

Moscow Food Co-op Monthly Board of Directors Meeting
Tuesday, January 12th, 2016 6 p.m.

Present: Bill Beck, Kurt Obermayr, Idgi Potter, Colette DePhelps, Alex Lloyd, Laurene Sorensen, Derick Jiwan (Board); Melinda Schab (GM); Dena Van Hofwegen (Board Administrative Assistant)

Absent:

Facilitator: Colette DePhelps

Guests: Joan Rutkowski, Joe Gilmore, Greg Meyer, Diana Armstrong, Lida Saskova

7 of 7 members present, a quorum is present

PUBLIC FORUM

Public Forum is a time for the Board to listen to owner and general public comments; follow-up is considered outside of the forum.

Diana Armstrong-Asked the Board to reconsider changing the Bylaws in order to allow Co-op staff to serve on the Board of Directors. Diana feels that excluding staff from serving on the Board is undemocratic, and that we are missing an opportunity to hear from owners that have a different and important perspective. This topic was brought to the Board in May 2015 and Diana has since done some research on the topic and compiled a document that has laid out certain rules to follow in order to avoid any problems.

Greg Meyer – Appreciated the number of attachments in this month’s Board packet.

Colette addressed the speakers of the forum, clarifying that the Board will consider the owners’ concerns and the Board President will contact them with responses if they have requested follow-up.

STUDY & ENGAGEMENT: Prospectus Packet – Growth Capitalization

As our Co-op looks forward to expanding and opening a store in Pullman, Washington, the Board continues to educate itself on the topic. The Study and Engagement topic for January was discussing a prospectus packet that is currently being used in North Dakota to fund a startup co-op.

Laurene Sorensen led a discussion on this topic and explained a couple different types of loans that our Co-op could offer to our owners’ to help fund expansion into Pullman, WA.

- Preferred shares of stock – A class of ownership in a corporation that has a higher claim on its assets and earnings than common stock. Preferred shares generally have a dividend that must be paid out before dividends to common shareholders, and the shares usually do not carry voting rights.
 - In order for the Co-op to offer preferred shares of stock there would need to be a change in our bylaws.
 - We need to clarify that preferred shares of stock are legal to offer our owners.
- Member loans – a Co-op owner can choose to lend the Co-op money for a certain length of time at a chosen interest rate. The loan and accrued interest will be returned in a lump sum payment at the end of the term.
 - Member loans are similar to a Treasury Bill or CD.

- The North Dakota Prospectus Packet is a good example of what we would like to provide to our owners' when we start our capital campaign. We need to make sure we give our owners plenty of explanation and notice with the packet, including the following information:
 - A disclosure explaining the risks of the loans so investors can make informed decisions.
 - Profiles of managers that are fundamental to our current operational success.
 - The option to simply make a donation to the Capital Campaign.
 - Information regarding patronage based dividends.
- Idgi felt that the term preferred shares is off putting. We need to make sure and explain that this type of equity is different from Co-op ownership.
- Melinda asked why there is a limit for preferred stock
 - Laurene – There is a limit on preferred stock so there is a cap to how much dividend is paid out. This is a social benefit instead of a financial return for investors
- We need to figure out what the current SBA loan rate is.
- If we change our Bylaws to allow for preferred shares, the NCG or the DC might be able to help with a capital campaign.

This conversation will continue during next week's Work Session.

CONSENT AGENDA

Derick did not have time to read the agenda material and will need to abstain from voting on minutes acceptance and compliance reports.

Minutes:

Motion to accept the December 2015 BOD meeting minutes as amended, seconded, **passed 6-0-1**

GM Compliance Reports:

Policy B2: Compensation & Benefits

The General Manager (GM) provided a written report on workplace conditions and employee benefits.

Colette informed the Board that the compensation analysis enclosed in B2 includes very specific pay rate information of current Co-op employees; therefore, it will not be discussed during the open meeting.

There was a question about what gainsharing is. Melinda explained that gainsharing is a surprise bonus for the open book management when an undisclosed goal is reached.

Idgi had some concerns about the overall spending and where all the money is going. Melinda explained that employee benefits costs are really high, 6.8% of the Co-op's income. The dollar value in including this benefit to the employee is high, but the value to some employees who don't appreciate the benefits are low.

Colette compared our benefit percentage as comparable to local universities and businesses.

