



**Rutland Area Food Co-op Board Meeting  
August 23, 2018**

**Present:**

Board: Hannah Abrams, Steve Peters, Matt Poli, Dave Tibbs, Molly Nitka, Tyler Richardson, Chris Ettori, Chris Littler, Erin Anderson, Kate Thomas,

Missing: Irene Gold,

Staff: Zach Stevens, Jamee Sherwin

Guests:

Notes:

Meeting brought to order: 6:31 p.m. Hannah calls names to verify members are present.

**Minutes:**

Hannah motions to approve July minutes. Kate Moves. Tyler Seconds. Approved unanimously.

**General Updates and Information – Hannah**

- McKenna has resigned from out board due to a new job and moving.
- NFCA on Saturday September 15<sup>th</sup>, please sign up if you have the availability!
- Co-op Café on October 13<sup>th</sup>! RSVP emails have been sent, please respond whether you can or cannot go.

**FINANCE COMMITTEE –Chris L.**

**July Review**

- Sales were down \$5,596.55 (3.1%)
- Cost of goods was up for the month. The month end was a Friday, which is a big delivery day.
- There was a profit of \$12,193 for the month, down \$30,000 from last year.
- Last year's large profit was mainly due to a very advantageous inventory adjustment.
- Payroll was higher this year as the Co-op is more fully staffed.
- We also had to make our first our first tax payment based on potential profits.

**Year to Date**

- Sales for the year are down \$20,000 (2.8%)
- Cost of goods is down \$18,700, so it is keeping pace with sales
- The Co-op is showing a profit of \$21,000, down \$27,000 from last year
- The Co-op has had \$7,000 in taxes and professional fees that we did not have last year.
- Zack only budgeted for a profit of \$6,000, so we are ahead of expectations
- There is currently \$103,191 in the bank!
- Inventory is only \$780 off from last year
- Produce sales have been down this year

**Looking Forward**

- August sales are up \$1,000
- Mark Foley is going to adjust the rent since we are not occupying the extra space we were supposed to.
- CPA Bill was \$6,500. The questions we had on membership cost \$750
- There were some issues with the outside compressor fan short cycling, but that has been fixed.

- There is an increase in supplies spending for the painting night.
- Parking lot signs are coming that will say Rutland Area Food Co-op parking only
- Staff is doing a good job keeping spending within their budgets

**MEMBERSHIP RECORDS COMMITTEE – Kate**

- Meeting minutes are in the dropbox and will be posted in the appendix of the August Minutes.
- There is a discrepancy between “member” and “owner” in the older documents. It would be best if we could have a clear understanding of those terms and how they affect our membership/owners. Current records do not clearly illustrate the level of ownership/membership.
- As Patronage has passed, we must also be aware that the patronage will affect ownership. The drafted ownership contract in the appendix addresses this item.
- Co-op historians reviewed the records and could not find definitive documentation regarding the \$200 price for Ownership. As we do not have appropriate records, it is important that we review the \$200 Ownership price and compare it to what other co-ops are asking as well as what our community can afford.
  - Currently, we charge \$10 a year which is put toward their ownership share. Zach shared that we are now going to ask for \$20, so to provide full ownership much quicker.

*Chris L motions that we set the Ownership price at \$200. David Seconds. Hannah point of inquiry – why not \$225? Dave and Chris both feel that \$200 is more in line with the demographics of our community. Steve proposes that we do not discuss changing the amount until we’ve moved past the patronage shift, record research and correction. We can change the price at any point.*

*Motion approved.*

**MEMBER LOAN CAMPAIGN – Hannah**

- The back park is complete! As such, Mark Foley sat down with Zach and Hannah to discuss new possibilities. As such, there may be additional work needed before we can officially begin the campaign.

**C6 –Officers’ Roles– Dave**

<b>Policy Name &amp; Number:</b>	<b>C6 Officers’ Roles</b>
Policy Type:	Board Process
Last Revisited:	
Director:	David B. Tibbs...
Submitted On:	8/23/2018

No officer has any authority to supervise or direct the GM.  
 Officers may delegate their authority but remain accountable for its use.  
 The facilitator ensures the Board acts consistently with Board policies.  
 The facilitator is authorized to use any reasonable interpretation of the provisions in the Board Process and Board-Management Relationship policies.  
 The facilitator will chair and set the agenda for Board meetings.  
 The facilitator plans for leadership (officer) perpetuation,

The facilitator may represent the Board to outside parties.

The facilitator will ensure compliance with By-Laws article 6.3.a.

The Second Facilitator will perform the duties of the president in her/his absence.

a. In addition, the Second Facilitator will ensure compliance with By-Laws article 6.3.b.

5. The treasurer will lead the Board's process for creating and monitoring the Board's (not the Cooperative's) budget

a. In addition, the treasurer will ensure compliance with By-Laws article 6.3.d.

6. The Clerk will make sure the Board's documents are accurate, up to date, and appropriately maintained.

a. In addition, the Clerk will ensure compliance with By-Laws article 6.3.c.

(It is not necessary to have all these officers. If your by-laws require or the Board has otherwise decided to have these officers, this is an example of how you might define the roles. As with all Board policies, this one must abide by the by-laws.)

