

FA Board of Directors Meeting Agenda July 15, 2008

Board Members present: Toni Hoyman, Liz Kelly, Fred Heil, Camille Freitag, Bettina Schempf, Larry Plotkin, Greg Alpert, Rebecka Weinsteiniger

Board Members absent: Chris Bentley

Staff present: Evelyn Hall, Mark Tarasawa, Donna Kaiser, Jacqueline Smith

Board Advisor: Marcia Shaw, Judy Forgey

Owners present: Jane DeHart

Consultants present: None

Scribe: Claire Pate

Handouts: North Store growth power point presentation (Evelyn H.)

Board Advisor, Marcia Shaw, opened the Board meeting at 6:30pm.

I Owner Comment:

Jane DeHart, one of the founding members of the BDC, wished to apologize to the five new board members for what she thought was intense vitriol relating to the allegations brought against Fred Heil. She feels that the issue is really between management and Fred and really does not involve the Board. She feels that Fred has brought up issues that take the Co-op forward, and he has done a wonderful job of being calm in the face of the attacks. Further, losing Kevin Oder was a huge loss for BDC, as she has a lot of information in her head. It was also hard to lose Denis White. She hopes the issue resolves itself quickly, and wished the Board good luck in their work.

III Approval of Consent Agenda:

Camille - Minor change to calendar: August BDC is cancelled.

Motion 7-2008 (#1) approval of June Board meeting minutes, July Board agenda , committee meeting reports, calendar (as amended) and timeline, Board committee appointments, Summary of Director comments for last month's GM report on L5, and GM report. Camille, Fred 8-0-0 Motion passes

IV Announcements and Affirmations:

- Directed attention to, and passed around, the sign up for the Board Chats.
- Handed out replacement page 10, section 200 of the Board manual, adding "fiscal impact" for each agenda item submitted.
- Announcement about tentative agenda for the Board Retreat: first half will relate to communication skills building; another section of time will relate to work on GM's compensation criteria. Information will come out in August. Mark Goehring also might attend for a discussion about duties and function of a Board Development Committee.

- Larry says there are nascent plans for a market in the Co-op/Evanite parking lot on Thursdays and Sundays. Plans are being formulated for the warehouse building to be a mixed use public market, with music and arts/crafts, with Sherry Dover a principal driver behind the project.
- Camille said that BDC would like those Board members who attended the conference to fill out forms in section 400. Also, in August there will be legal training with an attorney. If anyone has questions for him, please submit.
- Toni will be gone six weeks, and will miss the next board meeting. Camille will lead the meeting.

VII North Store Growth Presentation

Evelyn Hall, North store manager, gave a presentation on growth at the North Store, based on a power point presentation (attachment “A”). She reviewed the decisions the Board has already made, and the decisions that lie ahead. There was then a brainstorming session to relate the project to the Co-op’s ends statements.

Group One Camille & Greg End Statements

1. The community will have a retail source of food that is affordable, healthy, and grown and/or processed locally to the fullest extent possible
2. There will be economic value returned to the community via charitable contributions, outreach projects, owner benefits, and other investments in the local economy.

Larger source/selection of products

Co-op will have more purchasing power

Using more local products supporting farmers and businesses

Maintaining a level of sales or increasing allows the co-op to continue level of outreach

MOC...

Group Two Rebecka, Larry, and Liz End Statements

3. Our community will be better educated about food, environment, and sustainability issues and as a result make healthier life choices
4. There will be a vibrant cooperative sector in the economy, both nationally, and regionally, and a local economy educated in the value of cooperative principles and enterprises
5. There will be a more vibrant local agricultural community and that community will in turn have a more reliable retail market for its products

More retail space = more local products

Great marketing info in stores, signage, better educated

Expansion event = opportunity = public attention GT articles etc.

Draws more people into living in that community

More interest in sustainable biz in the area

Reason for more picnic tables across the street

More people walking and biking to store attracted to the greater selection “1 stop”

Less traveling

Increase ownership and owner involvement

More jobs more opportunities for career advancement

Group Three Toni, Fred, & Bettina

End Statements

6. There will be an important source of employment in the community that provides personal satisfaction to employees, livable wages and financial security for employees.
7. There will be a thriving business that is a model for sustainable, ethical business practices and environmental stewardship
8. Owners will have a sense of connectedness via our programs, facilities and opportunities to participate.

New jobs – permanent? – new departments – promotion options – maintain market share

Project and risk management assessment

Expand community awareness of us

Customers can shop local

Store in neighborhood

Engagement of owners in the process

access

VIII North Store Lease & Expansion Project

Jacqueline Smith, Finance director, explained the North store lease and expansion project pro forma included in the packet. She reviewed the assumptions used, and noted that the projects were based on the store opening January '09, so that her calculations were based on a complete fiscal year. In likelihood, the store might not open until May 09. Otherwise, she has made assumptions and performed calculations so as to be conservative. For instance, she has assumed a Gross Margin Percentage of 37.5% while hoping that in reality it will be 38%.

