People's Food Co-op
Policy Register

Vision

Our community is a vibrant, exemplary model
of healthy, sustainable, and cooperative living.

Mission

Working together to build a sustainable community,
while treating all people with kindness and fairness.

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(See also Appendix 8, Monitoring Reports Decision Tree)

Board Policy Monitoring Log

Month	Policy	Notes
January	B3 – Asset Protection C – Global Governance Commitment C1 – Governing Style	
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Policy Type: Ends

Policy Title: **A – Global End**

Last Revised: 10/2011, 06/2013, 04/2020, 06/2020

People's Food Co-op is people working together to:

1) Educate, expand, empower and engage a community centered on food, health and sustainability.
2) Provide high-quality, safe food, at fair prices, with an emphasis on local, organic, fairly-traded and natural goods.
3) Achieve and maintain profitability while operating in accordance with the eight cooperative principles.

*Eight Cooperative Principles:

1. Voluntary and open membership
2. Democratic member control
3. Members' economic participation
4. Autonomy and independence
5. Education, training, and information
6. Cooperation among cooperatives
7. Concern for community
8. Respect for diversity

Policy Type:	Executive Limitations
Policy Title:	**B – Global Executive Constraint**
Last Revised:	10/2011

The CEO shall not cause or allow any practice, activity, decision, or organizational circumstance that is unlawful, imprudent, or in violation of commonly accepted business and professional ethics and practices, or in violation of the Cooperative Principles.

Policy Type:	Executive Limitations
Policy Title:	**B1 – Financial Condition and Activities**
Last revised:	10/2011, 05/2021

With respect to the actual, ongoing financial conditions and activities, the CEO shall not cause or allow the development of fiscal jeopardy or material deviation of actual expenditures from Board priorities established in Ends policies.

The CEO will not:

1) Allow sales to decline or be stagnant.
2) Allow operations to generate an unplanned negative net income, unless approved by the board.
3) Allow liquidity (the ability to meet cash needs in a timely and efficient fashion) to be insufficient.
4) Allow solvency (the relationship of debt to equity) to be insufficient.
5) Incur debt other than trade payables or other reasonable and customary liabilities incurred in the ordinary course of doing business.
6) Acquire, encumber or dispose of real estate.
7) Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.
8) Allow late payment of contracts, payroll, loans or other financial obligations.
9) Use restricted funds for any purpose other than that required by the restriction.
10) Allow financial record keeping systems to be inadequate or out of conformity with Generally Accepted Accounting Principles (GAAP).
11) Fail to schedule and provide information to the annual end of fiscal year and/or audit to be conducted by the cooperative's designated auditor selected by the Board.

Policy Type:	Executive Limitations
Policy Title:	**B2 – Business Planning and Financial Budgeting**
Last revised:	10/2011, 05/2021

The CEO shall not cause or allow business planning and budgeting to deviate materially from the Board's Ends priorities, risk financial jeopardy, or fail to be derived from a multiyear plan.

The CEO will not:

1) Create plans or budgets that
   a) Risk incurring those situations or conditions described as unacceptable in the Board policy "Financial Condition and Activities."
   b) Omit credible projection of revenues and expenses, owner investment and return, separation of capital and operational items, cash flow, and disclosure of planning assumptions.
   c) Would result in default under any of the Cooperative's financing agreements or cause the insolvency of the Cooperative.
   d) Have not been tested for feasibility as set forth in Appendix 11.
2) Provide less for Board prerogatives, as set forth in B8, during the year than is set forth in the Governance Investment Policy.

Policy Type:	Executive Limitations
Policy Title:	**B3 – Asset Protection**
Last revised:	10/2011, 05/2021

The CEO shall not allow assets to be unprotected, unreasonably risked, or inadequately maintained.

The CEO will not:

1) Allow equipment and facilities to be inadequately insured, or otherwise unable to be replaced if damaged or destroyed, including coverage for any losses incurred due to business interruption.
2) Allow unnecessary exposure to liability or lack of insurance protection from claims of liability.
3) Allow deposits or investments to be unreasonably risked.
4) Allow inadequate security of premises and property.
5) Allow data, intellectual property, or files to be unprotected from loss, theft or significant damage.
6) Allow improper usage of members' and customers' personal information.
7) Allow purchasing that is uncontrolled or subject to conflicts of interest.
8) Allow lack of due diligence in contracts.
9) Damage the Cooperative's public image.

Policy Type: Executive Limitations

Policy Title: **B4 – Membership Rights and Responsibilities**

Last Revised: 10/2011

The CEO shall not allow members to be uninformed or misinformed of their rights and responsibilities.

The CEO will not:

1) Create or implement a member equity system without the following qualities:
   a) The required member equity, or fair share, is determined by the Board.
   b) Members are informed that equity investments are a) at risk, and b) generally refundable, though the Board retains the right to withhold refunds when necessary to protect the Cooperative's financial viability.
   c) Equity will not be refunded if such refunds would lead to a net decrease in total member paid-in equity, or would risk, cause or exacerbate non-compliance with any Financial Condition policy.
2) Implement a patronage dividend system that does not
   a) Comply with IRS regulations.
   b) Allow the Board to examine a range of options and implications, so the Board can make a timely determination each year concerning how much, if any, of the Cooperative's net profit will be allocated and distributed to members.

See also Membership Definitions and Procedures in Procedure section.

Policy Type:	Executive Limitations
Policy Title:	**B5 – Treatment of Customers**
Last Revised:	10/2011

The CEO shall not be unresponsive to customer needs.

The CEO will not:

1) Operate without a system for soliciting and considering customer opinion regarding preferences, product requests, complaints and suggestions.
2) Allow an unsafe shopping experience for our customers.

Policy Type: Executive Limitations

Policy Title: **B6 - Staff Treatment and Compensation**

Last revised: 10/2011

The CEO shall not treat staff in any way that is unfair, unsafe, or unclear.

The CEO will not:

1) Operate without written personnel policies that:
   a) Clarify rules for staff.
   b) Provide for fair and thorough handling of grievances in a way that does not include the board as a participant in the grievance process.
   c) Are accessible to all staff.
   d) Inform staff that employment is neither permanent nor guaranteed.
2) Cause or allow personnel policies to be inconsistently applied.
3) Provide for inadequate documentation, security and retention of personnel records and all personnel related decisions.
4) Establish compensation and benefits that are internally or externally inequitable.
5) Change the CEO's own compensation and benefits, except as his or her benefits are consistent with a package for all other employees.

Policy Type: Executive Limitations

Policy Title: **B7 – Communication to the Board**

Last Revised: 10/2011, 05/2021

The CEO shall not cause or allow the Board to be uninformed or unsupported in its work.

The CEO will not:

1) Submit monitoring reports that are untimely or inaccurate, that lack operational definitions and verifiable data directly related to each section of the policy, or fail to provide metrics as outlined in Appendix 12.
2) Report any actual or anticipated noncompliance with any Board policy, along with a plan for reaching compliance, in an untimely manner.
3) Allow the Board to be unaware of relevant legal actions, media coverage, trends, public events of the Cooperative, or internal and external changes.
4) Withhold his/her opinion if the CEO believes the Board is not in compliance with its own policies on Governance Process and Board-Management Delegation, particularly in the case of Board behavior that is detrimental to the work relationship between the Board and the CEO.
5) Deal with the Board in a way that favors or privileges certain Board members over others except when responding to officers or committees duly charged by the Board.
6) Fail to supply for the Board's consent agenda all decisions delegated to the CEO yet required by law, regulation, or contract to be Board-approved.

Policy Type:	Executive Limitations
Policy Title:	**B8 – Board Logistical Support**
Last Revised:	10/2011

The CEO shall not allow the Board to have inadequate logistical support.

The CEO will not:

1) Provide the Board with insufficient staff administration to support governance activities and Board communication.
2) Allow the board to be without a workable mechanism for official board, officer or committee communications.
3) Allow Board Members to be without an updated copy of the Policy Register and the Bylaws.
4) Provide inadequate information and notice to members concerning Board actions, meetings, activities and events.
5) Allow insufficient archiving of board documents.

Policy Type: Executive Limitations

Policy Title: **B9 – Emergency CEO Succession**

Last revised: 10/2011, 05/2021

To protect the Board from sudden loss of CEO services, the CEO shall not have less than one other manager sufficiently familiar with Board and CEO issues and processes to enable her/him to take over with reasonable proficiency as an interim successor. The CEO shall, at all times, maintain a current succession plan, with all updates thereto provided to the Board in a timely manner.

Policy Type:	Board Process
Policy Title:	**C – Global Governance Commitment**
Last Revised:	10/2011, 1/2018

The Board will act on behalf of all owners, adhering to established governance procedures and ensuring benefit and value. The board will not knowingly or purposely create or pursue unacceptable actions or situations.

See also Board Election Procedures in Procedures section of Appendices.

Policy Type: Board Process

Policy Title: **C1 – Governing Style**

Last Revised: 10/2011

We will govern in a way that emphasizes empowerment and clear accountability. In order to do this, we will:

1) Focus our vision outward and toward the future.
2) Observe the 10 Policy Governance principles. [See Policy Governance Source Document in Appendices]
   a) Ends Policies
   b) Ownership
   c) Board Process Policies
   d) Board Holism
   e) Board-Management Relationship Policies
   f) Governance Position
   g) Limitations Policies
   h) Policies (Decisions) Come in Sizes
   i) Any Reasonable Interpretation
   j) Monitoring
3) Maintain group discipline, authority and responsibility.
4) Clearly distinguish Board and CEO roles.
5) Encourage diverse viewpoints.
6) Obey all relevant laws and bylaws.

Policy Type: Board Process

Policy Title: **C2 – The Board's Job [Bylaws VI, VII, VIII, IX]**

Last Revised: 10/2013

In order to govern successfully, we will:

1) Create and sustain a meaningful relationship with member-owners.
2) Hire, compensate, delegate responsibility to, and hold accountable a CEO. (See D. Board CEO Relationship Policies)
   a) Use a strategic process to establish the value of CEO compensation and complete this process in a timely manner. (Reference Appendix on CEO Evaluation and Compensation Committee.)
3) Have expectations in the form of written governing policies that realistically address the broadest levels of all organizational decisions and situations. We will write these policies in the form of Ends, Executive Limitations, Board Process, and Board-Management Relationship, as described in the Policy Governance principles.
4) Assign responsibility in a way that honors our commitment to empowerment and clear distinction of roles.
5) Rigorously monitor operational performance in the areas of Ends and Executive Limitations, and Board performance in the areas of Board Process and Board-Management Relationship.
6) Perpetuate the Board's leadership capacity using ongoing education, training and recruitment.
7) Perform other duties as required by the bylaws or because of limitations on CEO authority. [Bylaws VI, VII, VIII, IX]

Policy Type:	Board Process
Policy Title:	**C3 – Agenda Planning [Bylaw VII]**
Last Revised:	10/2011, 05/2021

We will follow a strategic multi-year workplan and annual agenda that focuses our attention upward and outward.

1) We will create, and modify as necessary, an annual calendar that includes tasks and events related to our multi-year workplan, membership meetings, Board training schedule, monitoring schedule, and the CEO evaluation and compensation decisions as outlined in our Board-Management Relationship policies.
2) Throughout the year, we will attend to consent agenda items as expeditiously as possible.

Policy Type: Board Process

Policy Title: **C4 – Board Meetings**

Last Revised: 10/2011

Board meetings are for the task of getting the Board's job done.

