

**KARMA CO-OPERATIVE BOARD OF DIRECTORS**

Minutes of the meeting held on Monday, June 2, 2008, 7:00 pm – 9:30 pm

**Directors present:** Donald Altman, Rachel Birenbaum, Deborah Cherry, Charles Danzker, Deborah Finestone, Arthur Jacobs, Margaret Knittl, Harry Koster, Ahdri Mandiela

**Regrets:** none

**Absent:** Orla Hegarty

**Staff Present:** Justin McNabb, G.M.

**Members present:** James Wilkinson, Doug Rylett and Patrick Bourke

**Minutes recorded by:** Sylvia Kym

**1. Call to order**

- Meeting was called to order at 7:05pm
- Rachel has been asked to chair the meeting tonight

**2. Motion to accept the agenda**

- Changes:
  - Rachel requested that Patrick's presentation come before acceptance of the minutes
  - Rachel asked if the discussion on the rising costs of food that was deferred from last meeting ought to stay on the agenda; it was agreed to postpone it till the next meeting
  - Art suggested that Orla's resignation be accepted before the minutes begin
  - Harry requested that there be time made to talk about a grant proposal in other business
  - Rachel requested that the board discuss an alternative date for the next meeting

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| <ul style="list-style-type: none"><li>• Art moved to accept the agenda</li><li>• Deborah C. seconded</li><li>• Motion passed</li></ul> |
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**3. Declaration of any conflicts of interest**

- Art declared conflict of interest regarding issues concerning the building renovations; he will abstain from voting on building issues or leave the room when building committee issues are discussed because he may be considered "employed".

**4. Acceptance of Orla's resignation**

- Margaret reported that she had had a talk with Orla, who said she planned to return to the board when insurance for the Board is in place.
- Donald commented that Orla had in fact resigned via email, and did so for multiple reasons, so the board has to decide whether to replace her or wait till the next voting session

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| <ul style="list-style-type: none"><li>• Art moved to accept Orla's resignation with regrets</li><li>• Deborah C seconded</li><li>• Votes in favour: Deborah C., Rachel, Donald and Art</li><li>• Votes against: Charles, Harry, Margaret and Ahdri</li><li>• Motion did not carry</li></ul> |
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- Margaret moved that the Board request of Orla to send a letter in writing, not email, to the secretary, if she has resigned
- Harry seconded
- Rachel abstained
- Motion passed

**5. Exposition of the rights and duties of board directors                      Patrick Bourk**

- Patrick and his wife have been members for 4 or 5 years
- He had been asked by Margaret to give a talk about the rights and duties of board directors
- His background: licensed lawyer, in house with an insurance company for 5-6 years, then with an insurance brokerage company-Integro (sophisticated propriety and casualty insurance coverage); specialty is management liability insurance
- He is not here to give legal advice because he does not deal with private practice, but can give advice on best practices
- Donald expressed concern over the differences between general practices and co-ops
- Patrick agrees that this is a valid concern; there should be similarities but there may be subtle differences so he advised that the Karma board should supplement this talk with an expert in this field, and suggested Terrance Carter
- Donald noted that previous Boards had considered securing director liability insurance but had chosen not to; the board is currently waiting for that to come into effect
- Margaret noted that what has been signed is an application for director insurance. It will come into force when accepted by the Co-operators
- Patrick has seen a specimen copy of this insurance. He explained that this type of insurance is sold through a brokerage
- This type of insurance typically protects you against wrongful acts; Karma's policy has broad coverage such that any claim for money will trigger a response from the policy, including monetary and non-monetary
- It covers personal assets of directors and officers
- Duty of care insurance can pay when directors are negligent
- Fiduciary duties covers you when the coop has no money; the insurance can pay out
- The company has coverage too; usually if there is a claim everyone is named, all directors and anyone involved
- Rachel asked about the two major projects coming up in the next few months that will put the board at a high risk – renovations and negotiations
- Patrick couldn't say if these issues will be covered by the policy but if the board gets a broker, these specific questions can be addressed and the board can learn how far it can be covered
- Charles asked if there is an email that says something different than the contract, what takes precedent
- Patrick replied that insurance is usually negotiated so there is a back and forth process; there are opportunities to ask the broker if something is covered in the wording. You can discuss your specific needs. There may be things you can't get insurance for. Insurance is only one aspect of risk management

