

**BisMan Community Food Cooperative  
Board of Directors Meeting  
Cooperative Community Room  
711 E. Sweet Ave.  
Bismarck, N.D.  
Wednesday, Jan. 10, 2018**

Board members present: President Kevin Martin, Vice President Beth Schatz Kaylor, Treasurer Dina Baird, Secretary Dale Wetzels, Emily Brown, Ellen Knudsen, Tracy Potter. Board members Paul Brown and Erin Huntimer participated by telephone.

Others present: General Manager Carmen Hoffner, Glen Philbrick, Rita O'Neill and Mandy Dendy.

President Martin called the meeting to order at 6:05 p.m.

Tracy Potter moved that the meeting agenda be approved. Beth Schatz Kaylor seconded. All board members present voted yes.

President Martin asked if any cooperative employees wished to comment. No one did.

President Martin asked if any member/owners in the audience wished to comment. Glen Philbrick asked if the minutes of board meetings were posted on the cooperative's website. Martin replied Yes. *(On the website's main page, the "About" tab has a drop-down menu that includes a link labeled ["Board Minutes + GM Reports."](#))*

Philbrick asked if the website showed the current board members. Wetzels replied Yes. *(On the website's main page, the "About" tab has a drop-down menu that includes a link labeled ["Board of Directors,"](#) which lists the current board members.)* Emily Brown said the website had two different tabs, one of which showed the new board members and a second that showed the former board. Ellen Knudsen said the links should be reconciled.

Philbrick asked if the accounts payable report was up to date. Martin replied that the AP report's information was current to the date that was printed on the report.

Emily Brown asked if there were notes of the previous meeting's executive session. Wetzels said he would provide those to her.

Beth Schatz Kaylor moved that the minutes from the meeting of Dec. 13, 2017, be approved. Dina Baird seconded. All board members present voted yes.

Carmen Hoffner presented the general manager's report. She said sales at the end of December were strong, and the cooperative's profit-and-loss statement at month's end showed a positive trend.

Hoffner said during the first quarter of 2017, the cooperative was \$82,000 in the red; during the second quarter, \$91,000 in the red; \$30,000 in the red during the third quarter; and the last quarter was \$6,000 in the red. Hoffner: “We’re making some positive changes to get to a positive number. We’re hoping for a positive first quarter of 2018.”

Hoffner said the cooperative’s staff has gotten smaller, but employees are working together more closely. “Cashiers are helping to wash dishes at night. It is more of a team effort.” She said a number of energy-intensive lights have been turned off to save on energy expenses, particularly halogen lights near the dairy coolers. “We are working together to cut our costs, cut our waste.”

Schatz Kaylor asked if the new policy governing installment-payment memberships had been implemented. New members who do not pay the full \$200 equity investment at first may join on an installment plan of \$50 a month. Hoffner said the plan is being applied to new members. Hoffner said relatively few existing members are delinquent on their equity payments. Hoffner said she has asked cashiers to tell her about any delinquent members who come through, “and we’ll work it out.”

Schatz Kaylor asked about the change to [United Natural Foods Inc.](#) as the cooperative’s primary food supplier. Hoffner said it was going smoothly. She said she wanted to sell products from both UNFI and the former supplier, [KeHe Distributors LLC](#). She said UNFI representatives were coming in Jan. 22 to reconfigure the store “to make it look and flow a little bit better.” She said the changes should not affect customers’ ability to shop.

Hoffner said a KeHe representative told her that most stores sell products from both UNFI and KeHe. “We want to maintain a relationship with both of them and do what is best for the co-op.” However, Hoffner said [Cadia](#), a KeHe brand, would not be available.

Member Mandy Dendy said a cashier told her on a recent shopping trip that she could still get Cadia products if she requested them. She said that contradicted what Hoffner said. Hoffner said she would inquire about whether Cadia products could still be obtained. Dendy said it was “super important to be consistent with that. I was hoping to still get Cadia.”