1) We will use Board meeting time only for work that is the whole Board's responsibility. We will avoid committee issues, operational matters and personal concerns.
2) Meetings will be open to the membership except when executive session is officially called.
   a) We may occasionally use executive session to deal with confidential matters, as long as the purpose of the session is stated. When possible, announcement of the executive session should be on the published agenda.
3) We will seek consensus through discussion. We will then finalize and document decisions through the use of motions, seconds and majority vote.
4) The meeting agenda will be determined by the Board president, and may be modified at the meeting by a majority vote of the Board.

Policy Type:	Board Process
Policy Title:	**C5 – Directors' Code of Conduct**
Last Revised: 0	3/2017, 07/2019

We each commit ourselves to ethical, businesslike and lawful conduct.

1) Every director is responsible at all times for acting in good faith, in a manner which she/he reasonably believes to be in the best interests of the Cooperative, and with such care as an ordinarily prudent person in a like position would use under similar circumstances.
2) Directors must demonstrate unconflicted loyalty to the interests of the Cooperative's owners. This accountability supersedes any conflicting loyalty such as that to advocacy or interest groups, membership on other Boards or staffs, and the personal interest of any director acting as an individual consumer or member.
   a) There will be no activities resulting in any potential personal financial gain or any conduct of private business or personal services between any director and the Cooperative except with prior Board approval.
   b) When the Board is to decide on an issue about which a director has an unavoidable conflict of interest, that director shall abstain from the conversation and the vote.
   c) A director who applies for employment at People's Food Co-op must first resign from the Board.
3) Directors may not attempt to exercise individual authority over the organization.
   a) When interacting with the CEO or employees, directors must carefully and openly recognize their lack of authority.
   b) When interacting with the public, the press, or other entities, directors must recognize the same limitation and the inability of any director to speak for the Board except to repeat explicitly stated Board decisions.
4) Directors will respect the confidentiality appropriate to issues of a sensitive nature and must continue to honor confidentiality after leaving Board service.
5) Directors will prepare for and attend all Board meetings and trainings.
6) Directors will support the legitimacy and authority of the Board's decision on any matter, irrespective of the director's personal position on the issue.
7) Any director who does not follow the code of conduct policy can be removed from the Board by a unanimous vote of the remaining Board.

Policy Type: Board Process

Policy Title: **C6 – Officers' Roles**

Last Revised: 03/2016, 07/2019, 05/2021

We will elect officers in order to help us accomplish our job.

1) No officer has any authority to supervise or direct the CEO, unless authorized by the Board.
2) Officers may delegate their authority but remain accountable for its use.
3) The president ensures the Board acts consistently with Board policies.
   a) The president will usually have served at least one year on the board before assuming this role.
   b) The president is authorized to use any reasonable interpretation of the provisions in the Board Process and Board-Management Relationship policies.
   c) The president will chair and set the agenda for Board meetings.
   d) The president plans for leadership (officer) perpetuation.
   e) The president may represent the Board to outside parties.
   f) The president serves on the CEO Evaluation and Compensation Committee
4) The vice-president will perform the duties of the president in her/his absence.
5) The treasurer will lead the Board's process for creating and monitoring the Board's (not the Cooperative's) budget, including board compensation.
   a) In addition, the treasurer will facilitate the Board's understanding of the financial condition of the Cooperative.
   b) Coordinate a Finance Committee to ensure that an annual audit occurs.
6) The secretary will make sure the Board's documents are accurate, up to date, and appropriately maintained, including a Board member attendance list [Bylaw VIII.7.c]. In addition, the secretary will inform Board members if they have had three absences in a 12-month period.
7) Board Leadership Succession and President duties are described in 3.7, Board Leadership Succession.

Policy Type:	Board Process
Policy Title:	**C7 – Board Committee Principles [Bylaw X]**
Last Revised:	10/2013, 05/2018, 07/2019, 05/2021

We will use Board committees only to help us accomplish our job.

1) Committees will reinforce and support the wholeness of the Board.
    a) In particular, committees help the whole Board move forward when they research alternatives and bring back options and information.
2) Board committees may not speak or act for the Board except when formally given such authority for specific and time-limited purposes.
3) The Board will establish, regularly review and control committee responsibilities in written committee charters.
    a) We will carefully state the committee's expectations and authority to make sure they do not conflict with authority delegated to the CEO.
4) Ongoing annual or ad hoc committees
    a) **The Executive Committee** will consist of the President, Vice President, Treasurer and Secretary of the Board of Directors of the People's Food Co-op.
        i) Authority of the Executive Committee: Subject to the appropriate policies and bylaws of the Board of Directors of the People's Food Co-op, the Executive Committee acts on the Board's behalf between regularly scheduled Board meetings and may approve and/or authorize pressing, exigent or emergency actions and decisions of the CEO. The full Board of Directors at its next meeting shall review Executive Committee minutes and may modify, reject or ratify any Executive Committee action.
        ii) Decisions: A three-quarters majority of the Executive Committee must concur in order to approve or defeat any decision.
        iii) Meetings: The Executive Committee has no regular meeting schedule but will meet on an as-needed basis to conduct its business. Any member of the Committee may call for an Executive Committee meeting, and all four officers of the Committee must be present to conduct the meeting. Dates and times of Executive Committee meetings are announced by e-mail to all Board members, and any Board member may attend.
        iv) Minutes: Minutes of any meeting of the Executive Committee, kept by the Board's Secretary, shall be distributed to the members of the Board of Directors within ten (10) days of said meeting, unless the Board otherwise specifies.
        v) Board-Executive Committee Communication: The Executive Committee will maintain close communication with the entire membership of the Board of Directors between Board meetings in ways that the Executive Committee considers appropriate, or that the Board determines. The Executive Committee will not fail to keep the Board informed on important issues and decisions.
    b) The **Board Nomination, Election and Orientation Committee** shall:
        i) Present to the Board and the membership of the Co-op a slate of nominees for the annual vacancies on the Board.

ii) Identify and recruit a pool of well-qualified Board candidates according to Board policy.

iii) Develop an application and screening process.

iv) Report to the Board monthly about the committee's activities.

v) Submit to the Board in a timely way names of recommended nominees for election or appointment.

vi) Delegate election duties to staff.

vii) Support orientation duties to new Board members.

viii) The Committee recognizes its responsibility to educate the membership about the responsibilities and challenges of Board participation.

See also Appendix 3, Board Election Policy and Procedure

c) A **Finance Committee** including the Board treasurer shall:

i) Be activated by the September Board meeting by the treasurer to oversee the audit process on behalf of the Board

ii) The Committee will be responsible for officially engaging the auditor selected by the Board of directors.

iii) The Committee will meet with the auditor, CEO, and relevant finance staff to receive and review comments made by the auditor and will officially present the final report to the Board for acceptance.

iv) The Committee will, at the time of the annual financial audit, review the Accounting Procedures Manual and report back to the Board regarding its existence and the appropriateness of internal controls.

v) Financial oversight and reporting duties:

1. Our purpose is to engage the auditor for the PFC on yearly basis as well as make a recommendation to the PFC board as whole on which firm to use.

2. Review financial statements in greater detail to provide oversight of financial activity on behalf of the board and the membership in general, and to

3. Recommend strategic financial direction to the Board.

4. Review and evaluate feasibility of the proposed budget and recommend to the full board for adoption.

5. Establish specific criteria for financial performance and make recommendations to the board.

6. Provide necessary support and analysis as necessary to ensure current and future financial success of People's Food Co-op.

7. Further discuss specific financial tactics with the GM.

8. It is this committee's job to monitor the board budget as well as submit our board budget to the PFC Board President no later than July each year.

9. Establish criteria and reporting templates for the committee to review each month, and trends over time.

d) The **Board Appraisal Committee** is activated by October to assemble, submit, and compile Board self-evaluation forms. This committee will consist of two or more board members.

e) The **CEO Evaluation and Compensation Committee** shall be composed of three people, one of whom is the president. One of the three should have served on the committee previously. The Committee shall:

i) conduct the evaluation process as described in the CEO Evaluation Compensation Appendix.

ii) conduct the compensation process as described in the CEO Evaluation Compensation Appendix.

iii) review/revisit the process every fifth year.

iv) remain attentive to ongoing monitoring reports from the CEO and be available to address any concerns the Board may have.

v) attend to appreciation of the CEO's role and work.

vi) see that confidentiality is maintained in all work regarding evaluation and compensation of the CEO.

(See also Appendix 6, CEO Evaluation and Compensation)

f) A **Policy Committee** including the Board secretary shall:

i) Conduct a regular review of all board policies and the bylaws.

ii) Recommend to the board any desired changes to the policies or bylaws.

iii) Ensure any amendments to the bylaws comply with the bylaw amendment procedure.

g) An **Owner Engagement Committee** shall:

i) Plan the Annual Meeting.

ii) Design a calendar of other public events and engagements throughout the year, such as Owner Picnics and Love Local events.

Policy Type: Board Process

Policy Title: **C8 – Governance Investment**

Last Revised: 05/2016

We will invest in the Board's governance capacity.

1) We will make sure that Board skills, methods and supports are sufficient to allow us to govern with excellence.
2) We will incur governance costs prudently
   a) We will use training and re-training liberally to orient new directors and candidates for membership, as well as to maintain and increase existing directors' skills and understanding.
   b) We will arrange outside monitoring assistance as necessary so that the Board can exercise confident control over organizational performance.
   c) We will use outreach mechanisms as needed to ensure our ability to listen to owner viewpoints and values.
   d) We will use professional and administrative support.
   e) We will not unreasonably withhold reimbursement of expenses outside of regular travel and tools for regular board meetings and retreat(s).
3) We will develop the Board's annual budget in a timely way so as to not interfere with the development of the Cooperative's annual budget. In no case will we complete this work later than July 30.

Policy Type: Board-Management Relationship

Policy Title: **D – Global Board-Management Connection**

Last Revised: 10/2011

The Board's sole official connection to the operations of the cooperative will be through the CEO.

Policy Type:	Board-Management Relationship
Policy Title:	**D1 – Unity of Control**
Last Revised:	10/2011

Only officially passed motions of the Board are binding on the CEO.

1) Decisions or instructions of individual directors, officers, or committees are not binding on the CEO except in rare instances when the Board has specifically authorized this power.
2) In the case of directors or committees requesting information or assistance without Board authorization, the CEO can refuse any requests that, in the CEO's opinion, may disrupt operations or that require too much staff time or resources.

Policy Type: Board-Management Relationship

Policy Title: **D2 – Accountability of the CEO**

Last Revised: 10/2011

The CEO is the Board's only link to operational achievement and conduct.

1) The Board will view CEO performance as identical to organizational performance so that the Cooperative's accomplishment of Board-stated ends and avoidance of Board-proscribed means will be viewed as successful CEO performance.
2) The Board will not instruct or evaluate any employee other than the CEO.

Policy Type:	Board-Management Relationship
Policy Title:	**D3 – Delegation to the CEO**
Last Revised:	10/2011

The Board delegates authority to the CEO through written Ends and Executive Limitations policies.

1) As long as the CEO uses any reasonable interpretation of the Board's Ends and Executive Limitations policies, the CEO is authorized to establish all further policies, practices and plans for the cooperative.
2) The Board will respect and accept the CEO's choices as long as those choices are based on reasonable interpretations of Board policies.
3) If the Board changes an Ends or Executive Limitations policy, the change only applies in the future.

Policy Type:	Board-Management Relationship
Policy Title:	**D4 – Monitoring CEO Performance**
Last Revised:	10/2011, 05/2021

The Board will systematically and rigorously monitor and evaluate the CEO's job performance.

