

ONEOTA CO-OP ANNUAL MEETING
Good Shepherd Church
May 3, 2007

President Georgie Klevar called the meeting to order at 7:35 p.m.

As a reminder of what the Oneota Co-op stands for, meeting participants took turns reading the Mission and Vision Statements line by line out loud.

Minutes. Board secretary Onita Mohr read the 2006 annual meeting minutes and the January 18, 2007 special meeting minutes. Barb Ettleson moved to approve both sets of minutes. Toni Smith seconded. Approved.

Board of Directors Report. Board president Georgie Klevar began with a quotation from the 1930's by a Canadian priest about the purpose of cooperatives being to build better communities. The upcoming expansion offers the co-op many opportunities in building community. The board seeks to have the co-op better serve its current members as well as encourage new members and new shoppers. The challenge will be to maintain the things that make the co-op special while trying to make the new space feel welcoming and open to new shoppers. The board has sought member input about the expansion and tried to keep members informed about the ongoing progress of the project. The co-op has undertaken a major membership finance campaign. The board has also instituted a search for a general manager as a result of a request from Steve McCarger and Liz Rog to step down as co-managers. The position was offered to a candidate who declined, so the search process has been re-activated. Steve and Liz have agreed to continue in their positions until a general manager can be hired. Board members were introduced, and co-op members were encouraged to contact them if they have any questions or concerns.

Treasurer's Report. Board treasurer Joan Leuenberger provided a written report. Sales increased 17% over the previous year, for a total of \$1,841,785. From the balance sheet, Joan noted that total assets were up 13%, cash was up 28%, and equity up 16%. The debt to equity ratio was .25. Total liabilities were \$86,787, up only 3%. The co-op is well positioned for an expansion in terms of its financial strength. The board plans to change the fiscal year to the calendar year. The current fiscal year runs from March to February, which makes it hard for our co-op to compare financial benchmarks with other co-ops, as our quarters do not match the rest of the industry. An area of concern that is being addressed is the cost of labor as a percentage of sales. At 26.49%, the labor percentage is above the industry average for a store our size. Some of the remediation efforts this past year, such as professional development classes and workshops, have increased labor costs over the short term, but the goal is to improve efficiency and lower costs in the long term.

The member sales discount has been brought down and now is in line with industry standards. The net profit figure of \$28,440.00 includes "other income" such as interest income, membership sign-up fees, class fees, \$14,000 in donations for the capital

campaign, and a refund of \$1400 in dues. The category “other expenses (expansion)” includes labor costs for the design team, which is doing expansion planning. These labor costs will be capitalized in the future as part of the expansion project budget. If “other income” and “other expenses” were removed, the net profit would be around \$11,000. The profit will probably be used for the co-op's expansion rather than for patronage dividends.

Manager's Report. Steve McCargar reported that the last year has been extremely challenging for managers, staff and shoppers. There are a lot of things going on to prepare for expansion. The managers and staff are working on systems to help operations run more efficiently. Steve thought the financial status of the co-op was pretty good, but labor costs could continue to be a challenge.

Steve reported that the co-op will take possession of its new building on June 25, 2007. Volunteers are being sought to help with deconstruction on the building's interior for two weeks. On July 11, the general contractor, Finholt Construction, will take over. Terri Mozzoni will act as project manager for an estimated eight months. Decorah Bank and Trust will be the primary lender for purchase of the property. The contractor, project manager and lender were each chosen after a competitive selection process.

Floor plans for the main floor and basement are being finalized. The expansion project budget is \$1.65 million, which will include the building (at a cost of \$625,000), plus renovations and inventory. The co-op has had a business pro forma prepared showing target performance indicators for the next ten years. The first year sales target will be \$3.5 million, with sales increasing at 8% per year after that. The pro forma predicts that there will be losses for the first 3 to 4 years, which is typical for the industry. The co-op will be selling its current building, independently appraised at \$167,000.

There were member questions on the expansion project. How does the co-op plan to generate more sales? Liz and Steve responded that the co-op had a professional marketing study done, which indicated that there was an unmet demand for the products and services that the co-op could provide. The prediction for first year sales was based on reasonable assumptions. Liz said the expansion plan calls for 350 new memberships in 2007, which should generate more sales. There will also be increased advertising and promotional events. There was a question about attempting to bring in local people who have never shopped at the co-op. Liz thought some balancing was required. The co-op does not want to try to generate so much more business at the current store that shoppers become frustrated and leave. Customer service training is ongoing for staff.

Steve reported on the Member Capital Campaign. The goal is to raise about \$500,000 from members in the form of loans, donations, common stock and preferred stock. The co-op has commitments for \$314,000 so far, from 271 members. The board would like to have the campaign completed soon.

Other member suggestions included a request that the co-op explore offering health insurance to its members, and a request to reduce or eliminate the use of plastic bags for groceries and produce. Lorado Adelman thanked Georgie for her work.

Election Results. Georgie, Onita and Toni were reelected.

George Hagen moved to adjourn the meeting. Toni Smith seconded. Approved.

Meeting adjourned at 8:50 p.m. Door prizes were distributed.

Onita Mohr
Board Secretary

Arlyls Adelman, Scribe