

**Moscow Food Co-op Monthly Board of Directors Meeting
Tuesday, July 19th 2016
1912 Center, Fiske Room – Moscow, Idaho**

Present: Colette Dephelps (Board President), Kurt Obermayr (Vice President/Secretary), Laurene Sorensen (Treasurer), Idgi Potter, David Nelson (Board); Melinda Schab (GM); Dena Van Hofwegen (Board Administrative Assistant)

Absent: Alex Lloyd (Board)

Facilitator: Colette DePhelps

Guests: Greg Meyer, Ashley Hamlin, Joe Gilmore, Logan Morris

5 of 6 directors present, a quorum is present.

PUBLIC FORUM

Public Forum is a time for the Board to listen to owner and general public comments; follow-up is considered outside of the forum.

There were no guests that wished to speak during Public Forum.

STUDY & ENGAGEMENT: Review Bylaw Feedback from Owners

The Board of Directors recently held two Bylaw Forums, one in Moscow on June 27th, and one in Pullman on July 18th. The purpose of the Forums was to explain and discuss the proposed Bylaw changes along with receiving feedback and fielding questions from members. The Board used the Study and Engagement portion of the Board meeting to discuss feedback that was received during the Forums. The Board also used this time to share their opinions on certain topics that are still being discussed.

The following comments were made regarding the Bylaw Forums:

- The side by side comparison document was extremely well done and helped explain where all the current bylaws will be found in the proposed bylaws
- Not many guests attended the Forums, but those that did attend were very helpful and interested in making sure the Bylaws covered important topics and included the Seven Cooperative Principles.
- Small editorial changes are still being made to the proposed Bylaws.

An important topic that is being discussed and researched is the definition of an active member of the Co-op vs. an inactive member of the Co-op. There are a large number of “fully vested” members of the Co-op that have not made a purchase at the store in some time. It is important to research what the requirements of Co-op members would be for remaining active and able to vote. The Board of Directors would like to be in open communication with all members that appear to be inactive members and will be looking into provisions and policy on how to move forward with this topic.

The Co-op currently has 11,000 total members with around 7,600 members considered as active. There are around 1,700 fully vested members with around 250 that have not made a purchase in the last year. According to the statutes, inactive members still have voting rights at the Co-op. The next step will be to find out if these members that have not made a purchases in the last year have moved away or are possibly deceased so that their membership can be terminated, therefore being considered inactive.

It is important to figure out our total active member count in order to reach quorum for members calling a special meeting and for meeting quorum requirements in annual elections. A key question for the Board of Directors is what are the requirements for keeping memberships active? How quickly and easily should a membership be terminated? Should the current fully vested members be grandfathered in to remain active with an addendum to the Bylaws?

It was proposed that members who have not made a purchase in the last 18 months would receive a notice advising them to activate their membership with 6 months. Since members move away, it should be an option of remaining active from a distance. A necessary action item will be to allow members to make online purchases, allowing their status to remain active while maintaining their right to vote.

Action: Create the option of purchasing a gift card to renew memberships online through the MoscowFood.Coop website.

Action: Policy and Bylaw Committee to update bylaws to reflect the active vs. inactive member rights in relation to voting. The Bylaw will also include a clear description on how a Co-op membership remains active and the reason a membership would be terminated.

Action: Policy and Bylaw Committee to update Bylaws to include a requirement for members to keep updated contact information on their account that includes email address and physical mailing address.

The Board of Directors also discussed the topic of Quorums within regard to voting and calling special meetings. Below are the proposed bylaw sections under Article 3 and Article 7 that were discussed.

3.2 Special Meetings. Special meetings of the membership may be called by the Board, either by decision of the Board or in response to a written petition of ten percent (10%) of the active members. Notice of special meetings shall be issued to members. In the case of a petition, notice of the special meeting will be issued within ten (10) days after a presentation of the petition to the Board. No business shall be conducted at that special meeting except that specified in the notice of meeting. Decisions made at any special meeting shall be advisory only until ratified by vote of the Board.

- In order for the Co-op membership to call a special meeting, a written petition including signatures of 10% of the active members is required. This is a fixed percentage by the Idaho Statutes and cannot be changed.
- The Board discussed removing the last sentence of this bylaw which only allows decisions proposed by the membership to be advisory only until ratified by vote of the Board. Some directors feel that removing “advisory only” would allow membership to make choices based on personal opinion instead of thinking of the Co-op as an entire entity while other directors feel that giving the membership control is what a Co-op is all about. This topic is still under discussion.

