

Wheatsville Board of Directors

June 3rd, 2005 Monthly Minutes *(Approved)*

Note: This meeting followed a day and a half of board training sessions on the subject of Renovation and Expansion with Bill Gessner, an expert on the subject in relation to grocery co-ops.

Present: Bob Kinney, Johnny Livesay, Shari Holland, Colin Borchert, Jane Kurzawa Cravey, David Pease, Rose-Marie Klee.

Absent: Ryan Vanstone.

Also Present: John Perkins, Financial Manager, and Dan Gillotte, General Manager.

Meeting brought to order at 8:15 pm

Agenda Items:

- Approve the "Expansion Plan and Member Financing Program" draft by Dan.
- Approve the Investor Share Resolution.
- Discuss the GM Report
- Monitor GM Policies D9 and D13
- Evaluate Gessner discussion days and board meeting.
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HOUSEKEEPING:

Agenda Review: *No items were added to the agenda. Agenda quickly agreed upon.*

Announcements: None

Approval of Minutes:

- Corrections were made to the "Nominations Committee" agenda item to improve accuracy, most notably recording Shari's decision not to run for the board next election.
- In the "GM Performance" agenda item, a correction was made to note that typically a good audit frequency in a food co-op is around every 2-5 years.
- A correction was made to note that Carolee Colter had given all of the WV staff a written survey.
- David moved to approve the minutes. Shari seconded. Passed. 6-0-2.

Open Time: No one present

GOVERNANCE:

WV Expansion Plan and Member Financing Program 8:21 PM

- This was a draft written by Dan Gillotte and added to the board's monthly packet for review. The finalized version of this document would be given to potential lenders in the member loan program.
- Shari noted a few minor edits for readability.

- In the "Risks" section on page 10 of the draft, David wondered if "significant" was an appropriate word for the document. Will this scare people off? Is this even true in our case? What is "significant?"
- Jimmy thought some information on the legal basis for these loans, something reassuring to lenders to let them know that our program is legal and quite normal.
- There was some discussion on the use of the term "prime," as it related to the loans over \$10,000. Dan said the prime rate was currently 5.75%, and it changed once a year. Dan also said that Bill (Gessner) recommends not saying prime, but instead saying 5.5%. Dan wants to implement this change to the draft.
- The board thought that this was good, but to offer the exact prime rate instead: 5.75%.
- Jimmy queried if there was a limit on the number of transactions (member loans) we can have. Dan said there were none that he knew of.
- Thinking "worst case scenario" (as Gessner advised us to do), some participants wondered what would happen to the loans if the terms changed. This was bounced around awhile. Jane reminded everyone that the lease terms and preliminary designs and estimates would be in before we began the member loan program, which has been pushed back at least one month.
- There was a move to accept the draft with the following provisions:

~ "Prime" will be changed to 5.75%

~ The aforementioned grammatical edits would be changed

~ The 2005 Projected figures will be updated

~ The board would only be approving the draft up until the section entitled "Sources and Uses Budget."

~ All financials would be added as an attachment at the end of the draft, and be marked "preliminary."

~ We will vote on the finished version that incorporates said amendments at the July board meeting.

- Shari made the motion, Jane seconded, and it passed 8-0.
- *Note: At this time, board member Johnny Livesay excused himself to prepare for another WV event.*

Note: The agenda item on approving the final expansion plan and member financing program has been postponed for one month pending investigation into how we will handle the legal aspect of the member loan drive.

Investor Share Resolution 8:45 PM

- This resolution was written by members of the finance committee, and is pending approval by the board.
- In summary, the resolution seeks to redeem the investor shares outstanding, which have a total value of \$40,327.44, and then halt the investor share program until an unspecified point in the future, with the terms redone.
- The purpose behind this resolution is to convert these investor shares into member loans to help finance the Renovation and Expansion project.
- This had previously been discussed to the point that the board only needed to see a finalized version of the plan, and had very few questions.
- Jimmy made a motion to approve the resolution. Bob seconded. Motion passed 7-0-0.

Prospective Annual Budget -- 8:51 PM

- John Perkins introduced the budget, and noted that it was unfinished. He gave it to the board in this format simply so they had something tangible to look at, but there would be future refinement to the figures.

