Co-op Power Special Membership Meeting Minutes

Wednesday, November 30, 2005 6:30-8:30 pm at Smith College Campus Center in Northampton, MA

A special note: We are no longer holding equity fees in escrow as of this 11/30/05 meeting vote.

Our next annual membership meeting is set for Saturday May 6, 2006 at Smith College Campus Center

A quorum was established for the meeting. 82 of the 140 Co-op Power members were either present or represented by proxy.

CO-OP POWER MEMBERS' DECISION: Northeast Biodiesel Investment Proposal and Co-op Power Launch Decision

Co-op Power is our consumer-owned renewable energy cooperative dedicated to building affordable, renewable energy resources. Co-op Power created Northeast Biodiesel to build a biodiesel production facility. We had to create a separate company because our cooperative structure doesn't allow us to take in money other than our membership shares and we knew we would need to raise money from other people to launch the plant.

Northeast Biodiesel is a limited liability corporation that is able to raise capital from outside sources. It is now working to raise the $2 million it needs from outside investors and the $2.7 million it needs in loans. The offering we have made to investors gives them an ownership share of 30% of Northeast Biodiesel for their combined $2 million investment.

Co-op Power currently has a 52% ownership stake in Northeast Biodiesel; based on our sweat equity and the $375,000 we have invested to date from funds we received from the National Renewable Energy Laboratory. Co-op Power will receive an additional 3.33% ownership share when the funds from a $250,000 USDA Rural Development grant for the biodiesel processing equipment are received. The Northeast Biodiesel investors want to see that we are investing our own funds in this business enterprise as well. Co-op Power has committed to invest an additional $125,000 of our own money into Northeast Biodiesel once it has secured sufficient debt and equity to launch. Investing this last $125,000 will give us a 57% ownership stake in what promises to be a very profitable business. It is the members' decision whether and when to invest this money, so the motion on the floor is for the members to decide if now is the time to begin investing our member equity.

It's an important decision because, up to now, we have safeguarded the equity raised in a money market account, not spending any of it. Voting for this proposal means that Co-op Power will give these funds to Northeast Biodiesel and Northeast Biodiesel will spend them to build the production facility. Northeast Biodiesel will also use $2 million from individual investors and $2.7 million in debt to pay for the land, building, production facility and start-up operating costs. It will take several years for us to see whether this was a good investment or not, whether we will get a good return on these funds. It is possible that we could lose this money if Northeast Biodiesel is not successful.

So far we've raised $80,000 in member equity, and we're working hard to bring in the more than 45 members needed to raise the last $45,000 for this investment. Beyond this, we will need more than 100 more members to launch Co-op Power. Since we haven't brought in enough members to both launch Co-op Power and invest in Northeast Biodiesel, the Co-op Power board is recommending that we first invest in Northeast Biodiesel and then launch Co-op Power when we have raised more money. Members are asked to please sign up additional members. We don't have money to do a membership drive, with paid staff to run it. Members really need to step up to make this happen!

Motion #1
The Members of Co-op Power agree to invest $125,000 in Northeast Biodiesel once Northeast Biodiesel has secured sufficient debt and equity and is using these funds to launch.

The motion passed unanimously.

Motion #2
At such time that we are able to recruit additional members for Co-op Power and raise the start-up funding required for the proposed business plan, Co-op Power will hire staff and begin operations. Members accept that Co-op Power will lay "dormant", relying on volunteer efforts only, until member contributions provide the necessary funds to launch or until Northeast Biodiesel begins to provide returns to Co-op Power.

The second sentence was discussed. It was noted that Co-op Power will need to pay contracted staff and accept in-kind contributions in addition to relying on volunteer labor. Members also decided to explicitly delegate the decision to hire staff and launch Co-op Power.

Revised Motion: At such time that we are able to recruit additional members for Co-op Power and raise the start-up funding required for the proposed business plan, Co-op Power will hire staff and begin operations. Members accept that Co-op Power will rely on volunteer, in-kind, and board approved contracted staff until the board deems the necessary funds are available to launch. The revised motion passed unanimously.

CO-OP POWER MEMBERS' DECISION: Northeast Biodiesel Board Seat Appointments

Co-op Power is the majority owner of Northeast Biodiesel and has five seats to fill on the Northeast Biodiesel board.
It is important that these board members:

- Bring considerable expertise and experience to the Northeast Biodiesel board;
- Build strong positive relationships with Northeast Biodiesel's management, investors, and lenders;
- Provide continuity and stability; and
- Are responsive to the Co-op Power board and membership.

