

Minutes of the Board of Directors Meeting
Great Northern Railway Historical Society, Klamath Falls, Oregon
July 8, 2012

Present: Fr. Dale Peterka [President], Don McGlothin, Ben Ringnalda, Robert Ulberg, John Langlot, Rick Piper, Bill Sornsin, Gary Nelson [Directors]

Absent: Treasurer Jim Knollmiller, Secretary Ray Chappell.

Also present: Legal Counsel Stephen S. Eckman, former director Lindsay Korst, former director Duane Buck, Duane Sebelius (Membership Secretary), John Thomas (Back Issues officer and Custodian of Records), Bob Kelly (GNRHS representative on PNRA board), and approximately 2 dozen members and guests.

President Peterka opened the meeting with a proposed agenda, with citations to circulated supplemental documents. The President asked legal counsel Eckman to take notes of the minutes in the absence of the Secretary.

Motion to approve agenda by McGlothin; Piper seconds, All ayes; motion passes.

Minutes of last formal meeting as prepared by Ray Chappell: Ringnalda moves to waive reading of minutes of past meeting. Second by Ulberg. All in favor. Motion passes.

Motion by Ulberg to amend written minutes as follows:

On page 3 “under membership sponsoring” item, Item C the phrase “one sponsorship per year” should be removed. While we approved the “basic procedure,” it was Board’s intention to leave implementation details to the officers.

Ringnalda seconds. All ayes. Amendment passes.

Motion to approve minutes as amended: McGlothin. Langlot 2nd. Motion passes.

Officers: President moved to re-appoint existing officers, with the exception of the Treasurer who has asked to be replaced: Motion by McGlothin, second by Ulberg, to re-elect existing officers other than treasurer. All ayes: passed.

President’s Report:

The President offered his thoughts on the challenges faced and facing the organization. He is willing to accept President’s position for another year. “My first concern is to find a new President. My second concern is to find a new Treasurer”. Other issues: Calendar is ready for

next year. Looks great. Certain Great Northern landmarks have been lost to weather and decay over past year.

Vice President Langlot's Report:

He is concerned about inadequate communication between the officers, and would welcome more responsibility in his role.

Secretary's report:

Secretary was not present, so his report was waived.

Treasurer's report:

Treasurer was not present, so President circulated his written report. The Treasurer-elect has health issues and has been unable to accept a transition from current Treasurer Knollmiller, and has asked to be replaced. Motion by Sornsins to establish a new Board "finance committee." Its duties would include a search for a new treasurer. Langlot seconds.

Discussion ensued, centering around qualifications for Treasurer and accountant, and need for an audit of Society books. All ayes; motion passes.

Bill Sornsins offers to chair the committee. Ulberg and McGlothlin are also willing to serve. Motion by Ringnalda, second by Nelson. All ayes, passed.

Managing Editor's report:

Langlot moves, Ulberg seconds to accept report. All ayes. Passed.

Webmaster's Report: Report by Ben Ringnalda. Lindsay Korst was thanked for years of exceptional service. The domain name GNRHS.org is still in the hands of a current member who is not willing to transfer it into the Society's name at this time. The relationship is cordial, but the domain name GNRHS.com was acquired by Ringnalda as a prudent backup. A website re-design is in progress. A significant amount of money goes through the on-line store, and its PayPal account; Ringnalda expressed frank concern that his position gives him more financial authority than is appropriate, and requested this be addressed by the new subcommittee and treasurer. Ringnalda also reported on web statistics and their planning value, and potentially expanding our credit card offerings. All options are under continuing study. Web costs have increased due to cost of a secure website.

Motion Sornsins, second by Langlot to accept report, with thanks to Ringnalda for his service. All ayes. Passed.

Marketing Officer's 2011 report is circulated to the Board.

