

ONEOTA COMMUNITY CO-OP ANNUAL MEETING
Good Shepherd Church
April 3, 2008

President Georgie Klevar called the meeting to order at 7:20 p.m. She suggested we all give each other a round of applause for a job well done. The board members introduced themselves and Christopher DeAngelis introduced himself. All mentioned something they really liked about the new store.

Minutes. The 2007 annual meeting minutes were distributed around the tables. Pat Brockett moved to accept them as presented without having them read out loud. Ellen MacDonald seconded. Approved..

Board of Directors Report. Georgie presented a written report outlining the many accomplishments of the past year. She acknowledged the contributions of member/owners, staff, board members and management, who offered their time, money and talents to make the new store possible. The second major transition of the year was the move from co-management to a general manager. Christopher DeAngelis started as general manager on July 1, 2007. He brings to the job knowledge and experience in working at co-ops and a strong commitment to cooperative values.

[John Klosterboer joined the meeting at 7:25. He pointed out that the meeting was not supposed to begin until 7:30. The meeting was halted and resumed at 7:30.]

Treasurer's Report. Joan Leuenberger gave the report. She noted that the 2007 report covers only 10 months, because the fiscal year was changed to the calendar year. This makes year-to-year comparison difficult. However, when comparing income statement ratios, 2007 was very similar to 2006. Joan reviewed three types of financial reports, the Income Statement, comparing revenue and expenses, the Balance Sheet, comparing assets and liabilities, and the Cash Flow Statement, showing how much cash came in and went out and why. The Income Statement shows the Co-op was profitable in 2007. Sales for the 10-month period were \$1,743,977. Labor was \$487,929, or 26.49 percent of sales. Net income was \$23,586, but this figure included donations for the expansion project. Net income from operations was \$1,332.76, or .08 percent of sales.

Joan gave a visual demonstration of the Balance Sheet using Legos. She showed how the Oneota Community Co-op (OCC) assets had dramatically increased in 2007, from about \$570,000 to nearly \$1.6 million. Funding for this increase came from "Outside" money, such as banks, and vendors who have not yet been paid, and "Inside" money, from member loans, member share and preferred share sales, and store profits that have not been paid out in dividends. At a training that four board members went to in January 2008, the Lego demonstration showed that most co-ops who underwent expansion only doubled their assets, whereas OCC nearly tripled its assets. Other co-ops often had to pay for two-thirds of their expansion with outside money. Oneota needed only half the funding from outside sources.

After an expansion, most co-ops lose money due to costs for training new staff, additional interest payments, depreciation expenses and so on. It takes time for the additional income to start accumulating. The financial projections that were part of the business plan and pro forma for OCC predicted a loss for the first few years, so members should not be surprised if that happens.

The third financial report that the board has been looking at is the Cash Flow Statement, which is a new report that Christopher is providing. This report will help the board evaluate whether store operations are generating enough cash to pay loans and expenses. The old store brought in about \$90,000 more in cash than it paid out for the 10-months ending December 31, 2007. Some of that was used in the expansion. The "Ending Cash" balance was \$68,707. Joan said she appreciated the financial reports the board has received from Christopher. So far, after two and a half months in the new store, things are going pretty close to projections.

Barb Ettleson suggested that more financial information be available to members. She thought members should be treated as investors. Could the information be posted on the OCC web site? Christopher will do more reporting in his Scoop column about how the financial situation is going.

Manager's Report. Christopher reported on the OCC expansion project. One method of evaluating how well the project went is to look at the Source and Uses Budget, which lists all of the sources of funds and all of the uses, with total funds equal to total uses. The store is in good shape as far as the percent of owner contribution to the project (43.29%) and the percent of owner contribution plus second position debt compared to first position debt (65.63 %). The expansion project did have a cost overrun of 1.19 percent, or \$21,787.82. As a result, working capital at the beginning of the year is reduced to about \$70,000, which is less than had been projected. Christopher said OCC is continuing to try to raise additional capital through the sale of preferred shares.

Working capital is important because it is the money that allows OCC to not make money during the first year. It is a cushion. The \$70,000 figure is low for a project of this size. Christopher is exploring an appeal to other co-ops to purchase OCC preferred shares, which have the advantage of showing up on the balance sheet as equity instead of debt. OCC is ahead of projections in the sale of new membership shares, which is good.

OCC will be paying on the loans to primary and secondary lenders (\$625,000 and about \$410,000 respectively). The member loans are accruing interest, but no payments need to be made until 7-10 years after the loans were made. A significant portion of the other debt should be paid by then. OCC has the option to borrow more from the Decorah Chamber of Commerce if necessary, but it has not had to do that yet. The former building sold for \$187,500. That amount is included in the "owner contribution" category on the Sources and Uses Budget.

First year sales in the new store are projected to be \$3.5 million, a growth of 67%. The store opened two weeks later than expected, but sales from January 15 to March 1 are slightly above target. The cost of labor and cost of goods have the largest impact on net income. OCC needs to reduce the cost of labor, which is running at 33.38% from January 1 to March 1, well above the budgeted 28%. Christopher reported that labor has been coming down, and he is monitoring sales and labor on a bi-weekly basis. There is some belt-tightening to do, but Christopher thought it was manageable. He said he was very appreciative of the staff. The turnover rate at OCC was lower than many other co-ops had experienced during an expansion.

Member comments/questions. A member suggested that OCC spend less instead of seeking additional borrowing. Another member asked if the expansion project cost overrun was a matter to be concerned about. Christopher noted that the expansion project had its own budget. That project is over and

accounted for. The effect of the cost overrun is that working capital for the first year's operating budget is reduced by about \$22,000. It could become a matter for concern, which is why he is seeking additional capital through preferred share sales.

Election Results. Steve Peterson and Joan Leuenberger were re-elected.

Bill Musser moved to adjourn. Janet Blohm Pultz seconded. Approved. Meeting adjourned at 8:10 p.m.

Onita Mohr
Board Secretary

Arlllys Adelman, Scribe

The members were invited to stay for small-group discussions to assist OCC in developing a merchandising policy. Kelly provided questionnaires and assisted in the discussion session. Questionnaires could be turned in at the meeting or later at the co-op.