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1. Is this policy clear: (Yes/ No/Comments)

Yes

2. How have we been IN compliance?

The specific roles indicated in the policy have been adequately filled, and the relationship with the GM is healthy.

3. How have we been OUT of compliance?

We have not been out of compliance.

4. Overall, have we been in compliance?

Yes

5. Is this the policy we want?

Yes

Recommended changes:

None.

Submitted by: David B. Tibbs...

### **C7 –Board Committee– Chris L.**

**Policy Name & Number:** C7 Committee Principles

Policy Type: Board Process

Last Revisited:8-24-17

Director: Chris Littler

Submitted On:8-23-18

We will use Board committees only to help us accomplish our job.

1. Committees will reinforce and support the wholeness of the Board.

a. In particular, committees help the whole Board move forward when they research alternatives and bring back options and information.

2. Board committees may not speak or act for the Board except when formally given such authority for specific and time-limited purposes.

3. The Board will establish, regularly review, and control committee responsibilities in written committee charters.

a. We will carefully state committee expectations and authority to make sure they do not conflict with authority delegated to the GM.

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1. Is this policy clear: (Yes/ No/Comments)

Yes, the policy is clearly stated

2. How have we been IN compliance?

In the past few years, the board has been more willing and able to create new committees to help address issues such as the membership records, switching to a patronage system, and organizing a member loan campaign. All these committees have taken work of the shoulders of the entire board as well as the Co-op staff. All committees have begun by creating a charter that details their functions. I am not aware of any committees speaking or acting on their own in an inappropriate manner.

3. How have we been OUT of compliance?

All committees appear to be in compliance with this policy

4. Overall, have we been in compliance?

Yes

5. Is this the policy we want?

This is the policy we want.

Recommended changes:

There are no recommended changes at this time.

Submitted by:

Chris Littler

## **B1 – Financial Conditions & Actives –Zach**

### **Rutland Area Food Co-op August 2018**

This report has been generated using reports from the last two years to show trends. The actual report status is based solely on the current complete data of the three previous quarters ending 6/30/18 and additional data ending 7/31/2018. Unless otherwise stated with an exception, all data in this report is accurate as of 7/31/2018.

I certify that the information contained in this report and its attachments are true.

Signed, Zach Stevens, General Manager

B1- With respect to the actual, ongoing financial conditions and activities of the RAFC, the GM shall not cause or allow the development of fiscal jeopardy or material deviation of actual expenditures from Board priorities established in Ends policies.

**Interpretation:** The policy states the criteria that we base our financial practice and assessment on which is outlined below. We use the following to measure our financial performance and look at

trends to make informed decisions. If we fall out of compliance in any areas, it is the GM's responsibility to report on what may be a factor and our working plan towards compliance.

**Data:** The data collected is presented under each sub-policy below.

**Conclusion:** We are out of compliance in both sales growth and record keeping.

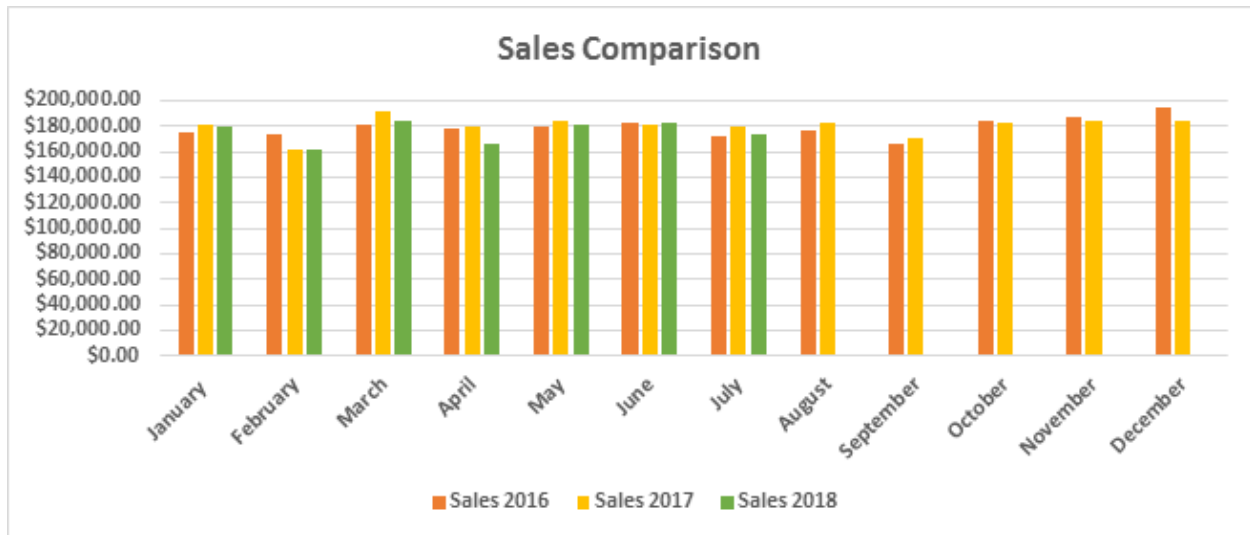
The board has established an official membership committee that has started outlining a membership policy and have begun working with a database for record keeping and equity tracking.