- Patrick explained the general duties of directors, namely fiduciary duties. Directors must look out first for the welfare of the organization, avoid conflicts of interest and not look for personal gain. Patrick then explained duty of care: this implies that decisions must not be taken lightly, to make sure there is a process to decisions, and that due diligence has been done
- A court would usually view a case in light of how much experience the person has. The court can't demand perfection in a decision a Board makes but there is a standard of reasonable care that has to be undertaken
- Documentation of these procedures is crucial
- It is a good time to buy insurance now because of the market
- Art asked whether there is a time line as to when someone can make a claim
- Patrick replied that from the specimen, it appeared the board would not be covered under the 'prior acts exclusion'. This means that the insurance will not cover prior or pending litigation. He suggested that the board may want to look into a specific policy for this issue

#### **6. Acceptance of the Minutes of the Board Meeting of Mar. 3, May 5 and May 26**

- Margaret moved to accept the minutes of the Board Meeting of Mar. 3 as amended prior to the meeting
- Rachel seconded
- Charles and Harry abstain
- Motion passed
- Charles moved to accept the minutes of the Board Meeting of May 5 as amended
- Harry seconded
- Motion passed
- Charles moved to accept the minutes of the Board Meeting of May 26 as amended
- Deborah F. seconded
- Donald abstained
- Motion passed

#### **7. Report of the building committee          James**

*Written*

- On May 26, Charles moved that the building committee rework the plan to remove peripheral items from the proposed project that do not impact the organization and functioning of the store and reduce the construction budget to \$170k, and the building committee (via James) will report back with selection of contractor and price for the board's consideration on June 2
- Following the May 26, 2008 Board Meeting, the Building Committee and the Architects submitted a change order to the two low contractors to resubmit prices deleting the following. This was intended to reduce the contract amount to approximately \$170,000.00
  - The proposed double delivery doors at the North East corner of the building
  - The Delivery hatch
  - The finishing and the exterior door of the Members Room
  - The Handicapped accessible washroom and the work room proposed revisions.
- These items applied to part of the proposal which could be completed at a future time.
- The bids received were:
  - Wallans            \$171,000.00

- Gen Pro \$164,000.00

- The Planning Committee and the Architects met the proposed site supervisor, Gen Pro, for this project on Monday morning, June 2.

*Discussion*

- Doug reported that three contractors put in a bid – Wallans, Gen-Pro and Wall-Tech
- Wall-Tech put in the highest bid and were busy
- Gen-Pro and Wallans were fair bids that came within \$10k of each other
- Gen-Pro seemed aggressive – about three thousand below Wallans – so we interviewed Gen-Pro, talked about the importance of Karma, and explained that it was not just a store. I spoke with John Dawson (Gen Pro representative) who said he understood this because he is familiar with co-ops from England
- Doug has made a detailed schedule and knows who will be the sight supervisor and how many people will be at the store each day. The sight supervisor understands that the quicker he gets the job done the better it is for him too. He wants a quick contract so he can get his purchase orders out to his subs fast, which is a good sign
- Chris (the individual responsible for dealing with the site itself) seemed reasonable with managing people and explaining the dangers of the site and escorting the people off the work area
- James reported that the work needs to start in a month, coolers need about 6 weeks advance order, therefore a contract needs to be accepted now even if it's the basic contract and other aspects are added later
- Charles feels the board should accept a motion to accept the Gen-Pro bidder. The decision re what to do about the double door and the outside wall should be referred to the Building Committee to avoid having to hold another Board meeting about them later.
- Margaret is interested in grinding and sealing the floor, and so are Rachel and Deborah F., for cleanliness and aesthetic reasons
- Donald expressed concern about costs, about adding too many things because they add up quickly and since the money is being borrowed, it is unknown how much money there will be