Action: Policy and Bylaw Committee will continue the discussion of “Decisions made at any special meeting shall be advisory only until ratified by vote of the Board” in Proposed Bylaw Article 3 Section 2.

3.3 Notice of Meetings. Notice of the date, time, place and purpose of each meeting of the membership shall include a description of any matters or matters that must be approved by the members. Notice shall (a) be posted in a conspicuous place at the Cooperative and (b) be communicated individually to members by first class or registered mail no fewer than ten (10) days before the meeting date, or if mailed by other than first class or registered mail, no fewer than thirty (30) days before the meeting date; provided, however, that such notice shall be communicated not more than sixty (60) days before the meeting date.

Five minutes was added to the Study and Engagement discussion time.

3.4 Voting. Voting shall be accomplished through methods and means established by the Board. Notice of the vote shall be posted in a conspicuous place at the Cooperative and communicated to members not less than thirty (30) days prior to the end of the voting period. Unless otherwise stated in the articles of restatement, or these bylaws, or required by law, all questions shall be decided by a vote of a majority of the members voting thereon. Proxy voting is not allowed.

- The Board discussed changing the requirement of voting to be 2/3rds of the membership instead of majority of the membership.

Action: Policy and Bylaw Committee to update Article 3 Section 4 of the proposed bylaws to reflect two-thirds vote required for dissolution instead of majority.

3.5 Quorum. At any meeting of the members, or for any vote of the members, a quorum necessary for decision-making shall be ten percent (10%) of the total number of members.

- The Board discussed changing the Quorum requirements to 5%.

Action: Policy and Bylaw to update Article 3 section 5 in the proposed Bylaw Draft to reflect 5% for Quorum requirements.

7.3 Amendments. These bylaws may be amended or repealed in whole or in part by a majority of the members who participate in the vote. An amendment may be proposed by decision of the Board or by petition of at least ten percent (10%) of active members. The proposed amendment shall be publicized to the membership not less than four (4) weeks prior to the voting process, which shall be held at a time and in a manner determined by the Board.

- The Board discussed changing the requirement to amend or repeal the bylaws from majority of the members who participate in the vote to two-thirds.

Action: Policy and Bylaw Committee to update Article 7 Section 3 of the proposed bylaws to reflect two-thirds vote required to amend or repeal the bylaws instead of majority.

CONSENT AGENDA

There were no compliance reports due for the month of July

Motion to accept the Consent Agenda including the June 2016 Board of Director meeting minutes, seconded, **passed 5-0**

General Manager (GM) FYI Report

1. All-Staff Meeting: July 27th from 6-8pm at the HIRC, pool party to follow.
2. Coming this fall – the Co-op is working with Latah Federal Credit Union to replace the existing ATM at the store with an ATM affiliated with LFCU.
3. P6 will launch officially in August (which is P6 Month) at the Moscow Food Co-op. You will see new signage to reflect our participation in P6 like the examples here:



P6 Principle Six
co-operative trade movement

DALLAS SEXTON

Harvard, ID

Dallas' mix of Rhode Island Reds, Golden Sexlinks, Barred Rocks, and Black Australorp chickens roam free on between 3-5 acres of farmland passed down to him from his father and grandfather.

Not only are Dallas' eggs eggcellent, we think he's a good egg too.

- LOCAL
- SMALL FARM/PRODUCER
- COOPERATIVELY PRODUCED



P6 Principle Six
co-operative trade movement

CLEARWATER CANYON CELLARS

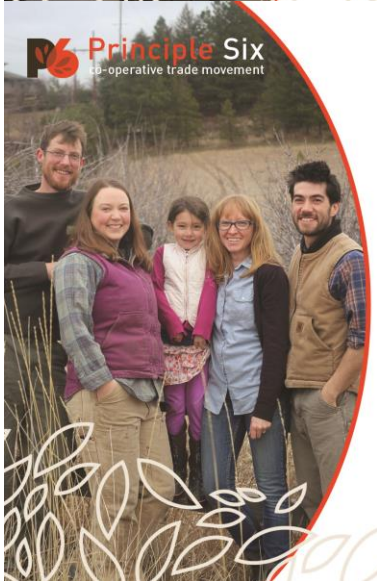
Lewiston, ID

Coco and Karl have been harvesting their own grapes to make wine since 2005. Three quarters of the fruit in their wine comes from the Lewis-Clark Valley American Viticulture Area.

