



Board of Directors Meeting Minutes August 2016

Present: Doug Addison, *President*; Andi Shively, *Treasurer*; Kitten Holloway, *Secretary*; Reyna Bishop (6:10pm); Deborah Ingraham (by phone 6:32- 7:50pm); Michelle Hernandez; Rose Marie Klee; and Julie Le

Also present: Dan Gillotte, *Chief Executive Grocer*; Beth Beutel, *Board Administrator*; John Perkins, *Finance Manager*; CE Pugh, *National Cooperative Grocers* (by phone 7:21-8:01pm).

Owners: (all 6:03-6:16pm) Stephanie Hamborsky, Mijal Grosman, Chris Ledesma, Analiese Kronley

Candidates: (all 6:03pm-7:21pm) Bo Delp, Jeni Findley (by phone), Alecia Norman, Lyz Nagan, Lisa Mitchell, Don Jackson (6:27-7:21pm).

Absent: None.

Call to Order

6:03PM

Doug called the meeting to order.

1. OPEN TIME

6:03PM

Chris Ledesma presented a written statement requesting that Wheatville's Board & CEG to consider enacting a boycott of Driscoll's berries until such time as the farm workers call off the boycott as it is too late in the election cycle to get a petition to boycott on the ballot for the annual election. Chris also noted that a letter of support or endorsement by the Board would be appreciated.

Stephanie Hamborsky, Analiese Kronley, and Mijal Grosman also briefly spoke in support of the Board or CEG taking action on the boycott. Bo Delp also commented in favor of the petition and noted that he started the change.org petition. Mijal noted that she assumes there is a review process for products at Wheatville that reflects her values, but that Wheatville's lack of stance on this boycott has made her question that assumption, and she'd like to learn about the process.

Doug thanked everyone for their presence and information, and said that the Board will consider writing a letter of support.

Dan agreed to email anyone who leaves their email address with Beth more information about product selection, and he will CC the board.

2. AGENDA REVIEW

6:16PM

Nothing to note.

3. CONSENT AGENDA:

6:16PM

CEG Report

---Deborah pulled the July 2016 Minutes



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---Michelle moved to accept the consent agenda. Andi seconded. Motion passed 8-0-0.

July 2016 Minutes, 6:19pm

With respect to the statement in the July minutes that the Transparency Committee went outside its charter, Deborah asked the board to clarify that statement to make clear that the view that the committee exceeded its charter was the opinion of some but not all directors. To that end, Deborah asked that the phrase "in the view of some directors" be added to the sentence referring to the Transparency Committee in July. The directors agreed to make this change.

---Deborah moved to accept the July 2016 Minutes as amended. Kitten seconded. Motion passed 8-0-0.

4. COMMITTEE WORK

6:21PM

Recite Ends, 7:19pm

The Board recited the Ends.

Nominations Committee, 7:36pm

Kitten reported that the committee has reviewed candidate applications and the tabling guidelines. The Nom Com considered whether to fill the vacant director position and recommended to the Board that it remain vacant. The Board discussed the Nom Com considerations and accepted the recommendation. Kitten noted that Nom Com reviewed all of the candidate applications and determined that all 8 candidates are qualified eligible candidates for the ballot, pending attendance at this meeting.

Kitten shared the details of the upcoming Cooperative Board Leadership training on September 10th and encouraged candidates to attend. Beth agreed to send more information via email and register whoever will attend. Kitten clarified the next steps for candidate video statements and tabling.

Fall Owner Gathering Committee, 7:43pm

Julie invited the Board to review the FOG agenda and email her regarding any questions. Julie thanked all of the directors for offering to help in some way. The committee has scheduled its next two pre-FOG meetings.

ACBA Committee, 7:47pm

Andi submitted a written ACBA report regarding the upcoming ACBA election. Doug noted that the Board will be delegating to Dan to cast a ballot for the ACBA Board.

RMK asked for clarification about whether the Board wants to take candidate selection for such organizations on as its work. Based on the practice of delegating to the CEG, the selection of candidates for other similar organizations (e.g., Austin Independent Business Association) it



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would be consistent for the board to delegate ACBA rather than spending board time on these matters.

The board continued to discuss the advantages of each candidate.

---Doug moved to accept Andi's recommendation and delegate to Dan to vote in the ACBA election. 5-0-2 (abstain).

Audit and Review Committee, 6:40pm

Andi is still waiting for Bruce Mayer, the auditor, to schedule the post-audit call. The committee will review the audit report, and then decide whether to do any direct inspections. After they get the final audit report, they will shift gears into writing the annual review.

FYE 2016 Net Savings Allocations, 6:42pm

Doug sent background information in the packet notes, and Michelle added on backpack where directors can look for additional information regarding last year's decision. Doug reviewed the pertinent numbers contained in the resolution: net earnings, EBITDA, and the total to be paid as dividends to investor shareholders.

Doug reiterated that it is important to do this as the investors have put in 1.5 million dollars with the expectation that they receive interest on their investment in return.

---RMK moved to adopt the Net Savings Resolution for Fiscal Year Ending May 29, 2016. Michelle seconded. Motion passed. 7 for -1 against -0 abstain.

5. STRATEGIC LEARNING

6:47pm

B & C Policy Monitoring Format, 6:47pm

Rose Marie led the board in a discussion about monitoring CEG-delegated (i.e., A and D) versus board-delegated policies (B and C policies). The Board noted that the Cooperative Grocer article was a good reminder of why the Board had previously moved to a new approach to B and C monitoring. Considerations include the time it takes to produce the monitoring report in relation to the desired outcomes and how to make continuous improvements in the most effective and efficient manner.

The Board agreed that the most critical part of B and C monitoring is to have a good discussion about whether the board is doing what the policies say it should do and how they can improve their performance and then acting on those recommendations. To that end, the Board agreed to use only the surveys for the next month's monitoring and to practice looking for survey answers that indicate a discussion is warranted, and having a high-quality discussion on the reports.



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Directors also like the idea to have conversations about the next month's policy monitoring surveys at the meeting before the surveys are administered to assist new directors in understanding both policy and method.

BREAK

7:11pm

All non-directors except Beth Beutel, Dan Gillotte, and John Perkins left during the break.

6. EXECUTIVE SESSION

7:21PM

At 7:21pm, Doug moved the Board into Executive Session to include Dan Gillotte, Beth Beutel, John Perkins, and CE Pugh to discuss sensitive financial matters.

*****EXECUTIVE SESSION*****

Purpose: to consider confidential facilities and financial matters.

*****END EXECUTIVE SESSION*****

7. CEG EVALUATION

8:01PM

Long-range CEG Evaluation and Compensation, 8:01pm

Kitten asked that directors look at the Policy Monitoring tracking log before the next meeting and email her any feedback. Documents on this topic are on the CEG page of backpack, and Kitten encouraged directors to make edits and comments on the materials there. The Policy Monitoring Tracking Log will be included in the Board packet every month. Kitten reiterated that all feedback is welcomed and necessary for this tool to meet our needs.

CEG Evaluation, 8:04pm

*****EXECUTIVE SESSION*****

Purpose: to consider confidential personnel matters

*****END EXECUTIVE SESSION*****

---Doug moved to approve the CEG compensation package as discussed. Michelle seconded. Motion passed. 7-0-0.

8. ADJOURN

9:32PM

At 9:32pm, Doug adjourned the meeting.

Parking Lot

- Member Engagement Committee- added 02/14
- Strategic Learning on D1.10- GAAP/EBITDA – added 1/16

**WHEATSVILLE CO-OP
BOARD OF DIRECTORS
August 16, 2016**

Net Savings Resolution for Fiscal Year Ending May 29, 2016

Whereas Section 251.302 of the Texas Business Organizations Code and Article IX of the Wheatsville Bylaws provide a process for an annual apportionment of “net savings” by the Board of Directors to specified uses including payment of investment dividends, distribution of patronage allocations to owners, and retained earnings; and

Whereas Bruce Mayer of the accounting firm Wegner CPAs LLP, which has conducted financial audits and reviews of the co-op every year for the last nine years, has provided a written statement that EBITDA (earnings before interest, taxes, depreciation and amortization) is a reasonable accounting interpretation of the term “net savings” in this context; and

Whereas Wheatsville’s net earnings before income tax provision are -\$130,441.91 and “net savings” measured as EBITDA are \$790,432.19 for the fiscal year ending May 29, 2016 per the internal financial statements dated 08/01/16, as reviewed and approved by the Wegner CPAs audit team; and

Whereas Section 251.301 of the Texas Business Organizations Code provides that investment dividends distributed may not exceed 50% of the net savings for the period, and the investor dividends earned for this accounting period are \$58,775.26, which is less than 7.5% of net savings defined as EBITDA; and

Whereas payment of investor dividends as described in the 2005 and 2013 offering memoranda and individual investor subscription agreements is a high priority for the general welfare of our co-op; and

Whereas the statement from Bruce Mayer explains that a patronage dividend would not be deductible under the Internal Revenue Code when taxable income and GAAP earnings are less than zero; and

Whereas the Board of Directors has determined by due diligence that funds are legally available, that the net worth of the co-op exceeds the amount to be distributed as required by Wheatsville’s Bylaws, and that payment of dividends will not place the co-op in any fiscal jeopardy;

Now therefore, pursuant to the Texas Business Organizations Code and Wheatsville’s Bylaws, the Wheatsville Board of Directors hereby declares investment dividends in the amount of \$58,775.26, to be distributed to investor shareholders for the fiscal year ending May 29, 2016, as provided in the individual shareholder agreements, with any remainder of net savings allocated to retained earnings as permitted by Section 251.302 of the Texas Business Organizations Code.

Action taken by Board: _____

Certified by: _____ Title: _____ Date: _____