

**MINUTES February 24, 2016**

- Present:** Sarah Blum, Harrison Drinkwater, Margaret Drye, Victoria Fullerton, Kay Litten, Benoit Roisin, John Rosenquest, Susan Sanzone Fauver, Brett Tofel
- Absent:** Michael Bettmann, Anthony Roisman
- Staff:** Terry Appleby, Anthony Alongi, Kevin Birdsey, Janet Couture, Eugenia Braasch, Ed Howes, Mark Langlois, Steve Miller
- Members:** William Craig, Dana Cook Grossman, Antoinette Jacobson, Robert Spottswood, Jon Stearns, Michael Whitman
- Guest:** Garth Allen, Steven Austin, Philip Lapp (Gallagher, Flynn & Company, LLP)

Margaret called the meeting to order at 6:02 p.m. in the Richard Black Community Center, Room 212. She noted that the Co-op Board meeting is not public and requested that no filming or recording take place. The Directors introduced themselves.

**Agenda Review & Changes**

There were no agenda changes.

**Co-op Stories**

Margaret brought her grandson (who helped with the Hanover Store renovation groundbreaking) to see the new store which he described as the store “we built.” She recommended the new smoked mac and cheese prepared meal.

Kay invited the Board to attend the annual meeting of the Neighboring Food Co-op Association on March 5<sup>th</sup> in Greenfield, MA.

Benoit is concerned that Dartmouth students don’t know about the Co-op.

Susan reported that Valentine’s Day sales went well at the Lebanon Floral Department.

The auditors also shared their co-op experiences:

Steve Austin complemented the Co-op on the beautiful Hanover store renovation.

Phil Lapp likes to frequent the Co-op Community Market on Lyme Road for lunch.

Garth Allen is a regular City Market food co-op lunch patron in Burlington, VT.

**Consent Agenda: January 27, 2016, February 2, 2016, Meeting Minutes and February Share Redemption Request**

MOTION: Susan moved to approve the January 27, 2016, and February 2, 2016, minutes and the February Share Redemption Request as written.

Benoit seconded the motion.

VOTED: To approve the January 27, 2016, and February 2, 2016, minutes and the February Share Redemption Request as written.

9 in favor, 0 opposed, 0 abstained, 2 absent.

The motion passed.

**Tony Alongi, CFO, Transition**

Margaret, on behalf of the Board, offered appreciation to Tony Alongi for his service to the Hanover Co-op and wished him well as the General Manager of Bloomingfoods Co-op in Bloomington, IN.

**General Manager Update**

Terry thanked Tony Alongi for his personal friendship and professional insights, knowledge, and humor. He congratulated Tony on his new leadership role within the cooperative sector.

The CFO search process is underway and Gallagher Flynn is providing the executive search service.

Two attorneys held a productive meeting on February 22<sup>nd</sup> to continue discussion with the NH Bureau of Securities concerning the nature of cooperative capital and B share issuance.

Sales in the deli are weak across all store locations, due in part to the recent World Health Organization report which linked processed foods consumption with colon cancer.

### **2015 Audit Presentation by Gallagher, Flynn & Company**

Steve Austin explained that the auditors are hired by and work for the Board of Directors. They thanked the Finance Department staff for their assistance during the audit process. The auditors reviewed the scope of the audit, summarized the roles and responsibilities of management and audit teams, reviewed audit findings, and offered financial and tax-related analysis. An unqualified (or “clean”) opinion will be issued for FY2015.

Auditors reviewed the financial statements, balance sheet metrics, results of operations, and select operating data, with breakouts by profit centers. The auditors reviewed several operational measures and trends, including the Hanover store renovation, the bylaws revision with class A and class B shares, the NH Bureau of Security Regulation on-going investigation, and the petroleum supply contract.

The presentation concluded with analysis of the FY2015 tax picture; highlighting the (a) taxation of cooperatives, (b) patronage, (c) tax benefits of non-cash patronage, (d) 2015 tax picture, and (e) challenges and opportunities present in 2016 and forward.

The final audited financial report will be available on the Co-op web page.

The auditors responded to questions about sustaining sales growth (grocery stores typically experience 34-40% sales loss during major renovations, which did not occur here); the impact of members not using their member number at the register (a practice that creates taxable income at a 34% federal tax rate) vs. using the member discount (which is pre-tax), and changes in depreciation laws. Auditors called attention to two metrics – percentage of patronage done by members and average market basket size in dollars as key trends to watch. The Co-op was advised to increase its solar investment to meet its electrical energy needs and to invest with the Community Development Finance Authority.

### **2015 Patronage Refund**

MOTION: John moved to proceed without a cash or stock refund to close the 2015 fiscal year.

Susan seconded the motion.