In response to questions, staff (Jacqueline, Evelyn and Mark) responded as follows:

- sales growth figures are not inflation adjusted.
- If sales are flat in 2010 & 2011, the margins would be same, but the bottom line would not look good. There would be reduced staffing. The intent is to not over-hire so that people will not have to be laid off.
- There actually could be room for patronage dividends in '08 and perhaps in outlying years, but legally the budget cannot reflect patronage dividends.
- Because Market of Choice is eventually coming, they are being conservative in their sales growth percentage projections.
- Expanding the North store will likely mean equalization of owner sales day sales between both stores.
- OSU Owner survey shows that 60% of the owners support expansion of the North store.
- If we do not do the expansion, and Market of Choice comes in, we will likely have a 30% drop in sales which could lead to layoffs. There would not be a rebound.
- The \$850,000 was Jacqueline's choice to use as the cost of the project to put into the pro forma. The project has been scaled back quite a bit so it is a conservative amount, and not likely to come in at that amount. Michele has a more detailed accounting of estimated costs.
- It is possible that temporary employees will be used initially and they would not be getting benefits. Eventually, the hope is that those temporary positions would become permanent positions with appropriate benefits and compensation.
- the pro-forma and proposal did not come through Finance Committee because it was not ready at that time.

- The proposed increase in the Line of Credit to \$1.5 million is so there will be a buffer to cover labor and overhead in case something goes wrong.
- Staff has talked with the City about permits and it appears that the proposal on initial review meets the code requirements.
- The pro-forma does not reflect an increase in interest expense because it was not broken out like it should have been. However, the overall numbers do include debt service.

Board members commented as follows:

- One pro-forma is not enough. We need a range of pro-formas reflecting what will happen if we do nothing and MOC comes, if we do nothing and MOC does not come, or is delayed in coming; if we expand and MOC does not come or is delayed in coming, and any worse case scenarios.
- Pete Davis historically has not always been right in his projections about our past growth scenarios, so his current projections might also be off-target a bit.
- More information is needed because it is such a big decision. A bottom line of \$20,000 to play with is not much.
- The proposal really needs to be reviewed by Finance Committee at the levels being proposed.
- We need a critical decisions timeline for the project, so we know what decisions have to be made right away and which ones can wait for more information.
- There have been inconsistencies in the projections for how much the expansion will cost, and more specific information would be important to have in making the decision.
- It would be good to also have a report on what the contingencies might be if we find we have over-extended and are unable to cover costs. Would we need to sell the house or other assets?
- Both Fred and Greg expressed concern about signing leases and spending the money at this time, especially without having seen a more detailed business plan on how it pencils out. Fred does not feel that the economy is in a place where we should be doing this.
- Bettina and Larry said they did not feel uncomfortable about extending the Line of Credit, since the Board would have to authorize any expenditures over and above what is already in the budget.
- Toni was not comfortable with the amounts requested, and preferred to have them at \$1million for the Line of Credit and up to \$500,000 for the project.
- Rebecka also expressed a need for more information to gain a comfort level with approving the amounts requested.
- Camille said she was comfortable with the Line of Credit request, but had some discomfort with the amounts for the project.

Final Motion 7-2008 (#2) (reflecting friendly amendment by Toni). The Board approves the signing of the leases with Terri Odell and Gibson and Gibson for the spaces at the North Store. This includes the Your Green Home space, the Beauty Salon space and the Print Shop space. The Board also approves the credit line to be raised to \$1 million dollars for this project. The Board approves the spending of \$500,000 for the capital purchases on the expansion project at the North store. If the Finance Committee reviews the additional pro formas and detailed project costs and makes a recommendation to approve the originally requested numbers of \$1.5 million for a line of credit and \$700,000 for the project, the Board will review such recommendations at its next meeting. Liz/Toni 6-2-0 Motion passes with Fred and Greg voting no.

IX Appointment of Ad Hoc Committee to hear allegation of Director Code of Conduct violation and make recommendation

Toni said that this proposal would be a way of reviewing the concerns raised at the last meeting. She recommended that Bettina, Greg and Camille be the members of this committee, since they would be able to hear both sides and reflect objectively on the issue. The intent is not to come up with a recommendation that would impose a consequence necessarily, but to propose some sort of resolution so the Board can move on with its important work.

The timeline for getting a recommendation back to the Board is open, but should be sooner than later. Fred said he agreed with this as a means of reviewing both sides of the concern and getting at resolution.