30% of that fruit comes from their own family's land—the Umiker Vineyard.

They were voted Idaho Winery of the year in 2015.

- LOCAL
- SMALL FARM/PRODUCER
- COOPERATIVELY PRODUCED



P6 Principle Six
co-operative trade movement

DEEP ROOTS FARM

Moscow, ID

Marci, Greg, and Isaak make up the farming trio at Deep Roots—a small, diversified Certified Naturally Grown Farm.

Certified Naturally Grown means Deep Roots is adhering to the highest standards in organic farming, but instead of being inspected by the USDA, they undergo peer-to-peer inspection.

- LOCAL
- SMALL FARM/PRODUCER
- COOPERATIVELY PRODUCED

4. Reminders:

- Again this year the Co-op will have a presence at the Pullman Market. We've recruited some Participating Owners to staff our booth and sell co-op ownerships.
- We are participating in Lentil Festival this coming August. Details to come.
- We are again partnering with Palouse Grown Market to manage the Tuesday Growers Market. This market runs June through September. We are still finalizing our location.

5. Melinda's upcoming schedule:

- July 27th – all staff meeting/pool party, store closing early
- August 19-20 – Lentil Festival
- August 28th – P6 event in the Co-op's parking lot 4-6 pm
- September 21-22 – Fall GM Meeting in St. Paul, MN
- October 5-7 – Provender Conference in Hood River, OR

Action: Dena to schedule Board members to volunteer at the Co-op booth during the Lentil Festival on August 19th and 20th. Board members should be scheduled to volunteer for 2 ½ hours during the Festival.

Action: Dena to remind Board members about the upcoming P6 event scheduled for August 28th from 4-7 pm in the Co-op parking lot.

BRIEF ANNOUNCEMENTS AND ACTION ITEM FOLLOW-UP

BOARD Action Items– 7.19.2016

Owner Engagement (*internal action items kept separately*)

1. *Standing Action Item:*
 - a. Owner Engagement Committee will regularly submit a statement, 80 words or less, for the *Rooted “Looking Forward”* publication. – *In Progress*
2. Owner Engagement Committee to suggest revisions to the “Committee Code of Conduct” document and send to Policy and Bylaw for compliance revisions. – *Done*

Election/Recruitment (*internal action items kept separately*)

Policy & Bylaw (*internal action items kept separately*)

3. Laurene to review the Bylaws for words including: may, shall, will and make sure they are pertinent and correct for the sentence. – *In Progress*
4. Policy and Bylaw Committee will determine when the bylaw draft can be released to the members for review. – *Done*
5. Policy and Bylaw to review proposed “Committee Code of Conduct” document from Owner Engagement Committee and review for compliance. – *In Progress*
6. Policy and Bylaw to present the revised “Committee Code of Conduct” document to the Board Agenda for a vote during the August Board Meeting. – *In Progress*

Executive Committee (*internal action items kept separately*)

7. Executive Committee will decide if the topic of whether or not the Board is always acting under the influence of members’ commonly held interests is a topic for discussion at a later time. – *Remove*

Strategic Initiatives (*internal action items kept separately*)

8. Create an Advocacy Committee that will keep the Board informed of topics related to Food policy and democracy in action. – *On Hold*

General

9. Change the legal review of the Bylaws to happen during the month of July. – *Update to happen during the month of August*
10. Dena and Melinda to look through minutes when the “Growth Roadway” article was initially discussed and pass on relative information to Board members. A Work Session should then be scheduled to discuss the suggested FAQ’s from the article. – *Update - Schedule a Work Session to discuss the suggested FAQ’s from the “Growth Roadway” article.*
11. Kurt and Idgi will meet to discuss Board document archiving and decide how they would like to move forward before discussing the topic with Melinda, then Joe. – *In Progress*
12. Laurene will contact Craig Lochner at the Boise Co-op to find out what paperwork they had to file in order to get the owner loan approved. – *Done*
13. Laurene will contact the State Securities Commissioner to find out where they feel this provision fits under our current statute. – *In Progress*
14. Laurene to ask David Thompson about a state that has flexibility to do what we want to do for our Capital Campaign. – *Done*
15. Laurene to pursue clarification on “intrastate exemption” and “Co-op subsidiaries”. – *Done/Delegated*
16. Make a timeline for the capital campaign and consider hiring a capital campaign manager. – *In Progress*
17. Laurene to investigate legal structure of member loans offered in Idaho and Washington. – *Done*

Future Action Items (These items are in process and ongoing)

Revisit the topic of “staff serving on the Board of Directors” January 2017

CONFIRM AGENDA

Add Executive Session to the Agenda in order to discuss Growth options

BUSINESS AGENDA

Board Code of Conduct Signing (P)

This Agenda item has been moved to August.

