

## HCCS Board meeting MINUTES, October 26, 2016

**Present:** Anthony Roisman, Michael Bettmann, Kevin Birdsey, William Craig, Harrison Drinkwater, Victoria Fullerton, Dana Grossman, Ed Howes,  
**Absent:** Elizabeth Blum, Sarah Blum, Brett Tofel  
**Staff:** Terry Appleby, Ed Fox, General Managers, Paul Guidone, Director of Finance  
**Guests:**  
**Members:** Benoit Roisin, Diane Guidone, Nancy Carter, Ulrike Von Moltke

Tony called the meeting to order at 600 p.m. in Hanover Board Room, Hanover, NH.

### **Consent Agenda: September 28, 2016 Meeting Minutes, and October 13, 2016 Share Redemption Request**

**MOTION:** Harrison Drinkwater moved to accept the September 28, 2016 meeting minutes as presented.

William Craig seconded the motion.

**VOTED:** 8 in favor, 0 opposed, 0 abstained, 3 absent. The motion passed.

**MOTION:** Michael Bettmann moved to approve the October 13, 2016 Share Redemption Request.

Dana Grossman seconded the motion.

**VOTED:** 8 in favor, 0 opposed, 0 abstained, 3 absent. The motion passed.

### **General Manager Update (Terry Appleby, Ed Fox)**

Terry stated the sales in October were very strong with this week being off to a slow start but now has picked up. Ed stated that he along with Paul Guidone, Bruce Follett (Director of Merchandising) and Terry, met with Crosspoint Associates regarding change of ownership of the Centerra marketplace where the Lebanon store is located. November was the original target date for this change of ownership to take place, but at this time no closing date has been set.

Kevin asked Ed where are we in the process of hiring a new manager for the Lebanon Store. Ed replied they are in the interview process with having interviewed a few people and will be interviewing two (2) more next week.

Kevin also asked if the Co-op is moving forward with the decision to stay open on Easter Day since some staff had wanted to have the stores closed for the holiday. Ed stated we have had some members along with staff show interest in wanting to work on this day, and we have not made a final decision at this time. Staff have recently raised two questions about the Easter plans: will the Co-op be open for Easter and, if so, will there be enough coverage? Terry mentioned employees were not happy with the decision to open on Sundays. He also stated they had decided not to open on Easter Sunday in 1992 when we opened the stores on other Sundays. Terry recalled a member survey in the 90's whereby 51% of the members said they would not shop on Sundays. The point was that a large percent of the membership (49%) wanted to be able to shop on Sundays.

Victoria asked if a staff member wanted to take another religious holiday off, would they be granted this time off. Terry stated taking 'pay in lieu of' is up to the employee. If the employee wanted to take a religious holiday off, he or she may use their accumulated time off or take that day in lieu of pay. Staff at the Co-op are allowed to take one (1) week a year of "pay in lieu of" rather than taking the time as vacation.

Dana mentioned; in reviewing the budget figures on the sales trends report, she had noticed the Lebanon store is the only store showing in red numbers. Terry stated; "although the food stores had a very good month in sales, and did beat the budget on a consolidated basis, the reality is that when the sales budget for Lebanon was prepared last year the date of the case lot sale was forecast for the first full week of October, so the budget was undervalued in September". The Lebanon store was above their numbers by 7.9% in September as a result of the case lot sale. Terry stated that since the Hanover remodel will have been completed for a full year in October, it will be easier to forecast sales performance in Hanover and Lebanon going forward - Right now during October we are up about 5% and growing about 2% a week.

### **Member Comments**

A member suggested that the Hanover store feels more like a co-op than the other stores. He felt maybe it was because of the way it is organized or store atmosphere. Another member on our EL 5 (Treatment of Staff) committee, put in a plug for reminding Board members to vote at the polls. She is working at the polls in Hanover.