1) Monitoring is how the Board determines the degree to which the CEO is following Board policies. Information that does not directly relate to Ends or Executive Limitations policies is not monitoring information.
2) The Board will acquire monitoring information by one or more of three methods: (a) by internal report, in which the CEO discloses interpretations and compliance information to the Board; (b) by external report, in which an external, disinterested third party selected by the Board assesses compliance with Board policies; or (c) by direct Board inspection, in which a designated director or committee assesses compliance with the policy criteria.
3) In every case, the standard for compliance will be any reasonable CEO interpretation (as described by operational definitions and metrics) of the Board policy being monitored. The Board is the final arbiter of whether the CEO interpretation is reasonable but will always judge with a "reasonable person" test rather than with interpretations favored by individual directors.
4) The CEO is compliant with a policy if he/she presents a reasonable interpretation and adequate data that demonstrate accomplishment of that interpretation.
5) The Board will monitor all policies that instruct the CEO. The Board can monitor any policy at any time by any method listed above but will ordinarily follow the schedule outlined in the Board Annual Calendar.
6) The Board's annual evaluation of the CEO, based on a summary of monitoring reports received from July 1 through June 30, will be completed by August. The Board will make its decisions concerning the compensation and employment contract no later than October.

(See also Appendix 6, CEO Evaluation and Compensation)

Appendix 1: Articles of Incorporation

RESTATED ARTICLES OF INCORPORATION

OF PEOPLE'S FOOD COOPERATIVE, INC.

Article 1

The name of the cooperative is People's Food Cooperative, Inc.

Article 2

The period of existence shall be perpetual.

Article 3

The purpose shall be to engage in any lawful activity within the purposes for which a cooperative may be organized under Chapter 185 of the Wisconsin Statutes.

Article 4

The cooperative is organized with capital stock.

CLASS A: 15,000 shares of membership stock at par value equal to member fee according to bylaw. The Board shall retire a member's share upon demand by that member if it can do so consistent with pertinent legal standards. Only one share shall be issued to each member.

CLASS B: Non-voting shares may be issued by the Board of Directors. There shall be 50,000 authorized shares with par value of $25.00 per share. The rate of dividend shall be set by the Board as in accordance with bylaw, but not in excess of the statutory interest upon dividend. Such stock is not transferable by the holder. The Board shall reserve the right to recall such stock at any time. Upon liquidation, Class B shares shall be given preference as these shares constitute liability over member shares.

CLASS C: Class C Stock is preferred stock without voting rights, except as provided in Wisconsin Statute Sections 185.52, 185.61, and 185.63. In Class C there will be 200,000 shares with a par value of $25.00 per share. The rate of dividend upon said class of stock shall not exceed 8% of its par value for any year. Dividends of this class shall be cumulative. At the discretion of the Board of Directors, all dividends or distributions of the cooperative or any part thereof may be paid in certificates of preferred stock or credits on preferred stock or ad interim certificates representing fractional parts thereof, subject to conversion into full shares. The Board of Directors has the authority to issue Class C Stock in multiple series. The Board shall establish the numbers of shares offered, rate of dividend, redemption terms, and any such additional terms and conditions as the Board deems appropriate at the time of issuance for each series of Class C stock. The cooperative reserves the prior right to acquire any Class C stock offered for sale by any shareholder or the right to recall the Class C stock of any shareholder. The consideration paid for sale by any Class C stock shall be its par value and accrued unpaid dividends, provided that if the book value of such stock is less than par value, the consideration shall be such book value. Class C stock shall only be traded on the books of the cooperative. The cooperative shall have a lien on all of its issued Class C preferred stock for all indebtedness of the holders thereof the cooperative. Upon liquidation, the holders of Class C preferred stock shall be entitled to receive the par value of their stock, or its book value, whichever is lower, plus any dividend declared thereon before any distribution is made. Class C Stockholders may request the cooperative's Board of Directors to redeem their stock at any time, subject to the terms and conditions of each series of stock. Any redemption request requires approval of the cooperative's Board of Directors. Upon liquidation, the holders of Class C preferred stock shall be entitled to receive the par value of their stock, or its book value, whichever is lower, plus any dividend declared thereon before any payment is made to holders of Class B shares.

Article 5

The principal location of the cooperative is 315 Fifth Avenue South, La Crosse, WI 54601.

Article 6

The number of Directors shall be fixed by the bylaws, but shall not be less than five.

Article 7

The names of the current Board of Directors are: Elizabeth Leighton, Tom Halada, Andrea Niesen, Robin Roberts, Vernadette Simon, Lana Christian, Liz Gamble, Michael Sersch and Brett Townsend.

Article 8

All proceeds from liquidation shall be applied in the following order of priority:

First, to the payment of debts and liabilities of the cooperative, including any loans or advances to the cooperative by any member, and the costs and expenses of liquidation;

Second, to the establishment of such reserves as the liquidator deems necessary or advisable;

Third, to return the par value of all Class C preferred stock;

Fourth, to return the par value of all Class B non-voting shares; and

Finally, to return the face amount of all capital credits allocated to any member or patron and not previously paid or retired (and if the liquidation proceeds are insufficient to pay all such amounts in full, the amounts shall be paid on a pro-rata basis without regard to timing of allocation).

Article 9

These articles of incorporation may be amended to change the foregoing basis for distribution of assets upon liquidation of the cooperative.

Appendix 2: Bylaws

RESTATED BYLAWS OF

PEOPLE'S FOOD COOPERATIVE, INC.

Bylaw I • ARTICLES

The provisions of the articles of incorporation of People's Food Cooperative, Inc. (the "Cooperative") are hereby made a part of these bylaws.

Bylaw II • FISCAL YEAR

The fiscal year for the Cooperative will end on the last Sunday of September per the 52-53 week year as set by the IRS Tax Code.

Bylaw III • EDUCATIONAL FUNDS

In the annual budget money shall be directed to projects relating to the educational goals of the Cooperative. Amount shall be approved by the Board of Directors.

Bylaw IV • MEMBERSHIP

1) The Cooperative is owned by its members. Membership is open to any person, eighteen and older, or any legal entity, interested in purchasing the goods or utilizing the services offered by the Cooperative.

2) A member is a person, household, or organization which has received membership materials, as listed in the Membership Policies, and is current in her/his/its membership share purchase requirement. The amount and number of the membership shares and schedule for the installment plan shall be determined by the Board of Directors.

3) Members may not share their discount privileges with nonmembers.

4) Membership may be terminated in the following three ways:

   a) Voluntarily by written notice from the member to the Cooperative;

   b) Automatically when a member is delinquent in the payment of her/his/its share investment to the extent determined by the Board;

   c) By decision of the Board of Directors with the right of appeal to the general membership.

5) Members are required to notify the Cooperative of changes in address and/or name.

6) Cooperative memberships are not transferable or divisible, except in the case of the death of a member, in which case, the Board shall have the discretion to transfer a membership (including the transfer of capital stock) to a family member of the deceased member.

Bylaw V • CAPITAL STOCK

1) There shall be two classes of common stock:

   a) Class A common stock ("A shares") shall be that which is required solely for the purpose of membership. Each membership is entitled only one share of membership stock. Membership stock shall be the Cooperative's voting class of stock.

   b) Class B common stock ("B shares") shall have no voting privileges. Members may be required to purchase additional shares of such non-voting stock as determined by the Board of Directors. Members may purchase additional shares of such non-voting stock. The maximum number of additional non-voting shares that may be purchased by any one membership will be set by the Board of Directors. The Board may, at its discretion, declare and pay dividends on these non-voting shares.

2) Any dividends paid may not exceed the limits set by the Wisconsin law for cooperative associations.

3) Non-voting shares may, upon the Cooperative's dissolution or division, be given preference, as these shares constitute liability over membership shares.

4) All forms of evidence of capital ownership shall be transferred and transferrable only on the books of the Cooperative.

5) Common stock shall be redeemed upon request of the member following termination of membership status in accordance with these bylaws or under other compelling circumstances approved by the Board of Directors. Redemption shall be made in such periodic payments and at such times as is determined by the Board. Redemption proceeds shall be limited to the par value or net book value, whichever is less, minus a reasonable processing fee, if any, as determined by the Board. No redemption shall be made when, in the opinion of the Board, such payment would impair the solvency of the Cooperative.

6) Reapplication for membership following redemption of common stock shall be subject to payment of redemption proceeds or a waiting period or both, as determined by the Board.

7) Whenever the Cooperative determines that it does not have a current address for a member who was previously allocated equity of the Cooperative, or whenever a member fails to maintain a current address at the Cooperative, then, in that case and before the previously allocated equity ever becomes payable it will be deemed to be contributed to the Cooperative's unallocated surplus. In the case of a liquidation of the Cooperative, the total surplus remaining, including these contributed amounts, if any, will be distributed to the members as determined by the Board of Directors and in accordance with the Articles of Incorporation and Bylaws of the Cooperative.

8) PREFERRED STOCK: The Board shall have the authority and power to establish and issue one or more than one series of preferred stock of the Cooperative, to set forth the designation of such stock and to fix the relative rights, preferences, privileges and limitations of each such series of preferred stock.

9) TRANSFER OF CAPITAL STOCK: Neither the common stock nor preferred stock of the Cooperative may be sold or transferred without the approval of the Board. No common stock or preferred stock shall be transferred unless any and all indebtedness owed to the Cooperative by the holder of the stock shall first be paid. Any purported transfer other than a transfer in accordance with these Bylaws shall be null and void and of no force or effect whatsoever. The Board may withhold its consent and approval to proposed transfers of common stock or preferred stock in its sole discretion. The Board is authorized to make further rules and regulations concerning the transfer of shares of common stock or preferred stock of the Cooperative, as it deems necessary to comply with applicable state and federal securities laws.

Bylaw VI • DISTRIBUTION OF PROCEEDS

At least once annually the directors shall determine and distribute net proceeds as follows:

1) There shall be deducted from total proceeds:

a) All operating expenses and costs.

b) The costs of supplies, commodities, equipment and other property or services procured or sold for patrons.

c) The cost of services performed for patrons.

d) All taxes and all other expenses.

e) Reasonable and necessary reserves for depreciation, depletion and obsolescence of physical property, doubtful accounts and other valuation reserves.

f) Employee deferred compensation payments and contributions to employee pension or profit-sharing plans, if any.

2) The remainder of the total proceeds are net proceeds and shall be distributed and paid as follows:

a) An amount not to exceed one percent of the net proceeds may be set aside for educational purposes.

b) A share of the net proceeds may be set aside for or paid to employees.

3) The remainder of the net proceeds shall be distributed and paid to members as follows: The adjusted net savings for each fiscal year shall be allocated to each membership in the proportion which his/her/its patronage bears to the total of all member patronage during the year. Patronage shall be understood to mean goods and services purchased from the Cooperative and shall be measured in terms of its dollar amount. Any allocations of such a nominal amount as not to justify the expenses of distribution may, as determined by the Board of Directors, be excluded from distribution provided that they are not then or later distributed to other owners.

Bylaw VII • MEETINGS OF MEMBERS

1) MEETING SCHEDULE

a) Annual Membership Meeting: The annual membership meeting shall be held within 6 months of the end of the fiscal year. At the annual meeting, elections shall be held for the Board of Directors and members shall hear reports from management and Board of Directors and shall transact such business as may properly come before said members.

b) Regular Membership Meetings: Each year the Board may, in its discretion, schedule additional membership meetings other than the Annual meeting. The Board may define in its written policies other activities relating to governance and operation of the Cooperative each year that shall be open to all members.

c) Special Membership Meetings:

i) The Board of Directors may call a special membership meeting.

ii) One fifth (1/5) of the members may call a special meeting.