Significant changes occurred during year, including outsourcing order fulfillment to PNRA. Biggest change: manual system to an electronic reporting system. All sales are reported as from “the store” regardless of how ordered (online vs. mail). Adding new products increases expenses, but increase sales. McGlothlin states a full report, the most detailed ever, is available by email.

Over-all, the company store made money. Gross sales \$14,980.30, plus \$4,000 from another source. Expenses of \$13,855.33. We now recover shipping and handling, so 2012 shipping is bigger than 2011. Total profit for 2011: \$5,032.33.

Motion to accept report: Sornsin moves, Langlot seconds. All ayes. Motion Passed.

Hobby Shop Sales of “The Goat”: Bill Sornsin reports. Intent is not primarily to make money, but to get the Goat out and visible. We distribute to 16 hobby shops. Expect about \$3400 in revenue in 2012. Many people buy a copy and become members. Motion by Don McGlothlin to accept report. Ben Ringnalda seconds. All ayes. Motion passed.

Hustle Muscle Report: Vice President Langlot reported on activities of engine #400 during past year. Mechanical issues have included a water pump leak and other minor maintenance needs. Committee is looking for a toilet and a new event recorder donation. Gary Nelson reported on prospective uses for 400, including 3rd-party options. There followed a general discussion about the 400, its vulnerability, its costs and its use. BNSF has been a good corporate friend to GNRHS and its engine. We have a \$20,000 contingency fund. We have conflicting needs, including preservation and yet exercise within the needs of the unit. Engine economy increases with heavier, non-switching movements. Discussion of MTM relationship, benefits and challenges. We didn’t make a deal for running at Osceola, but will continue offering cab rides on the property. George Krausse offered to replenish Ron’s maintenance fund with a personal contribution. Motion to accept and thank Mr. Krausse for his generosity.

Motion by Langlot, Ringnalda seconds to approve report of 400 committee, including authority to replenish maintenance fund with Krausse contribution, to allow free BNSF use of 400 for promotional purposes, and to negotiate with Friends of 261 group for potential use of engine. Rick Piper seconds. All ayes. Motion passed.

Report of membership committee: Rick Piper circulated a report of membership status and committee efforts. Piper thanked several people for their contributions. Piper suggested Board consider an allocation outside the budget for membership expenses. No second. President requested issue be deferred to budget discussion.

Archives report: Bill Sornsin recognized many people for their countless volunteered hours at the archives. At Jackson Street and the west end archive (PNRA), volunteers meet regularly with many projects underway. Sornsin went into detail and gave a list of objectives for coming year, including launching a capital campaign.

Convention Report: Ed Erickson: Klamath attendance of 150 is about a third bigger than anticipated. Discussed making Saturday tour a permanent convention feature. Next year convention in Illinois, including train museum tour. This year we had unusually high interest in model railroading. General discussion ensued. Ed described improvements including better sound and projection in the lectures. Would like to prepare a convention manual for future chairs. \$4,361.71 profit from St. Cloud convention. General thanks to Ed for all his work.

Heritage Fund Allocations: This is 3rd year of Iron Goat Trail annual grant. Montana Museum of Railroad History is another beneficiary, located in Great Falls. They are rebuilding Pete Ellis' layout, and have requested two safety doors for their museum. Motion by McGlothlin: authorize a \$1,500 grant from Heritage fund to MMRH. Second by Bob Ulberg. All ayes. Passed.

Operating Manual and By-law Changes: The committee and GNRHS counsel have worked through multiple drafts, and have a final draft ready for Board discussion. Bill Sornsin began with the proposed conflict of interest policy. Authors and counsel were unanimous in their approval; it uses the IRS recommended language.

Next, Sornsin addressed what he termed "tougher issues."