### **Policy Monitoring (click [here](#) for link to the Co-op's Policies below)**

#### **EL 1 – Business Planning and Budgeting**

##### **DISCUSSION:**

Kevin asked a general question; "when looking at the capital budget there are so many items budgeted for, and nothing in the actual column for being purchased. Why are we budgeting but not actually purchasing them?" Terry answered that based on the cash that is available, we triage on capital items to determine the things that are critical to the maintenance of the buildings and the health and welfare of our members. Tony mentioned with his limited experience with capital budgets, that a capital budget item was in a separate account and did not depend on looking to cash flow. Does the Co-op have a capital account that builds up reserves to deal with the big ticket items? Paul stated that there is a separate budget for maintenance reserve, but if something happens (i.e. a freezer goes down) and we need to replace it, these funds would come from that capital budget. The budget is set up on a quarter-by-quarter basis and we try to balance those earnings each quarter. Capital accounts come out of retained earnings. First and third quarters for food stores are the most "lean" for grocery chains, but the second and fourth are better for retained earnings. We are trying to manage the flow of earnings to mesh with capital outlays.

**MOTION:** Kevin Birdsey moved to accept the EL 1 Planning monitoring report as in compliance.

Dana Grossman seconded the motion.

**VOTED:** 8 in favor, 0 opposed, 0 abstained, 3 absent. The motion passed.

## **EL 2 – Financial Condition and Performance**

### **DISCUSSION:**

Harrison asked about the debt service coverage ratio. Paul replied that ratio shows we started paying down the loan on the 2015 Hanover store remodel.

**MOTION:** Dana Grossman moved to accept the EL 2 monitoring report as in compliance.

Michael Bettmann seconded the motion.

**VOTED:** 8 in favor, 0 opposed, 0 abstained, 3 absent. The motion passed.

## **EL 14 – Cooperation with the Upper Valley Food Co-op**

### **DISCUSSION:**

Bill Craig asked; “how do we receive this data on the relationship”? Terry stated there are two parts to this relationship. One involves the general manager at both co-ops and the other involves Board representatives from each co-op. Terry stated he periodically checks in on UVFC sales and their earnings to make sure both co-ops have a cooperative relationship in White River Junction. We also talk about common systems. UVFC already invested in the same point-of-sale system we are looking to incorporate for our stores in 2017. Terry will work with Ed to arrange a meeting with the UVFC general manager.

The White River Junction Co-op has about 40 staff members with many volunteers that are dedicated to this store. The fiscal year to date; the White River Junction store has grown by 1.7% in sales and 4.9% in customer count, indicating a high degree of satisfaction with the store. This store is also performing well in generating operating profits.

The Hanover Board has its own policy (GP 11) and at one time there were liaisons between both boards who met periodically. Bill also asked if there is something built into our schedule to evaluate this relationship. Victoria mentioned that Sarah and she had interest in serving as liaisons between the co-ops. Tony indicated that he would appoint one or two Board members to meet periodically with the Upper Valley Food Cooperative. The purpose of the meetings would be to assure that each co-op deploys its resources in a manner that maximizes the greater good of the community served by the two store.

**MOTION:** Ed Howes moved to accept the EL 14 monitoring report as in compliance.

Bill Craig seconded the motion.

**VOTED:** 8 in favor, 0 opposed, 0 abstained, 3 absent. The motion passed.

## Monitoring Reports - September

GP 9 – Working with Neighboring Co-ops

GP 11 – Joint Board Level Committee

### DISCUSSION:

Tony stated he frequently shops at the Springfield, Vt. Co-op, and asked if we have a working relationship with them. Terry stated we have two meetings a year through NFCA that the Springfield Co-op could attend. We don't have a formal relationship, but we are able to discuss issues at each of the NFCA gatherings. Tony asked if we have reached out to them and does the Board feel we need to be more proactive with the other neighboring Co-ops. Kevin suggested we might want to get a report after a Neighboring Food Co-op meeting. Ed stated it is mainly General Managers that attend these NFCA meetings. Terry stated the Board should appoint two members to attend these meeting besides Ed Fox. Tony asked Terry if the official member needed to be on the Board. Ed Howes stated; "the key areas of pricing and availability of produce are always an opportunity to do regionally". Michael suggested at least one representative of Management and one member from the Board go to each meeting and report back. Tony suggested we need to put together a game plan on how we can proceed with participation in both GP 9 and GP 11 monitoring reports for our November meeting. He asked the Board to forward any questions on NFCA to Victoria or himself for incorporating into our November packet. Kevin believes GP 9 is a subsection of GP 11.