2) MEETING NOTICE: Written notice stating the place, day, and hour of a membership meeting shall be given to the membership not less than seven (7) or more than thirty (30) days before the meeting at the direction of the Board president. Such notice shall be given in accordance with state statute.

3) VOTING

a) A quorum shall be 10% of the first 100 members plus 5% of all additional members; provided, however, that a quorum shall never be more than 50 members nor less than 5 members or a majority of all members, whichever is less.

b) Memberships represented by signed ballots may be counted in computing a quorum only on those motions for which the signed ballots were submitted.

c) Members may vote via electronic ballot. A member must provide a verifiable email address of such member to the Cooperative by prescribed process no fewer than 1 (one) business day prior to the last day of the election (or have a valid email address on file with the Cooperative) in order to vote electronically in any election or vote. Electronic ballots shall be deemed signed and cast upon electronic transmission to the Cooperative in accordance with voting instructions. The Board may establish such additional policies it deems necessary to conduct and assure accurate member voting via electronic ballot.

d) There shall be no proxy voting.

e) Only topics for which members have been given proper written notice may be voted on at membership meetings; other topics may be added to the agenda for discussion only.

Bylaw VIII • BOARD OF DIRECTORS

1) ELECTIONS:

a) Description: The Board of Directors shall consist of no more than nine (9) members:

b) Nominating Committee: The Board shall establish policy for the nominating committee.

c) Eligibility: In order to qualify for election to the Board, a member must (i) be in good standing, (ii) not be paid staff of the Cooperative, (iii) not be associated with interests adverse to the Cooperative (as determined in the discretion of the Board), and (iv) pass a criminal background check.

d) Notification of Candidates: The Board, or its designated agent, will notify the elected directors and all candidates whose names were on the ballot of election results within ten days of the election.

2) TERMS OF OFFICE: Each elected Director's term of office shall be three years. Terms shall be staggered in a 3-year cycle. Each Director shall hold office for the term for which elected and until a successor takes office. Successors shall take office beginning with the inaugural Board meeting following member's election at the Annual Meeting.

3) VACANCIES: The Board, at its discretion, may fill, or leave vacant for the term held by the vacating director, any seat vacated prior to the completion of the full term. If the Board fills the seat, the newly appointed director will complete the remaining term associated with that seat.

4) DUTIES AND RESPONSIBILITIES: The Board acting by resolution may decide all matters lawfully within its authority.

5) OFFICERS: Officers of the Cooperative shall be President, Vice President, Secretary and Treasurer. Other Cooperative officials may be established by Board policy. The duties of the officers shall be determined by the Board and shall be in accordance with any applicable state statutes. The president shall provide the agenda for the Board meeting to the directors. The officers shall be elected at the inaugural meeting following the annual meeting.

6) INDEMNIFICATION: The Cooperative shall indemnify or reimburse directors and officers pursuant to the mandatory indemnification provisions of §185.035, Wis. Stat. (1995-96). In addition to the mandatory indemnification requirements, the Cooperative may reimburse a director or officer under §185.037, Wis. Stat. (1995-96) for expenses as they occur. The Cooperative may purchase insurance on behalf of management employees, directors or officers of the Cooperative against liability asserted against and incurred by the individual in such capacity. In determining the right to indemnification, the Cooperative shall first use the method found in §185.036 (1), Wis. Stat. (1995-96). If a quorum or committee is unobtainable, then the Cooperative shall appoint an independent counsel under §185.036 (2). If an independent counsel cannot be appointed, then the person(s) seeking indemnification shall seek a court ruling pursuant to §185.039. If none of the methods listed in this bylaw are possible, the person(s) seeking indemnification may request any other method available under Wisconsin law. The foregoing shall not be exclusive of any other rights to which directors and officers may be lawfully entitled. A conflicted director assumes personal liability.

7) **REMOVAL OF A DIRECTOR:**

a) At a meeting, after establishing quorum, the Board of Directors may remove a director upon unanimous vote of all nonconflicted directors. The Board shall give itself at least a seven (7) day written notice by certified mail of its intent to remove a director and the basis for removal. Notice will be complete upon mailing. The director will have an opportunity to present a response. The Board will hear the director's response, deliberate and vote in a closed session unless the affected director and a majority of the remaining directors vote to open the meeting, or any portion of it. Outside counsel or witnesses will be allowed only upon a majority vote of the unaffected directors. Notice of the removal shall be given to the director by certified mail and to the membership in the newsletter.

b) Directors may be removed from office by a two thirds (2/3) vote of the membership. Written notice shall be given in accordance with bylaw VII-2 and shall include a statement of intent to remove.

c) A director's position shall be considered vacant after:

i) two (2) consecutive unnotified absences from any Board meetings,

ii) any four (4) absences from any Board meetings in any twelve (12) month period.

Board meetings include special meetings, special Board meetings and orientation/ training sessions. The absent director must notify the Board president, vice president or designated agent by telephone, in person, or by e-mail prior to the start of the meeting.

Bylaw IX • MEETINGS OF THE BOARD

1) The Board shall meet at least once quarterly. The inaugural Board meeting shall take place no later than 60 days after the annual meeting.

2) Notice of regular Board meeting shall be given to directors not less than seven (7) nor more than sixty (60) days in advance. Such notice shall be given in accordance with Wisconsin state statutes. Notice of Board meeting, including place, day and hour, shall be posted at the Cooperative at least one week before the meeting is held.

3) Special Board meetings can be called by the president or any two directors. At least seven (7) days' notice must be given to directors, either personally, by mail, or by e-mail.

4) A quorum shall be a majority of directors in office.

5) All meetings of the Board shall be open to members unless the Board votes to convene in executive session.

6) Any action which may be taken at a meeting may be taken without a meeting if a writing setting forth and approving the action taken shall be signed by all of the directors. Such consent shall have the same force and effect as a unanimous vote at a meeting.

Bylaw X • COMMITTEES OF THE BOARD

The Board of directors may establish an executive committee and shall, as it deems necessary, appoint standing committees and ad hoc committees.

Bylaw XI • AMENDMENT OF BYLAWS

1) Before a vote is taken to adopt, repeal, or amend any bylaw, members shall have an opportunity to respond to such a proposal at a regular membership meeting or a special meeting called for that purpose. The Cooperative shall provide members with the wording of proposed changes by

publishing them in the Cooperative newsletter or mailing them to each membership at least 7 days, but no more than 30 days, before this meeting. The wording of proposed changes shall also be included on or with the ballot.

2) At the Board's discretion, voting on proposed changes may occur by ballot at the meeting called to discuss the changes or within 21 days of that meeting. Based on member input, the Board may also decide to rescind the proposals, and a vote shall not take place.

3) Any bylaw may be adopted, amended or repealed, after establishing a quorum, by a majority of eligible votes cast. Quorum as defined in bylaw VII-3) a) is required.

(Approved by general membership April 1980; additions and deletions approved January 1982, September 1982, June 1983, January 1984, January 1985, January 1986, January 1988, January 1989, November 1989, January 1991, May 1992, November 1994, January 1997, January 1999, and November 1999, January 2001, January 2004, August 2009, August 2011, February 2015, December 2016, December 2019)

See also 3.2, Bylaw Amendment Procedure

Appendix 3: Board Election Policy and Procedure

The Board shall follow these procedures in holding Board elections.

1) Nominating Committee

In January of each year, a nominating committee, composed of at least two board members whose terms are not ending that year, will be appointed by the Executive Committee of the Board. A board member who is seeking re-election is not eligible for the nominating committee. The full board will make the final decision regarding who is included on the ballot as a board-endorsed candidate based on recommendations from the committee.

2) Recruiting

Board members may propose to the Nominating Committee Coop members as possible Board candidates for the next election. A Board member will be assigned to talk to each of them, find out their inclinations, and invite them to attend a Board meeting. The Nominating Committee will keep a list of these people and their inclinations.

3) Declaring Nominations Open

The Nominating Committee will declare the nomination period to be open from July 1 through the last Friday in August. Members may apply for candidacy during this time by reading the “Information for Potential Board Candidates” packet (available on the website or from either store’s customer service desk) and submitting their Applicant Statement, signed Conflict of Interest form, and signed Background Screening consent form by the end of the nomination period.

4) Performing Background Screening

Individuals applying for board candidacy will undergo a background screening to check for criminal activity. This screening may be waived if the applicant has already been on the Board. Discovery of a potential concern will not automatically exclude the applicant from consideration for Board candidacy but will be reason for further investigation. If one or more areas of concern are found, then the applicant shall be notified of such and will have the opportunity to explain said item(s). The Board will utilize its discretion in determining whether an applicant has passed the background screening. Each applicant must sign a consent form allowing the Board to conduct background screening for the above-mentioned purposes. On the form, he or she must provide first, middle, and last name, Social Security number, current email address and preferred phone number/s. The General Manager/CEO will choose a background screening company and assign an employee to request background screening.

5) Evaluating Applicants:

a) The Nominating Committee will use a three-step process to evaluate applicants who pass the background check and have no significant conflicts of interest. Those who pass each step will be recommended for board candidacy and placed on the ballot. An applicant may be disqualified at any of these steps and then will not be endorsed by the Board nor placed on the ballot unless they petition successfully. The Nominating Committee will contact applicants to let them know if they have succeeded in becoming candidates or if they are disqualified at any step. The three steps are:
1. The application
2. The background check
3. The phone or in-person interview

b) Step 1: A**pplication**: The committee will meet to review applications and evaluate the quality of each one. Those who pass will move to Step 2.

c) Step 2: Background Check: Candidates whose applications are accepted in Step 1 will go on to have a background check. Those who pass will move on to Step 3.

d) Step 3: Phone or In-Person Interview: Nominating Committee members will interview each applicant. Results will be reviewed and discussed by the Nominating Committee.

e) At the September board meeting, the Nominating Committee will recommend a list of candidates to the Board based on the applications and interviews. With Board approval, these names will go on the ballot. If the Committee needs more time, a special meeting of the full board may be held in October for this purpose.

f) An applicant who is disqualified at any step may petition to be included on the ballot by collecting signatures representing at least 2% of PFC memberships on a petition with this wording: *I would like (name) to be on the ballot for the (year) People's Food Co-op Board election* and including, besides the signature for each petitioner, printed signer's name, member number, and phone number. The petition must be submitted no later than October 15. In order to be added to the ballot, such applicants must pass a background check and not have significant conflicts of interest. On the ballot, candidates who petitioned will be marked "Petitioned."

