MOSCOW FOOD CO-OP

General Manager Monitoring Report

November 3, 2017

Policy B4 – Membership Rights & Responsibilities, last revised: November 10, 2016.

I report compliance with all parts of this policy.

Unless indicated otherwise, this data is accurate as of October 31, 2017.

I certify that the information contained in this report and any attachments is true.

General Manager

Attachments:

1. New Owner Form
2. *Patronage Dividend Primer*, *Revised* by Bruce Mayer
3. 2016 Patronage Dividend Resolution
4. 2017 Patronage Dividend Resolution

Policy Language

The General Manager must not allow members to be uninformed or misinformed of their rights and responsibilities.

Interpretation & Operational Definition

As owners of the cooperative, members have certain rights and responsibilities that are clearly indicated in the Co-op's bylaws and in Board policy. These rights and responsibilities include: investing equity, receiving patronage dividends, attending the Annual Meeting, voting in Co-op elections, and running for the Board. The Board itself is primarily responsible for ensuring that candidates run for the Board. See sub-policies 1 and 2 for further interpretations, definitions and data related to equity and dividends.

All Co-op members are notified of member meetings and Board elections through a number of channels:

- Posted signs at the Co-op
- Articles in the Co-op's printed and online publications, and the e-newsletter
- Social media channels

Data: Compliance with the primary points of all the sub-policies will demonstrate compliance.

I report compliance with the top level policy.

Policy Language

The GM must not:

B4.1 Create or implement a member equity system without the following qualities:

a. *The required member equity, or fair share, determined by the Board, is $150.*
b. *Members are informed that equity investments are a) at risk, <u>and b) generally refundable, though the Board retains the right to withhold refunds when necessary to protect the Cooperative's financial viability.</u>*
c. *Equity will not be refunded if such refunds would lead to a net decrease in total member paid-in equity, or would risk, cause or exacerbate noncompliance with any Financial Condition policy.*

Interpretation & Operational Definition:

The Board retains the authority both to set the equity amount and to control equity redemption. The GM has been granted authority to operationalize the collection of equity investments. Section 2.6 of our current bylaws reads

> ***Unallocated Reserve.*** *If a member voluntarily or involuntarily terminates membership in the cooperative, then the equity and patronage dividend amount allocated to that member shall be for forfeited by the member to the cooperative and placed in an unallocated reserve.*

This policy needs updating to bring it into alignment with our current bylaws, specifically the language that is underlined in the section above.

Data:

- All shares are currently set at $150 dollars, payable in $10 increments (this is the minimum)
- The New Owner Form used to state "Equity investments are at risk. In the case of the dissolution of the cooperative, equity investments may not be refundable. Otherwise, they are refundable per Board policy." **This form has been updated to reflect the changes in our bylaws even though this policy language has not yet been updated.**
- See the attached New Owner Form.

Data supports compliance.

Policy Language

B4.2 Implement a patronage dividend system that does not

a. *Comply with State and Federal regulations.*
b. *Allow the Board to examine a range of options and implications, so the Board can make a timely determination each year concerning how much, if any, of the Cooperative's net profit will be allocated and distributed to members.*

Interpretation & Operational Definition:

It is the General Manager's responsibility to create and implement a patronage dividend system, but the Board of Directors retains the authority to decide how much, if any, of the Co-op's net income should be allocated as dividend and how much of that dividend to refund to members.

Per the suggestion of the CPAs from Wegner who recently completed our 2016 financial audit, the Board voted on a patronage dividend resolution for FY2016 at the December 13, 2016 Board meeting. The Board will vote on a patronage dividend resolution for FY2017 at the November 14, 2017 Board meeting.

Data:

- Following the Board's decision, the General Manager ensured that allocated dividends were distributed beginning on August 1, 2017 and ending on October 31, 2017 (an IRS requirement).
- The Board President reviewed the patronage dividend announcement and approved the language.
- Dividend announcements were printed and mailed on August 1, 2017

Data supports compliance.