In April of 2005, the founding Members of Co-op Power appointed five people to the Northeast Biodiesel Board. The Northeast Biodiesel Board members are: David Biddle, Lynn Di Tullio, Sally Wright, Erik Hoffner, and Lynn Benander. The Co-op Power board later also appointed Tim Rice and Lawrence Union (the Pres. of Northeast Biodiesel) to the Northeast Biodiesel Board. When outside investors join the Northeast Biodiesel board early next year, Co-op Power will have five seats on the Northeast Biodiesel board. It's time to establish a process for filling those seats. Here is the motion developed by the Co-op Power board for the Members' review.

Motion #3
Co-op Power representatives to the Northeast Biodiesel board will be appointed in the following manner:
- Three (3) seats will be served in three year staggered terms elected directly by the Co-op Power members. They will require a nomination by the Co-op Power Board or a nomination petition signed by at least 20 Co-op Power members eight (8) weeks in advance of the election. They will be elected by a majority of the Co-op Power members at the spring annual meeting. These elected seats can be terminated with a 2/3rds vote of the Co-op Power board. The Co-op Power board will fill vacancies until the next annual membership meeting.
- Two (2) seats will be appointed by the Co-op Power board.

First, this is a complex issue, difficult to decide without significant discussion. There is a business need to quickly establish who will be serving on the Northeast Biodiesel Board. As large investors consider making an investment in the biodiesel plant, they want to know who they will be working with to launch that business. Co-op Power needs to be able to clearly respond to these questions, assuring these people who are investing $100,000 or more that Co-op Power will be a reliable business partner, providing continuity and stability to this start-up business venture. On the other hand, the members of Co-op Power want to be sure the structure that is established will work for them. Once a structure is established it is more difficult to change. Members considered requiring this motion and other alternatives to be presented at the spring 06 or spring 07 member meeting, but, since it can be revisited at any member meeting, they decided not to require its review at any one in particular.

Next, members were interested in having terms for the board appointed seats. Members decided to require the board appointed positions to have 3 year staggered terms but decided not to set term limits.

Next, members were concerned about requiring the Northeast Biodiesel board members receive a majority of Co-op Power members' votes. Members decided to strike that requirement, requiring that the candidate(s) receiving the most votes would be appointed. The Co-op Power board is charged with establishing an election process.

Next, members wanted to talk about why the Co-op Power board would be given the right to remove a Northeast Biodiesel board member appointed by the Co-op Power members. If the members are interested in having different views represented than the Co-op Power board, this provision could be disempowering to members. On the other hand, if the Co-op Power board is acting on behalf of the members in their best interest, they will be much better able to keep the Northeast Biodiesel board accountable than the members are as a whole since they meet more often and will be able to act more quickly than the members can. It came down to a question about how vigilant the Co-op Power members will be in ensuring that this cooperative continues to work on their behalf. In the end, the members decided to keep this provision.

Next, the nomination process for Northeast Biodiesel board members was discussed. Members considered using the same nomination process as the one outlined in our by-laws for Co-op Power board member elections. That process allows any member to nominate another member for the Co-op Power board. Members decided to keep the nomination process recommended in the original motion since it put more responsibility on the Co-op Power board to recruit and nominate Northeast Biodiesel board members, while also allowing Co-op Power members to nominate someone as long as they found 20 other members to support their nomination. This process would result in a shorter list of candidates, but hopefully candidates that would be very well qualified to serve Co-op Power in this very important position.

Revised Motion: Co-op Power representatives to the Northeast Biodiesel board will be appointed in the following manner:
- **Three (3) seats will be served in three year staggered terms elected directly by the Co-op Power members. They will require a nomination by the Co-op Power Board or a nomination petition signed by at least 20 Co-op Power members eight (8) weeks in advance of the election. They will be elected by the Co-op Power members at the spring annual meeting. These elected seats can be terminated with a 2/3rds vote of the Co-op Power board. The Co-op Power board will fill vacancies until the next annual membership meeting.**
- **Two (2) seats will be appointed by the Co-op Power board with three-year staggered terms.**

The revised motion passed with two opposing votes.