

Wheatsville Board of Directors

Board Meeting Minutes (Unapproved)

May 24, 2007

Present: Bob Kinney, Jane Kurzawa Cravey, Rose-Marie Klee, Johnny Livesay, Brian Butler, Jimmy Robertson, Marilyn Fowler, Colin Borchert

Absent: Tony Piccola (resigned)

Also Present: Dan Gillotte (General Manager), John Perkins (Finance Manager), Clarence Land, Lindsey Auten, Brian Rodgers, Liz Carrasco

Call to Order: 6:03 PM

Open Time:

- Brian Rodgers and Liz Carrasco, representatives from a group opposing tax breaks to the Domain I and Domain II mixed-use projects in north Austin, came to entreat Wheatsville to endorse the cause.
- Brian explained that they are trying to organize a petition of 200-300 local businesses to bring to Austin City Council to reject subsidies for Domain II and not appropriate further money for Domain I.
- After a brief explanation of some of the dishonesty surrounding the Domain developments, and the inequality of "corporate welfare" for nationwide businesses such as Tiffany's when none is given to local businesses, Liz and Brian left so that the board could confer.
- The board discussed a motion to endorse the cause. Jimmy noted that he is opposed to the endorsement. As the Wheatsville endorsement policy requires a consensus among directors, the motion was struck down.
- Johnny noted that one business there, the Bartelby Co-op, is illegally using the "co-op" name, which is against the Texas Business Code. Thus, Wheatsville may want to file with the state against them. The board decided to discuss this in the future.

Agenda:

- Consent Agenda, Approve 3rd Quarter Financials, Hire Renovation Contractor, Approve 401(k) plan, discuss Member Volunteer program, discuss May 22 Owner Dinner, discuss GM evaluation, Monitor D.2, discuss Nominations Committee, Discuss By-Laws, Vision Discussion, Board Self-Evaluation.

Agenda Review:

- The board proposed no amendments to the Agenda.
- Bob noted that Tony has resigned from the board. The board decided to see if either Steven Yarak or Tom Wald would like to fill Tony's position. Steven Yarak would presumably be first in line as the next-runner-up in votes in the last election.
- Jimmy agreed to moderate the meeting.

Consent Agenda: 6:23pm

- The board pulled B.5, GM Report, April Operations Report, and the March 22, 2007 minutes.
- Jane moved to accept the Consent Agenda. Colin seconded. Motion passed, 7-0-1.
- Marilyn noted that the March minutes had a typo in the header. Colin said he would correct.
- In regard to the GM Report, Jimmy gave a kudos to the 401(k) plan. The board agreed.
- In regard to the April Operations Report, Jimmy asked why \$350,000 was transferred from NCB CD #2 to NCB Money Market Account. Dan replied that the move was made for liquidity. We may need the money during the renovation, so we don't want to put it all in one CD. Dan noted that he put 1/2 in a CD, and 1/2 in a Money Market Account.
- Since B.5 was not in the packet, the board agreed to discuss in June.

Third Quarter Financials: 6:33 PM

- Jane moved to approve the 3rd Quarter Financials. Jimmy seconded. The motion passed 8-0-0.