## Committee Updates

### Retreat Committee

Harrison stated the Retreat Committee distributed a Board Assessment survey and has received 5 responses so far, but would like 100% participation by October 31. Tony suggested sending another reminder to Board members to complete this survey. Michael Healey, the retreat facilitator will compile the results and forward them to Harrison and Tony for distribution to the Board.

Harrison also reminded the Board we are still on for Sunday, December 4<sup>th</sup>, 8:30 to 4 pm. At the Windsor Mansion Inn. He stated that the first part of the retreat will be how we define our purpose as directors and the second part will focus on a proposal Ed Fox has submitted regarding member engagement. Victoria stated we need to make some real decisions on where we want to go with our planning and make it happen. The next Board meeting will focus on recommendations from the committee about the agenda for the retreat including a clear statement of our goals and the time schedule for our discussions.

### Committee on Board Outreach

Victoria shared with the Board and the members to consider putting together and creating a concept to be presented through a link (Sharing a Meal) in the Co-op's current website. A few questions for the Board to ask their selves are; 1) Does the Board have a healthy relationship with its members? 2) Are we encouraging such a relationship? 3) Have we thought about how we want to be considered by members? 4) How can we listen to specific constituencies that make up definitive sections that need attention and 5) is membership a whole also made up of parts and how can we distinguish each constituency and serve them? One idea is to ask how they share a meal. This could reveal interesting categories, such as small day care center, where their way of sharing a meal may include each child

chopping their veggies at a low table in order to give them a role, and perhaps innovative ways to introduce new foods.

A re-designed board website also provides a secure access point to talk to the Board, it is both an interesting place to find out who we all are, who some of the members are, and also to express themselves to the Board. Victoria was urged to work with the GM since his member engagement initiative would include the kind of ideas she is developing.

## **Nominating Committee**

### **DISCUSSION:**

Bill Craig along with Ed Howes reported that they recommend three volunteers for service in the Nominating Committee. 1) Jim Laffan who is an Upper Valley attorney and former Co-op Board member. He also served on board on the board of the Mascoma Valley School District. 2) Lynn Schard has been a Co-op member since 1976 and her professional experience includes teaching elementary and middle school in New York State and Virginia. Also an entrepreneurial proprietorship of three Upper Valley businesses. 3) Phil Pochoda who was chosen as a Board candidate by last year's Nominating Committee. In 2011, Phil retired as Director of the University of Michigan Press, a position that followed on more than a decade's distinguished editorship at University Press of New England.

The Board discussed the challenges in finding nominees who represent the diversity of our 25,000 members.

Kevin stated he would love to be a volunteer for the Nominating Committee. All members were thankful for his interest.

A Co-op member asked if someone is keeping the names of those folks who are voicing their opinions with interest to the Co-op and wanting to get involved in some form of way. Her suggestion was to develop a database on keeping this list of names for future reference for reaching out to members so they can progress from being a frequent shopper, to more active participation in the Co-op and eventual service on the Board. Michael suggested the Nominating Committee be a year round committee.

Tony asked the Nominating Committee if they are going to start soliciting and be ready for what the Board needs to proceed. Bill stated they will seek a wide range of candidates and their timeline should be in place by the November Board meeting.

**MOTION:** Bill Craig moved that we accept Kevin Birdsey and the three volunteers for service in the Nominating committee.

Michael Bettmann seconded the motion.

**VOTED:** 8 in favor, 0 opposed, 0 abstained, 3 absent. The motion passed.

## **Appendix B – Proposed changes to Bylaws in respect of the issuance of B shares**

### **DISCUSSION:**

Paul reviewed his presentation on the recommended Bylaw changes. These changes contain the recommendations of attorney Jeff Zellers and Dick Samuels, our securities attorney. The recommended Bylaw changes reflect the discussions with the NH Bureau of Securities with

management and our auditors, who have reviewed these recommendations and support them. Paul noted one change to the draft that is in the Board's packet happened at the close of business October 26 and was not incorporated into the document (Appendix B). That change is in Section 6A (a) and (b) Wherever 365 days is mentioned as an exchange period, insert "5 years".