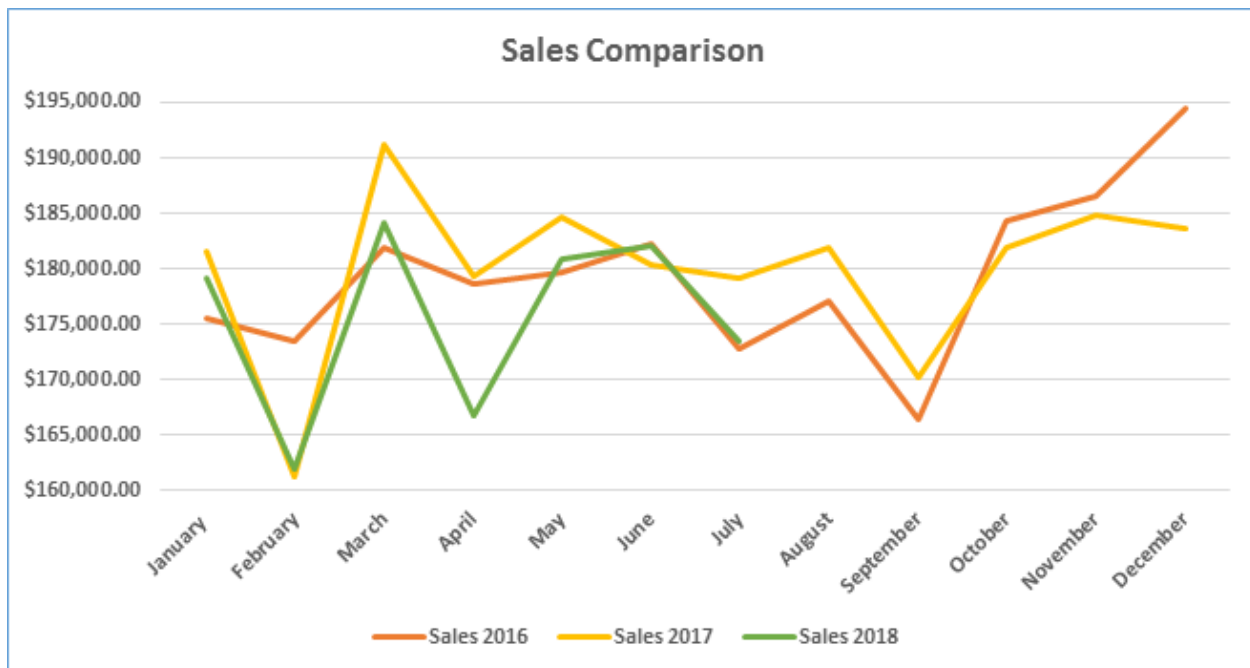
We hope with our team efforts and by making some changes to the layout of the store we will start to see sales increase.

Please see the data, strategic plans, and timelines for each section below as well as attached financial reports.

**1.) Allow sales to decline or be stagnant.**

**Interpretation:** Management strives for growth in sales in order to keep up with market inflation, operational increases and allow the business to expand its offerings. Sales growth should be above 3% to be in compliance.





Data: Sales for Qtr. 1 (4.1.18-6.30.18) were **down \$-14,831.27 or -2.7%**. Sales Y.T.D. (4.1.18-7.31.18) are down **\$-20,427.82 or -2.8%**.

Conclusion: It is this manager's conclusion that we are out of compliance.

Plan: Our plans for increasing sales include:

- We are testing weekly sales to increase product movement in specific departments that are struggling.
- We have begun working with Annie Harlow from Vermont Farm to Plate. We are starting to plan some instore shadowing and training for all the department managers.
- With the delays to the renovation we will paint and freshen the walls and the back of the store.
- We are planning to move some displays and make some changes to the bulk department creating more space for customers to shop.
- We are continuing to increase our social media presence and in-store demo's