Emily Brown said it was encouraging and exciting to see the number of classes being hosted at the cooperative. There are classes in yoga, yogurt making, kombucha making, bone-broth making, and other subjects. “These classes are popping up on Facebook and they look great.” Erin Huntimer echoed Brown’s comments. Hoffner said the classes help increase traffic and sales in the store. She said Lea Black, who does marketing work for the cooperative, has done a great deal of work organizing classes.

Mandy Dendy asked that the agenda’s question time for members be moved to after the general manager’s report is presented, rather than at the beginning of the meeting. She asked if the change in primary suppliers from KeHe to UNFI would raise store prices for KeHe products. Hoffner said a lessened volume of KeHe products could shrink or eliminate the volume discounts the company offers, and result in higher customer prices for some KeHe products.

Wetzel asked Dendy when she would prefer to have time set aside for member questions on the board's meeting agenda. Dendy said she would like to see the comment period come after the general manager's report.

Dina Baird presented the finance committee's report. She said Jayme Archambault, a credit analyst at Kirkwood Bank & Trust, had joined the panel. "She asked excellent questions and has a really good background, so I am really looking forward to working with her." Baird said the finance committee members are gaining a better understanding of cost of goods sold and other finance metrics.

Baird said she and Martin had met with former board member Tyler Demars about updating the cooperative's pro forma financial statement and offering circular. The circular must be provided to people who want to lend the cooperative money or buy preferred stock.

Baird said the cooperative's lenders are extending interest-only payments on existing debt for January. They need additional financial information to go beyond that. Baird: "We are still compiling the financial information that we need to get to them." Baird said she met with the North Dakota Association of Rural Electric Cooperatives/Rural Development Finance Corp., which is one of the store's four principal lenders. She said they would solicit the Coordinated Council of Cooperatives for money to create a small marketing fund for the store.

Baird said Lori Capouch, the rural development director of the North Dakota Association of Rural Electric Cooperatives, said she had a "long-shot" idea for obtaining money to provide directional signs on Seventh and Ninth streets to make motorists aware of the cooperative's location. Capouch said she needed additional financial information to pursue the opportunity.

Baird said a new member is willing to loan the cooperative \$5,000, and an updated offering circular is needed to allow her to extend it. She said the member was eager to see the cooperative succeed, and was not in a hurry to be repaid. Baird suggested offering some incentives to the new member, such as a three- or five-year sustained membership.

Glen Philbrick asked if some loan documentation from February and March of 2017 had been found in the cooperative's Dropbox account. Baird replied Yes.

Board members discussed possible incentives to offer members who agree to renegotiate the terms of the cooperative promissory notes they hold. The notes start coming due in October. Their maturities range from four years to 10, with annual simple interest rates ranging from zero percent to 3 percent.

Dale Wetzel said the original round of promissory notes did not offer any incentives to the lenders, aside from interest earnings on the money loaned. There was no offer, for example, of benefits that are now extended to sustainable members. Carmen Hoffner said the holders of original promissory notes might question extending incentives to members who execute new notes.

Dale Wetzel said the promissory notes had varying interest rate calculations. The notes stated that the interest rate was simple interest, but a number of the notes used a compound-interest formula to calculate the amount owed when the loan came due.

Baird questioned whether the cooperative should take on more loans from members when information about its present debt load is lacking.

Wetzel said giving preferred stock to the member who wishes to give \$5,000 to the cooperative may be a better option than issuing a promissory note. A holder of preferred stock will receive dividends when the cooperative is able to pay them.

Wetzel said he went through the cooperative's preferred stock agreements and made a list of them. He said the only identifying information was the signature of the preferred stock buyer and, in most cases, his or her Social Security number. Wetzel said most of the signatures were legible, but some were not. The name and address of the preferred stock buyer was not printed on the paperwork.

Erin Huntimer asked whether the cooperative could offer to convert members' loans to preferred stock. Tracy Potter asked whether the cooperative has an upper limit on its ability to issue preferred stock. Huntimer said any conversion plan would dilute the holdings of existing preferred holders, and would likely have to be approved by the membership.