Hire Renovation Contractor, Pro forma 6:35 PM

- Dan said that he didn't need approval on the pro forma tonight, but wanted the board to discuss whether the board felt they needed to approve it. If so, Dan would like it to be approved at the next meeting.
- In regard to the pro forma, Jane noted that the fees went up. Dan replied that fees were always an assumption, and with the starts and stops, and the fact that we chose a more high-end architect, those fees were a little higher than initially assumed.
- Bryan asked about the decrease in cash in year 4. Dan said that this is when Wheatsville starts paying the investor shares off, so it is the lowest/shakiest point in the proforma. Dan noted that any owners who wanted to roll over/re-invest their investor shares will be given a chance to.
- Jane asked if Dan could provide 4 or 5 talking points about the renovation so directors could communicate better with the ownership. The board generally agreed.
- Jane asked about the debt to equity ratio. Dan noted that 2:1 is preferred, and Wheatsville will be as low as 1.25:1 during the renovation, but the strong cash reserves will negate any risk.
- On the issue of whether the board needs to approve the pro forma, the issue was moved to June, when the board will already be discussing the approval of financing.
- On the issue of approving the contractor, Dan stated that he wants to work with TF Harper, who has been doing a lot of good work for Wheatsville recently. Dan noted that we need a contractor before getting bank financing, and approving them now will give them time to ramp up and start immediately after receiving financing.
- Jimmy asked how much it would cost. Dan said \$2.4 million.
- The following motion was made: We, the Board of Directors of the Wheatsville Co-op, authorize Dan Gillotte to enter into a contract with TF Harper for renovation and expansion of the Wheatsville Co-op, contingent on financing, legal review, and landlord approval, at an amount not to exceed \$2.4 million.
- Jimmy moved to accept the motion. Johnny seconded. The motion passed 8-0-0.

- Rose-Marie asked how Dan was feeling in terms of stress, etc. Dan said he was ready to go. The board asked Dan to let them know if he ever feels bogged down from being both GM and working so much on the project.

Member Volunteer Program: 7:07 PM

- Dan reiterated what he explained in prior emails to the board: that the member volunteer program was suspended due to Department of Labor hourly wage laws. Dan thought it was too risky, especially since the program was not utilized very much. He noted that only 2 volunteers worked regularly, and he is hiring both of them.
- Bob discussed this with Marshall Kovitz, who described it as a state-by-state problem. In New Mexico it is okay as long as volunteers do not perform a function that other staff members perform. There could also be a volunteer program for volunteers working with non-profits.
- Dan noted that Outpost Food Co-op tried the latter idea, and disbanded it.
- Johnny asked if there would be any conflict with the by-laws. It was decided that there would be no conflict after some discussion.
- Jane asked about the transparency in making this decision. Bob said he'd write about it in the board column for the Breeze.

Owner Dinner Update and Other Linkage: 7:20 PM

- Rose-Marie gave a rundown of the latest Owner Dinner. She noted that it was generally a low-energy crowd, and many owners wanted to discuss operational issues. The board decided to better prep participants ahead of time on expectations for the dinners.
- Rose-Marie noted that they especially enjoyed the Gallery of Values exercise, but that next time, we should explicitly focus these Values onto Wheatsville.
- Generally, it went well, and was a learning experience for the directors that participated.
- Rose-Marie volunteered to write an article about it. Dan noted that June 8th is the deadline.
- Jane noted that the next Owner Dinner will be in August, and we should discuss in June.

GM Evaluation: 7:29 PM

- Bob noted that the board will need to discuss the GM goals from last year before the next evaluation. He noted that he will not be here in July.
- The board decided to wait until August to discuss. Bob said he would send out the goals to all directors.

Monitor GM Policy D.2: 7:31 PM

- Colin discovered that Dan had reported on an old version of D.2. The board decided to suspend this monitoring until next meeting.

Nominations Update: 7:33 PM

- The board briefly discussed the Nominations Committee update. Clarence and Lindsey, who were in attendance for portions of the meeting, were considering running for the staff rep position.
- Bob had an idea of contacting some of the non-profits that work closely with Wheatsville and see if they recommend anyone to run for the board.
- Jane noted that the pre-qualifications for running include the questionnaire and attending at least one meeting by August 8th.
- Johnny asked for more specifics on what he was to prepare. Jane said that she and Bob would discuss and send something to him.