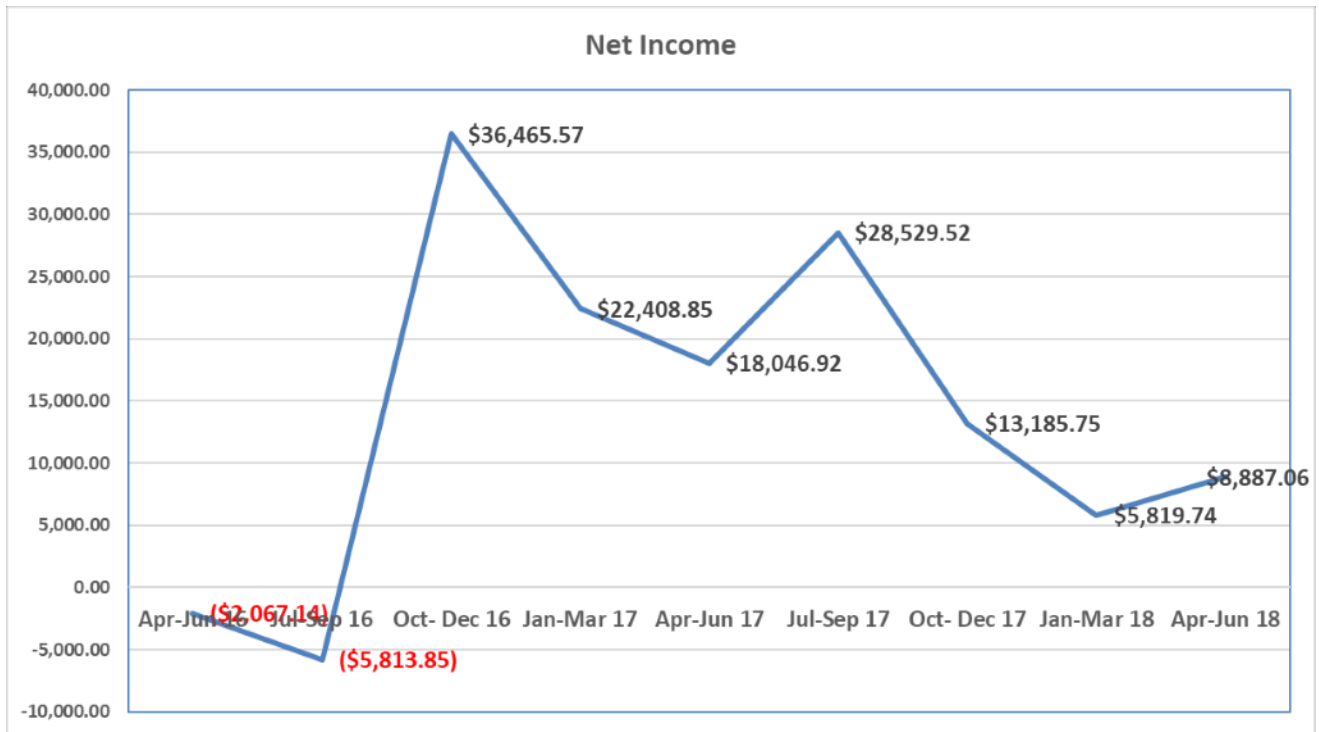
As stated on the last B1, our goal was to work toward the 3% by the end of Q2 2018.2019. With the drops in the first quarter we are hoping we can increase sales enough to absorb the losses and become even with last year by the end of Q2.

2.) Allow operations to generate an inadequate net income.

Interpretation: Management strives for a positive net number and uses operational strategies, planning and organization to meet this goal, Net income should be greater than 0 (Zero) to be in compliance.

Data:

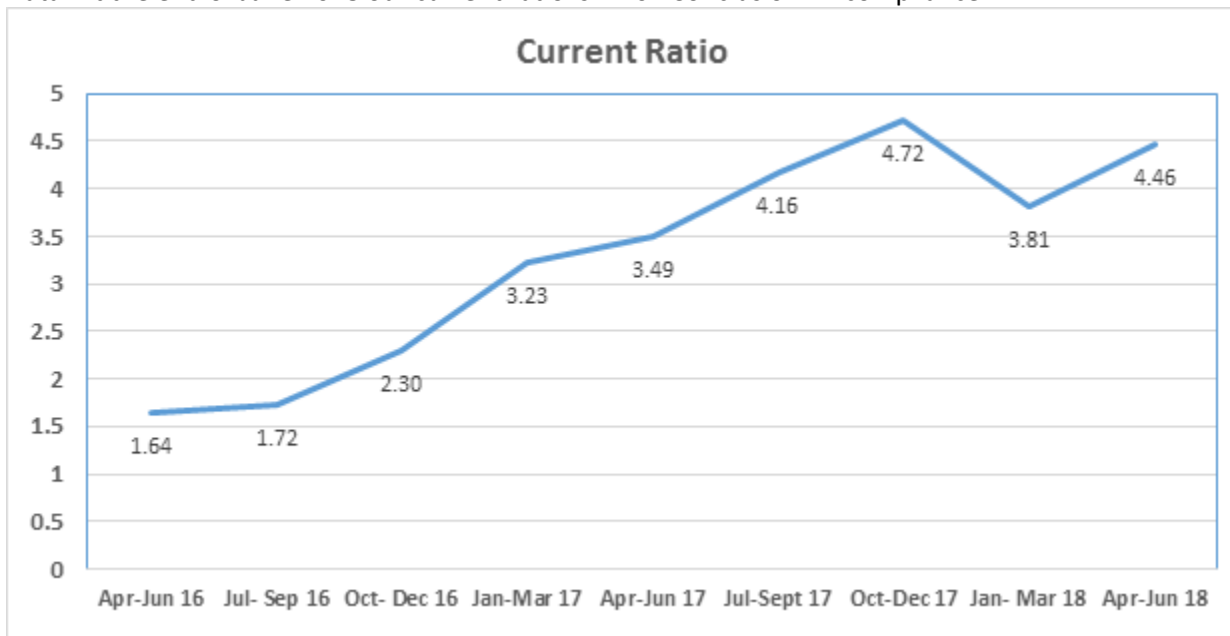
Net Income for last fiscal year after CPA adjustments was **\$65,583.64** (4.1.17-3.31.18) compared to **\$44,787.66** the previous fiscal year. Net Income for Qtr. 1 (4.1.18-6.30.18) was **\$8,887.06** compared to **\$18,046.92** Qtr. 1 last year. Net Income Y.T.D. (4.1.18-7.31.18) is **\$21,378.11**.