Kurt suggested we continue this discussion during a Work Session.

Bill thanked Melinda for her reports and appreciates all the great work she is doing.

Motion to accept Policy B2 and find it in compliance, seconded, passed 6-0-1

Policy B3: Communication & Counsel to the Board

The General Manager (GM) provided a written report about events and trends affecting store performance and stability.

Motion to accept Policy B3 and find it in compliance, seconded, passed 6-0-1

BOD Policy Compliance Survey

D2: Role of the Board

Average scores were all above 3 on a scale from 1-5. Bill commented that the compliance surveys would be interesting to track and find out where improvement is needed from year to year.

It was confirmed that all comments that the Board makes go into the monitoring table for tracking.

D2 comes motioned and seconded, all those who accept D2 and find it is compliance, passed 6-0-1

D3: President's Role

Average scores were all above 3 on a scale from 1-5. There was a deliberation regarding the first question under (c). Laurene stated that she misunderstood the question and unintentionally gave a low score.

D3 comes motioned and seconded, all those who accept D3 and find it is compliance, passed 6-0-1

General Manager (GM) FYI Report

The General Manager (GM) provided an FYI report as an informal opportunity for the GM to update the Board on important Co-op information and for the Board to ask brief, clarifying questions.

1. Year-End Inventory – We opened at about 12:30pm on January 3rd after completing an all-store inventory. Not only did the entire process go very smoothly, the auditor who verified our counts in person found our counting to be satisfactory (reliable and accurate). This was an important first step in our annual audit process.
2. Produce Wet Rack replacement – As you know, we installed two new produce cases in early December. We've seen the numbers turn around in Produce and the department is posting positive sales growth now for multiple weeks running.
3. Fish Folks Art Installation – Dale, the owner of Fish Folks, approached me about donating a sculpture to be displayed in the parking lot as a thank you for hosting them. I have preliminary sketches to show the Board before we seek approval from the landlord.
4. Cultivating Cooperative Roots – The NW Cooperative Development Center is hosting a conference in Spokane on Feb 5th, 6th, and 7th. The Marketing & Outreach Department and I will be giving a presentation on storytelling (as a marketing tool). Please let me know if you'd like to attend the conference.

5. NCG Meeting – The winter Western Corridor Meeting begins at 4pm on January 26th and goes through January 28th in San Francisco.
6. Electronic Voting – letters were sent to all households with multiple customers. So far we've already updated 20 accounts and response has been positive.

Different comments and questions regarding Melinda's FYI report.

- Joe Gilmore was at the meeting and updated that he has received over 50 responses from the electronic voting letter that was sent out, they have all been clarifying questions and positive.
- Kurt wanted it to be noted that he said Colette was correct in moving forward with electronic voting!
- Kurt had a question regarding the new wet rack, and if the impact was shown in the reporting for this last month. Melinda confirmed that we will see the wet rack implementation impact in the December reports.
- A few Board members have requested to be reminded of upcoming meetings and events through the Google calendar.

Action: Dena to create a Google calendar for the Board

BRIEF ANNOUNCEMENTS AND ACTION ITEM FOLLOW-UP

Colette will be farm sitting during next month's Board meeting. The farm is extremely remote and it is possible that she will not be able to get coverage to call in but will do everything she can to participate in the meeting.

Action items as of January 12th, 2016

Owner Engagement (*internal action items kept separately*)

1. Collaborate with Melinda to identify potential Owner Forum topics. – *DONE*
2. Primary Owner Letter to be mailed by December 20th. The deadline for owners' to provide corrections if the primary is incorrect will be February 12th. – *DONE*

Election/Recruitment (*internal action items kept separately*)

3. The Nominations and Elections Committee will gather more information on staff serving on the Board and report back to the Board. Specifically, if this is even legal? – *DONE*
4. Work on verbiage for elections making it clear for voters of how many people they need to vote for. – (*IP*)

Policy & Bylaw (*internal action items kept separately*) **ALL POLICY BYLAW ACTION ITEMS ON HOLD – PENDING BYLAW REVISION**

5. Continue to look at B policies (other than B13, B6 and B7) for congruence with the new Ends and the purpose of B policies.
6. Policy and Bylaw Committee will ask Laurene to review the Co-op's bylaws (using drafted version with member-owner changes), and if she finds anything significant she will put it on the

Board's agenda for directors to consider submitting for owner approval at the Annual Meeting in April.