Action: Policy and Bylaw to prepare the “Board Code of Conduct” checking for consistency between the policies and bylaws for the Board to sign during the August Board Meeting.

Adopt Policy Appendices (P)

This Agenda item has been moved to August.

Action: Policy and Bylaw to prepare the Policy Appendices for adoption by the Board during the August Board Meeting.

Bylaw Adoption Timeline (D)

The Policy and Bylaw Committee will be updating and revising the proposed bylaws before the August Board meeting where final changes can be discussed. The proposed bylaws will then go to legal counsel before the September Board meeting where the Board of Directors can approve and adopt the bylaws as a working copy until the membership can vote on the proposed bylaws. The Board is still determining if the bylaws will be voted on during the annual meeting next April, or if a special meeting will be called.

The purpose of adopting the bylaws as a working copy before putting them in front of the membership for a vote would allow a test run for the proposed changes, making sure they will work for our specific needs as a Co-op. The Board would then have the flexibility to make necessary changes until putting the final draft up for a vote.

Something the Board is considering and researching is whether or not the Board would be operating under the requirements of the proposed bylaws when voting takes place or if the voting requirements would come from the "old" bylaws.

Dorsey Whitney options (D)

Dorsey Whitney is a law firm based out of Minneapolis Minnesota that specializes in working with Co-ops from all over the United States. The Moscow Food Co-op would like to hire Dorsey Whitney to advise us in how to structure our bylaws in order to best prepare for expansion and growth.

The Board of Directors will be able to see all bylaw recommendations from Dorsey Whitney before the bylaws are adopted.

Motion to authorize Melinda to enter into engagement terms for legal services from Dorsey Whitney as per the discussed proposal, seconded, **passed 5-0**

Expansion Proposal (P)

This Agenda item will be discussed during Executive Session at the end of the Board meeting.

Remodel Work (P)

The Moscow Food Co-op General Manager, Melinda Schab, began preliminary work with the National Co-op Grocers (NCG) last October, 2015. The proposed Development Agreement would authorize Melinda to continue working with the NCG to help remodel and update our current Moscow location. If the Board does not authorize Melinda to sign the Development Agreement, the Co-op is only required to pay the NCG for the work they have done thus far. If the Board authorizes Melinda to sign the Development Agreement, Melinda will continue to work with the NCG to help the Co-op remodel the center store. In signing the development agreement, responsibilities of the NCG would include:

- a) Review and analysis of work provided by third parties, including a market study, pro-forma and/or business plan.*
- b) Assist the Co-op in the production of a pro forma.*
- c) Assist the Co-op with development of a financing plan for the Remodel.*
- d) Assist with third party negotiations including architects, engineers, general contractors and other service providers, as requested.*
- e) Provide store planning and design services, including assistance with equipment selection and sourcing. Note that this does not include interior design services.*
- f) Assist with project oversight, including monitoring, troubleshooting and adjustments as needed to the construction and build-out, equipment installation, project timeline, cost management and change orders.*
- g) Assist with the planning and execution of the remodel phasing.*
- h) Provide post-project monitoring and strategies regarding adjustments to operating systems and practices as needed for one year after project completion.*

The Board would like Melinda to provide a proposal that includes a cost estimate of the store remodel. The Board is also wondering where the funds are going to come from for the remodel work.

Melinda reassured the Board that in entering into contract with the NCG, they would assist the Co-op with development of a financing plan for the remodel (see section c above).

The Board would like to see the contract use the words “center store remodel” instead of “remodel”.

David Nelson had sent Melinda some questions before the Board meeting regarding the contract, discussed below:

- 1) What's the underlying objective: My read is they are a consultant helping us do "predesign work". IE everything to prepare a design and financing plan and get contracts in place to do the remodel.

Yes

- 2) Co-op Responsibilities: Why are we required to provide them so much financial info. I was especially surprised to see the weekly reports

Melinda – The Moscow Food Co-op is an owner of the NCG, and part of their job is to care about our financial performance. We are only required to provide monthly financial reports. If we appear to be struggling financially, they may request weekly reports from us with the intention of helping us.

