

Wheatsville Board of Directors

Monthly Minutes (Approved)

October 6, 2005

Present: Bob Kinney, Jane Kurzawa Cravey, Shari Holland, Colin Borchert, Jimmy Robertson, Johnny Livesay, Ryan Vanstone

Absent: David Pease, Rose-Marie Klee

Also Present: Dan Gillotte, General Manager, John Perkins, Financial Manager, and Daniel Miller, board candidate

Meeting called to order at 6:07 PM.

Agenda Items: Update on Member Appreciation Day and Fall Member Gathering, Update on Expansion and Call Drive, Approve Amended Resolution on Investor Share Drive, Receive First Quarter Financials, CBLD board program proposal, discuss board policy revisions.

HOUSEKEEPING:

Announcements: None

Open Time: None Present

Agenda Review:

- As was discussed between the board and management via email, Jimmy wanted to allot time to read the new Investor Share information if it was to be voted on today. Bob and the rest of the board thought that would be fine.
- Shari noted that in the future, the items that need approval should go before any discussion items.
- The First Quarter Financials will be received, but not approved, at this meeting.

CONSENT AGENDA:

**Note: The consent agenda is a new feature of the WV Board of Directors meetings, as the board moves to become more compliant with policy governance. The minutes (with corrections noted via email), and GM, Staff, and Committee Reports will be included in the board packet each month. These items will be placed on the consent agenda, to be approved with one motion. Any item can be pulled off of the consent agenda for discussion by any board member at the beginning of each meeting.*

- Nothing was pulled off of the consent agenda.
- Bob moved to accept the consent agenda. Jane seconded. The motion passed 6-0-1.

GOVERNANCE:

Member Appreciation Day and Fall Member Gathering 6:14 PM

- Bob ran through the volunteers to sack groceries for Member Appreciation on Saturday October 8th. There was still an empty time slot from 12-2 PM. Johnny said that he'd be there, so he'd be able to help out as needed.
- Dan gave an update on the Member Gathering next Wednesday October 12th. Shri Yannam, who helped out with the Membership Committee on this event, had cancelled all of the entertainment he hired when he resigned from the board election last week, but Dan was able to re-book other entertainment.
- There will be food from the deli, which will be served by staff, and a wine tasting. Bob and Dan will give a State of the Co-op speech, Antenorra will give a brief presentation and have diagrams and pictures. For entertainment, there will be pumpkin carving, belly dancing, and fire dancing. He predicts things will wrap up around 10 p.m.
- Jane asked if an election table will be set up. Dan said that an expansion table will be set up, so it wouldn't be a problem to get an election table next to it, or to share the space.
- Bob said that board members should come at 5:30 to help set up if possible.

Approve Amended Investor Share Resolution 6:20 PM

- Dan gave a brief intro on the documents that were emailed to the board in the last few days. There are two subscription agreements. One is for the purchase of 100 or more shares, the other for less than 100 shares, due to the differences in the premium section. There is also the revised investor share program packet for review.
- Dan brought our attention to section 8 of the subscription agreements. 8b refers to the number of days the co-op needs to notify the investors that they will be repurchasing the shares, and 8a refers to the number of days investors need to notify the co-op to repurchase their shares, once the shares have matured. He said that 60 is pretty standard, but the board must decide on that.
- At 6:25 PM, Bob apportioned the next 30 minutes for review of these documents, since the board received them on short notice.
- At 6:56 PM the board came back to order to discuss these documents.

Subscription Agreement

- The board first discussed the subscription agreement for the purchase of 100 shares or more.
- Jane said that this is a complex document, and worried that it may scare away some member owners. Dan replied that it wasn't as simple as the original member loan document, but now that we're going with the investor shares, he went with a full airtight agreement as advised by the lawyers. He added that he will include a cheat sheet and/or sample document to make it easier for the member owners to understand.
- Shari felt that it would be pretty manageable for them.
- In regard to 4b, Jane asked what the "memorandum" was. Dan replied that it was the disclosure statement. Jane said that it was called too many things, and this was discussed briefly. The board thought it should have one name standard on all the documents, and Dan agreed and said he'd make the changes.
- On page 2, item number 6, Jimmy noted it says "company" and should say "co-op." The typo was noted.
- Jane again noted that some of the language in this disclosure may scare people off. Dan replied that we want the language to be strict, and that the board has relayed that to him, and thus it has to be this way.
- On page 3, there were a few grammatical/accuracy edits made.
- Jimmy asked what was the significance of September 30th? Dan replied that for legal reasons, we had to include a statement saying that shares won't be transferred for 9 months after the end of the loan drive. He is anticipating the end of the loan drive to be December 31st.