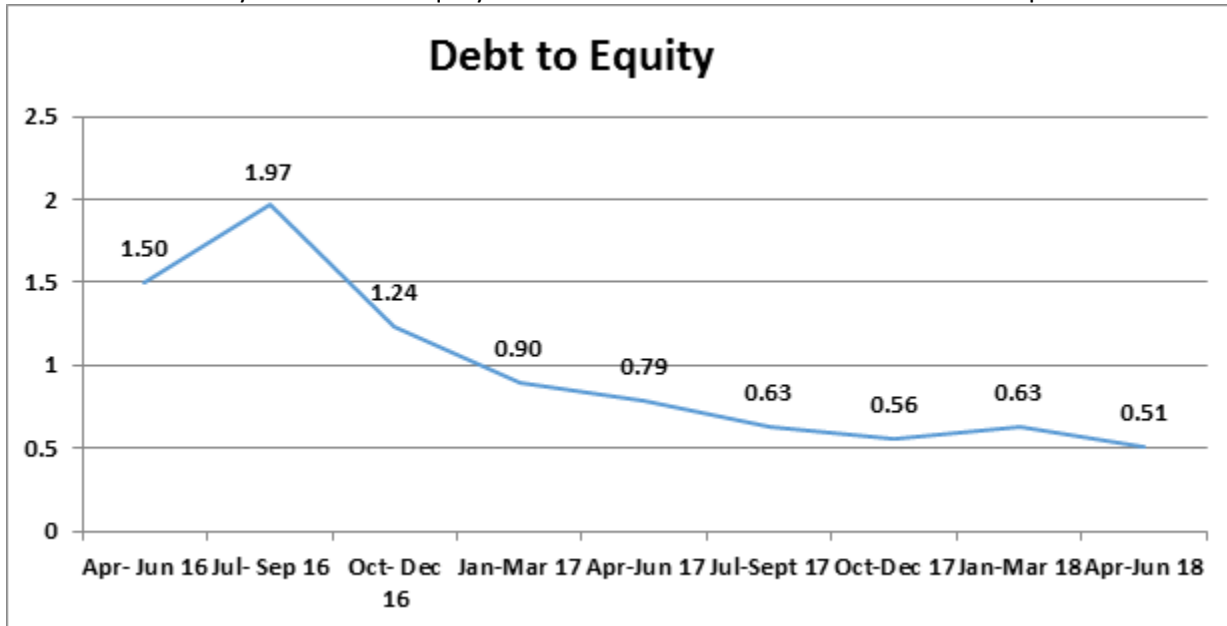
(Net Income) Conclusion: In compliance.

3.) Allow liquidity, or the ability to meet cash needs in a timely and efficient fashion to be insufficient. Interpretation: The current ratio, Current Assets divided by Current Liabilities, is a common measure of liquidity. The Current Ratio should be above 2 to be in compliance.

Data: At the end of June 2018 our current ratio is 4.46. Conclusion: In compliance.



4.) Allow solvency, or the relationship of debt to member/owners' equity, to be insufficient.  
 Interpretation: The debt to Equity ratio, Total Liabilities divided by Total equity is commonly used measure of solvency. Our Debt to Equity ratio must be below 2.0 to demonstrate compliance.



Data: solvency = .51

Conclusion: In Compliance

5.) Incur debt other than trade payables or other reasonable and customary liabilities incurred in the ordinary course of doing business.

Interpretation: Management may not incur new indebtedness except as trade payables, ordinary credit lines, and leases for equipment necessary in ordinary course of business.

Data:

Co-op fund of New England \$150,000 Revolving Line of Credit, Annual Interest Rate = 6.00%, Terms=5 years. Granted July 19, 2013. Loan has been readjusted for another 5 years as of January 2018.

No drawdowns since January 2016. Credit line increase to \$150,000.00 January 2018.

Current total of loan without interest is \$44,488.08 as of 7/31/18.

Conclusion: In Compliance

6.) Acquire, encumber, or dispose of real estate

Interpretation: This policy limits the GM from purchasing or committing to purchase and real estate; only the Board has the authority to make any kind of real estate (land or buildings) deal.

Data: No commitments or purchases have been made.

Conclusion: In Compliance

7.) Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.



Interpretation: Management will ensure that our payments of filings are timely and current.

Data: All payments and filings are current, timely and up to date.

Conclusion: In Compliance

8.) Allow late payments of contracts, payroll, loans, or other financial obligations.

Interpretation: Management will ensure that all accounts and financial obligations are current and in good standing.

Data: All contracts and accounts are current and in good standing.

Conclusion: In Compliance

9.) Use restricted funds for any purpose other than that required by the restriction

Interpretation: Management will use funds appropriately and only from accounts that are intended for the expenditures. If an exception occurs and Board approval is necessary, Management will present the information, so the Board is aware and agrees with the proposed methodology.

Data: All funds are used appropriately from the intended accounts. All payments have documentation attached and are entered in QuickBooks and filed accordingly.

