

Minutes for the Potsdam Food Co-op Board Meeting
July 18, 2017
6 PM

- I. Call to Order
 - a. The regular monthly meeting of the Board of Directors of the Potsdam Food Co-op was held on Tuesday, July 18, 2017, above the Carriage House Bakery, the President being in the chair and the Secretary being present.
- II. Attendees
 - a. Voting members in attendance included Laura Cordts, Joseph Andriano, Robin McClellan, Samantha DaGrossa, Tim Messner, Maggie McKenna, Erica LaFountain, Eric Ochranek, Kayla French, and Gail Anderson.
 - b. Members not in attendance included Abby Lee, and Jessica Diagostino.
 - c. The General Manager, Eric Jesner, was present.
 - d. Lead Buyer, Andrew Peet was in attendance as a guest.
- III. Approval of Minutes
 - a. To be removed from the consent agenda: Governance bylaw change.
 - b. A motion to approve the consent agenda (minutes from the last meeting, and committee reports since the last meeting) passed.
- IV. General Manager's Report was presented by Eric Jesner:
 - a. Buildings & Grounds
 - i. New racks in Dairy/Produce walk-in
 - ii. Old rack in Carriage House
 - iii. Thank you Stefan & Hugo
 - b. Personnel
 - i. New Jessica has already moved on to full-time work.
 - ii. Beck & Lennard & Amanda in CHB
 - iii. Christoff on paternity leave
 - iv. Rob planning to leave but no notice yet
 - c. General
 - i. Eric switched to Mon-Fri schedule.
 - ii. CSD Marketing Study results in Next Meeting Folder, Marketing Committee will discuss in August
 - d. Sales Report
 - i. Sales up 8%, 5% for the year. \$44K up in sales. Slight increase in sales per household. Increase of 50 member-owners. Sales per household up \$5. EBT up 53% for the year.
 - ii. Personnel costs were higher but net sales covered that increase and then some.
- V. New Business (voting items or items requiring board discussion)
 - a. The Governance Committee moves that the Board call a special meeting of the membership, to be held October 19th, for the purpose of revising the bylaws primarily to include provision for patronage dividends. Maggie seconded the proposal of the special meeting as well as the proposed bylaws changes. The motion carried. Gov. Committee will be responsible for communication with the membership about this special meeting and the proposed bylaw revisions, including a save-the-date in the upcoming newsletter. **The full bylaws change recommended is at the end of these minutes.**
- VI. Member Comments
 - a. One asked why the Co-op had no presence at the Summer Fest this year. Eric: we have trouble finding people to work at it. There aren't other healthy food options at the fest. We wouldn't have refrigeration, so the options would be limited.
- VII. Open forum/Discussion
 - a. Eric: the case for expansion
 - i. Are we all at least open to exploring the option of relocating and expanding?
 - ii. Laura: disappointed in scope of results of market study.
 - iii. Joe: should I write a letter to her expressing feedback? Yes.
 - iv. Attach doc from Eric (the case for expansion)
 - v. No objections to pro-forma analysis (step 1 of relocation process, which will clarify what resources we have available for a potential move). Aspire to present at October special meeting.
 - vi. The Market Study can be shared with committee members, and will be shared more widely to the membership before the Special Meeting.
- VIII. Adjournment

- a. Robin moved that the meeting be adjourned, seconded by Maggie, and this was agreed upon at 7:47 PM.

Bylaw Changes (Draft v 1.0 from Finance Committee)

Patronage Dividends

Article VIII—Finance

Section 1: Allocations to Member-Owners. The Cooperative shall at all times be operated on a cooperative basis for the mutual benefit of its Member-Owners. In accordance with Subchapter T of the Internal Revenue Code, Article 5 of the New York Cooperative Corporations Law, and other applicable State and Federal laws, the Coop may periodically declare a patronage dividend. Such patronage dividend will be based on the Coop's net income during the period after allocation to a Reserve Fund. The patronage dividend will be allocated among the member-owners in proportion to each member-owner's total purchases during the period. At its sole discretion, the Board may distribute patronage dividends in cash, store credit, equity, or a combination thereof.

