

**Wheatsville Food Co-op
Board of Directors
18 December 2007
Meeting Minutes**

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

Absent: n/a

Also present: Dan Gillotte, General Manager; John Perkins, Finance Manager; Marisa Newell, Administrative Assistant; Mike Crissey, new staff Board member; Stephanie Johnson, new Board member; Jen Collins, staff and communications team member

Call to Order **6:06 pm**

Consent agenda **6:07 pm**

- October and November minutes
- Board Monitor B10 (updated from November) and B11
- November Operations Report
- GM Report

-- Tom pulled B10 and, with the help of Board members, clarified a few blank spaces still remaining
-- Tom will reword the document for inclusion in next month's packet, and the Board will then vote to accept
-- Johnny moved to accept remainder of consent agenda, Jimmy seconded. Motion passed 8-0-0.

-- Jimmy added that information about Michael Owens' letter (regarding benefits to investor shares) was not included in Board materials—Dan will provide further information in January

2007 Wheatsville Election **6:18 pm**

-- Johnny wondered why an email was sent informing members of outcome before the Board formally approved
-- Dan responded that the timing was neither ideal nor expected
-- Bob moved to approve the election results, Jimmy seconded. Motion passed 8-0-1.

Renovation Contract with Harper Construction **6:20 pm**

-- Dan wanted official Board approval for two things: close on the loan and authorization of the contract
-- Once the financing is closed, the project is full go
-- Jimmy wondered if there are any new terms for the loan
-- Dan responded that there are a few questions still lingering about the way NCD structures the loan, but nothing substantial, and in general, nothing has changed
-- Recap of loan terms: 2.4 M dollars, distributed in 18-month period, with a 9.5-year loan duration (interest only payable during the first 18 months—rate varies during that period, then is fixed beginning July 2009 and is approximated at 8.5%)
-- Jimmy moved to authorize GM for bank loan on aforementioned stipulations, Jane seconded. Motion passed 9-0-0.
-- As for T.F. Harper's construction, the contract totals approximately \$2.3M for store and office renovation
-- Dan emphasized the importance of closing this week, as some companies like to increase prices at new years time
-- In addition, Wheatsville will be paying partial rent during project period, as per agreement with the property owners to recover half the cost of retaining wall repairs
-- It was pointed out that our current lease agreement requires that the retaining wall improvements be completed by the end of 2007; otherwise WV would be in breach of the lease agreement. Dan said that WV would be provided with written notice of breach, after which the Co-op would have a certain amount of time to

return to compliance. Dan said he did not expect problems from our landlord, Austin Trust Company. Dan said that the retaining wall would be completed within 6 months, and that is enough to satisfy the property owners' primary concerns.

-- In case of breach of contract, the lease provides generally that Wheatsville will not be in default if it cures its noncompliance as soon as reasonably possible after receiving written notice from the lessor; no problem is expected from Austin Trust Company

-- The retaining wall will certainly be done within 6 months (actually expected one month), and that is enough to placate property owners' primary concerns

-- Colin suggested Dan could simply inform the owners that the project had been delayed, and consequently the retaining wall would also be delayed

-- Rose Marie asked about permits, and Dan responded that the first two parts are permitted. Other two are still in the works, but will not be pertinent for some time.

-- Jimmy added a motion to ensure that the potential breach of the lease agreement is adequately addressed: The GM is directed to communicate with the landlord regarding the timeframe for retaining wall improvements, and to confirm that the project will be completed within an acceptable timeframe.

-- Colin seconded. Motion passed 7-0-2.

-- Jimmy moved to authorize T.F. Harper and Associates for construction and renovation projects for an amount not to exceed 2.3M with an approximate completion date of November 8, 2008, all contingent upon financing. Jane seconded, and motion passed 9-0-0.