6) Voting and Vote Counting: Should there be a specification of the minimum voting period days (this would guide the selection of the annual meeting day…days between Thanksgiving week and Annual Meeting)?

a) Election packets and beginning of voting period: By the week before Thanksgiving, each membership will receive in the mail an election postcard directing them to an official ballot. Members may vote as soon as the voting period is open. Ballots will indicate how many directors are being elected, include the names and store affiliations of all candidates in alphabetical order, and indicate which candidates are incumbents. Store affiliation is defined as the store at which the candidate purchased more products during the immediately previous July–June period. Each membership may submit one ballot. Write-in votes are not permitted.

b) *End of voting:* Voting ends at the end of the next business day following the annual meeting (see 6d).

c) *Signed ballots required:* In accordance with Chapter 185, Wisconsin Statutes, paper ballots must be signed with member name and number. Only one member's signature is required if more than one person is on the membership. Electronic ballots are considered signed when submitted.

d) *Submitting ballots:* Paper ballots must be mailed (using the mailing panel on the ballot or the member's envelope and postage). Mailed ballots must be addressed to the official vote counter specified by the Nominating Committee. Ballots will not be accepted at the stores. Mailed ballots must be postmarked by end of day no later than one business day past the Annual meeting and received by the official vote counter no later than four business days past the Annual Meeting; electronic ballots must be submitted no later than one business day past the Annual Meeting. Electronic voting options will be available at the Annual Meeting. The vote counter will notify a member of the Nominating Committee when the counting is complete.

e) *Vote counting:* Votes will be counted by the official vote counter using these guidelines:

1.Multiple ballots from the same membership will be discarded unless all vote for the same candidates.

2.The vote counter will ensure that only the votes of members in good standing are counted, tally the votes, tabulate the results, and sign a statement certifying the totals. In the event of a tie, the counter will choose the winner by lot.

3.The top vote getters will assume the vacant board seats.

4.Vote totals are not announced but are available to members upon written request to the Nominating Committee. Ballots and certificates of vote totals are kept for two years by the general manager.

f) *Announcement of Results:*

1. Results are shared by the ballot company to the **Nominating Committee.**

2.**Board and CEO:** As soon as possible after the vote, but within five business days after the votes are counted.

3.**Candidates:** Nominating Committee members inform candidates of their status. The highest vote getters are invited to the December Board meeting and officially become board members at the January Board meeting. If a candidate is unreachable by phone, a letter will be sent by USPS.

4. **Garlic Press Notification:** After candidates are confirmed, names are submitted to staff for inclusion in the next Garlic Press issue. If PFC staff must be notified later than this, committee members should ask them to reserve space for this information.

5.**Co-op members:** After candidates are confirmed, a general announcement can be made.

7) Election calendar

a) *January Board Meeting:* Appoint the members of the Nominating Committee. (Board)

b) *By April 8:* Submit announcement of upcoming election to Garlic Press staff (for Spring issue) encouraging people to attend a meeting and consider running for the Board. Include announcement of July 1 opening of nominations, procedure for applying for candidacy, candidate evaluation process, and deadline for submitting candidate application documents. (CEO FYI)

c) *By July 1:* Assure "Information for Potential Board Members" packet and Candidate Application are both posted on the website and that copies are made available at the Customer Service Desks in each store. (CEO FYI)

d) By July 8: In conjunction with the Marketing Department, submit announcement to Garlic Press (for August issue) detailing the election schedule, process, and the Annual Meeting date. (CEO FYI)

e) *By the first Friday in September:* Gather paper and electronic candidacy statements/applications. (Nominating Committee)

f) September through first two weeks of October: Evaluate applications, request background checks, complete interviews, and determine viable candidates. (Nominating Committee)

g) *By October 8:* Submit announcement to Garlic Press (for November issue) and to the CEO listing candidates, their photos, and select portions of their applications. (Nominating Committee)

h) *November 1:* Election posters displayed in the stores (CEO FYI)

i) *November (fourth Monday before Thanksgiving):* Submit ballots and ballot file to the election vendor. (CEO FYI)

j) *Third week of November:* Members receive ballot postcards and can start voting or requesting a paper ballot. (CEO FYI)

k) *December:* Annual meeting and end of voting; Nominating Committee receives results and informs candidates. If questions arise, results may be discussed at the December Board meeting prior to informing candidates of results. As soon as results are finalized, submit to CEO and staff for publication in Garlic Press.

8) Future Election Plans

Voting procedures may change as needed and will be specified by the board in compliance with PFC bylaws.

Appendix 4: Bylaw Amendment Procedures

(See Bylaw XI • AMENDMENT OF BYLAWS in Bylaws Section 5.2)

Appendix 5: Member Definitions and Procedures

1. General Membership Guidelines

a) Regarding membership, PFC does not discriminate based on race, religion, color, creed, gender, political affiliation, sexual orientation, national origin, sex, age, marital status, or physical disability.

b) PFC ensures the accuracy, privacy, and security of member information.

c) PFC does not sell member information for any purpose or use member information for any purpose other than PFC communications and recordkeeping.

d) PFC will refund a member's share within 120 days of membership cancellation unless such redemption, in the opinion of the board, would impair the solvency of the Co-op.

2. Definitions of Membership

a) *Membership:* Adult members of a household have a **membership** when share purchase requirements have been met (Membership a).

b) *Primary member:* The adult whose name a membership is in; checks are made out to this person, and this person determines who else may be added to or removed from the membership (see "Additional members" below). A person may not be the primary member for more than one membership.

c) *Additional member(s):* Up to two additional adults in the household for whom the primary member has purchased B shares. Additional members are entered in the store (cash register) database and mailing list database, may receive member discounts for the membership, may run for the board and may sign ballots, but do not receive checks and may not authorize adding or deleting names from the membership.

d) *Inactive membership:* A membership is deemed inactive if it registers no sales for two or more years and we do not have a valid mailing address for it (demonstrated by having mail returned twice by the post office). Inactive members are still members with all rights and responsibilities of membership (but see 4.b).

3. Requirements for Membership

a) **Requirements for Regular Membership**

i) The primary member of a household membership must be an adult. The primary member must purchase:

1) One A share for $25.

2) Three B shares for $25 each. The purchase of B shares for households may be waived under special circumstances (see below).

3) A primary member may add names of up to two other household adults to the membership by purchasing a B share for each one. A primary member may also purchase B shares beyond the required number as an investment in the Co-op, up to a maximum of 40 B shares for the membership. Primary members may request (in writing) repayment of nonrequired shares at any time. Repayment will be made within 120 days after the request unless, as determined by the Board of Directors, such payment would cause financial hardship to the Co-op.

b) Requirements for Special Circumstances Membership (waiver of B shares purchase)

i) A household whose income is at or below 150% of U.S. government poverty standards may ask (using the “Request for Special Circumstances Membership Status” form) to have the B share purchase requirement waived for one year (one A share must still be purchased). The poverty standards are recalculated at the beginning of each fiscal year. Households with special circumstances other than low income may also apply for waiver of B share purchase. Special Circumstances memberships receive all benefits of membership.

ii) The CEO or designate approves Special Circumstances applications.

iii) The maximum number of available Special Circumstances memberships is 5% of the current total membership, calculated quarterly. If that maximum is reached, the CEO will ask the Board to review the policy.

iv) Special Circumstances memberships must reapply annually for Special Circumstances status.

4. Retirement and Transfer of Membership

a) *Member-requested retirement:* Primary members may apply to retire their membership and receive a refund of A and B shares purchased according to these procedures and terms:

i) The primary member submits a “Membership Changes” form to the CEO for approval.

ii) Within 120 days of the request the Co-op sends a check refunding the A and B shares the membership paid. The Board may postpone refund payments if such payments would cause financial hardship to the Co-op.

iii) A member who rejoins after retirement will receive a new membership number.

iv) A primary member may request to have an additional member removed from the membership and will receive a refund of one B share, if requested, for each additional member removed unless doing so would cause financial hardship to the Co-op.

b) *Co-op-requested retirement:* The Board may retire a membership because 1) the Special Circumstances renewal form was not returned by the required date (see Requirements for Special Circumstances Memberships above); or 2) the membership is inactive. If the Board decides to retire a member, it follows this procedure:

i) A notice of retirement is mailed to the primary member. If the member cannot be contacted, the equity is added to the Co-op's unallocated surplus (retained earnings) (Bylaw V.7)

ii) If the primary member does not contact the Co-op within 30 days of the date of the notice, a refund of share payments is sent by mail within 120 days of the date of the notice.

iii) The Board may postpone refunding share payments if doing so would cause financial hardship to the Co-op.

iv) A primary member who rejoins after retirement will receive a new membership number.

c) *Transfer of primary status at request of primary member:* A primary member may transfer primary status to someone who is already an additional member of the same membership with the understanding that all future and past patronage refunds will now go to the newly named primary member.

d) *Transfer of membership in case of death of primary member:* If a primary member dies, primary membership may be transferred to the next additional member on the membership if there is one or, with Board approval, to a member of the primary member's family in accordance with the wishes of the deceased member's estate.

5. Benefits of Membership

a) Members enjoy these benefits (Note: Benefits do not include the right to speak for the Co-op or use the Co-op's logo or mailing list):

i) Voting privileges (one vote per membership)

ii) A 5% discount on up to 12 (twelve) shopping trips per year. A primary or additional member may request the discount for the membership.

iii) A membership newsletter.

iv) Member product discounts as advertised in the newsletter.

v) Annual patronage refund on purchases if authorized by the Board.

vi) Special rates for Co-op classes and Co-op functions.

vii) Membership Packet: Each new membership receives a copy of the Co-op bylaws, membership procedures, and most recent annual report and other Co-op information when purchasing a membership.

Appendix 6: CEO Evaluation and Compensation

1) Introduction

The purpose of this appendix is to give the PFC Board of Director's CEO Evaluation & Compensation Committee concrete tools and timelines for the process of evaluating the CEO and the process by which the board will consider the CEO compensation package. By outlining a process for evaluation and compensation we hope for the following outcomes:

a) Directors recognize that evaluation is a constant through time as embodied in the monthly monitoring policy reports given to the Board by the CEO.
b) CEO compensation decisions become strategic and not emotional or contentious.
c) The CEO is fairly compensated for their work and feels satisfied with their compensation.
d) Directors understand the components for compensation and the consequences of compensation decisions.
e) The compensation plan is coordinated with reference to the market so that it is attractive to qualified candidates when a board needs to hire a new CEO.

An overall timeline for the evaluation and compensation process as it fits in to the overall policy monitoring timeline of PFC is shown in Exhibit 1. The evaluation and compensation process will be conducted every two years, and the process will be evaluated every fifth year.

2) Evaluation

a) According to the current policy governance model adopted by the BOD, policy D.2.1 indicates the Board will review CEO performance as identical to organizational performance.
b) The recording secretary of the board will complete a composite monitoring chart (see Exhibit 2) for each of the two years being evaluated. The time frame for the evaluation year will be from July of the previous year to June of the year being evaluated. These charts will incorporate the results of CEO monitoring reports during that time; including any recommendations for change if there is noncompliance. These charts will be made available to this committee for use in the July and August board meetings of the year in which the process is conducted. A letter to the CEO (see Exhibit 3) will be created that reflects commendations, concerns, changes if needed as a result of the evaluation. This letter will be reviewed and agreed to by the Board in executive session without the CEO present. The letter is placed in the CEO's personnel file which is with the Director of Human Resources.

3) Compensation Review

a) The board has agreed to make use of a process developed by CDS Consulting Services. This process is based on the board developing the criteria by which it will review a proposal from the CEO for compensation changes. This is framed as an RFP (a request for proposal) which goes to the CEO. An overview of this process can be seen in the article from *Cooperative Grocer* (Exhibit 4) which shows (among other things) a sample RFP and hypothetical response from a CEO. (For ease of use, the sample RFP is excerpted in Exhibit 5) The criteria for the RFP are reviewed by the evaluation and compensation committee and board every two years and are adjusted as needed.

b) The proposal from the CEO is submitted to and reviewed by the evaluation and compensation committee. If negotiations are required, they will be conducted in a process determined by the committee in consultation with the CEO.

c) The proposal – or an abbreviated version – is shared with the entire board in executive session without the CEO present. A recommendation from the committee regarding the proposal is made at that time, and suggested revisions (if any) in the Employment Agreement are reviewed and acted upon by the Board. The employment agreement reflects changes in salary, benefits or other terms of employment.

d) The president signs the employment agreement on behalf of the Board and sees that it is placed in the CEO's personnel files.