- There were some questions raised about exactly how the budget was adjusted to compensate for the renovation project. Dan replied that it was a conservative budget, but that there weren't any "articulated" figures on specific issues. He had his managers supply him figures as if it were a normal year, and then amended those figures by a certain percentage.
- The board will approve this budget at the July meeting. The budget was introduced simply for the board's information, and all motions will be made at the next meeting.

Monitoring GM Performance-- 8:55 PM

- The board is monitoring policies D9 and D13 this month, as part of the rotating schedule for monitoring GM performance.
- The board found Dan's report on policy D9 sufficient and quickly moved to accept. Jimmy made the motion, Rose-Marie seconded, and the motion passed 7-0-0.
- As far as policy D13 is concerned, Shari had concerns about Dan's workload after reading about the extent of Dan's involvement in the NCGA and other national co-op programs on top of his already burdensome load. Dan replied by saying that much of his involvement on the national stage involved phone call meetings, and that much of this will help Wheatsville directly, as well as give back to a community that has helped us.
- Shari thought that the national co-op involvement was great, but stressed that she believed the local community programs were more important to be involved with. Dan maintained that he is very involved in the Austin community.
- Jimmy moved to approve policy D13. David seconded. The motion passed 7-0-0.

GM Reports-- 9:01 pm

- Shari queried as to whether Denise Chevalier (Dan's initial choice for Project Manager) would be a contract hire or not. Dan replied that she would be contract if hired. Shari further wondered if she would be living in Austin during the project (Denise is a CDS consultant who has worked with several co-ops nationwide). Dan said that he did not know any specifics at this point, but hoped that she would be on-site every day.
- The board talked about the project manager position, and possible benefits from hiring a local project manager. Dan said that he is not comfortable hiring many local project managers. He is looking for a good track record from possible project managers, someone who'd be able to jump on a project quickly from day 1, and believes Denise has that.
- The board generally agreed that they want a project manager on-site for the project.

Agenda for July -- 9:07 PM

- Approve final version of "Expansion Plan and Member Financing Program."
- Come up with a calendar of upcoming board actions on various critical junctures of the expansion and renovation plan.
- Discuss Carolee Colter's staff report (if necessary). The board will be briefed on this staff report through written correspondence, and time will be reserved in July's meeting in case the board has any comments to make, although this is not mandatory.
- In terms of Dan's evaluation at the next meeting, the board will need the management tool filled out. Dan and Bob will work together to compile all of the monitoring reports for the last year.
- The board will discuss Bill Gessner's challenge to the board in terms of leadership contributions to the project.

~Since the investor shareholders will be included in the leadership circle in terms of recording contribution to the project, there was discussion about how this would be handled. Who would handle specifics, such as making the calls?
 ~The board delegated responsibility to Dan, with advice from the Finance Committee, and will expect a report back in July.

- Shari made a motion to accept the agenda. Rose-Marie seconded. Motion passed 7-0-0.

Board Self-Evaluation Tool (Including Gessner Sessions) -- 9:14 PM

- *Plusses:*

Board was faced with tough decisions (and yet we're all leaving with smiles).

Board and Management are clarifying roles, which is very appreciated by Dan and by several board members.

Everyone agreed that Bill's visit was valuable.

Agenda for Next Month--8:45 pm

- Since Bob was not at the meeting, the board decided to go over the agenda for next month briefly to help Bob out:
- Board Evaluation for roughly 2 hours
- Approving the Member Loan Program (if enough legal information has been decided upon)
- GM Staff Reports and Wage Schedule (both Incidental/Informational)
- Approve/Deny Staff Bonuses
- An action item on Dan's purchasing power (if Dan requests a specific dollar amount)
- An action item on having an audit every so many years.
- Committee report by Membership Committee for Grow Wheatsville! Concert.

Board Self-Evaluation -- 8:50 pm

Plusses:

- Board was faced with tough decisions (and yet we're all leaving with smiles).
- Board and Management are clarifying roles, which is very appreciated by Dan and by several board members.
- Everyone agreed that Bill's visit was valuable.

Minuses:

- There was some disappointment with the first hour with Bill during Friday's session.
- Some people wanted more specifics from the meetings with Bill.
- Colin thought that while conversation was certainly beneficial, perhaps we could have gotten through it faster with less exposition during discussions.
- The board in general feels they must look further ahead in the future than one month at a time, as is currently happening.
- The board is not as clear on the roles between GM/Board as originally thought.

Meeting called to adjournment at 9:19 PM. Jimmy made the motion, Bob seconded. Motion passed 7-0-0.