Conclusion: In Compliance

10.) Allow financial record keeping systems to be inadequate or out of conformity with GAAP.

Interpretation: Management will keep accurate records, controls and financial practices in place that in the best interest of RAFC. Annual assessment of these practices will keep them current and appropriate.

Data: Records, controls, and financial practices are in place. A financial review is completed annually by McCormack, Guyette and Associates. The review for year-end 3/31/18 is available at the Co-op or in Drop-box. We are aware that our categorizing of membership income is incorrect, and our member data and records need updating.

Conclusion: Out of Compliance

Plan/Timeline- The board has established an official membership/ownership committee that has started outlining a membership policy and have begun working with a database for record keeping and equity tracking. We will begin entering data in September 2018. I believe the plan is to have all data entered by October 1<sup>st</sup>, 2018 or shortly thereafter.

*Accepted with acknowledge on noncompliance.*

## **GM Report**

### **August Update**

- Street Party on the 4<sup>th</sup> was a lot of fun. Thank you to the BOD members that stopped by to visit. A special thank you to Kate Thomas for working the booth with the team!

- We met with Mark and Jeff on the 8th. Mark is going to correct the rent increase to reflect the space we are currently using. Roots moving in downstairs, projected to open in November. Mark has granted us the entire second floor and wants us to have design our new space based on that. We have reached out to Nicole to see when she can come out to assist.
  - Kate suggested talking to a lawyer about the contract we signed with Mark regarding our expansion, timeframes, and money we've spent with the expectation that renovations would be completed by specific dates. Perhaps have someone draft a lease to present to Mark, which notes price per square foot, so that we can ensure we're paying for the space we're using.
- Have had a conference call with Stone Valley on Monday the 13th to try to help with their struggles as they are in bad shape and discussing closing.
- Thank you to Chris L for coming and helping paint on Tuesday. Our next paint night event will be **Thursday September 20<sup>th</sup> from 6-9:30.**
- We had a pizza ice-cream goodbye event for Sharon last week. She is going to stay on staff to help with quarterly taxes. Year-end, and financial reviews.
- We attended the ribbon cutting for the new park it is open to the public, check it out when you get a chance.
- We have an interview with an applicant for Kitchen Manager on Monday 8/27.
- Sales for August as of yesterday are **up \$2,000 or 2.1%**

### September

- Annie Harlow from Vermont Farm to Plate will be in 9/11 to start working with our buying team. She will continue to work with them once a week for 4-6 weeks. We are excited to have her helping us, especially because it's free.
- We will be closed Labor Day.
- We are setting up a tasting and preparing instore samples for Shriners weekend 9/15.
- Melissa and I will be attending the quarterly HR group meeting in Springfield at the end of the Month.

### Special Orders

### Unfinished Business

### New Business

- It has been discussed that we do not have an official lawyer on retainer for the Co-op. As such, we should investigate obtaining a lawyer with a specialization in co-ops, not-for-profits, leases, etc...
  - Questions: how much of an investment would it be? Where do we find someone? What kind of time commitment are we looking at providing for this?
  - It was proposed that we look outside of Rutland County. Perhaps asking Middlebury Co-op, or Burlington's City Market who they use.
  - Kate is going to make some phone calls and gather some names and rates of lawyers who would be best able to serve us.

- As McKenna has resigned from the board, and Molly anticipates resigning in December, do we want to operate at 10 members or recruit some more members?
  - Matt P. looked up the bylaws and it states that we cannot have any less than 5 members. Zach also brought up that we'd be bringing on new members right in the beginning of holiday season, would need to be orientated, and would need to get them up to speed with items.

#### **Announcements**

- Thursday September 13<sup>th</sup>, 5-8pm is the Board Cook-off
- Hannah will not be here for the October Meeting
- Hannah may have a computer that she can leave at the coop to be used by the Membership/Ownership Committee

#### **Review of Board Calendar**

- August
  - Treasure presents Financial Review
- September
  - Pick Dates for Holiday BOD meetings

#### **Tabled Items**

- Postpone consideration of Board – Staff bonding event until October  
*Hannah motions, Kate seconds. Unanimously approved.*

#### **Next Month**

- Board Retreat: Thursday, September 13<sup>th</sup>, 6-8pm
- Finance Committee Meeting: Wednesday, September 19<sup>th</sup> at 6 pm
- Board Meeting: Thursday September 27<sup>th</sup> at 6:30 pm
- Paint Night: Thursday September 20<sup>th</sup> at 6-9pm
- Membership Committee: TBD
- Lease Committee: TBD
- C8 – Governance Investments – Molly
- B3 – Asset Protection – Zach

**Executive Session:** Reasoning Personal - Hannah motions adjourn the meeting and move to executive session meeting. Kate Moves. Matt Seconds. Unanimously approved. 8:23 pm

**Meeting closed:**

## Appendix

### Membership Committee Meeting

#### Minutes

August 15, 2018 | 5:10-6:00

*In attendance:* Kate Thomas, Zach Stevens, Molly Nitka, Steve Peters, Chris Littler, & Melissa Rixon