Motion 7-2008 (#3) Motion to appoint an ad hoc committee consisting of Greg, Bettina and Camille to hear the allegations of Director Code of Conduct violations, and to make recommendation back to the Board for resolution. Toni/Liz - 8-0-0 Motion passes unanimously

X Proposed Changes to Policies G6, G7, & G8

Motion 7-2008 (#4) Motion to approve the proposed changes to policies G6, G7, & G8 as included in the Board packet. Toni, Larry

Fred expressed concerns about G6, item 2, requiring that owner openings on committees have to be advertised. His main concern is that if someone has already sat in on meetings, expressed an interest and has experience with the Committee they ought to be given preference for filling an opening. It was generally agreed that that person would likely be given preference, but that there still should be open advertisement for openings in case others have an interest. In response to a question raised by Larry, it was also agreed that if you advertise once and do not get any interest, it should be re-advertised in the Thymes until someone comes forward.

Vote on motion: 7-0-1 Motion passes with Fred abstaining

XI Board Advisor Code of Conduct

Camille explained that this recommendation came out of an Ad Hoc committee, and the intent was to have a Code of Conduct for board advisors similar to what board members and the GM have.

Motion 7-2008 (#5) Motion to adopt the Board Advisor Code of Conduct as proposed and recommended by BDC. Camille, Bettina

Marcia asked for clarification for the meaning and intent of the second sentence in section 1.d. As an advisor, she cannot guarantee that work will be done thru competitive opportunity and with equal access to “inside” information, only the Co-op can. She said

she has done work for the management of the Co-op from time to time and she is concerned that there is some intent with this statement.

Toni said her view is that an advisor cannot parse any special favors through advising the board, and that if an advisor is also paid by management to do work, there needs to be transparency about it. Fred added that it was not in the board's best interests to have an advisor who is possibly thinking about her paycheck when giving advice to the board.

Marcia said that if the intent of the language is to preclude her from accepting any work from the Co-op, she cannot continue to be advisor. She does not believe that the kind of work she does for the Co-op in any way interferes with her ability to advise the board fairly and in its best interests. She has undivided loyalty to the Co-op, and she sees no conflict between the two roles she plays.

Liz explained that this statement comes out of the Board of Directors code of conduct, but arguably might not be applicable to board advisors.

Larry said that the word "Board" in item 1.d should be replaced with the word "advisory." His thought is that the work of advising a board would be of a different nature than any work an advisor might be doing for the management of the Co-op. Rebecka added that as long as any conflict of interest is made transparent it should not be an issue.

Judy Forgey added that she had attended a training session that had spoken to the issue of fiduciary conflict of interest for board members, but that board advisors are not in a position of making fiduciary decisions. Fred said that board advisors have a lot of power because of their longevity, even if it is not in making fiduciary decisions.

Bettina supported taking the second sentence out of 1.d, since she felt that the statement in section 2.b covered this concern.

Friendly amendment to omit the second sentence from section 1.d, and substitute the word "advisory" for "Board in the first sentence; accepted by Camille and Bettina. Vote on amended motion: 8-0-0 Motion passes unanimously.

XII Appointment of Ad Hoc committee to review By-Laws

Motion 7-2008 (#6) Motion to approve creation of an ad hoc committee to review the Co-op Bylaws, with specific attention to compliance to state law, and recommend changes. Toni, Liz 8-0-0 Motion passes unanimously

Toni added that she will ask Chris B. to head the committee and recommend other possible members with some representation from those who had been a part of the original Bylaws committee.

XIII L7 (Quality Products) Policy Review

Liz thought it was an excellent report, and gave the Board and owners lots of information about what makes us different from a “Market of Choice” or similar grocery store.

Bettina referred to page 46, item 5 at the top of the page and noted that the average rating was not filled in, probably an inadvertent omission.

Camille questioned the statement included in line 1 on page 46, specifying that about 79% of produce sales are derived from “grower direct” local providers. She would like to see a consistent definition of the term local – is it always “Local 6?”

Larry made some constructive criticisms which are detailed in his written comments. He also complimented the GM on an excellent, informative report.

Marcia said that through the years the GM reports on the Executive Limitations policies have gotten so much better with accountability built in.

Motion 7-2008 (#7): Motion to accept the GM’s report on Policy L7. Toni,Liz 8-0-0 motion passes

Camille spoke to the issue of whether any changes are needed in the policy, and in general it would be good to state that we should continually be striving for more than just meeting the goal(s).

XIV Proposal to establish an Elections Ad-Hoc Committee or assign to ORC

Toni stated her reasons for this proposal. Many aspects of the elections process do not seem to be apart of BDC, and might more appropriately be tasks performed by ORC. Her intent is to have an initial discussion and have the Board e-mail their thoughts to her over this next month.

Judy F. has been giving a lot of thought to this in her role on BDC. It seems to be running smoothly now with over 15 years of BDC working on it, and there is actually an ad hoc committee that gets called together to oversee the process. It might make it fuzzy if you separate out some of the duties between the committees. She cautioned the Board against making a hasty decision about this. She will be writing an explanation of the process, so anyone can take it over and run with it.

Meeting Adjourned: 9:45pm