Wetzel said he had located documentation for 15 holders of preferred stock, including the [North Dakota Farmers Union](#) and the [National Information Solutions Cooperative](#), which is based in Mandan. The holders have 1,030 shares, valued at \$103,000.

Wetzel said he had located 66 promissory notes with a face value of \$341,000. He said his initial search found 65 notes, worth \$321,000. He later discovered another \$20,000 promissory note. The notes start coming due in October 2018. The last is to be paid off in June 2025.

President Martin said he believed the amount of promissory notes issued is much larger. He said he believed some documents were missing. Martin said a larger amount of promissory notes is reflected in the cooperative's balance sheet and pro forma financial statement. He said that previous board members recall that the loan amounts were larger. Martin said Heidi Demars would be getting in touch with Wetzel about how to locate the missing promissory notes. Martin: "We do have to reconcile those numbers."

Potter said the preferred equity listed on the cooperative's balance sheet is \$58,000. Wetzel said paper copies of the preferred equity agreements that he was able to locate added up to \$103,000.

Ellen Knudsen said she could check bank records to see whether the figures could be reconciled.

Martin said the cooperative's newest offering circular, which was prepared by Glen Philbrick last March, said the cooperative could issue up to \$300,000 in preferred stock and have up to \$300,000 in member loans.

Dina Baird said the lenders want an updated pro forma, weekly cash flow reports and a detailed marketing plan. Beth Schatz Kaylor asked whether the member who wants to give the cooperative \$5,000 should be given preferred stock or a promissory note. Ellen Knudsen said she believed the member would be satisfied with preferred stock.

President Martin said the cooperative's current filing with the state securities department authorizes up to \$300,000 in preferred stock and \$300,000 in promissory notes. The filing expires on March 31, 2018. Martin said the termination date can be extended at the board's discretion.

Wetzel said he has a template for the preferred stock agreement. Carmen Hoffner said it was prepared with a lawyer's assistance. The attorney, Becky Bowen, has since moved to North Carolina.

Beth Schatz Kaylor asked for a list of the regulatory forms – IRS Form 990, state Tax Department sales tax collections, workers compensation, Form 990s, etc. – that the cooperative is required to file. Wetzel volunteered to collect the information. Hoffner said the company that manages the company's payroll provides W-2 forms for employees.

Schatz Kaylor presented the report from the marketing committee. She said larger local businesses that serve Bismarck might have a marketing budget of \$100,000 to \$150,000 annually. She said the cooperative could do "a bang-up job" of marketing for about \$20,000 a year to refresh the cooperative's videos, radio station ad saturation, and targeted media.

Schatz Kaylor said as of Dec. 21, the cooperative's Google account was paid and a campaign was restarted at \$250 monthly. She said the cooperative has a video ad that starts at the beginning of certain videos. It costs 5 cents per view, which means the video played for 30 seconds. She said the video "is generating clicks to the cooperative website."

Schatz Kaylor described the cooperative's Google Search ad, which lists the cooperative's website as a possible destination when Google visitors use certain search terms, such as "local meat" or "healthy food." The cooperative pays about \$1.15 per click if a web visitor clicks on the ad.

Schatz Kaylor said the cooperative website receives the most visitors between 10 a.m. and noon, and the deli menu is the second most-visited page. She said data indicate that members are responding to emails with embedded links. Two-thirds of web visitors are female, and 50 percent are between the ages of 25 and 44. More than half of visits to the cooperative's website come from either a mobile device or a tablet. Schatz Kaylor said the data can be used to "be more strategic and targeted" when doing the cooperative's marketing and communications.

Ellen Knudsen said she has been made an administrator of the cooperative's Facebook page. She said the page receives a number of deli-related questions, such as the day's specials, soup varieties, and featured sandwiches. She suggested sending out a morning notice to members each day with the information – "this is what we're having."