This entire process is reviewed every fifth year beginning in 2014 using the process outlined in the Cooperative Grocer Article (Exhibit 4) and suggested strategic conversation questions found in Exhibit 6.

3.4.01: EXHIBIT 1: Evaluation/Compensation Timeline

The Board of Peoples Food Coop operates using a Structure of Policy Governance. Version 3 – 9-6/13

The Board has an effective, rigorous and reasonable process for monitoring General Manager compliance/performance(Policy Monitoring Calendar here)

JAN	FEB	MAR	APR	MAY	JUN	JULY	AUG	SEPT	OCT	NOV	DEC
	B – Global Exec. Constraint B.1 Financial Conditions B9 Emergency GM Succession		B5 Customers B6 Staff	B1 Financial Conditions	A – Ends B7 Board Commun.		B Global Ex Constr. B1 Finan Conditns B4 Member rights & Respons.	B2 Bus Plan & Finan Bdgt		B1 Finan Conditns	B3 Asset Protectn B7 Board Communic B8 Board Logistical Support
Time line for GM Evaluation and Compensation with fiscal year of October 1 – September 30. Cycle should allow use of the most current ends report(june), and a year end financial conditions report(August). It should allow conclusion of the process prior to a new board being seated. (January) Time line assumes a move to a two year evaluation cycle and a five year review of process					GM Eval Committee receives completed monitoring table(July thru June) as basis for evaluation.	Board reviews composite evaluation and letter to GM					
The Board thinks strategically about GM compensation and has an effective GM compensation process - five year cycle for process											
Year 1 2014 Comm appt	Eval and Comp Comm prepares	Board Previews Process	Strategic Convers #1	Strategic Convers #2		Board approves RFP and gives to GM	GM gives compens. Proposal to Committee	Board acts on Compens proposal			Boards acts on Contingency Pay
Year 2 2015											Review of Contingency Pay triggers
Year 3 2016 Comm appt	Eval and Comp Comm prepares					Board reviews RFP ,gives to GM	GM gives compens. Proposal to Committee	Board acts on Compens proposal			Review of Contingency Pay triggers
Year 4 2017											Review of contingency pay triggers
Year 5 2018 Comm appt	Eval and Comp Comm prepares	Board Previews Process	Strategic Convers #1	Strategic Convers #2		Board approves RFP and gives to GM	GM gives compens. Proposal to Committee	Board acts on Compens proposal			Boards acts on Contingency Pay

3.4.02: EXHIBIT 2: General Manager Monitoring Report Compliance									
This form completed by Board Admin Secretary and used for GM evaluation Dates: From July 1, 2012- June 30, 2013 (PFC Dates)									
Policy Name	**Scheduled Date of Monitoring**	**Actual Date of Monitoring**	**Reports Submitted on Time**	**Reasonable Interpretation?**	**Data Provided?**	**Compliant?**	**If no, Indicated severity**	**Action Taken**	**Comments**
Ends	June 2013	Not monitored						Report omitted this yr due to expansion activities	Board Okd
Global L. Global Exec	Feb 2013 Aug 2012								
B4 – Membership Equity and Benefits	Aug 2012								
B6- Staff Treatment and Compensation	Apr 2013								
B5 – Treatment of Consumers	Apr 2013								
B1 – Financial Conditions and Activities	Feb, May, 2013 Aug Nov 2012								
B2- Business Planning and Financial Budgeting	Sept 2012								
B3- Asset Protection	Dec 2012								
B7- Communication and Support to the Board	June 2013								
B9- Emergency GM Succession	Feb 2013								

3.4.03: EXHIBIT 3

Sample letter from the board to CEO at conclusion of evaluation: Place in CEO personnel file.

Congratulations.

Given the results from the Annual Monitoring Table, the Board of Directors determined you to be in compliance with all board policies during the July 2012 through June 2013 period.

In addition, the Board of Directors appreciates the extra effort you put into keeping us informed of important developments via the “FYI No Action Needed” reports.

We thank you for the effort you put into our successful board/CEO relationship.

Overall, we are extremely satisfied with your performance this year.

Setting a Process for General Manager Compensation

BY MARK GOEHRING AND CAROLEE COLTER

What are some words that come to mind when you think of general manager compensation? Uncomfortable. Problematic. Crazy. Or: Exciting. Challenging. Strategic.

Even though everyone might say that general manager (GM) compensation is important, it doesn't always get handled that way. In order to help your board and GM approach this topic in a way more like the latter three words than the first three, we have designed a process for you to consider implementing at your co-op.

Here are the outcomes we can expect from such a process:

- GM compensation decisions become strategic and not emotional or contentious.
- GMs are fairly compensated for their work and feel satisfied with their compensation.
- Directors understand the consequences of GM compensation decisions.
- Boards understand the components of compensation and their relative uses.
- GM compensation plan is planned with reference to the market so that it is attractive to qualified candidates when a board needs to hire a new GM.
- Directors can articulate the board's values related to GM compensation.

The first time with this process may take longer than the one you're currently using. If your board is on a cycle of reviewing or setting GM compensation annually, we suggest you bring this to the board soon after compensation has been set for the coming year. See the flow chart at right which illustrates the process.

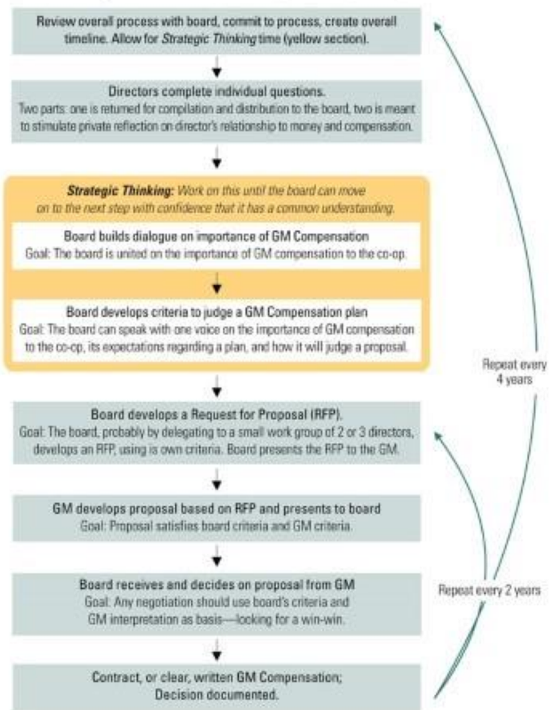
Steps to a compensation plan

1. Board reviews and commits to overall process, creates time in a series of meetings.
2. Directors complete individual questions.
3. Board builds dialogue on importance of GM compensation to the co-op.
4. Board develops criteria to judge a GM compensation plan.
   Goal: The board can speak with one voice on the importance of GM compensations to the co-op, its expectations regarding a plan, and how it will judge a compensation proposal. Allow adequate time for steps 3 and 4, and do not proceed until you have arrived at a common understanding.
5. Board develops a Request for Proposal (RFP).
6. GM develops proposal based on RFP and presents to the board.
7. Board receives and decides on proposal from GM.
8. Process concludes with contract, or clearly documented decision on GM compensation.

Step 1. Review and commit to the process.

The process organizes roles in a way that might be somewhat different from what you are doing now, and therefore warrants group discussion and commitment before you get started. We suggest that the board engage in strategic thinking and setting of criteria by which a plan will be judged, and then delegate the development of the plan to the GM. The board retains the controlling position, but we have introduced the GM's voice in the process in a manner that is clearly responding to board-stated criteria.

GM Compensation: Thinking Strategically



Prepared by Mark Goehring, Carolee Colter and Marilyn Scholl 2007.

Step 2. Directors complete individual questions.

There are two parts to questions for directors: One part is returned for compilation and distribution to the whole board, and the other part is meant to stimulate private reflection on a director's relationship to money and compensation.

Questions for private reflection: We don't expect directors to share these answers, but it is important to realize that our own experiences can have an impact on how we consider new topics. Directors should reflect on these questions in advance of board discussions on GM compensation so that they are able to "check your issues" at the door and help build a dialogue based on the issues brought to the table.

1. What is your own attitude regarding asking for money?
2. What experiences have you had regarding asking for fair compensation, or not being able to ask?
3. What experiences have you had that may influence how you consider GM compensation?

Sample Response to Board RFP on General Manager Compensation

Note: This example is for a co-op with gross annual sales of $12 to $18 million.

I am proposing a compensation package to run for two fiscal years, from October 1, 2008 to September 30, 2010. This package consists of:

- Base salary of $83,200 per year, with an increase in the second year for inflation, based on the Consumer Price Index as of 10/1/09.
- Bonus of up to $10,000 for achieving the goals in the table below:

Criterion	Total Available Bonus	Gradations	Pay-out
Sales Growth	$3,000	Sales growth over 10% Sales growth 8–10%	$3,000 $2,250
Net income	$3,000	Net income over 3.5% Net income 2.42–3.49%	$3,000 $2,250
Planned Achievement of Ends Policy E1.	$4,000	Board acceptance of interpretation of achievement in monitoring reports	$4,000

- Four weeks of paid vacation (one week more than the vacation available to staff with under 5 years of employment at the co-op).
- Deferred compensation of $5,000 a year that funds
  a) a retirement account in which I will be fully vested in 7 years and
  b) a life insurance policy for $1 million. In the event of my death, my heirs will receive $.5 million and the co-op will receive $.5 million to pay for consulting help, interim management and a GM search as needed.

How this compensation package meets the board's expectations and limitations in the Request for Proposal:

1. **The plan should run from 10/01/08 to 9/30/10**
   The proposed plan covers those dates.
2. **The plan should comply with a reasonable interpretation of all relevant policies.**
   All policies were reviewed for possible relevance, identifying the following:
   Under L4, Compensation & Benefits, this proposal is in compliance with the global policy "not to cause or allow jeopardy to financial integrity," as described below.
   Under L8, Emergency Management Succession, the life insurance policy in my proposed deferred compensation would help to protect the co-op from a sudden loss of GM services.
3. **The plan should be affordable to the co-op.**
   My compensation as proposed, when added into all the other labor costs (payroll, payroll taxes, benefits) would still allow the co-op to meet the net profit target of 2.42 percent as identified in the long range strategic plan presented to the board in August.
4. **The plan should be in scale to the compensation plans of the other managers employed by the co-op.**
   The co-op pay scale has six levels according to responsibility, with the top of each level 50 percent above the base. The pay scale covers all positions at the co-op except the general manager. The difference between levels ranges from about 15 percent to 25 percent. The top of Level VI is only $6000 (8 percent) below my current salary.

Pay Levels	Annualized for full-time positions
Level I $8.00 to 12.00	$16,640 to 24,960
Level II $10.00 to 15.00	$20,800 to 31,200
Level III $12.00 to 18.00	$24,960 to 37,440
Level IV $15.00 to 22.50	$31,200 to 46,800
Level V $18.00 to 27.00	$37,440 to 56,160
Level VI $22.00 to 33.00	$45,760 to 68,640
General Manager current	$74,880
General Manager proposed	$83,200

The financial manager, who has worked at the co-op for 15 years, has been at the top of Level VI for the past two years. I can't give her a raise without lifting the top of her pay level, but to do so would shrink the difference between her salary and mine even more.