- Margaret moved to accept the project budget as outlined in 2.3 in the reduced scope summary report (Appendix I), which includes the minimum scope outlined in 2.2 and awards the contract to Gen-Pro with their minimum bid.
- Deborah F. seconded
- Art abstained
- Motion passed

- Charles noted that the double doors are cheap and will affect the operations too
- Art is concerned that there may be a need for additional insurance
- Donald noted that the contractor will have insurance
- James is looking into this issue now. He also said he can talk to the contractor about the possibility of adding additional items to the project in the future that have not yet been approved in the future
- Two board members agreed to fund the inclusion of the double doors in the approved plan.

**8. Nominating committee Deborah C.**

- Deborah C. reported that she and Hillary Krupa and some others on the committee have not yet met

- Donald moved that Deborah C. head the nominating committee that will also be responsible for organizing the AGM
- Harry seconded
- Motion passed

**9. Report on unionization Margaret**

- Nothing has happened; we will not get the initial proposal before the next Board meeting
- There is a full year, starting on March 25/08, to complete a contract.

**10. General Manager's Report Justin**

- The Receiver General has been paid & PST and WSIB payments are up to date.
- Insurance:
  - The application for Directors and Officers Liability Insurance has been sent to the Co-operators. Our account manager said that they would be happy to meet with the Board in person to discuss our policy.
- Staff:
  - We have hired a Karma member, Frank Norquay, as our new grocery clerk.
  - He has many years of experience at a local health food store.
  - Vanessa Butterworth is going on unpaid leave beginning next week. She intends to return in September.
- Shopping Lists:
  - Member shopping lists have been discontinued as of June 1st. Thank you Board, and Finance Committee, for hearing my objections to this decision.
- Sales and Marketing:
  - Member Appreciation Day was fun and could be repeated next year. Three members won gifts baskets, and the product launch of Karma Soap was successful. Karma's natural shopping bags were, after considerable delay, also made available.
- Computer:
  - Howard Kaplan has, with extensive staff consultation, created a new daily cash report. It will be time-saving, more consistent, and incorporates the many changes that have occurred since the previous version.
  - Members have also come forward to create a product database, and to improve & repair our membership database.
- Inventory – member turnout was good
- Lawrence did the checks and was satisfied and signed off on the inventory

**11. Treasurer's Report Donald**

- Offering statement was resubmitted with changes
- Finance committee took minutes from last meeting and is not happy about changes to member labour fees
- Committee is hopeful that the store will have budget at the next meeting

**12. President's Report Margaret**

- At our last Board meeting Charles gave us a full account of his efforts to convince the Committee of Adjustment that Karma is a legitimate owner and operator of our building and store. He was so successful that Elizabeth Swan, the person he spoke with, assumed the matter was settled! Not so the zoning Department. Thus, after four weeks still no building permit.
- I took on the second round. I made a call to Grant Munday, head of the department, and a second to Elizabeth Swan and finally an archival search was made, yielding three thick files. I went down and read about a third of the first file - enough to substantiate everything Charles had found in our records. The Zoning Department man wanted to read them through before withdrawing his objection to our getting a building permit, and seems to be still at it. I will follow up again this week.
- Once he is finished, I have permission to make copies of the files to ensure that Karma never has to go through this song and dance again.
- Otherwise, I have worked mainly on preparations for union negotiations. Harry and I together interviewed a member with experience in labour negotiations who is willing to help with ours, but the extent of that participation has still to be defined.
- I have also been preparing information on the following:
  - i. The full yearly cost of our hourly paid staff, a task complicated by the personnel changes we have had this budget year.
  - ii. The cost to Karma of the staff privilege of shopping at wholesale prices.
  - iii. The benefit each staffer derives from the shopping privilege expressed as an increase of pay per hour worked. There are striking inequalities in the benefit expressed in this way.
  - iv. A small number of individual shoppers have supplied me with comparisons between what their usual shop costs at Karma, and what the same items or closely similar ones would cost them at Fiesta Farms. More would be better. We need to know whether we dare increase our prices to cover the ongoing costs of unionization.