Schatz Kaylor said the information could be pinned to the top of the cooperative's Facebook page every day. She said for the information to reach the general public, the cooperative would have to "boost" its Facebook posts, which costs money.

Schatz Kaylor said the marketing committee discussed possible cooperative use of "Grazecart," which is [a website used by ranchers and direct marketers for online sales](#). She said Paul Brown and Carmen Hoffner had discussed using Grazecart for "limited, select, expensive bulk sales" that customers could use to place orders and set times to pick up their orders.

Paul Brown said discussions are ongoing about how Grazecart's logistics can be integrated into the store's operations. Schatz Kaylor said the site could be used to order beef bundles, turkeys, prime rib and pies. She said she wanted to make sure the site could generate enough revenue to be worth the staff time spent on it.

Carmen Hoffner said the website was "definitely worth looking into," but there are questions about how it should be used. "Do we want to put on just our top 5 percent (of products), do we want to offer just bulk items?"

Carmen Hoffner said "live" deli service will be offered between 11 a.m. and 3 p.m., meaning grill products and sandwiches and wraps that are made to order. She said the store normally has two to three orders between 3 p.m. and 7 p.m., so that time will be used to make sure takeaway food is prepared.

Ellen Knudsen relayed a comment from a friend who said the cooperative's lunch prices were less expensive than other locations. Knudsen said \$7 for a sandwich "is probably under what most other places would be in Bismarck." Hoffner said she did not believe the \$7 sandwich was priced too low. "We get the comment, quite often, that we're expensive."

Schatz Kaylor said she would be interested in patronizing a Saturday or Sunday breakfast/brunch. Hoffner said the subject is discussed often. "I really think we could capitalize on a Saturday or Sunday brunch."

Hoffner said Kristin Sande, a former sous chef at Prairie Knights Casino who is now chef at the governor's residence, was coming in to check out the cooperative's deli. Hoffner said Sande is a frequent visitor and Hoffner asks her for comments. "She always has some sort of suggestion. She is great."

Dale Wetzel said he had begun building a folder structure on Google Drive, including meeting minutes, accounts payable, promissory notes, preferred stock, lender correspondence and videos. He said individual files are also visible on the front page. He said he would circulate invitations to join Google Drive to board members to allow them access to it.

Wetzel said he has backed up the cooperative's Dropbox account on a portable hard drive. He intends to transfer needed materials to the Google Drive and, once that is finished, ignore the Dropbox.

President Martin said that board members, when storing materials in Google Drive, should try to adhere to a common storage and organization protocol. Ellen Knudsen suggested the creation of a document that outlines how cooperative material is stored on Google Drive.

Schatz Kaylor asked whether it would be possible for the cooperative to use Wetzel's extra Microsoft Office license. Carmen Hoffner said the cooperative's existing license arrangement had been renewed. She said some changes were made to make the license less expensive. Schatz Kaylor suggested that the matter be tabled.

Ellen Knudsen said Midco is the cooperative's Internet service provider.

Wetzel suggested asking Fireside Office Products, which is the cooperative's Microsoft Office software provider, to outline what value they provide as a software supplier. He wondered why the cooperative was paying for email accounts, and he questioned paying Fireside about \$500 annually for software and support. The renewal of the software license is good for a year, and Wetzel said the cooperative could explore its options in the meantime.

Tracy Potter said 55 letters have been sent to people who gave money to the cooperative before it opened and who have not followed up to pay their full \$200 equity investment. Board members discussed how they could find out whether those recipients had become members, and whether any future mailing could include a coupon to encourage shopping at the store. Potter said some of the mailings went to people who have left North Dakota.

Ellen Knudsen said work on obtaining enough expense documentation to get the \$27,000 grant from the [Agricultural Products Utilization Commission](#) was almost completed. She said she and Emily Brown had located \$83,000 in qualifying expenses, not including the salaries of Heidi Demars and former general manager Randy Joersz. Knudsen said it was only a matter of matching invoices to expenses, and she said about one-third of the invoices had been matched. She said she hoped to finish the work within a week.

