needed to ensure compliance.