The next highest paid manager is the store manager, who has recently expressed concern about his ability to make more over time. He understands that the top of the range for his job has to be lower than my pay. At the moment he is satisfied with his pay, but if he has no prospect of being able to earn over $70,000, he may leave the co-op in a few years when his oldest child starts college.

By increasing my base salary, I could raise the base and tops for Levels V and VI, where I have lost staff to Whole Foods, which pays more for positions with these levels of responsibility.

5. **The plan should be easily and objectively measurable/calculable.**
   The proposed bonus is based on sales growth and net income which are easily measurable, and on acceptance by the board of monitoring reports demonstrating planned achievement of Ends Policy E1.
   The payout for the retirement funds in the deferred compensation plan is determined by a vesting schedule of seven years (see detailed description of the plan in a separate document).
6. **The plan should consider the complete compensation package (base, contingent, benefits, deferred compensation).**
   My proposal contains all four elements.
7. **The plan should be in line with industry and local standards.**
   The Occupational Employment Statistics program of the Bureau of Labor Statistics provides a description for Chief Executive which most closely fits my job:
   "Determine and formulate policies and provide the overall direction of companies or private and public sector organizations within the guidelines set up by a board of directors or similar governing body. Plan, direct, or coordinate operational activities at the highest level of management with the help of subordinate executives and staff managers."
   Using CareerJournal.com, I found the following data for a Chief Executive of a specialty retail establishment here in our state:

State Specialty Retail Chief Executives	
Low, 17th percentile	$61,581
Average	$91,666
High, 67th percentile	$122,218
Bonus	16.7% of base salary
Benefits	11.9% of base salary

The general manager compensation survey in 2006 in *Cooperative Grocer* did not contain enough specific information for co-ops in our size range, except to show that over 60% of managers of co-ops with sales of over $10 million were making $70,000 or more. Therefore, I conducted a phone survey of the 12 managers of co-ops with gross sales of $12 to $18 million.

Co-op GM's $12 to $18 million gross sales	
Low	$63,300
Average	$84,000
High	$112,500
Bonus where applicable	5% to 20% of base salary
Benefits	Average 18% of base salary

Base salaries showed no clear correlation between size of salary and size of co-op. This is a very small sample, but it does fall within the range for salary and bonus for Chief Executives of specialty retails in our state.

My proposed salary is below average but within the range of the comparable positions in our local area. The proposed salary and total compensation is within the range of other co-ops our size.

3.4.05: EXHIBIT 5: CEO Compensation Request for Proposal/Criteria for Proposal

Goal: To help inspire and motivate the CEO to do what is best for the Co-op/to achieve goals not yet achieved.

Expectations & Limitations

1) The plan should run from 10/1/2013 to 9/30/2014.
2) The plan should comply with a reasonable interpretation of all relevant policies.
3) The plan should be affordable for the Co-op.
4) The plan should be in scale to the compensation plans of the other managers employed by the Co-op.
5) The plan should be easily and objectively measurable/calculable.
6) The plan should consider the complete compensation package (base, contingent, benefits, deferred compensation, etc.)
7) The plan should be in line with industry and local standards.

3.4.06: EXHIBIT 6: Suggested Strategic Questions

These are possible questions to be used by the Board of Directors every two years as they begin the evaluation and compensation process. The first three relate to growth issues, the second three to the compensation plan itself. The reasoning is that we first discuss what is expected of the CEO over the next 3-5 years, then talk about how a compensation plan addresses those expectations. Sources are the CDS article and internet reading on compensation strategy.

1) What level of growth is expected over the next 3-5 years? What is the reasoning behind that answer?
2) What are the issues the CEO and the Co-op will face in the next 3-5 years?
3) What role does the CEO play in Co-op growth?
4) What is involved in a good compensation plan?
5) How can our compensation plan attract or retain a high-level CEO?
6) How does our compensation strategy complement the Co-op vision and philosophy?

Appendix 7: Policy Governance® Source Document

Why a Source Document?

A “source” is a point of origin. A source document is a “fundamental document or record on which subsequent writings, compositions, opinions, beliefs, or practices are based.” (Websters)

Without a simply expressed clear point of source, interpretations, opinions, writings, and implementations may intentionally or unintentionally diverge from the originating intent and ultimately be undifferentiated. The point of source (“authoritative source”) is John Carver, the creator of Policy Governance, with Miriam Carver his fellow master teacher.

Without a simply expressed clear source document, Policy Governance is not reliably grounded and not transferable as a paradigm of governance. It is left vulnerable to interpretation, adaptation, and impotence. This document has been produced by the International Policy Governance Association and approved by John and Miriam Carver as being true to source.

What Policy Governance is NOT!

1) Policy Governance is not a specific Board structure. It does not dictate Board size, specific officers, or require a CEO. While it gives rise to principles for committees, it does not prohibit committees nor require specific committees.
2) Policy Governance is not a set of individual “best practices” or tips for piecemeal improvement.
3) Policy Governance does not dictate what a Board should do or say about group dynamics, methods of needs assessment, basic problem solving, fund raising, managing change.
4) Policy Governance does not limit human interaction or stifle collective or individual thinking.

What Policy Governance IS!

Policy Governance is a comprehensive set of integrated principles that, when consistently applied, allows governing Boards to realize owner-accountable organizations.

Starting with recognition of the fundamental reasons that Boards exist and the nature of Board authority, Policy Governance integrates several unique principles designed to enable accountable Board leadership.

Principles of Policy Governance

1) **Ownership**: The Board connects its authority and accountability to those who morally if not legally own the organization—if such a class exists beyond the Board itself—seeing its task as servant-leader to and for that group. “Owners,” as used in the Policy Governance model, are not all stakeholders, but only those who stand in a position corresponding to shareholders in an equity corporation.
2) **Governance Position:** With the ownership above it and operational matters below it, governance forms a distinct link in the chain of command or moral authority. Its role is commander, not advisor. It exists to exercise that authority and properly empower others rather than to be management’s consultant, ornament, or adversary. The Board—not the staff—bears

full and direct responsibility for the process and products of governance, just as it bears accountability for any authority and performance expectations delegated to others.

3) **Board Holism:** The Board makes authoritative decisions directed toward management and toward itself, its individual members, and committees only as a total group. That is, the Board's authority is a group authority rather than a summation of individual authorities.
4) **Ends Policies:** The Board defines in writing the (a) results, changes, or benefits that should come about for specified (b) recipients, beneficiaries, or otherwise defined impacted groups, and (c) at what cost or relative priority for the various benefits or various beneficiaries. These are not all the possible "side benefits" that may occur, but those that form the purpose of the organization, the achievement of which constitutes organizational success. Policy documents containing solely these decisions are categorized as "Ends" in describing the Policy Governance model but can be called by whatever name a Board chooses, as long as the concept is strictly preserved.
5) **Board Means Policies:** The Board defines in writing those behaviors, values-added, practices, disciplines, and conduct of the Board itself and of the Board's delegation/accountability relationship with its own subcomponents and with the executive part of the organization. Because these are non-ends decisions, they are called "Board means" to distinguish them from ends and staff means. In describing the Policy Governance model, documents containing solely these decisions are categorized as Governance Process and Board-Management Delegation but can be called by whatever name a Board chooses, as long as the concept is strictly preserved.
6) **Executive Limitations Policies:** The Board makes decisions with respect to its staff's means decisions and actions only in a proscriptive way in order simultaneously (a) to avoid prescribing means and (b) to put off limits those means that would be unacceptable even if they work. Policy documents containing solely these decisions are categorized as "Executive Limitations" in describing the Policy Governance model but can be called by whatever name a Board chooses, as long as the concept is strictly preserved.
7) **Policy "Sizes":** The Board's decisions in Ends, Governance Process, Board-Management Delegation, and Executive Limitations are made beginning at the broadest, most inclusive level and, if necessary, continuing into more detailed levels that narrow the interpretative range of higher levels, one articulated level at a time. These documents—which replace or obviate Board expressions of mission, vision, philosophy, values, strategy, and budget—are called policies in describing the Policy Governance model but can be called by whatever name a Board chooses, as long as the concept is strictly preserved.
8) **Delegation to Management:** If the Board chooses to delegate to management through a chief executive officer, it honors the exclusive authority/accountability of that role as the sole connector between governance and management.
9) **Any Reasonable Interpretation:** In delegating further decisions—beyond the ones recorded in Board policies—the Board grants the delegate the right to use any reasonable interpretation of those policies. In the case of Ends and Executive Limitations when a CEO exists, that delegate is the CEO. In the case of Governance Process and Board-Management Delegation, that delegate is the CGO (Chief Governance Officer) except when the Board has explicitly designated another Board member or Board committee.
10) **Monitoring:** The Board monitors organizational performance through fair but systematic assessment of whether a reasonable interpretation of its Ends policies is being achieved and a

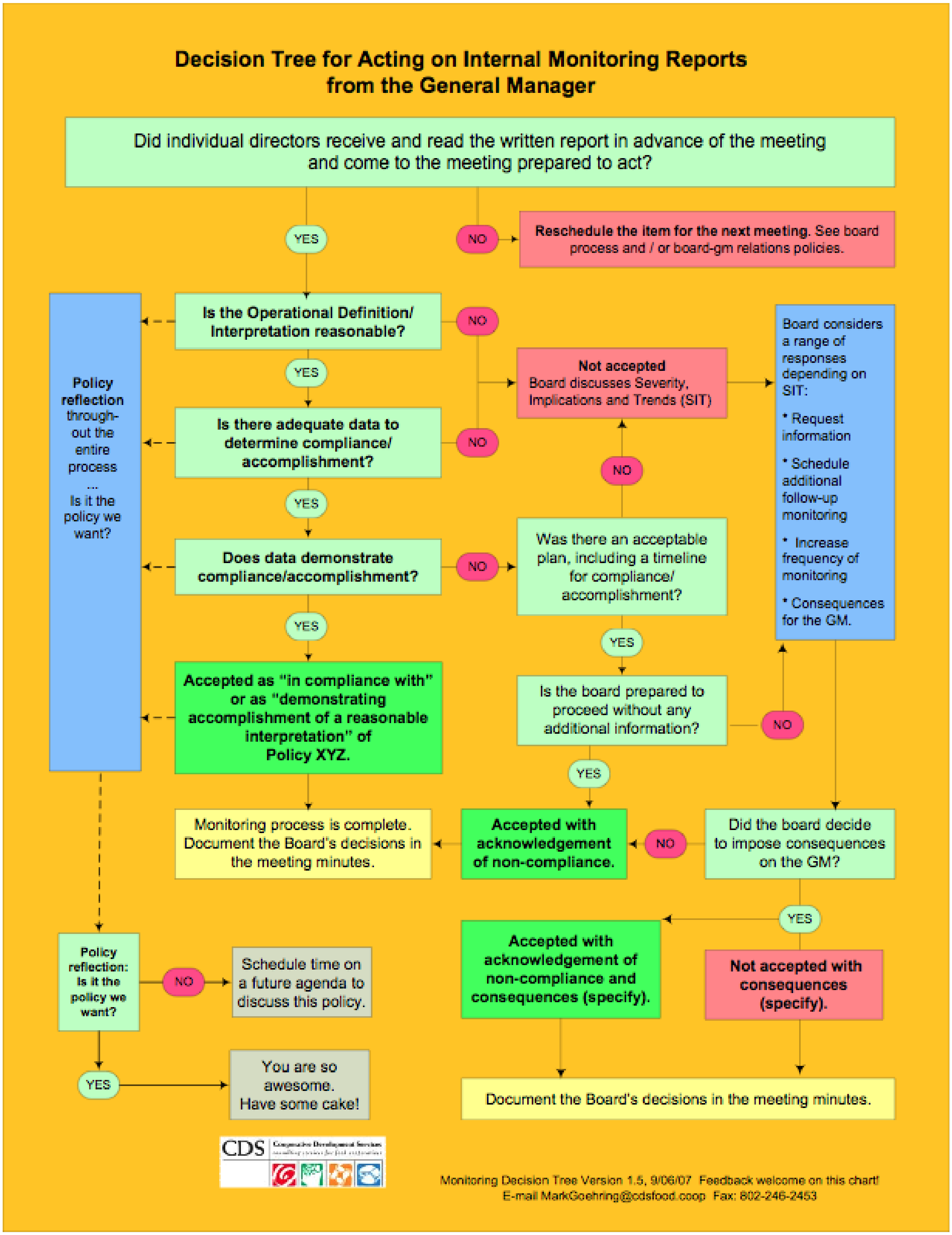
reasonable interpretation of its Executive Limitations policies is being avoided. If there is a CEO, this constitutes the CEO's evaluation.