#### *Agenda for August 15, 2018 meeting:*

- Review the policy/application drafted by Kate
- Review CDS Co-op Consulting materials forwarded from Zach
- Discuss next steps for upcoming general Board of Directors meeting

#### *Review of previous meeting (August 8, 2018):*

- Brief discussion of the materials sent to Zach from Middlebury and Hunger Mountain Co-ops regarding the equity/share cost change questions
  - o *le:* How does a share cost change affect owners?
  - o Committee agreed that the materials did not successfully answer the questions posed, but provided some helpful insight
  - o Committee believes that posing the questions to an attorney to be a valued next step
- Kate is going to send out a doodle poll to schedule group data entry work sessions in September
- Some committee members were able to login to ZOHO database, others haven't had the chance
  - o Scott has requested we keep him advised of any challenges or issues
  - o The url to access the database after the initial acceptance and password change is <https://scotthanselman.zohocreatorportal.com>
  - o Melissa has used the database and found no issues thus far

#### *Discussed during the August 15, 2018 meeting:*

- Review of the draft application
  - o Kate drafted a policy based upon the New Hampshire Food Co-op version
    - See document at the end of these notes
    - Committee liked the inclusion of language explaining ownership share costs, the options to apply patronage dividends to share balance, and want to evaluate the need for the IRS information
    - Committee suggested a two-sided version, less detail on the "front" and greater detail/fine print on the back
    - All agreed on the need for information, including the fine print detail, to go home with new members
    - Committee felt the language regarding transfer of membership/ownership could be a separate form but approved
  - o Discussion of our bylaws as they relate to ownership and membership policy
    - Again, the committee highlighted the need for an attorney to review and interpret our bylaws to avoid any future issues and to clearly identify what actions the board can and cannot take as relates to ownership
    - Kate highlighted the importance of this attorney being on retainer and acting with fiduciary responsibility on behalf of the co-op, rather than a favor by a co-op member
    - All documents/policies going forward should clearly use the terms "owner" and "ownership" over membership
  - o Committee highlighted a key question to pose to the full board, and which needs to be answered before a policy can be crafted, where does a ownership policy go/belong?
    - Is it a bylaw? (Maybe?)
    - Is it governance? (Committee thinks not).
    - Is it a store policy? (Committee thinks not).

- Additionally, what responsibilities for content fall to the Board of Directors and store operations/management
- Desire to review other VT co-op membership policies was voiced by Steve
  - Melissa has already contacted City Market and Middlebury Co-op for their detailed policy information, rather than their FAQ/brochure information and will share the findings with the committee
- Chris offered to pose our questions to Rebecca Torpie
  - <http://www.cdsconsulting.coop/consultants/rebecca-torpie>
  - The goal would be to collect more insight to craft better or clearer questions for an attorney making efficient use of our resources when the time comes for that professional cost
- Reviewed City Market's application
  - Molly highlighted the balance/mid-way between our current application that provides too little information and the draft which
  - Committee agreed that nothing in the bylaws prevents changes in the application from an operations standpoint, so we can do another draft and review
  - Discussion about what a policy is vs. what an owner application is. Committee agreed that for "on the ground" purposes when store employees are describing ownership and patronage to customers, we need a document that is easy to follow yet provides accurate detail regarding an owner's rights and responsibilities
  - However, when the customer becomes an owner, it may be wise to have slightly more formal document that they sign and we keep on file.
  - This is a question for an attorney.
- Summary:
 

We need clarity re: where the membership policy "goes"—which will determine its form. Content wise, we need a document that both protects the Coop and informs customers what it means to become an owner.

The Committee would like the Board's permission and authority to consult an attorney (the Board will need to hire one) to review our bylaws and explain to us:

- What do the bylaws already allow us to do with regard to ownership?
- Can we raise the ownership amount and then require those who have not fully paid their share to pay the higher price?
- How do we institute a policy that would accomplish this?
- How does the Board set the share price? What if anything do we need to do to communicate that to owners (aside from when we recruit new owners?) How do we keep a record of that?
- We found an IRS disclaimer in the New Hampshire version of the ownership form. Do we need to include something like that in our application?
- What else should we be aware of legally as we transition from our current system to patronage?
- Next steps:
  - Kate is going to send out a doodle poll for September dates
  - Committee members are going to try their login and make password changes in ZOHO if they haven't already done so
  - Melissa will forward additional VT co-op policies as they become available to her, and will provide a summary of what she finds in her review
  - Chris is willing to contact CDS/Rebecca with our questions
  - Committee members will pose our desire/need for an attorney to review our by-laws and answer questions to the Board of Directors so that we may move forward with a clear objective for the ownership policy
  - Next meeting will be scheduled after the committee has had the opportunity to discuss needs at the general Board meeting

Rutland Area Food Coop  
Owner Application  
[INSERT COOP ADDRESS]

Please Print:

First Name

Last Name

Mailing Address

City/state/zip

Home phone:

Cell Phone:

Email Address:

Birth Year:

#### OWNERSHIP PERMISSIONS

I give permission for the following adult member(s) of my household to be issued a Coop card bearing my owner number. I understand I am responsible for all use of the card(s), including participation in owner benefits. I further understand it is my responsibility to notify the Coop if and when the following people leave my household as they will no longer be eligible for owner benefits, and that any patronage refunds will be distributed to me, even though all purchases for the following household members will be used to calculate my household's total spending for the year.