Patronage Rebate & year-end distribution

6:52 pm

-- Dan reiterated that typically this information is in the November board packet, but time was crunched and patronage distribution had already been publicized

-- Intent of patronage return is to maximize rebate, minimize taxable income, and maintain 80% for project

-- Dan clarified that the Distribution of Net Savings needed approval

-- Jane added that the distribution resolution should be changed to include term "owners" instead of "members"

-- Also, \$1,980,038 is clarified as the previously unspecified member equities

-- Jane moved to approve the declaration distributing net savings for the fiscal year ending May 31, 2007, Bryan seconded. Motion passed 9-0-0.

-- John added that any checks remaining uncashed, as well as the retained allocation associated with them, would be taken back into income next year (therefore, WV does not receive tax benefit)

First Quarter Financials & year end accounts review

7:01 pm

-- Will be postponed until January; also, second quarter will be included

GM monitor policy D8

7:02 pm

-- Johnny moved to accept, Marilyn seconded. Motion passed 9-0-0.

Board speaks & asks in one voice

7:04 pm

-- Pertaining to an email sent from Board member to GM, Bob stated that if anything is to be discussed pertaining to Dan, Board should speak all together

-- Johnny responded that policy is the way Board speaks in one voice, and he felt the email discussion with Marshall was unnecessary

-- Dan added that Board is responsible for informing him who he is accountable to, depending on the request, instead of receiving mixed signals from different members

-- Jimmy stated that speaking with one voice does not mean thinking with one mind. He noted the importance of each director's fiduciary responsibility, and that all Board members should be encouraged to ask questions without having those questions subject to approval by a majority of the board or pre-approved by an outside consultant.

-- Bob added that his concern was process (i.e. circulating something via email before asking Dan for a particular request)

-- Role of the consultant is to support the Board, so the position should not be taken lightly, or trivially

-- Tom questioned the fact that because one member sent questions via email to all of Board and Dan simultaneously, what difference would it make if he spoke at a meeting with the same questions? Tom also questioned whether the questions constituted a “significant request” of Dan’s time.

-- Board members will continue to consider this situation, and perhaps further discussion can ensue before Board retreat in January

“Intro to Board Work” January retreat

7:17 pm

-- Good, personalized intro that takes place at Wheatsville

-- Will take place Saturday, January 12th from 9:30 to 3:30; lunch provided

-- Jimmy suggested the Board adopt a calendar

-- Activities include: Member introductions, Board interactions lead by Dan, Finance 101 lead by John, discussion of goals lead by Jane, bylaws discussion lead by Rose Marie, organization of yearly calendar lead by Jimmy

CBLD

7:25 pm

-- Stephanie will attend, Bryan’s and Mike’s attendance yet to be determined

-- Board consultant top three prospective candidates: Michael Healy, Mark Goehring, and Bentley Lein

2007 Board Self Evaluation

7:33 pm

-- Accolades to Jane for crafting the document

-- Jimmy remarked that the Business Plan is not consulted too frequently, and the Board could do a better job of adhering. Johnny added that there was no separate business plan for 2007, only from 2006

-- Also, there should be a Board calendar included in every Board packet in the future

-- Monitoring outcome could also be included in each packet (which parts approved, etc.)

-- Johnny’s solution to some Board members lacking in participation: implement effective facilitation

-- Also, perhaps once in a quarter, the Board could make a point of evaluating direction, goals, and effectiveness

-- Board use of effective meeting length was also disputed

-- One Board member suggested hiring a facilitator outside the co-op

-- Dan and John will organize a list of potential facilitators through the employee assistance program, and the Board could choose one as an experimental facilitator

-- Board members generally feel that an outside resource would be best, so that a Board member is not facilitating instead of participating

-- Board committees ranked lowest in Director survey

-- Colin suggested that while they do have advantages, it is hard to keep them organized and accountable

-- Bryan responded that his most recent committee has been successful; therefore, maybe committee focus should be clarified so that committees could operate more effectively

-- Johnny also added that committee reports are not held to expectations; reports should be present at every meeting to ensure the tasks are being effectively pursued

-- In the future, a “no opinion” option will take the place of “neutral” and those answers will not be factored in to averages

-- Jane and Rose Marie suggested writing an article in the Breeze, discussing the results, to further bridge Board-owner connections

Addendum: Colin’s email

8:07 pm

-- Colin turned in CD to Bob and Policy Manual to all members to tie up loose secretarial ends

-- Board calendar included

-- Johnny added that the right policies are included in Ends Policy listing, but not in their entirety; new secretary will fix these problems

-- Good Job Colin!