- Jimmy asked how this would affect his desire for the investor shares limit to be lowered to less than 10 at some point next spring. Dan said that, if it happened, he envisioned it as a second offering, and the documents would have to be revised at that time for the new drive, with slightly less attractive terms.
- Jimmy felt like it was unfair to offer less attractive terms to people who couldn't afford a \$1000 (10 share) investment. This was briefly discussed, but it was decided that this should be talked about when we get to that language in the resolution.
- On section 8 of page 3, Jimmy opened up discussion on the prior notice time period for "putting" or "calling" the loan by saying he thought 60 days should be fine for both.
- Shari thought even 30 days should be fine, and might be more advantageous for both parties.
- Dan replied that the lawyers thought 60 days is safer due to maybe needing bank approval to start buying back the shares.
- Shari thought we could then do 30 days for 8b, and 60 for 8a. Jimmy thought that whatever it is, it should be the same for both, so that one party does not have the upper hand over the other.
- Colin suggested we just do 60 days for both, and the board had no objections.
- Jimmy had a question about some language in 8a, which said: "mutually agreeable documentation will be made available to complete the repurchase." What documentation is this? John replied that we will come up with the appropriate documentation when we get to that point.
- On page 4, Shari wondered if "laws provisions" was a typo. It should say laws and provisions.
- On page 4, in regard to the signature lines, Shari wondered why there was an "Its" line followed by a blank. Dan explained that he was going to put "Dan Gillotte" on the first line, and then "Its General Manager" on the second line. Shari suggested he put his name and title underneath the blank and then sign the top line.
- Dan noted that we need the coordinating director's signature on some future documents as mandated in the by-laws. He thought the president should be named as the default coordinating director in policy at some point.
- On page 5, Jimmy asked what "JTWROS" meant in parentheses beside the "Joint Tenant" line. Dan said that it meant Joint Tenant with Right of Survivorship, something just in case one person dies on a joint share. Jimmy asked if that should be spelled out. John said that it originally was, but the lawyer said not to.
- There were some questions about the Irrevocable Trust and Revocable Trust lines. Should those even be included? John said he would ask Ron McFall about that.

Member Loan Packet (the "Memorandum")

- Jane noted that it should say member owners instead of just members. Dan said he'd do that.
- On page 4, Shari noted that we mention the Rochdale Pioneers, but don't offer any background on them, but no action was taken.
- Shari thought that square feet should be spelled out, as well as General Manager and Wheatsville being always spelled out.
- Jimmy thought that the lists should always be bulleted, or rather that there was a parallel construction to the format at all times.
- On page 6, it was noted that we should mention that UNF is our distributor, which PJ Hoffman works for. Also, should CDS be spelled out?
- Jane thought that Denise Chevalier should be put before Bill Gessner for flow.
- On page 7, in regard to the management team, who has been on staff the longest? Dan said he put it all chronological.
- Jimmy thought we should include Aldia on here. Dan said he put only long term management on there, but he thought about putting Aldia and Nikki on there as well. The board thought he should put them both on there. Dan said okay.

- Shari thought that the word "labor" should be more specific. "Labor costs?" "Labor as percentage?" Something specific for clarification.
- Jane noted that there needed to be consistency in the capitalization of committees. Shari suggested he give this to an editor to look after. She knows an editor who is a member. John said that Aldia is our staff editor, and could look over it too.
- On page 10, Shari queried about the 5500 members. She has heard other numbers, like 7000, 8000, etc. What is the exact number. Dan said that 5500 is accurate, but he'll look and get the most accurate number possible.
- On page 13, Shari noted that the 2nd paragraph needs to be divided up somewhere because it is too long.
- Jimmy brought our attention to the provision to offer lenders who can't afford 10 shares a chance to invest in January 06. He wanted it listed in the program. Shari, Johnny, and Jane disagreed. Johnny said that this packet goes out to people who have already pledged, so it shouldn't be listed in the packet even if it does happen.
- Jimmy said that if that was the case, it doesn't need to be put in this packet, but it should be advertised to the membership so that no one is excluded. This would be talked about later when we discussed the resolution.
- On page 15, there were a few spelling errors that were corrected.
- On page 17, Shari had questions about the "Total Owner's Contribution" line. John said it was a sum, and would reformat it so that it was clearer.
- On 19, Shari thought there should be descriptions of surcharge, margins, and other financial terms the membership might not know about. Dan replied that due to the open financials posted in the Breeze, that our membership should be pretty savvy about this. Shari thought it wouldn't hurt to clarify, especially since this is the good part of the packet, talking about the great financial expectations due to the expansion.
- On page 19, Jimmy said that in the paragraph about net income, it should say "assumes" since it has not happened yet.
- On page 20, Shari suggested putting a title over the tables.
- John said that he wanted to add in page 20, "Projected Expansion Sources and Uses" to be a little less specific.

