

September 2, 2011

Board of Directors
Sacramento Natural Food Co-op
1900 Alhambra Blvd
Sacramento, CA 95816

On behalf of ourselves and other members of the Co-op we are filing this grievance pursuant to Section 6.04 of the Bylaws. We expect it to be heard by the Board at the September 6 Board meeting at which the Board already has an agenda item regarding "lessons learned" about the recent election.

As members who support a democratic Co-op, we affirm it is crucial that elections be conducted in a fair manner, treating all candidates equally and all issues with impeccable honesty. Members must be as informed as possible so that they can determine which candidates they want to represent them and which measures they want to support and those they wish to oppose.

The Board and store management have engaged in several actions over the past few months of the Co-op Board annual election campaign, including but not limited to:

1. The Board violated the Bylaws by refusing to put member initiatives on the ballot when said initiatives have met the requirements specified in the Bylaws. Members qualified the Human Rights and the Restore Co-op Democracy initiatives for the ballot in February and May, respectively. Both had in excess of the amount of signatures required and were proposed at a Board or member meeting as stipulated in the Bylaws. The Bylaws mandate that the Board put these initiatives before a vote of the full membership, but it refused to place either on the ballot. Members filed grievances with the Board and these were dismissed and ignored. The Board also used the Co-op website and reporter to campaign against these initiatives without giving their supporters equal time.

2. The Board has misled members by refusing to include in the ballot and on its website a legitimate ballot argument opposing the Board's proposed Bylaws amendment, Measure 2. The argument was submitted in June under the Election Code. The Election Procedures Manual then in effect stated that only the first 275 words of ballot arguments submitted would be allowed on the ballot. The Board did not acknowledge receipt of this argument although it was hand-delivered, e-mailed and sent by certified mail. In July the Board issued a new Election Procedures Manual which stated that arguments over 275 words would be rejected. A 275-word legitimate ballot argument against Measure 2 was submitted to the Board prior to the July 16 deadline. The Board rejected this argument stating that it had received another ballot argument prior to this. That argument, which consisted of only 63 words, was fallacious and clearly not an argument against the measure.

The Board used only its phony argument against Measure 2, therefore misleading members about the legitimate concerns about this Bylaws amendment. The assertion that the board's hands were tied because the published "argument" was the first to be submitted is factually untrue (see above). But even if it were true, this cannot overcome the Board's duty of fairness to its members, which requires it to provide an authentic argument against its own proposal.

Moreover, the author of the valid, timely and length-compliant argument complained about this matter when there was still time to include it on the ballot. But his complaint was ignored by the committee to which he was told it should be directed, then sent to the Policy Committee, whose chair promised at the August 2 candidate forum to include him in the committee's consideration of the matter. That was never done.

3. The Board has misled members regarding Measure 1, another Bylaws amendment, by claiming in its argument in favor of this Measure that it "simply clarifies plans as previously presented to Co-op owners." In fact, Measure 1 changes the Articles of Incorporation to remove the wording "Preferred non-voting shares" and instead refers only to "Preferred Stock" and "Common

Stock.” Measure 1 further states that the Board is authorized to “fix or alter the rights, preferences, privileges” granted to such stock. This wording change, whether intentional or an error, empowers the Board to grant voting rights to holders preferred stock based on the amount purchased. The Board is further empowered to issue preferred stock shares in a 3:1 ratio over common stock (membership shares), which would threaten member control of the Co-op because holders of preferred stock could have significantly more votes than other members.

The election ballot itself further misleads voters in its summary of the measure, which includes the words “non-voting” while the actual proposed Articles amendment does not.

4. The Board and store management did not prioritize candidate campaigning, which is critical for members to be able to talk with and learn about candidates so that they can make an informed decision. Candidates were initially told the standard tabling rules restricting tabling to every 14 days did not apply to them. However, the store management allowed other groups to schedule tabling time so that there were not adequate times for candidates or their representatives to be in front of the store.

5. The Board continually changed the campaigning rules for candidates and allowed special treatment for its incumbents. While non-incumbent candidates were restricted to a designated space away from the front door, Board incumbent candidates were allowed to walk in the parking lot, store and sidewalk to talk with shoppers and hand them literature. Non-incumbent candidates were told they could not both table in front of the store and leaflet on the sidewalk. Only after this was allowed for incumbents were non-incumbents also permitted to do so. Representatives of non-incumbent Board candidates reported being harassed by Co-op board members and representatives of the incumbent Board members while they were leafleting.

6. The Board and store management allowed chalk graffiti attacking two Board candidates and the sponsor of one of the member initiatives to remain on the sidewalk next to the store for three days, ignoring requests from members that it be removed. One of the incumbent candidates told a Co-op member that employees had done the graffiti. By allowing the graffiti to remain, the Co-op management and Board were implicitly endorsing it. The graffiti was eventually removed by a man in the neighborhood.

7. The Board failed to provide adequate access to candidates at the annual meet-the-candidates night. Although the Co-op has about 7,000 voting members, the Board voted to hold the meet-the-candidates night in a room with a capacity of only 48 people. There was limited overflow in an adjacent outdoor patio, but a failed sound system kept them from hearing. In past years, the meet-the-candidates night has been held at larger venues. The Board discussed then rejected moving to a larger venue at its July meeting.

8. The Board attempted to stop a second candidates’ forum, held in a larger venue, by sending an inflammatory letter to the League of Women Voters asking it to cancel its agreement to moderate the forum. According to members of the League’s Board, in this letter, the Co-op Board president accused the members who were planning this forum of being “anti-Semitic” and “Holocaust deniers.”

9. The Board is seeking to sidestep the Co-op’s democracy by rushing to fill a Board vacancy rather than allow the newly elected Board to fill this position. Two days before ballots were sent to members, the Board announced that a Board member had resigned and that the Board was seeking to fill the two-year position “immediately.” If the Board respected the democratic process, it would allow the newly elected Board to make this decision.

10. Using thousands of dollars of Co-op money, the Board violated the Bylaws by sending two letters to members to campaign against the member initiatives and to promote its Bylaws and Articles of Incorporation amendments. The Bylaws expressly prohibit the use of Co-op funds for

“campaigning beyond the distribution of candidates’ statements and pro and con analyses.” The Bylaws do require that the Board mail members about proposed Bylaws amendments, but such notification must be absolutely neutral. Further, in violation of the Bylaws, the Board had initially posted on the Co-op website that it encouraged members to vote for Measures 1 and 2; this inappropriate campaigning was objected to by a member and then removed.

11. In public communications about the election campaign, the Board president, engaging in irrelevant mudslinging, has disparagingly revealed the Co-op shopping history of individual supporters of the opposition. This is a serious breach of members’ privacy, compounded by its inaccuracy. The Co-op can only associate purchases with an individual if the member’s card is presented to the cashier, or if the cashier looks up the member number. Since no dividends are paid on member shares at present, there is little incentive to use one’s card. There is no way to know how much a member spends, but how much he or she spends when presenting his or her membership card is personal information that the Board has no right to circulate in public. And in many cases, others in a member’s household or community make purchases that are used by members.

In order to resolve these concerns, the Board should:

- 1) Include this grievance in the next issue of the Co-op Reporter and post it on the website;
- 2) Establish a non-board member committee to
 - a) Consider whether breaches of the Board’s duty of fairness should void the current election and another election should be held; and
 - b) Review and revise the Election Procedures Manual to address all the above concerns and ensure that future elections and campaigning are completely fair, with members receiving the greatest possible amount of information on all issues and candidates.
- 3) Immediately discontinue practices of publicly disclosing and discussing members’ shopping information.