Bylaws Revision

8:10 pm

- Rose Marie suggested that with the limited allotted time, Board discuss current situation and share information
- October was last special bylaws meeting, and Rose Marie wondered if Board should continue discussion from that point; she recalled information about Laddie's draft and his prospective work
- Regarding Articles of Incorporation revision, Johnny speculated that they might not be necessary
- Other Board members also suggested that Articles would be worked with a Texas lawyer
- Reason to do Articles: clarity, and makes sense to perform with bylaws
- Jimmy added that perhaps the Board previously decided Texas attorney would better serve the co-op.
- Due to Rose Marie's reluctance as the sole bylaws representative and a slow progression of events, Johnny suggested that a committee be formed to work on this project
- If the Articles revision is not actually necessary, this should be determined ahead of time; perhaps John could determine the Board's obligations
- Jimmy suggested the Board defer its discussion on Laddie's work to determine if a requirement for the Articles actually exists; in other words, keep the bylaws work going with Laddie, while Dan simultaneously determines the necessity of Articles
- Jane once again suggested a committee officially be formed
- Jimmy offered to join a created committee, as well as John Perkins; Tom nominated himself as an alternate
- Jimmy and John will speak with Laddie soon to let him know the Board is still considering Articles, and he is still only responsible for his work on the bylaws
- Committee will work to fulfill obligations found in B.6 (Board Committee Principles)

VISION

Outreach to neighborhoods **8:48 pm**

- Jane wondered what other Board members are feeling about the future of Wheatsville (post-renovation)
- Options as she sees them: fostering another co-op in Austin, focusing on a new Wheatsville in South Austin, open a store in Mueller development area, etc.
- Johnny feels that the more co-ops, the better, especially other Wheatsvilles (and WV should help foster growth regardless)
- Jimmy remarked that the Board's uncertainty seems to stem from timing; right now, the board's focus is still on expansion
- In response to Johnny, Bryan added that WV has inevitable competition all over, so an emphasis on alternative models (i.e. co-ops) is very important to encourage around town
- Also, mission statement proclaims that WV will constantly foster cooperation among co-ops
- Marilyn added that the 30-year plan (previously discussed in retreat) is not trivial and should be revisited sometime soon
- So, Jane wondered how Wheatsville could accelerate its efforts; seems like the process is so slow that extensive planning is essential
- Jimmy liked Marilyn's idea of revisiting 30-year plan; there must be unity among Board members
- Also, he projected that raising money would be the most difficult and time consuming concept; also, if WV raises money too early, people will question the legitimacy
- Dan added that in only a year, WV would have a much better idea of where the store is going financially
- Marilyn added that Wheatsville could continuously be viewed as a hub of information regarding coops, etc

Appoint and seat new board members **9:17 pm**

- Johanna Devine not available to fulfill her position
- Rose Marie knows an individual who is exceptionally interested
- Also, a previous Board member has expressed interest (former knowledge would be beneficial for the crucial timing of the coop's renovation)
- Jimmy moved to appoint David Pease to the position, Colin seconded. Motion passed 6-0-3.
- Also, formally seated Stephanie and Mike; congratulations!
- And, resolutions and goodbyes to Johnny, Marilyn, and Colin. Very much appreciation!

Board Self-evaluation

-- Plusses:

- Good discussion on current situation of Board
- Nice to have two new members present
- Sad saying goodbye to old good friends and members
- Congrats Jen Collins for staying the entire meeting

-- Things to improve:

- n/a

Meeting Adjourned at 9:28 pm.