Expansion and Call Drive Update 8:08 PM

- The board decided to hear the update before voting on the resolution. Johnny, who is one of the callers, reported that they have raised \$114,500 so far from 31 people. This is also a low ball estimate because some member owners want to see the packet and other documentation before committing to a specific number. Bill Gessner advised that in those cases, if they say yes to put them down for the \$1000 minimum until they explicitly say more, so this number will probably be higher.
- Colin asked if this included the leadership circle investment. Dan said yes, this is the total amount raised.
- Shari asked how many people have been called. Johnny said that he made 39 calls, 8 people committed, and he left 20 messages on answering machines. Dan added by saying that less than 100 people total have been called out of 500.
- Bob has been calling former board members.
- Shari noted that Dan will need to find a formal way of acknowledging these people's contributions.
- Shari asked what the average loan has been so far. Our target is \$4000 a loan, and we're just below that. Things are looking really good.

Investor Share Resolution 8:15 PM

- Jimmy, who drew up the resolution, noted that the second version, which was emailed recently, is the most current version of the resolution.

- The board looked at the "be it resolved" point number 2, which Jimmy wrote in regard to a second investor share offering with less than a 10 share minimum. Shari thought that it should say, "may be offered in January 2006" instead of "will be," since we don't know what will happen.
- Johnny appreciated Jimmy's sentiment, but also found the language too confining on this point.
- Jimmy reiterated his feelings that this is really important, and we can't treat some member owners better than others.
- Those who disagreed with Jimmy felt that it wasn't like that, that every investor share resolution must have a minimum, and our minimum was set to encourage meeting our quota to get the expansion project underway.
- Jimmy moved to approve the resolution as worded. Bob seconded.
- Shari moved to amend the resolution by striking the last sentence of the second "be it resolved" item.
- This was debated further by the board. As compromise, Bob moved to amend Shari's motion by saying "Additional opportunities for member owners to financially support their co-op below the \$1,000 level will be made available in Spring 2006." Shari deemed this a friendly amendment, and allowed it to stand.
- This was discussed further, with Jimmy wanting language that specifically said "including the purchase of less than 10 investor shares."
- In general, while some board members agreed with Jimmy in part, the board did not want to cement themselves on anything this early on. For example, what if, in the initial offering, 1 million dollars worth of shares were sold. This would legally prevent us from providing a second offering.
- The board voted on Bob's amendment to the resolution. The motion passed 6-0-0, with one member present but not voting.
- The board then voted on approving the resolution as amended. The motion passed 7-0-0.

Cooperative Board Leadership Development (CBLD) Opportunity 8:50 PM

- The CBLD, formerly known as CoCoBEEP, is a board development program that opened in the Eastern corridor of the NCGA last year to great accolades. It is now available to the Central corridor, and Marilyn Scholl asked if we wanted to be a part of it.
- The cost is \$4500 a year, and will include a full day board training, board training for new members, and up to 20 hours of consultation time. We would also pay for all travel costs.
- Dan said that, if interested, we need to send a letter of intent by the end of this month, and sign up next month.
- Jimmy asked if we should confine ourselves to the same board experts, or if we should try to get a variety of experts involved. Dan said that these are the best, although there are others.
- Johnny said that Mark Goehring, who is on this CBLD team, is also the board president of the Brattleboro Co-Op in VT. He said that Goehring got 7-8 of the nearby food co-op boards together for a retreat. In our case, our nearest food co-ops are in Lawrence, KS and Fayetteville, AR. Thus, this would be a great opportunity to be a part of the national co-op scene. We could do this with other co-ops (housing, etc.) in Austin, but do we work in the same ways, such as policy governance, etc.?
- Bob said that we did something like that 10 years ago or so, and it wasn't as productive for any of the parties as hoped.
- Shari moved to send a letter of intent to join this program. Jane seconded. The motion passed 7-0-0.

Wrap-Up 9:00 PM

- Since we ran out of time yet again without discussing policy, should we have a special policy meeting?

- Shari said that if we did, it should be a voting meeting so that we could actually move to accept policy.
- The board decided to schedule the meeting for Thursday October 20th at 6 PM.
- Shari queried the board about a policy that addresses the type of products the co-op stocks. The board talked about the Coca-Cola and other items sold at Wheatsville. Should there be a policy about the preference of organic, local products over non-organic, national products? Shari said she'd write one up and the board could discuss it.

Meeting Evaluation 9:05 PM

Plusses:

- We did one hell of a job during this meeting, tackling some tough issues and getting it done!
- The consent agenda worked well.
- The page numbers on our board packet worked great too.
- We finished and passed the resolution.
- We worked hard.
- Daniel was here, and was a great presence.

Minuses:

- We didn't get to policy.
- We received a lot of the stuff late, and it came in multiple emails, which was confusing.
- ***Dan felt the need to reply to this one. After the last meeting, he said to expect these things, and he worked really hard to get it to us as soon as possible. He felt like he did a great job getting it to the board in the time that he did.
- Lack of respect in terms of time and discussion.
- We missed David and Rose-Marie.

Jane moved to adjourn the meeting. Bob seconded. Motion passed 6-0-0. Meeting adjourned at 9:14 PM.