All other practices, documents, and disciplines must be consistent with the above principles. For example, if an outside authority demands Board actions inconsistent with Policy Governance, the Board creatively uses the consent agenda or other device to be lawful without compromising governance.

Policy Governance is a precision system that promises excellence in governance only if used with precision. These governance principles form a seamless paradigm or model. As with a clock, removing one wheel may not spoil its looks but will seriously damage its ability to tell time. So, in Policy Governance, all the above pieces must be in place for Policy Governance to be effective. When all brought into play, they allow for a governing Board to realize owner accountability. When they are not used completely, true owner accountability is not available.

Policy Governance Boards live these principles in everything they are, do and speak.

Appendix 8: Monitoring Reports Decision Tree



Appendix 9: Board Leadership Diagram

Appendix 10:

Link to Wisconsin State Legislature – Chapter 185, Cooperatives

https://docs.legis.wisconsin.gov/statutes/statutes/185

Appendix 11: Appendix Policy for B2

The following operational definitions will be used:

1) Budget will be created with a foundation in:

- Historical performance, capacity, and opportunities
- Sales by department and by quarter
- Margin, labor and revenue growth performance from previous years
- Market research

3) Budget will be based upon current external data which provides additional reference points. This market data should include:

- Environnmental information including competitors and external forces
- Geographic and demographic customer information
- External environmental changes
- Comparison to national cooperative performance statistics

4) Budgets must be created that also test "most likely worst case" and demonstrate an ability to weather foreseeable storms.

5) Budget will include sales growth targets by store and consolidated, and reasons for expected growth.

Reference Sources and Questions for Boards Review of Policy

Policy B2:

The CEO shall not cause or allow business planning and budgeting to deviate materially from the Board's Ends priorities, risk financial jeopardy, or fail to be derived from a multiyear plan.

The CEO will not:

1) Create plans or budgets that
    a) Risk incurring those situations or conditions described as unacceptable in the Board policy "Financial Condition and Activities."
    b) Omit credible projection of revenues and expenses, owner investment and return, separation of capital and operational items, cash flow, and disclosure of planning assumptions.
    c) Would result in default under any of the Cooperative's financing agreements or cause the insolvency of the Cooperative.
    d) Have not been tested for feasibility as set forth in Appendix 11.

From 2015 - B2: Business Planning and Financial Monitoring, September 2015 D. Have not been tested for feasibility.

Interpretation: I interpret this policy to mean that 1) budgets should be created with a foundation in historical performance, 2) budgets should be based upon outside market research that provides an additional reference point and 3) budgets should be created that also test "most likely worst case" and *demonstrate an ability to weather potential storms that could be reasonably foreseen. Data: PFC has created the FY16 budget within each of these parameters.*

Resources:

https://columinate.coop/analyzing-your-stores-systems/

https://columinate.coop/how-to-critique-a-business-plan/

https://www.rd.usda.gov/files/cir48.pdf

Summary of strategy and direction:

Are there strategies in place for each department? How do they contribute to the store's overall strategy?

Competitor analysis: how do we compare? What are their strengths and weaknesses? What defines our niche in the market?

Strengths: How can we preserve or keep this? How can we bolster this? How do we preserve strengths?

Weaknesses: How can we outweigh them? Is there anything we can do to diminish them?

Opportunities: What are the strategies and tactics available to us?

Threats: Which threats are short term, and which are long term? What can be done to mitigate? Are any new competitors entering the market?

Internal and External Factors

Historical trends, capacity, and current market conditions

Historical Trends and Projected Sales:

1) Budgets must be created with a foundation in historical performance, calling on specific sales, margin, and growth performance from previous years.

What are historical sales trends? Where are sales projections coming from?

Are they tied to past growth and accomplishments? Are they tied to market trends?

2) Budgets should be based upon outside market research that provides additional reference points. This market data should include competitor analysis, geographic and demographic customer analysis, external environmental changes, and comparison to national cooperative performance statistics.

Are sales projections based on market and/or census data? How do these sales compare to national data?

3) Budgets must be created that also test "most likely worst case" and demonstrate an ability to weather foreseeable storms.

Based on historical trends, will sales and growth be able to cover liabilities and expenses? Will there be resources for replacements and repairs?

Will sales projections meet the breakeven sales? For this, you should use Breakeven Sales Analysis: Breakeven Sales = Fixed costs / margin expressed as a percentage

Analyzing new growth

How much sales growth will come from new customers? How will we attract new customers?

Budgets must include sales growth targets. These targets could include a breakdown of expected growth from new customers vs. growth from increased sales to current customers.

> *Example:* How much sales growth will come from existing customers? Are we appealing to people with a small basket size (those stopping at deli/prepared foods)? Are we appealing to people who are buying a week's worth of groceries?

What operational changes will be made to realize this?

Is there a marketing plan?

Assumptions: What assumptions are in the business plan

Example: Our plan assumes that customers' needs and interests will not change significantly. Our competitors and their tactics will not change.

Have assumptions changed over time?

Market potential assumptions:

What is our market niche?

What are the economic conditions in each location and how could this affect PFC for better or worse?

What are the demographics of each store and how are we appealing to them?

Who is our customer base? Who in the community do we want to reach?

What changes could happen to margin? What has driven changes in the past and how will that predict the future?

Capacity:

Organizationally, do we have the capacity to execute the business plan: knowledge capacity and number of people to achieve the sales plans?

Cash Projections

How will these sales strategies affect our cash projections?

Do we also have plans for reinvestment into the co-op?

What liabilities will carry over from the previous year? Will there be any new liabilities? Will we be covering principal payments on loans?

Major expenses to project: Occupancy, operations, personnel, and Cost of Goods (COGS)

Use the cash ratio to analyze whether we will cover liabilities.

Cash ratio = Cash + Marketable Securities / Current Liabilities

How will cash inflows and outflows affect net income?

Appendix 12: Appendix Policy for B7

I. **Monthly informational presentation will include, but is not limited to per request by the board:**
    a. Customer Count
    b. Avg Basket Size
    c. Monthly (Preliminary) financial statements including:
        i. Current Income
        ii. Variance from month budget projection
        iii. YTD and Year over Year Comparison from previous year

II. **Quarterly monitored reports for B1 will include, but are not limited to per request by the board:**
    a. Quarterly Income Statement by store and consolidated
    b. Balance Sheet
    c. YTD and Year over Year Comparison with comparison to current period budget
    d. Sales by department
    e. Inventory turnover
    f. Co-metrics comparison data for multi-store co-ops
    g. Co-metrics comparison data for key indicators

III. **Annual reports (for B1 monitored) will include, but are not limited to per request by the board:**
    a. Fiscal Year End Balance Sheet
    b. Annual Income Statement by each store which includes variance from budget
    c. Year to Date Income Statement which includes variance from the budget
    d. Final Quarter Income Statement
    e. Working Capital statement
    f. Cash Flow statement
    g. Co-metrics comparison data for multi-store co-ops
    h. Co-metrics comparison data for key indicators

Reference Sources and Questions for Boards Review of Policy

The CEO will not:

1) Submit monitoring reports that are untimely or inaccurate, or that lack operational definitions and verifiable data directly related to each section of the policy or fail to provide metrics as outlined in Appendix 12.

This appendix shall be a living document to give guidance on financial reporting and communication from the GM to the Board and that will provide insight and guidance to the board on interpreting financial information. This is a living document so that it can be amended as needed as conditions change over time. Below is a list of documents for financial monitoring and a short explanation of how board members should use each document piece of information.

Reporting Documents				
Category	Description	Frequency	What should it include?	How should we use it?
Income Statement	Whole Co-op Income Statement	Monthly, Quarterly and Annually	Describes revenue, expenses, and income for whole co-op over a month, quarter, or year Compare income to prior year and to budget projection Show difference between actual revenue, expenses, and income to projected – typically as percent variance	1 -Monitor level and adequacy of income 2 -Check for large deviations, 5% or greater, in income or expenses
	Each store Income Statement	Quarterly and Annually	Describes revenue, expenses and income for each store over a period (quarter or year)	1 -Monitor activity of revenue, expenses, and income 2 –Check for large deviations in income or expenses
	Year-to-Date (YTD) Income Statement	Quarterly and Annually	Describes revenue, expenses, and income over the course of the fiscal year Compare to prior year and budget projection for the course of fiscal year	1 - Monitor activity over the course of the fiscal year 2 - Compare to previous years and to projections
Balance Sheet	No additional categories	Quarterly and Annually	Describes the assets, liabilities, equity that the cooperative holds Describes change of each category over time Compare to prior year and budget	Monitor changes in the assets, liabilities, and equity held
Cash Flow	No additional categories	Quarterly and Annually	Describes the amounts and changes in the amount of cash that is coming and out of the cooperative Compare to prior year and budget Include Time Point and Up to 12-month categories	1 - Monitor changes 2 - Calculate helpful ratios for analysis
Working Capital	No additional categories	Quarterly and Annually	The difference between cash, inventory, and accounts receivable and current liabilities	Monitor ability to pay short term liabilities with liquid assets

Financial Monitoring Ratios:

Current Ratio = (Current Assets) / (Current Liabilities)

This ratio shows the ratio of current assets, those included in working capital and inventory, to cover short-term liabilities

Current liabilities include short term debt, accounts payable (money we owe to suppliers), accrued liabilities and other debt

DSCR = Debt Service Coverage Ratio = (Net Operating Income) / Debt Service Cost – comparing net income to the cost of current debt payments

This ratio does not show whether net income is covering all costs and liabilities

Quick Ratio = (Cash and Equivalents + Marketable Securities + Accounts Receivable) / (Current Liabilities)
measurement does not include inventory

EBITDA(P) – Earnings Before Interest, Taxes, Depreciation, Amortization (and Pension) - alternative to net income and helps show growth of income

Debt to Equity = Total Debt / Total Owner Equity

Compares how much debt there is to shares held by owners

Days Cash on Hand = How many days' expenses can be paid with the cash in the bank?

Co-Metrics: The Co-Metrics provided by Co-Co-Fist are helpful to show where the PFC stands in relation to national, regional trends for similar co-ops and stores.

Illustrate what is typical for other co-ops – how do we compare? What are some goals that we could set?

What does this tell us about our income statements and where we are heading?