1. Budget: Legal counsel has recommended the Board adopt an annual budget, and submit it to the membership for approval. Discussion of the mechanics involved, and the need for this provision, since directors act on membership's behalf and can be replaced.
2. Regarding deposits and banking, there was unanimous agreement between authors and counsel: we need to tighten up financial policy. The proposed by-law changes do that.
3. Gifts: Legal counsel has recommended a new section on handling of gifts to the organization. New section 7.04 is proposed. Counsel has expressed a special concern over the receipt of "designated" gifts, the importance of board vetting certain types of gifts, and potential financial and other risks. Detailed discussion ensued.
4. Operating Manual: Counsel has recommended authorizing the operating manual by specific Board Action, and thereafter requiring Board approval for any changes in the manual. Duane Buck expressed concern that this could lead to micro-management.

The Board asked counsel to address Mr. Buck's concerns. Counsel explained that the Board must first authorize the authority of an operating manual, and then approve its contents. The by-laws give authority, and the manual then tells "here's the way it's done." If the Board wants an operating manual to be followed (i.e. enforceable) it must empower it in the by-laws as a controlling instrument. As new contents or changes are periodically recommended by the editor or committee, counsel recommends the Board

should vote on the new additions or changes. Buck agreed that doing so periodically rather than after every minor change was a reasonable solution.

Following the foregoing discussion, the following motions were made regarding the proposed by-law changes:

- 1) Sornsin moves the Board approve draft 3 of the recommended bylaw changes, with the exception of article 3.01.E be retained with an expense threshold of \$15k rather than \$5k. The committee is directed to work with counsel to add designated gifts. Move by Sornsin, Second by Bob Ulberg to approve as submitted. All ayes. Motion passed.
- 2) Regarding article 3.01: Sornsin motion to add submitted text lines A,B, C and D with exception of last blue line of D (note: new line E handled in prior motion). All ayes. Motion Passed.
- 3) Regarding article 7.04 gifts: Sornsin moves Board accept proposed changes of 7.04 including removal of blue-highlighted words. Referral to bylaw committee to develop improved language for designated gifts. 2nd by Gary Nelson. All ayes. Motion passed.
- 4) Regarding article 7.05 operating manual, Sornsin moves that the Board modify proposed language by adding back the underlined text and replacing the blue highlighted text with the additional language. It should now read, "All such policies in the manual shall remain in effect until amended." Ben Ringnalda seconds. All ayes. Motion passed.
- 5) Regarding Article 9 - Conflict of Interest policy: Sornsin moves to approve as proposed, second by Ringnalda. All ayes. Motion passed.

2013 Budget: President Fr. Dale Peterka addresses Board:

This is a new adventure for the Board, reported the President. As a threshold issue, a question arose by the Board as to which budget we're dealing with, the rest of 2012 or 2013 calendar year? Calendar 2013 was decided for now, but a fiscal year basis ending June 30 could be considered, to align with annual meeting timing. Board concurs this should go to the finance committee (newly formed) for discussion and recommendation to the Board.

Requests from various department heads have been received by the President:

Great Northern Goat magazine: \$45,000 expenses

Dues Revenue: approximately \$60,000.

New rebuilt scanner for Pacific Northwest Railroad archives: \$1,750

Webmaster: \$1,000

Hobby Shop: Anticipated revenue of \$3,400, expenses \$2,400

MMRH grant request from Heritage fund: \$1,500

Hustle Muscle: \$1200 rent, \$300 insurance and \$400 for general funds. Note \$5,000 a year has not been allocated into contingency fund since 2010. Could amount to \$15,000 because in arrears. Not a cash issue or expense, but an accounting matter for new Treasurer to address.

New member recruitment (page 11): \$6,000 deemed a better number than original submission, and includes Kalmbach ads and membership secretary (Duane) renewal expenses. Officers directed to work with Kelly/Piper to find more cost-effective new member enticements.

Archives: \$8,000. Almost the same as last year.

Company Store makes money: \$24k anticipated revenue; \$20k expenses.

The President and finance committee chair estimate that the proposed budget appears to break even or come close. Anticipated income equals anticipated expenses. Motion to approve budget by Don McGlothlin, second by Sornsins. All ayes. Motion passed.