First Name

Last Name

#### PURCHASE OF SHARE

To become an owner and be eligible to vote at annual meetings, receive patronage, and enjoy other benefits of ownership, you must purchase one (1) share of common stock. The price is determined by the Coop Board of Directors. Currently, the share price is \$200 (and has been since 2008). You may make payments towards your ownership share as described below. By choosing to make payments instead of paying in full now, you agree that if Coop Board of Directors decides to increase the price of a share, your prior payments towards your share will be applied to the new share price.

Check one:

- Full Ownership:** I enclose payment in full of \$200 for one share of common stock.
- Promise to Pay:** I will pay for my one share of common stock in installments of no less than \$20 per year, with my first payment due today. I am free to make additional payments at other times. Please issue my patronage checks as provided in the Coop Bylaws.
- Promise to Pay Plus Patronage:** I will pay for my one share of common stock in installments of no less than \$20 per year. I am free to make additional payments at other times. Please apply any patronage checks I may receive towards my share purchase until my share is paid in full.
- Transfer Payment:** My household member(s) named above have paid toward ownership prior to them joining my household. We request the Coop apply his/her/their prior payments to this new Ownership Application (NOTE: The Coop cannot apply another person's prior payments towards a new ownership application without consent. Applicants using this option must obtain consent from other household member(s) involved asking for transfer of prior payment.)

I apply for ownership of the Rutland Area Food Coop subject to the provisions of the Coop bylaws, to which I have access via the Coop's website. I agree to the Coop's distribution of patronage funds and/or transfer of payment as described above. It is my responsibility to notify the Coop, either in person or in writing, of a change in my contact information or household membership that would alter the information contained in this application.

Please see the back of this application for a required notice by the Internal Revenue Code.

**IMPORTANT NOTICE**

The following notice is required by the Internal Revenue Code. It does NOT change the fact that the Co-op distributes patronage refunds by issuing checks to its members.

Please be advised that by becoming a member of the Cooperative, you are consenting, pursuant to the Internal Revenue Code, to the following: A "written notice of allocation" is defined under 26 USC 1388 (i.e., Section 1388 of the Internal Revenue Code) as follows:

PLEASE NOTE that as a matter of practice the Cooperative does not distribute Written Notices of Allocation to you to indicate your allocation of a "stated dollar amount" and patronage refund. Instead we issue checks which constitute your actual patronage refund. However, should we ever distribute Written Notices of Allocation intentionally, or inadvertently as may be determined by the IRS, the above notice and your consent will allow the Cooperative and you to treat the Written Notice of Allocation for tax purposes in the same manner as we each currently treat the checks distributed as patronage refunds, subject (as always) to a change in the law.

**IMPORTANT NOTICE: THAT THE AMOUNT OF ANY DISTRIBUTIONS TO YOU FROM THE COOPERATIVE WITH RESPECT TO YOUR PATRONAGE OCCURRING AFTER RECEIVING THIS NOTICE AND A COPY OF THE ABOVE-NOTED BYLAW WHICH ARE MADE IN THE FORM OF "WRITTEN NOTICES OF ALLOCATION" (AS DEFINED IN 26 USC 1388, SEE BELOW) WILL BE TAKEN INTO ACCOUNT BY YOU AT THEIR STATED DOLLAR AMOUNTS IN THE MANNER PROVIDED IN 36 USC S 1385 (A) IN THE TAXABLE YEAR IN WHICH SUCH WRITTEN NOTICES OF ALLOCATION ARE RECEIVED BY YOU.**

A "written notice of allocation" is defined under 26 USC 1388 (i.e., Section 1388 of the Internal Revenue Code) as follows:

...the term "written notice of allocation" means any capital stock, revolving fund certificate, retain certificate, certificate of indebtedness, letter of advice, or other written notice, which discloses to the recipient the stated dollar amount allocated to him by the organization and the portion thereof, if any, which constitutes a patronage dividend.

PLEASE NOTE that as a matter of practice the Cooperative does not distribute Written Notices of Allocation to you to indicate your allocation of a "stated dollar amount" and patronage refund. Instead we issue checks which constitute your actual patronage refund. However, should we ever distribute Written Notices of Allocation intentionally, or inadvertently as may be determined by the IRS, the above notice and your consent will allow the Cooperative and you to treat the Written Notice of Allocation for tax purposes in the same manner as we each currently treat the checks distributed as patronage refunds, subject (as always) to a change in the law.

For Transfer Payments Only (Complete one per household member transferring prior payments):

I, \_\_\_\_\_, am a household member of the Owner Applicant named above. I consent to have my prior payments toward my ownership share to be applied to the Owner Applicant's ownership share. I understand and agree that once the Coop has applied prior payments towards the Owner Applicant's share, this cannot be undone. If I decide later to purchase a separate ownership share, I will have to pay the full ownership share in full or promise to pay in full. I further understand and agree that as a household member of an owner, I am not eligible for a separate vote at annual meetings of the Coop.

Signature:

Date: