

**Wheatsville Board of Directors**  
**Special Meeting Agenda**  
**Thursday October 2, 2014**  
**12:00PM @ Guadalupe Meeting Room, 3103 Guadalupe**



---

<b>TIME</b>	<b>TOPIC</b>	<b>ACTION</b>
<b>12:00PM</b>	<b>1. AGENDA REVIEW</b>	<b>DISCUSS</b>
<b>12:05PM</b> (55 min)	<b>2. COMMITTEE WORK/GOVERNANCE</b> Review Committee – Allocations	<b>VOTE</b>
<b>1 :00PM</b>	<b>Adjourn Meeting</b>	

---

Wheatsville will be at the forefront of a transformed society that has:

- a thriving community centered on hospitality, kindness, and generosity
- a robust cooperative economy
- easy access to sustainable, healthy food solutions



# Board of Directors Special Meeting Minutes October 2, 2014

Present: Reyna Bishop, *President*; Doug Addison, *Secretary*; Steven Tomlinson, *Treasurer*; Marcia Erickson; Kitten Holloway; Deborah Ingraham; Michelle Hernandez (by phone), and John Vinson.

Also Present: Dan Gillotte, *General Manager*; John Perkins, *Finance Manager*; Bill Sherborne, *Staff Accountant*; and Bruce Mayer, Wegner CPAs, *Wheatsville's CPA* (by phone, 12:35-12:51).

**Call to Order** **12:06PM**

Reyna called the meeting to order.

**1. Allocation of Net Earnings or Net Savings** **12:06PM**

Steven explained that the co-op has an operating loss in FY 2014 and no net earnings to pay patronage rebates. The Texas Business and Organization Code (TBOC) has a definition of "net savings" as part of its statute that can be used to pay investor share dividends.

Dan reminded the Board that Wheatsville's agreement with investor shareholders does not require an annual payment of a dividend. He then explained why not doing so could be a problem:

- Not doing so shakes investor confidence; the investor share program is integral to the Co-op's business plan - aka the "BIG Direction."
- Wheatsville has implied that investors would be "made whole" eventually; not paying dividends in this year or in future years with a negative net income will compound over time.
- Many of the investors from the first round of investor shares (total \$715,000) are past their put dates; from that group, it would take only eight investors asking to sell their shares back to the co-op to exceed the dividend amount under consideration in FY2014.

Steven continued by outlining the three issues/questions before the Board:

- In a year of net income loss, defining net savings (by TBOC statute) requires a break from how Wheatsville has done this in past
- The Board has to believe that the new definition is legal and defensible
- TBOC statute defines limited ways in which net savings not distributed as investor share dividends can be distributed

Steven added that he would want legal and financial advice on the matter before deciding.

Dan said the operations has a solution which enables the payment of shareholder dividends approved by Wheatsville's attorney and accountant, and that still requires Wheatsville to re-define net savings. He added that the Co-op's bylaws track closely to state law.

John Perkins said that past resolutions on allocations have not explicitly defined net savings. The TBOC code defines net savings as an "allocation" and "what you can do with it." TBOC statute



# Board of Directors Special Meeting Minutes October 2, 2014

allows for various definitions and he thinks that the Co-op should rely on legal and financial counsel. Wheatstville's accountant, Bruce Mayer of Wegner CPA, says that many co-ops use EBITDA for net savings/net income.

Dan told the Board that the patronage threshold is defined by the IRS using net income.

John Vinson challenged the idea of using one standard of defining funds available for patronage rebates (net income) and another for investor dividends (TBOC's net savings).

*Bruce Mayer of Wegner CPAs joined the meeting by phone at 12:35.*

Steven reiterated the three questions before the Board.

Bruce told the Board that he thinks the TBOC statute is badly worded in that "net savings" is not really what you should use to calculate patronage. Bruce noted that the Co-op's loss in 2014 is an anomaly in Wheatstville's history. Bruce does not think any owners are being damaged by deciding to redefine net savings in FY2014 and going forward. The EBITDA method makes sense, he said, and many other co-ops use it. In response to questioning, Bruce said that taking up the new method is defensible, and will not "mess up" the long term financials.

Doug indicated a disinclination to vote due to a conflict of interest because he is an investor shareholder, as are John Vinson and Steven Tomlinson.

In response to a question by a board member, John Perkins clarified that a decision on the allocation of net earnings or savings is urgently needed in order to officially close the FYE2014 books, to be able to produce the Annual Report to be presented at the Fall Owner Gathering which serves as the annual meeting of the owners required by our Bylaws, and to maintain investor confidence.

There was discussion with potential issues with the resolution in that it defines money available for rebates one way, but money available for dividends another way.

No vote was taken. The Board decided to continue the discussion before Oct. 9 in order to be able to present an annual report at the Fall Owner Gather on Oct. 12.

## 2. Adjourn

1:31 pm