VOTED: To proceed without a cash or stock refund to close the 2015 fiscal year.

9 in favor, 0 opposed, 0 abstained, 2 absent.

The motion passed.

Management recommended putting FY 2015 net earnings into cash reserves. The cost of a member mailing is too large relative to the level of earnings to be disbursed.

### **Policy Monitoring**

#### **2 Financial Condition and Performance**

MOTION: John moved to accept the EL 2 monitoring report as in compliance.

Harrison seconded the motion.

VOTED: To proceed without a cash or stock refund to close the 2015 fiscal year.

7 in favor, 0 opposed, 2 abstained, 2 absent.

The motion passed.

The mild winter resulted in lower heating expenses, as well as lower sales due to fewer tourists visiting the Upper Valley.

**Member Comments**

Members offered:

- Appreciation for posting the board meeting packet on the web page.
- Hope for resolution of the legal suits brought against the Co-op.
- Suggestion that a third party control the Board election process.
- Support for communicating with members about the importance of using their member number for all transactions.
- Understanding that in lieu of the annual patronage refund, the monthly 10% member discount days and the 20% employee discount benefits are significant.

**Executive Session**

MOTION: Susan moved to go into Executive Session with the auditors at 7:36 p.m.

John seconded the motion.

VOTED: To go into Executive Session with the auditors.

9 in favor, 0 opposed, 0 abstained, 2 absent.

The motion passed.

MOTION: Benoit moved to adjourn the Executive Session with the auditors at 8:19 p.m.

Kay seconded the motion.

VOTED: To adjourn the Executive Session with the auditors.

9 in favor, 0 opposed, 0 abstained, 2 absent.

The motion passed.

**Allen and Nan King Award**

The Board unanimously selected an award recipient.

**Nominating Committee**

Kay recommended documenting the nominating process practices for future committee reference. She described the election outcomes: the top four vote getters will each serve for 3-year terms, and the fifth vote getter will serve for a 1-year term, per Article 5, Section 6 in the Bylaws.

**GM Search / Succession Planning**

Harrison said that the GM job description is now posted on the Co-op web page and an ad has been placed in several media outlets. Some board members expressed an interest in reviewing and offering feedback about the job description and advertisement text. There was consensus to do so and Harrison offered to distribute the information to the Board.

**April 2, 2016, Annual Meeting**

Margaret presented the proposed meeting theme and reviewed the agenda; there were no comments.

**Communications Task Force**

Sarah distributed a compilation of Board input to the Communications Task Force. She believes that the GP2 policy is strong, and if followed, would yield positive results. The Board discussed issues of how best to connect with and understand the needs of a large, diverse membership. The Board decided to ask (1) Sarah, Harrison and Victoria to explore the efficacy of a Q&A Board blog, (2) Margaret to explore ways to incorporate information from / about other Board members for the monthly internal staff newsletter, and (3) Benoit to solicit Board comments about the matrix that he drafted and present a revised version at the April Board meeting.

**Voting Procedure**

MOTION: Victoria moved to form a task force of three board members to examine the election guidelines and develop protocols for the campaigning, voting, and ballot counting process and report to the Board. Benoit seconded the motion.

VOTED: To form a task force of three board members to examine the election guidelines and develop protocols for the campaigning, voting, and ballot counting process and report to the Board.

9 in favor, 0 opposed, 0 abstained, 2 absent.

The motion passed.

Some Board members questioned the authority of the Nominating Committee to establish the campaign guidelines, noting that the election process is the jurisdiction of the Board of Directors. Concerns centered on (1) the restrictions of free speech as outlined in the campaign guidelines distributed by the Nominating Committee, and (2) access to the on-line election results during the voting period. Given the constraints of the upcoming membership mailing deadline for this year's election, it was suggested that it might be best to proceed with the election process as in prior years and to conduct a thorough review and possibly propose changes for future years.

Margaret Drye, Victoria Fullerton, and John Rosenquest agreed to serve on the task force and to meet with Amanda Charland, Member Outreach Director. The scope is to review the guidelines, draft sample protocols, and present them at a special Board meeting on Wednesday, March 2<sup>nd</sup>.

**Administrative Matters**

Genie reminded Directors about the CBLD Cooperative Café, March 12<sup>th</sup>, Keene, NH, and the CCMA 2016 conference, June 9-11, Western Massachusetts.

**Adjournment**

MOTION: John moved to adjourn the meeting at 9:24 p.m.

Susan seconded the motion.

VOTED: To adjourn the meeting at 9:24 p.m.

8 in favor, 0 opposed, 0 abstained, 3 absent.

The motion passed.

Respectfully submitted,

Eugenia F. Braasch  
Board Administrator

Harrison Drinkwater  
Secretary