### **13. Reports of Liaisons** **As needed**

- Deborah F. reported on her staff liaising; see Appendix II

#### *Discussion*

- Deborah F. would like to have something to give back to staff and would like to have two-way communication between board and staff and to try and create a circle of trust
- She suggested that this could be placed on the Board web page
- Donald questions what this may open up
- The Board will review Deborah's report and provide feedback to Deborah F. who will prepare Board action items for next meeting

### **14. Other Business**

- Rachel suggested that the meeting be moved to June 30<sup>th</sup> since she cannot attend on July 7; meeting one week earlier than usual means that issues that may arise with the renovations can be addressed prior to when the renovations begin
- Several Board members had conflicts with this date, so Rachel said she would discuss her conflict with Margaret
- Harry reported that Trillium sometimes gives grants to cooperatives for construction if 1) it enhances safety and 2) is more environmentally sound. He wants to look into it. Would like Art and Rachel to look into this with him

- Harry will contact Art and Rachel for writing/technical assistance with the grant, if warranted
- Charles moves that Harry should look into the grant
- Donald seconded
- Motion passed

- Donald wanted clarification on who the co-op lawyer is. Feels today's presentation was not useful and would like a presentation on rights and responsibilities
- Rachel asked Margaret to invite the coop's lawyer
- Margaret was reluctant, said the lawyer is no longer interested
- Rachel pointed out that some members insist on meeting with him or get a new lawyer
- It was agreed that Donald would invite the lawyer to present at an upcoming meeting

### **15. Adjournment**

- Meeting was adjourned at 9:50pm

### **Action Items**

- Margaret will request Orla to send a letter in writing to Rachel if she is to resign or not
- James will talk to the contractor about the possibility to discuss future construction items, not yet agreed on, in the future
- Two board members agreed to fund the inclusion of the double doors in the approved plan.
- The Board will review Deborah F.'s report and provide feedback to Deborah F. who will prepare Board action items for the next meeting
- Donald will invite the lawyer to a meeting
- Harry will contact Art/Rachel for writing/technical assistance with the grant, if warranted

MINUTES: JUNE 2, 2008

**APPENDIX I: KARMA BUILDING RENOVATIONS – REDUCED SCOPE BID SUMMARY**

## **APPENDIX II: Karma Board Report: Staff Liaison Report**

Over a period of 5 weeks I have spoken with/been available to 11 staff members.

Sara	Greg
Christine	Michael A.
Sophie	Michael H.
Natalie	Paul
Vanessa	Marylou
Denise	

I missed, regretfully, speaking with one staff person: Philip

Several of the staff reminded me of a pre-existing Staff Liaison position. One long term staff told me that in the past, the staff were asked to find a member they would like to be Staff Liaison—by vote or agreement. That is how Elize Pomerantz became Staff Liaison. The pre-existing position has just come to an end, I understand, because of other responsibilities outside of Karma for this person. We talked about the problem with change over at the Board level and at the General Manager level, with information like this getting lost, follow-through not happening. I said the Board was unaware of this pre-existing position.

### **Response to Initiating meetings**

Several people were delighted to have an opportunity to air concerns or opinions. They said so several times. Several people said, this is my opinion, and I don't know if others share this view, likely not.....

I found the staff generally, bright, committed, interested, wanting to talk. They did not bring a blaming, negative tone, but more of an interest in making things work. One person who initially had nothing to say, a few days later, said he wondered if he could talk to me. He wasn't sure as he knew it to be a communication issue, that he should bring that to me. I said it was fine to speak about communication issues; we couldn't talk at the time. I reminded him of where my phone number was and invited him to call me. He didn't call. I decided not to follow up with him, but leave it in his hands.