Summary of Action

- Consent agenda accepted 8-0-0.
- 2007 Wheatsville election results accepted 8-0-1.
- Authorization to GM for bank loan passed 9-0-0.
- Instruction of GM to clarify timeframe for improvements passed 7-0-2.
- Authorization of T.F. Harper and Associates for construction and renovation projects for an amount not to exceed 2.3M with an approximate completion date of November 8, 2008, passed 9-0-0.
- Distribution of net savings to investor share dividends, educational fund, retained earnings, and patronage allocations passed 9-0-0. (See accompanying resolution)
- GM Monitor Policy D8 passed 9-0-0.
- Board retreat at Wheatsville planned for Saturday, January 12th from 9:30 to 3:30
- Former Board member David Pease appointed to fill Board vacancy, passed 6-0-3.

Action Items

- Bylaws committee – report on conference call with Laddie and discuss available options for WV on new state law regarding articles of incorporation
- Facilitator – Jan 12 board retreat will include discussing list of potential facilitators. Select one at retreat and invite to first board meeting in Jan
- Board monitor policies –
 - Tom – resubmit B10
 - Bob – monitor B1 policy governance
- First owner dinner of 2008 – set date and have a few folks volunteer
- Spring member gathering – begin discussion
- Dan –
 - monitor policy D3
 - GM report
 - report back on the letter from WV owner Michael Owens regarding the investor share program
- John –
 - 1st and 2nd quarter reports
 - Dec operations report
- Marisa –
 - Dec minutes

WHEATSVILLE CO-OP

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BOARD OF DIRECTORS

December 18, 2007

(note revision to this resolution presented at February 26, 2008 Directors' meeting)

Distribution of Net Savings for Fiscal Year Ending May 31, 2007

Whereas the CPA firm of Wegner LLP has conducted an independent review of the balance sheet and related statements of income, owners' equity, and cash flows for the fiscal year ending May 31, 2007; and

Whereas net savings for the fiscal year ending May 31, 2007 reported by Wegner LLP are \$381,012, and the aggregate of assets reported by Wegner LLP exceeds the reported aggregate of liabilities on that date by \$1,980,038; and

Whereas Article 7 of the Wheatsville bylaws provides for the annual allocation and distribution of net savings by the Directors;

Now Therefore, pursuant to section 34 of the Texas Cooperative Association Act (Article 1396-50.01 of Vernon's Texas Annotated Civil Statutes) and Article 7 of the Wheatsville Bylaws, the Wheatsville Board of Directors hereby declares the following apportionment of net savings for the fiscal year ending May 31, 2007:

1. \$28,604.00 shall be distributed to investor shareholders as dividends for the fiscal year ending May 31, 2007, as provided in the individual shareholder agreements.
2. \$100.00 shall be allocated to an educational fund to be used at the discretion of the general manager for the purpose of teaching cooperation.
3. \$165,612.00 shall be allocated to retained earnings.
4. \$186,696.00 shall be allocated to owner patrons as provided in section 34 of the Texas Cooperative Association Act and Article 7 of the Wheatsville Bylaws, with \$37,339.20 to be distributed in cash and \$149,356.80 to be retained as provided in section 34 (c) of the Texas Cooperative Association Act.

Action taken by Board: _____

Certified by: _____ Title: _____ Date: _____

Johnny Livesay

Dedicated co-oper, eclectic cook and Phish Fan extraordinaire, you have brought passion and insight to your service on the Wheatsville Board.

You have skillfully rode the two staff rep horses – staff and board member – from a trot to a gallop with nary a stumble throughout your three years with us.

Thank you, Johnny

December 18, 2007

Colin Borchert

Thoughtful board member, champion of co-ops and nimble wordsmith, you have bolstered our Board through precise service as secretary while being Keeper of the Big Picture.

With a knack for being easy going, you have kept us from becoming Tangled Up in Blue as we worked All Along the Watchtower of Wheatsville.

Thanks, Colin – we wish you will be Forever Young.

December 18, 2007

Marilyn Fowler

Long-time Austin resident on both sides of Lady Bird Lake and possibly one of only two Board members ever to serve while holding a Ph.D. degree, you brought an educator's curiosity and perspective to the Wheatsville Board.

Though your retirement years suddenly filled up with other myriad projects, you continued to work both conscientiously and graciously to further the co-op ideal.

Thank you, Dr. Fowler

December 18, 2007