- 3) Limitation of Liability. Seems very favorable to NCG.

Melinda – NCG is a liaison on our behalf, not a general contractor. The language in the contract is standard legal language.

- 4) Insurance: why is there no insurance requirement for NCG: small example: who pays if the wreck a rental car driving to the coop? In my business, consultants are always required to have some insurance.

Melinda – the NCG has standard business insurance that we have the freedom to see if we would like.

- 5) Proprietary and Confidential Information: there is no clause requirement for the NCG to make sure all their staff and consultants agree to this clause.

Melinda – All NCG employees have confidentiality agreements on file. David would like this to be included in the contract.

- 6) This Agreement shall be construed, interpreted, and enforced in accordance with the laws of the State of Iowa: Small thing but I always prefer to have the laws of the state I live in rule. Idaho law is very kind to businesses. Probably Iowa as well but this means travel to Iowa to resolve

Melinda – David, you are correct that if any lawsuits did arise, we would have to travel to Iowa.

Motion to authorize Melinda to enter into the proposed Development Agreement and to include an amendment to use the words “center store remodel” in place of “remodel”, seconded, **passed 5-0**

Resolutions (P)

Melinda proposed two standard resolutions to remove a former employee as an authorized signer for two separate savings accounts and a checking account with Latah Federal Credit Union and a savings account with Potlach No 1 Federal Credit Union.

Motion to remove Joan McDougall as signatory and approve Melinda Schab and Kerry Morsek be authorized as signatories on the two saving accounts and one checking account with Latah Federal Credit Union, account #xxxxx, and the savings account set up through Potlach No. 1 Federal Credit Union, account #xxxxxx, seconded, **passed 5-0**

Schedule Beer with the Board – September

The Board of Directors would like to continue hosting “Beer with the Board” events prior to a monthly Board meeting. If possible, the social event should happen in a separate room to promote more socializing. If two rooms are not available, the Board meeting tables should be set up after the social event.

Action: Dena to schedule a “Beer with the Board” event for Tuesday, September 13th from 5-6 pm in the Art room at the 1912 Center.

Schedule Pullman Board Meeting – October

The Board of Directors would like to hold the October 11th Board meeting in Pullman Washington.

Action: Dena to cancel October Board meeting in Moscow and reserve a location in Pullman Washington for the meeting.

Committees: Reports/Work Plans progress (report)

Nominations & Elections – Appointment applications are due July 31st.

Policy & Bylaw – will need to reschedule the July monthly meeting.

Owner Engagement – Completed revisions on the “Committee Code of Conduct” and will send to Policy and Bylaw for final review. The Committee will be re-scheduling the monthly meeting.

Strategic Initiatives – no regular meetings are scheduled at this time.

Executive Session – The next scheduled meeting is Monday, September 12th at 9 am.

BOARD ASSIGNMENTS AND MEETING REVIEW

Communication Schedule: send to ewagner@moscowfood.coop

E-newsletter brief-200 words or less

Due the 10th and 20th of each month.

- (10th) Owner Engagement Committee – owner vs. member
- (20th) Dena – Beer with the Board event

Community News online/printed: “Board News” – 800 words or less

Due the 25th of each month.

- Idgi – summary of Board meetings

Rooted “Looking Forward” event submission – 80 words or less

August 12th for fall publication

- Beer with the Board
- October Board meeting in Pullman – location TBD
- Election Packets becoming available

Rooted article – 600 words for single page; – 1200 words for double page

August 12th for fall publication

- Kurt/Colette – motivation on becoming a member (one member, one vote)

Upcoming dates to remember:

All Staff Meeting and Pool Party: July 27th

Pullman Lentil Festival: August 19th – 20th

Board meeting and Work Session: August 23rd

P6 Launch Party in Co-op Parking Lot: August 28th

Action: Dena to remind the Board of Directors to start the Work Session and Board meeting scheduled for Tuesday, August 23rd at 4 pm.

Meeting review –

The Board agrees that Colette is doing a great job acting as facilitator and is fine continuing with this arrangement.

Meeting motioned to adjourn at 7:55 p.m.

EXECUTIVE SESSION

The Board discussed growth options.

Notes taken by Dena Van Hofwegen

Meeting adjourned at 8:22 p.m.

The next meeting will be Tuesday, August 23rd at 6:00 p.m. (with dinner beginning at 5:00 p.m.) in the Fiske Room of the 1912 Center.

Signature of the Board President

Date