As a result of listening to the staff, and asking some questions, I have a much better understanding of some of the on-going issues that the staff face, and the store face. I think there is a sense of caring and pride and commitment to the store. They want Karma to be effective. I appreciated the balance point for being the front line dealing with changes, on-going business, and generally keeping the store going

3 people reported having nothing to say. One of those said he thought he would in the future as changes continue to unfold with the renovation and the union.

### **Some of the themes emerging:**

\*Pleased that Justin gave approval for a fund raiser initiative to raise money for 2 exercise bikes that would generate power for Karma;

\*I want to get my hours this summer, even though I'm a newer staff person

\*General support and appreciation for Justin

\*\*\*Board members sometimes intervening directly with staff by raising questions, suggesting directions for staff—this is awkward and uncomfortable for staff. –take direction from Justin; perhaps some discussion at the Board about this so everyone gets more clear.

\*Concern about Bad feelings as a result of application to Unionize—tone of email or other responses from board members when union application became public. Karma Members wondering about Board response, too

\*Using Chronicle to “Build Community”, not for (-)ve communication among committees, etc. Lisa tried to get this in place.

\*\*\*There is a pattern that the G.M. lasts a couple of years and then “burns out”. When that happens there is a sense of lots falls through the cracks re staff issues, and issues for the store, too.

G.Manager change—stop on raise so no raise for 2 ½ years

\*Member-Labour Committee –made recommendations in the past and none of it acted upon—Board implemented none of the report; discourages participation

\*\*staff meetings would be really helpful—information flow is so necessary; help build team; something like shift meetings that Sarah Farley started when she was G.M.

\*it would be helpful to have staff meetings (shift meetings) when there is a procedural or policy change so we (staff) really understand the change and can communicate it to members.

\*it would be helpful to have more training about how different areas of the store work—like beauty and health products, or the produce area, or ..... Then we would feel like we could be more helpful to members with questions.

\*would like some way to meet/connect with Board members—a gathering or a meeting; seem so far away

\*need more information from Justin regarding policy or procedural changes that come from Board; staff can be left looking like don't know what's going on when implement a change and staff are left to answer member questions without understanding all of the reasoning behind a change—e.g. grocery list.

\*Changeovers are very hard! I see patterns in numbers, for example in sales going up and down; these help with understanding trends and plotting directions with purchases, etc. But if no one is tracking these, how can this information be used?

Graham used to ask for reports on specific trends in the numbers such as staff benefits going up (because of turnover of staff need to have experienced staff working to carry out senior tasks such as ordering. Bookkeeper

\*Bookkeeper does a report to board 1-2 times/year???—because I see and am understanding trends and making connection. Somebody should be paying attention to this. The new G.M. can't do this yet.

\*Changes happen and no one is watching our numbers of receivables and payables and hours, etc. to notice trends that might be contributing and respond accordingly

e.g. when staff are “happy wholesale sales go up; staff stay in store to shop  
-when member/labour for Cash drops, the staff have to split their job into 2. Then there is insufficient time for staff to observe and order ahead, shift priorities in ordering, etc.  
e.g. more meat is sold in the summer because it's barbecue season—so the staff need to shift ordering priorities for the summer. This is very important in the grocery business

Summary:

I hear the staff identifying:

- 1) A problem with information flow from staff to manager and vice versa, from staff to staff and from Board to staff.
- 2) Wanting to make Karma work
- 3) Some frustration and sense of powerlessness with changes that leave staff with no real way to feel heard and have input –e.g. G.M. leaving.
- 4) There is a general problem amongst the various interest groups in the Karma Structure of making decisions and following through with them, including communicating them effectively.

**WHAT QUESTIONS DO YOU HAVE REGARDING THESE PERSPECTIVES/  
INFORMATION?**