The discussion continued on whether if and when an annual mailing to members would be. It was suggested to include this mailing with a bulk mailing that we already do (i.e. voting documentation). Before presenting a motion, Harrison asked if converting old to new Class B shares is a simple software update and will our auditors assist in checking the accuracy of the share conversions. Paul stated that some members will need to have new (paper) shares and our auditors will review the process as well.

Tony recommended that these be the Bylaws that will be voted on at an annual meeting. The ballot for voting for directors will also be for voting for these Bylaws.

**MOTION:** Harrison Drinkwater moved that the Board recommend to the members of the Co-op the adoption of an amendment of the Co-op's Bylaws substantially in the same form as presented to the Board at its meeting of October 26<sup>th</sup>, the actual amendment to be submitted to the members at the 2017 Annual meeting to be subject to final review by the NH Bureau of Securities Regulation and the advice of the Co-op's accountants and legal counsel' and further to authorize the General Manager to negotiate and enter into a Consent Agreement on behalf of the Co-op with the NH Bureau of Securities Regulation in furtherance of the resolution of outstanding securities matters before the Bureau.

Dana Grossman seconded the motion.

VOTED: 8 in favor, 0 opposed, 0 abstained, 3 absent. The motion passed.

### **Check Signing Capabilities for General Manager Ed Fox:**

**MOTION:** Dana Grossman moved that we accept what was written out in Appendix C of the board packet authorizing Ed Fox as signatory for Co-op checking accounts.

Ed Howes seconded the motion.

VOTED: 8 in favor, 0 opposed, 0 abstained, 3 absent. The motion passed.

### **New Business:**

#### **Resignation of Kay Litten, Board Member, Board Treasurer**

##### **DISCUSSION:**

Tony read the Bylaws on fulfilling the vacancy of a Board Member and Board Treasurer, which Kay Litten held on the Board. This is a six-month appointment which is the remaining time of Kay's expired term. The appointee will need a background check as required by Vermont and New Hampshire laws.

Kay also serves in the board of the Neighboring Food Co-op Association (NFCA). Board members expressed concern on the appointment and whether the Board needs to have someone on NFCA who

has the Board's authority to take positions with regard to the Co-op and whether those positions need to be reviewed by our Board before any decision is made on them by NFCA. If there does need to be someone on the NFCA Board who is answerable to and must coordinate with the Co-op Board, we will need to decide on how to proceed.

Then the Board discussed who could fill the current vacancy as Hanover Co-op Board Treasurer. It was agreed to nominate Benoit Roisin, citing his recent service as both a board member and Treasurer and his attendance a nearly all the recent Board meetings which would allow him "to hit the ground running." Benoit excused himself from the Board meeting before a motion was called for a vote.

**MOTION:** Michael Bettmann moved to appoint Benoit Roisin to fulfill Kay Litten's unexpired term as Board Member and Treasurer.

Dana Grossman seconded the motion.

**VOTED:** 6 in favor, 0 opposed, 2 abstained, 3 absent. The motion passed.

**Executive Session – 8:21 p.m.**

**MOTION:** Dana Grossman moved to go into Executive Session at 8:21 p.m.

William Craig seconded the motion.

**VOTED:** 8 in favor, 0 opposed, 0 abstained, 3 absent. The motion passed.

**Executive Session ended – 9:01 p.m.**

**MOTION:** Dana Grossman moved to come out of Executive Session at 9:01 p.m.

Michael Bettmann seconded the motion.

**VOTED:** 8 in favor, 0 opposed, 0 abstained, 3 absent. The motion passed.

After the Board came out of Executive Session, they considered and passed this motion

**MOTION:** Dana Grossman moved to offer the position of Board Administrator to April and should she decline, to offer the position to Tracey Zink.

Victoria Fullerton seconded the motion.

**VOTED:** 8 in favor, 0 opposed, 0 abstained, 3 absent. The motion passed.

**ADJOURNMENT:**

Dana Grossman moved to adjourn at 9:02 p.m.

Kevin Birdsey seconded the motion.

**VOTED:** 8 in favor, 0 opposed, 0 abstained, 3 absent. The motion passed.

Respectfully submitted,

Tracey Zink  
Interim Board Administrator

Harrison Drinkwater  
Board Secretary