7. Policy and Bylaw will move forward with an approach to clarify current ownership practices. The Committee will consider clarifying ownership to clearly specify one Primary owner, with all other persons having only the right to shop on the account.
8. Policy and Bylaw to clean up B10 and make it clear.
9. Policy and Bylaw to remove the annual planning document from B3 and add annual planning document to B8.
10. Policy and Bylaw to merge and combine B6 and B7.
11. Policy and Bylaw to look at the CBLD policy template.
12. The Bylaws need to be updated in order to define what Board member participation needs to be in order to remain on the Board.

Professional Development *(internal action items kept separately)*

Strategic Initiatives *(internal action items kept separately)*

13. Strategic Initiatives Committee to schedule a meeting time to discuss different initiatives that could be discussed and researched with owner collaboration. – *DONE*

General

14. Melinda to research food safety in regards to serving food in a self-serve bar. – *Delegated to Kyle Parkins*
15. Laurene to investigate legal structure of member loans offered in Idaho and Washington. – *(IP)*
16. Melinda to email the Board information about our stores deli department and how it compares to other Co-ops. – *(IP)*
17. Colette to send Joan updated information about the business partnership program. – *(IP)*
18. Colette to find out if Art can facilitate our spring retreat. – *(IP, scheduled for April 24th)*
19. Melinda to share the Open Forum Presentation online. – *(IP)*
20. Colette to let Kenton Bird know when the topic of "employees serving on the Board" needs to be added onto the Annual Meeting Agenda in order to be a vote. – *(Remove)*

Future Action Items (These items are in process and ongoing)

21. Strategic Plan Timeline (some items duplicate action items above, but here are organized together) – *(Remove, This has been developed and incorporated into Policy)*
22. Melinda to find out if GM in Boise is available to meet with us? – *(IP)*
23. Melinda will gather the information necessary to prepare for store expansion in Pullman. – *(DONE)*
24. Laurene will complete pro bono research on member loan options. – *(Duplicate, remove)*
25. Melinda will share what policy she comes up with based on the charitable giving criteria. – *(Remove, Melinda does not have time to invest in this topic as of right now)*

CONFIRM AGENDA

Nominations and Elections Committee wanted to present the Board of Director applications to the Board during the Business Agenda. It was not disclosed in the application packet that the applicants qualifying criteria would be discussed in an open format. Because applicants can be disqualified from running for the Board if they do not meet certain criteria, the presentation of applicants will take place during Executive Session.

The application packet will be updated for next year's election to inform applicants that their application will be discussed during a regular Board meeting, and if their application does not meet all qualifying criteria they will be disqualified.

BUSINESS AGENDA

(D10) Calendar of Policy Review (D)

The following changes to Policy D10 were suggested:

- Eliminate B13 completely
- Move B12 from March to April
- Move B5 from June to May

A motion to accept Policy D10 as amended, seconded, **passed 7-0**

Board Community News Submission (D)

The Marketing and Outreach Department has offered the Board monthly space in the *Community News*. The publication would be optional, due the 25th of each month consisting of no more than 700 words. The Board currently publishes an article quarterly in *Rooted* and bi-monthly in in the *E-Newsletter*.

The Board members agreed that submitting an article to *Community News* every month would be a good way to stay in communication with owners on what events and topics the Board is discussing.

Idgi volunteered to write the monthly article for *Community News*, recapping the Board meeting and/or writing about other interesting and exciting news from the Directors. Other members were encouraged to write an article if they felt they had something interesting to share relieving Idgi's responsibilities.

Other comments and suggestions from this discussion:

- If the Board doesn't have anything to write about we just need to let Erica know in advance.
- Writing a recap of the monthly Board meetings is a task that could be delegated to the Board Administrative Assistant with the article being approved by the Board.
- Any organizational event date can be posted in the *Community News* that is not related to the Board.

Owner Engagement Committee Applicants (D)

The Owner Engagement Committee has two Participating Owner seats available. There are four applicants that will be considered for appointment to the Committee during Executive Session.

Staff Service on the Board (D)

The Nominations and Elections Committee had the following action item assigned June 2015.

“The Nominations and Elections Committee will gather more information on staff serving on a Board and report back to the Board. Specifically, if this is even legal.”