Additional items for discussion:

Duane Sebelius reported on approaches to membership recruitment/retention, including premiums, renewal letters, member store discount, and current practice of sending March Goats to people who haven't yet renewed for the year ("It's much cheaper" then sending it individually later). No new action taken by Board.

New convention dates. Erickson reports: We go to Chicago (2013) next year, Helena (2014), then to Twin Cities (2015), and I'm pushing for Spokane in 2016, maybe then Willmar (2017), and Bellingham (2018). Sioux City also considered. Motion Langlot, second Ulberg to approve this tentative schedule. All ayes, motion passed.

Question by Langlot whether to go to September for conventions. Heat isn't so bad then. The Board has received several opinions, either spring or fall, rather than the middle of the summer. Prices may be better later in the summer. Travel is easier in the fall. We'd pick up some people but lose some teachers and kids. No motion made.

Motion Sornsins: to direct the President to coordinate convention timing with the NPRHA. 2nd Langlot. All ayes. Motion passed.

Motion Sornsins: modify title of John Thomas's job to "Jackson Street Office Manager and Back Issue Officer." Second Rick Piper. All ayes. JSOMBIO. Note John is also Custodian of Records.

Motion Sornsins: re-establish archives committee with members John Thomas, Stu Holmquist, Bill Sornsins, Bob Kelly, Bruce Barsness and Jeff Otto. Second Ben. All ayes. Motion passed.

Motion Sornsins: Re-establish the operating manual and by-law committee: Duane Buck and Bill Sornsins. Second by Gary Nelson, all ayes, motion passed.

Motion Sornsins: pursuant to Article 2 section 2.01, direct the Membership Development Officers to establish a reduced rate category for GNRV veterans. Second by Piper. All ayes, passed.

Jeff Otto reported for Ed Erickson: Convention attendees will receive a disc instead of a notebook - would the Board like to include the Board reports and minutes as a way to convey reports to the members. No objection.

Motion to adjourn: made by John Langlot. Second Nelson. All ayes. Motion passed.

Respectfully submitted,

Stephen Eckman, acting secretary.

Meeting Summary for the Goat

The Board of Directors met in Klamath Falls, Oregon, July 8, 2012. This annual convention Board meeting is open to all members. The Board also met electronically from time to time during the year.

President Peterka opened the meeting with his report, and a nomination that the existing officers be again elected by the Board for an additional one year term. This motion was approved, but the Board expressed a concern that the Treasurer wished to be replaced for health reasons. Therefore, the Board established a special finance subcommittee to search for candidates and make other financing recommendations to the Board as appropriate.

The President called on each officer and committee chair to make a full report on the year's activities. There followed general discussion about finances, membership, the Goat, "Hustle Muscle," the on-line store and future conventions. These reports are all available on line at the website GNRHS.org or by letter request to the secretary.

There was a substantive discussion, and Board action regarding recommended changes to the organization by-laws and operating structure. The main points of discussion and action were:

1. Adaption of a 'conflict of interest policy' as recommended by the IRS.
2. Recognition of an "operating manual" as approved by the Board which sets out routine procedures for the organization's committees and officers.
3. Establishment of a "gift policy" setting forth a procedure for the solicitation and acceptance of tax deductible gifts for the ongoing benefit of the organization.
4. The establishment of a formal budget process, whereby the Board annually reviews and sets a written plan of income and expenditures by each committee and department, subject to reasonable adjustment as needs arise mid-year.

Finally, consistent with the by-law changes, the Board accepted requests for the next year's budget by department, and set a budget for 2012-13. The budget can be accessed on line as described above.

President Peterka and the Board publically acknowledged all the individuals who made the preceding year a success, and commended convention chair Ed Erickson for his exceptional service in planning the convention in Klamath Falls. Next year's convention will be in Chicago, and promises to be one of the most popular conventions in organization history.