By-Laws Update: 7:38 PM

- Rose-Marie went through the proposals from Laddie Lushkin, as featured in the board packets. She said to strike out the 1st sentence in section 4.3. She also noted that there would be a maximum of 2 staff reps with no minimum.
- Rose-Marie then guided the board through some specifics and asked about board opinions on certain issues.
- In section 4.2 there was new language saying that any nominee to run for the board should be a member for at least 6 months prior to the election. The board liked that idea.
- In section 4.2 there was a possibility of adding a minimum age requirement of 18. The board decided against that.
- In section 4.2, Johnny proposed to restrict nominees to fully vested owners. The board noted that the structure may be different anyway with the by-laws, making this a moot point, but the board decided to discuss further in the future.
- In section 4.3, the sentence "at least sixty days before the date of the election of directors" was changed to "at least sixty days before the commencement of the election of directors."
- In section 4.3, in regard to varying terms based on the 1/3 turnover rule, the board decided to discuss later, but thought it seemed like a good idea.
- The board liked section 4.5 as is.
- In terms of additional questions, the board discussed eliminating the annual membership, and perhaps raising the share price for vested membership. Jimmy said he likes the idea of low-income ownership. The board said that no matter what, flexible payments would always be an option.
- Dan said that he is planning on removing the surcharge on June 1, 2008. Annual memberships may decline after that.
- Johnny said that he thinks yearly memberships should be eliminated since there is no equity, or financial ownership, in the co-op.
- The board discussed, and agreed, to call members "owners" thus forth. There is no negative to the word "owner," and it distinguishes the special relationship the owners have to the co-op as opposed to members of a gym, or Sam's Club, etc.
- The board discussed group memberships briefly and decided to make no immediate decisions on it.
- The board decided on a term limit of 3 consecutive terms with 2 years off.
- In the interests of time, the board decided to continue discussing by-laws and forgo the vision discussion for the month.
- The board discussed board compensation. Many directors said that they are happy with the 10% discount. Dan noted that he likes the idea of a payment. It is clear, professional, and responsible. It shows that the co-op values board work, and may help clarify expectations. Dan foresaw something like \$50-\$100 a month, with additional money for the president.

- Colin agreed with Dan, especially in terms of expectations and accountability. Rose-Marie agreed.
- Jimmy asked if we had to put specific monetary values in the by-laws, or simply include a disclosure provision in the by-laws and put the specifics in board policy. The board agreed.
- Rose-Marie discussed writing in alternate ways of decision making, including tele- or video-conferencing, and email. The board agreed. Rose-Marie noted that in email votes, there must be unanimous consent of directors, otherwise a face-to-face discussion is warranted.
- The board discussed staff and owner forums to discuss, explain, and modify the by-laws. After some discussion, the board decided to wait until a draft was done and present it to the ownership in July, and then perhaps again in September.
- In terms of a staff forum, the board discussed logistics, including times that would accommodate the most staff reps, if the board should invite people, and whether invited staff should be owners. The board decided to delegate this to Dan, who would presumably delegate this to the Communications Team.
- Johnny noted that he wants to be present for the staff forum, so to please work around his schedule.

Wrap-Up 9:15 PM

- The board decided to discuss the June meeting date by email. A few directors expressed interest in moving the date back to Tuesday.
- In June, there will be a vision discussion on membership structure.
- In June, the board will discuss by-laws issues in regard to voting process, petitions, compensation, and perhaps reading over the first draft.

Board self evaluation 9:25 PM

Plusses:

- Jimmy did a good job moderating.
- Lindsey was present.
- Lots of work got done, especially on the by-laws.

Minuses:

- Things sort of unraveled at the end.
- No more Tony.

Bryan moved to adjourn. Marilyn seconded. The motion passed 8-0-0. The meeting was adjourned at 9:28 PM.

Summary of Action:

- The board approved 3rd Quarter financials 8-0-0.
- The board approved hiring TF Harper as contractor for the renovation and expansion project. The resolution passed 8-0-0.
- The board approved the staff 401(k) resolution, which passed 8-0-0.
- The board agreed to refer to "member owners" simply as "owners" thus forth.

Action Items:

- Approve pro-forma.
- Approve loan for expansion.
- Approve 2007-08 budget.
- Discuss August owner dinner.
- Nominations update
- Set June date for bylaws staff meeting.
- Monitor policies:
 - D.2 (resubmit)
 - D.9
 - B.5 (resubmit)
 - B.6
 - C.2
 - C.3
- Vision: bylaws and membership structure.