The Board received compiled research and articles in their Board Packet that was collected by the Nominations and Elections Committee. Kurt Obermayr, the Chair of the Committee led a discussion regarding this topic. Kurt has no great objections to the concept of staff serving on the Board; however, this topic turns out to be much more complicated than it appears at first thought. With all of the staff and Board time already invested into this topic with no solid evidence of rules and laws supporting this change, Kurt would like to propose that we don't spend any more time on this topic this year. Kurt feels that the Co-op staff and Board need to focus their time and efforts on expanding to Pullman, which is a pressing issue at hand.

- Derick agreed that there are a lot of pressing issues at hand and would like to revisit this topic at a later date.
- Alex would like to move away from this topic and focus on more pressing issues at this time.
- Idgi proposed to have a discussion on this topic once a year until the expansion project is completed. We will then have the ability to make a decision on this.
- Laurene encouraged Diana to look into the different laws for WA and ID regarding legality and get signatures from other owners who support this topic.
- Bill does not agree with tabling this topic due to time restraints, and feels it would be a disservice to the Co-op staff and owners. We have adopted an Ends Policy that we want to be the best workplace, and this is part of providing our staff with the opportunity to serve on a different level with the Board. It would be a perfect time for an engaged group of people to look at our Bylaws before the Annual Meeting and present an amendment to vote on. Bill is happy to help with this project.
- Melinda informed the Board that it is not legal to have our staff volunteer on the Board. If a staff person was on the Board we would need to pay them for their time, and if we are paying one member we would need to pay all Board members.
- Colette agrees that we do not have adequate time to invest into this topic, and does not want to rush this process before the Annual Meeting. The Board members have committed their focus to growth and expansion and that is where our time and efforts should be directed.
- Laurene proposed that we remove the sentence that prohibits staff from serving on the Board from the Bylaws, allowing the policies to be refined at a later time after more research can be done.

All those in favor of removing the final sentence of Article IV Section 4.2 in the Bylaws to be replaced with corresponding policy.

*Section 4.2 - **Number and qualifications.** The Board shall consist of not less than five or more than nine individuals. To be qualified as a director, a person shall be an owner of the Co-op or an authorized representative of an entity who is an owner, and shall not have any overriding conflict of interest with the Co-op. **No employees may serve as directors.***

Yes – Bill, Idgi, Laurene
Opposed – Alex, Colette, Derick, Kurt
This vote does not pass

All those in favor of tabling the issue of staff serving on the Board until January 2017.

Yes – Alex, Colette, Derick, Idgi, Kurt
Opposed – Bill, Laurene
This Vote passes 5-2

Action: Revisit the topic of “staff serving on the Board of Directors” January 2017

Retreat Follow-up Discussion (D)

The Retreat Follow-up was an open discussion amongst Board members. Overall, the Board was happy meeting at Alex’s home; it was very warm and welcoming. A few Board members shared how they felt the retreat went.

- Bill felt the retreat was not as productive as previous retreats and personally found it a bit difficult. Most of the afternoon was spent discussing whether or not individual Board members saw the Co-op as a representative democracy and did not reach any shared understanding.
- Colette felt the retreat went well and that the Board touched on a lot of different topics that provided a greater understanding of individual Board members perspectives on the Co-op and its governance. Colette did not agree with Bill’s assessment of the retreat focus nor with his impression we left with no actionable items. In particular, we decided to move forward with a comprehensive policies revision.
- Derick felt the retreat was educational and he was happy to learn more about other Board members.
- Kurt thought the retreat went well and we learned how to redo policies.

Bylaw Review Process (D)

Laurene led a discussion on the Board reviewing and changing the Co-op Bylaws. There are a few concerning topics in the Bylaws that need to be rewritten and voted on during the Annual Meeting. Laurene will be taking the lead on identifying aspects of the Bylaws that need revision and would appreciate input from other Board members.

Bill shared some concerns regarding the legal hire for these proposed changes with the Bylaws. He would like to see an attorney hired with legal experience in the states of Washington and Idaho, considering our expansion to Pullman, Washington.

Colette confirmed that Tod Geidl, the Co-op’s present attorney has agreed to review any proposed bylaw changes and investigate the legality and best practices related to bylaw revisions.

The Board voted on hiring Tod Geidl to review the proposed Bylaw changes.