Knudsen said she would favor seeking another marketing grant from APUC. Tracy Potter said the Legislature stripped APUC of much of its appropriation during the 2017 session.

Knudsen said the board should consider how it would like to use the \$27,000, aside from paying bills. She said at least some of the money should be used for marketing.

Emily Brown said two members had indicated interest in joining the In-Store Engagement Committee. She said she would send an email around to schedule a committee meeting and discuss what the group should focus on, so that there is no overlap among committee work.

President Martin said work on replacing Glen Philbrick as a signee of the cooperative's [Supplemental Nutrition Assistance Program](#) (SNAP) authorization to accept benefits was continuing.

Martin said the effort was encountering bureaucratic obstacles, and there has been some confusion about what the cooperative is required to do. The problem does not prevent the cooperative from serving SNAP customers.

President Martin said he contacted Ellen Chaffee to be a possible facilitator for a board retreat. Chaffee said she was unfamiliar with the cooperative's governance and may not be of much help. Dina Baird said the [North Dakota Association of Rural Electric Cooperatives](#) was doing a day-long training session for cooperative board members in Mandan on Feb. 3. She said the food cooperative's directors would be able to take part at no charge. Dina Baird said the NDREC offered a number of education sessions that could be worthwhile.

Baird said [Adam Schwartz](#), a nationally known expert on cooperative governance, was going to speak at the NDREC training session. She said Schwartz was willing to meet exclusively with the food cooperative directors after either the Friday or Saturday training sessions. She said Basin Electric Power Cooperative and the NDREC will cover the \$1,000 expense.

Board members supported the plan. Erin Huntimer said Schwartz would be a better facilitator than anyone who would be available locally. Dina Baird said she would call Schwartz to speak to him about what board members wanted to discuss. Members suggested discussing a policy register and ways to market on a shoestring budget. President Martin said he would like a discussion about the proper ways for the board to work with the general manager.

Schatz Kaylor said she would appreciate suggestions on relevant material to read before the training session. She said Schwartz may need material from the board in advance.

Baird, referring to Basin Electric Power Cooperative's contribution to pay Schwartz's consulting fee for speaking to the food cooperative's directors, said: "Thanks to Basin. 500 bucks. For cripes' sake." Said Beth Schatz Kaylor: "Can we keep 'for cripes' sake' in the notes?"

Wetzel said he had been able to locate one additional promissory note, for \$20,000. That brought the promissory note debt total to \$341,000, spread among 66 promissory notes. Wetzel said he would contact Heidi Demars to ask about how to find any remaining promissory notes.

President Martin said the board needed to develop documentation that the cooperative's lenders want to discuss possible debt restructuring, and an extension of the cooperative's ability to make interest-only payments on its loans.

Martin said an updated pro forma statement, sales forecasts, and marketing plan/budget was needed. The cooperative has at least a year's worth of business data to call upon. Board members discussed what sort of anticipated sales increases, if any, should be built in to any marketing plan.

Tracy Potter said the cooperative's future expenses are going to be under better control. Beth Schatz Kaylor said the cost-control aspect was important – “We’ve reduced our costs so much.” Potter said reasonable sales growth projections, when coupled with reduced costs, “leave us coming out pretty good, to sell the idea that we’re going to be OK.” He said the store’s sales over the year “have been pretty strong” despite the drop-off in recent months.

Martin said he believed the lenders may extend the cooperative’s loans. “They all said they want this place to succeed. They want to back us. They want to work through this. They don’t want to lose their investment either.” Schatz Kaylor said the marketing plan needed closer scrutiny before it is submitted to the lenders.

Potter asked what a reasonable sales increase expectation would be from the proposed marketing plan. “I think it is reasonable to say that our marketing plan is going to take a while to kick in, and that when it does, it’s going to sustain us in the last half of the year.”