Section 2: Equity Capital. The Board of Directors shall manage the Cooperative's equity capital in a way to preserve and build upon the Cooperative's financial position while also allowing for redemptions of equity as and when the Cooperative has the financial strength to redeem equity. The Board of Directors may, from time to time, establish policies for redeeming equities, stock, or other forms of equity used for qualified or non-qualified notices of allocation, or the Board may eliminate equity redemption policies in favor of a capital management policy. Any of these policies may contain offers of discounts or required retentions of capital as part of any redemption of allocated equity. The Board retains the power to amend, modify or repeal these policies and may do so retroactively, all in the Board's sole discretion.

Section 3: Consent of Member-Owners. By obtaining or retaining Member-Ownership in the Cooperative, each Member-Owner consents to take into account, in the manner and to the extent required by federal and state tax law, the stated dollar amount of any written notice of allocation in the year such notice is received.

Note (Appended to the end of the bylaws?)

Explanation of Patronage Refund Consent Provision

The Internal Revenue Code generally requires each person receiving a patronage refund to include the amount of such distribution in his or her gross income in the taxable year in which it was received. The mere acceptance or retention of membership in the Cooperative constitutes consent to such inclusion in taxable income, including the portion of the patronage refund that is retained by the Cooperative for its capital needs.

The Cooperative has been advised by legal counsel, however, that the general rule for inclusion in income of patronage refunds is subject to an exception that is applicable to consumer cooperatives. Under that exception, a patronage refund is not required to be included in gross income if the member-owner's purchases from the Cooperative are related to "personal, living or family items." The patronage refund would be taxable to a member-owner of his or her purchases related to the operator of a trade or business or other income-producing activities.

In effect, the consent provision is of no significance to the members of the Cooperative except as to organizational members and except where the purchases of members who are natural person are for business or income-producing purposes.

Amendment of Article III—Membership:

Explanation: As noted in the lawyer's review letter, the Co-op is not constituted as a share-based corporation. To harmonize the bylaws with the reality of our legal status we must either become a share based corporation or change the way we account for member equity.

Section 2:

Replace

"a) to buy a minimum of one \$10.00 share in the Coop upon joining and a minimum of one \$10.00 share for each succeeding year of the membership up to a maximum accumulation of \$100.00."

With

"a) to contribute \$10.00 to an equity account in the members name upon joining and a contributing \$10.00 to that account for each succeeding year of the membership up to a maximum accumulation of \$100.00."

Section 4:

Replace

“A membership shall be entitled to a refund of its share monies after written resignation from the Co-op. However, the balance of share-monies in the Co-op account may not be less than 80% of the share monies recorded on January 1 of that year. A four-month waiting period is required for eligibility to re-join the Co-op. This waiting period shall be waived if the membership reinvests the refunded share monies at the time of rejoining. The organization shall not be responsible for the return of share monies after a period of one year beyond the normal expiration of a lapsed membership.”

With

“After written resignation from the Co-op, a membership shall be entitled to a refund of funds in its equity account excluding funds in said equity account attributable to any Patronage Dividend. However, the balance of equity monies in the Co-op account may not be less than 80% of the equity monies recorded on January 1 of that year. A four-month waiting period is required for eligibility to re-join the Co-op. This waiting period shall be waived if the membership reinvests the refunded monies at the time of rejoining. The organization shall not be responsible for the return of equity monies after a period of one year beyond the normal expiration of a lapsed membership.”

Amendment of Article VI—Dissolution:

Replace:

“The dissolution of the Co-op may take place as provided in the Not-for-Profit Corporation Law of the State of New York, as presently existing or hereinafter amended. Net assets remaining after paying debts and expenses shall first be used to reimburse share monies. Any remaining assets shall be divided equally among membership in good standing.”

With

“The dissolution of the Co-op may take place as provided in the Cooperative Corporation Law of the State of New York, as presently existing or hereinafter amended. Net assets remaining after paying debts and expenses shall first be used to reimburse equity monies. Any remaining assets shall be divided equally among membership in good standing.”

Respectfully Submitted,
Erica LaFountain
Secretary, Potsdam Food Co-op