Yes – Alex, Colette, Derick, Idgi, Laurene, Kurt
Opposed – Bill
This vote passes 6-1

Action: Confirm that Tod Geidl can review proposed bylaw changes between February 10th – 16th so there can be a vote at the February work session.

The preferred process for changing the bylaws includes:

- Receive the Bylaw Review Report from Laurene to be included in the Board packet for February's meeting.
- Proposed Bylaw changes will be discussed and voted on during the Board meeting on February 9th.
- If Tod Geidl is available, he will review the proposed Bylaw changes and make sure they are legal.
- Discuss potential feedback from Tod Geidl during Work Session on February 16th.
- Approve final Bylaw changes at March Board Meeting.
- Annual Meeting notice to owners by March 20th
 - Email, signs in the store, *E-Newsletter*, *Community News*, press release in the *Daily News*.
 - Physical mailings will not be going out to owners due to the high cost of over \$4,000 unless we learn it is necessary to do so.
 - In order to vote at the Annual Meeting, individual ownerships must be current as of March 19th.
- Annual Meeting will take place Sunday, April 10th 3-5 in the Great Room at the 1912 Center

The Board voted on the proposed process for changing the Bylaws.

Yes – Alex, Colette, Derick, Idgi, Laurene, Kurt

Opposed – Bill

This vote passes 6-1

The Board also discussed completely revamping the Bylaws from scratch in order to provide clarity and simplicity in the Bylaws. There is a CBLD Bylaw Template that we have access to that would provide a simple way of adapting this Template to our specific needs. Currently, the Co-op Bylaws are very confusing, extensive and hard to read. This poses a problem for our owners and their access to understanding the underlying Bylaws of the Co-op. Not cleaning up our Bylaws can also create difficulty in receiving lender financing if they are unable to understand our Bylaws.

Committees: Reports/Work Plans progress (report)

Nominations & Elections – Needs to get a signed consent form from all Board candidates that they agree to be video recorded at the Candidate Forum on March 6th.

Policy & Bylaw – next meeting will be April 21st.

Professional Development –

Owner Engagement –

Strategic Initiatives – Committee met this month to discuss monitoring the progress of the Strategic Plan. Because the Strategic Plan is covered in the Ends Policy Report every February no other monitoring is necessary.

The Committee also suggests creating a subcommittee of Strategic Initiatives that would discuss certain topics that affect Co-op owners, food policy and democracy in action. This subcommittee would be charged with keeping their ear to the ground and find out if certain topics are interesting to owners, these topics would be brought to the Board's attention on a need to know basis.

The Board approves of the subcommittee suggestion, Strategic Initiatives will move forward with creating the subcommittee and report back to the Board.

Action: Create an Advocacy Committee that will keep the Board informed of topics related to Food policy and democracy in action.

Executive Committee –Monthly phone call meetings with Todd Wallace have been scheduled for the first Monday of the month at 4 pm.

BOARD ASSIGNMENTS AND MEETING REVIEW

Rooted submission:

February 11th - Annual Meeting
May 18 –

E-newsletter assignments:

January 10 – OE Committee
January 20 – Elections
February 10 – OE Committee
February 20 -

Community News submission:

January 25th – Idgi Potter
February 25th - Idgi Potter
March 25th - Idgi Potter
April 25th - Idgi Potter
May 25th - Idgi Potter

Upcoming dates to remember:

Work Session: January 19th 5-7
PCFC Banyans 9-4: January 29th
Work Session: February 16th 5-7
Elections Forum: March 6th
Elections week: March 5-13
Annual Meeting: April 10th

Meeting review –
Meeting adjourned at 9:22 p.m.

EXECUTIVE SESSION

Owner Engagement Committee Applicants:

Motion to approve the recommendations of the Owner Engagement Committee to appoint Jolie Kaytes and Emma Liang as Participating Owners on the Committee, seconded, passed 7-0

Board of Director Applicants:

Motion that the Board accepts all six candidates as eligible to run for the Board, seconded, passed 3-0-4

*Notes taken by Dena Van Hofwegen
Meeting adjourned at 9:22 p.m.*

The next meeting will be Tuesday, February 9th at 6:00 p.m. (with dinner beginning at 5:30 p.m.) in the Fiske Room of the 1912 Center.

Signature of the Board President

Date