He said the cooperative should then be in a position to begin paying down the principal on its loans. Potter: “What we want to see is that you’ve tightened your belt, and that you’ve got your hands on this, and you’re not saying you’re going to blow the lid off sales ... but what we’ve done in the last year, the sales are pretty strong. If we use that sales number with a smaller cost number, we should be coming out pretty good.”

Schatz Kaylor said the cooperative has opportunities for added revenue besides grocery sales, such as catering services. “There are other avenues that we can talk about if the lenders are interested in a revenue plan.”

Dina Baird said she favored keeping the pro forma statement’s expectations conservative “and then surprise ourselves and surprise them” with sales growth.

Schatz Kaylor said the cooperative’s original marketing budget was initially based on gross revenues – she recalled a percentage of 3 percent – which she believed was “quite generous.” Hoffner said she recalled a projected marketing budget of \$3,500 a month. Martin said the cooperative’s future marketing is more likely to be funded by loans and grants in the next year.

Potter said the pro forma numbers needed to show the cooperative can begin making principal payments on its debt by January 2019, unless the debt terms are renegotiated.

Board members discussed soliciting marketing money from the [North Dakota Coordinating Council of Cooperatives](#) through the North Dakota Association of Rural Electric Cooperatives.

Dina Baird asked whether \$20,000 would be a conservative one-year marketing budget. Schatz Kaylor said that amount would allow for better video production, among other things. She said a marketing plan would need some accomplishment targets.

Ellen Knudsen said the Agricultural Products Utilization Commission could be a potential source of new marketing money. Knudsen: “We can ask them, as long as we have a plan.”

Dina Baird said the cooperative’s lenders need to see a marketing plan and weekly cash flow reports. Carmen Hoffner said the cash flow reports would not be difficult to produce.

Board members discussed signage options on Seventh and Ninth streets and information that Lori Capouch may need to try to obtain grant money for signs. President Martin said that may require conversations with the city and landowners where the signs would be placed. He said Tyler Demars was working on growth estimates for the cooperative’s updated pro forma statement.

Wetzel asked about payment arrangements with the cooperative’s new primary supplier, United Natural Foods Inc. Carmen Hoffner said UNFI is paid cash on delivery, which is the arrangement she prefers. “Anyone we’re dealing with, from this point forward, I do prefer COD.” Hoffner said the cooperative’s financial circumstances sometimes cause difficult conversations with suppliers.

Dina Baird said she believed [ECRS](#) store training of cooperative employees was important for better inventory management, reporting of cost of goods sold, and possible consignment sales. “We need a list of exactly what you (Carmen Hoffner) need to know, what you want to learn, what they need to teach you.” Hoffner said she has lists of items that she and store managers want to learn.

Tracy Potter said UNFI should finance the marketing of its [Field Day product line](#) in Bismarck on the cooperative’s behalf, “or give us \$2,000 for online marketing of their product.” Carmen Hoffner said the brand is not available at other Bismarck grocers.

Hoffner said she planned an email to members later in the week explaining why there have been fewer items on the shelves recently; it is because some products are being sold out, pending the arrival of UNFI products. She said she would like to have a membership “meet and greet” with UNFI representatives that would allow members to ask questions.

Board members discussed making it a priority to make up payment delinquencies to local vendors instead of the cooperative’s former primary supplier, KeHe Distributors LLC.

Tracy Potter said he and Beth Schatz Kaylor met with Nathan Schneider, the director of business development for the [Bismarck-Mandan Development Association](#). Potter said Schneider had never been in the store, and he thought customers needed to be members to buy goods there. Potter said the BMDA does not have any programs to help businesses pay old debts. “There didn’t seem to be any natural fits right now.”

Potter said the association may be able to help if the cooperative, in the future, began offering its own branded products. If the store were to expand, BMDA also may help to finance it.

Dale Wetzel moved that the meeting adjourn. Beth Schatz Kaylor seconded. All members present voted yes. The meeting adjourned at 8:44 p.m.

Minutes prepared by Dale Wetzel.