

ONEOTA COMMUNITY CO-OP ANNUAL MEETING
Good Shepherd Church
April 2, 2009

President Steve Peterson called the meeting to order at 7:35 p.m. All board members were present. About 90 member/owners were present.

Minutes. A member noted a correction to the spelling of Pat Brockett's name. Steve McCargar moved to approved the 2008 minutes with that correction. Joann Hagen seconded. Approved unanimously.

GM Report. Troy Bond reported on the 2008 finances, with an update on first quarter 2009. He also outlined his plans for marketing.

Sales for 2008 were \$3,041,994, a significant shortfall from the \$3.5 million in sales projected for the first year in the new store. Labor as a percent of sales was projected to be 28%. It was actually 30%. Labor overspent its budget by over \$62,000. The amount of cash forecast for the end of 2008 was \$180,036. Actual cash was \$49,564. Overall, the Co-op's net income for 2008 was a loss, at minus \$108,924.

Troy said the big economic picture for 2009 was that consumer spending was forecast to be down. Weekly sales so far for 2009 have been comparable to 2008. Sales for the coming year might be flat. He will focus on increasing sales and decreasing expenses, especially labor. Labor spending so far in 2009 is down about 25% per week compared to the same period in 2008. The Co-op needs to increase its cash reserve. Recovery will be a long road.

Troy gave an overview of the 2009 marketing plan. The marketing budget will be increased to around \$60,000, which will be 1.5-2% of the expected sales for 2009. The Scoop will be an insert in the Decorah Newspapers and Dollar Stretcher, thereby increasing its circulation to about 8000 homes. There will be ads for the OCC under more categories in the yellow pages. Ads in area newspapers could include a coupon so that the OCC can track penetration. The OCC should participate in events that support the broader community. There will be theme store events aimed at generating positive energy and excitement. Targeted marketing to Luther students will include rechargeable NCGA gift cards. The store will work on continual improvement of customer service and the web site. New logo aprons, caps and t-shirts will be available. As the financial situation allows, there will be improvements to the exterior and interior signage, plus radio ads and direct mail marketing.

Troy thought the OCC may have saturated the "natural foods shopper" demographic and would have to work to draw in new customers. He identified obstacles and perceptions that would need to be overcome. Because of the U.S. economic climate, impulse spending is down. Families are buying essentials only. There may be opportunities there that OCC can take advantage of. Sales in the bulk department are up. Many people perceive OCC to be too expensive. Troy has introduced a value image campaign. There will be everyday value items such as bread, dairy products and bananas. Perceptions of OCC as a club or clique could be addressed through exterior signage (advertising OCC as a grocery), community outreach promotions, volunteer efforts and excellent customer service. The petition campaign earlier this year created something of a picket line atmosphere for shoppers. Members should understand the impact these actions have on the OCC's image in the community.

Troy outlined some other ideas for supporting local nonprofit enterprises, including a 5% day (5% of net sales for a day would be donated), a Taste the Holidays event to support local food banks, providing wholesome snacks at outside events, doing a dog wash to support animal shelters or a canoe trip to clean up local rivers and streams. Troy said he saw a lot of potential for the coming year. He hoped that OCC could reach out to more people and invite them into its beautiful space.

Member comments and questions about the GM report. There were mixed reviews about the Scoop going out in a general circulation newspaper. Some thought it good that the newsletter would reach a wider audience. Others thought that the Scoop would no longer be able to focus on the items specifically of interest to the OCC membership.

A member asked about whether the Current Liabilities for 2008 should have been adjusted by tens of thousands of dollars because of a medical spending account adjustment. Troy did not have that level of detail available at the meeting. He said he would look into it.

A member asked if there was an industry standard for the amount of cash on hand needed for an operation with \$3 million in sales. Troy said there was a ratio. Bottom line, the store needed enough cash to pay off debts and accounts in a reasonable amount of time. During his first few weeks on the job, paying bills was touch and go. The cash situation has eased somewhat since then.

There was a question about the 2009 budget. Troy said the interim GM had created a draft budget at the end of 2008, during the emerging economic downturn. It predicted 6% growth in sales. Troy said he might make adjustments to the budget once he completed the first quarter's numbers.

A member commented that the OCC business plan had predicted a loss for 2008 in the amount of \$150,000. The actual loss was \$109,000. Steve Peterson responded that right now operations have to be mainly concerned about cash. A net loss was expected, but cash is the big problem.

The member asked if it wouldn't be fair to say that after November 25th, OCC did not make any transfers from savings to checking, and its cash situation has continued to improve ever since then? Also, if depreciation were spread evenly across all four quarters, is he correct that OCC would not have shown a cash loss in the 4th quarter? Troy and Steve Peterson said they did not have those details available at the meeting. They would have to look into it. The member said he would like answers by the next board meeting.

A member commented that the natural foods market in Decorah was not "saturated" and OCC needed to continue reaching out. There are members who shop at OCC because it stands for something. Troy said he supported the mission and values of the Co-op.

There were other member comments about the product mix at OCC, observing that some items do not appear to support OCC's values. Troy said there was a merchandising policy, which was created last year with input from the membership. Troy said the department managers and buyers were looking at the items the store carries, because that is a reflection of what OCC is. The merchandising policy is a living document, and the managers and buyers are making their best decisions. Member feedback is always helpful. If there are specific concerns, Troy asked that members let staff know.

A member asked whether it was not true that OCC had enough cash on hand to reduce accounts

payable by \$23,000 between September 30th and December 31st? The point being that the board had said that some dramatic things had to be done to turn the OCC financial situation around. The member thought a credible case could be made that the financial turnaround was substantially accomplished by the end of 2008, and that staffing levels were adequate going into the beginning of 2009. The member thought the OCC membership would be better served by having a description of the finances that accurately reflected the situation but did not instill fear where it was unwarranted.

A member invited those present to join him in a standing round of applause, for 30 seconds, to show appreciation for Liz Rog's and Steve McCargar's years of service to the OCC. Done.

A member commented that it was not useful to talk about the OCC as a club or a clique or to criticize members who have disagreed with things that happened at OCC. Dissent is valid and beneficial. OCC legally exists to serve its members. If the GM hears one set of comments from members, and another from community residents, who is more important? Troy responded that community residents are potential members and shoppers. Members and residents are both important to sales. The community's perceptions about and awareness of the dissent within the OCC membership is a reality, and it affects OCC's standing in the community. The past three months have not been pleasant for a lot of people. Troy said he was hopeful that OCC can move forward. He saw a lot of positive signs in that direction.

Board Report. Steve Peterson said the past year has been filled with both planned and unplanned board activity. It has been an extremely busy time for the board. Among the unplanned activities, there were three big things that took up a lot of board time and energy.

1. *General manager searches.* The board conducted searches for two interim GMs and one full-time GM. It was interested in watching Troy market OCC to a broader audience and display his financial management skills to help OCC recover financially.
2. *Transitions at OCC.* Several people who have been central to OCC are no longer employed there. Through lay-offs and resignations, several short-term and long-term employees left the store. The board feels that the effects of the losses still reverberate through the community. For some, the losses have generated anger and suspicion. On the other hand, the board has also seen the membership and staff come together. Steve Peterson thanked Troy, the staff, and the many volunteers who pitched in to take the store through some very tough times.
3. *OCC finances.* During the first year after expansion, some serious financial problems unfolded. With the help of the NCGA and others, the board worked to understand and monitor this crisis, and develop new systems for ongoing monitoring of the financial position. The board now gets weekly updates of some key financial data and gets detailed reports at its meetings.

Prior to all the unplanned activity, the board created an aggressive plan to professionalize the board and its operations. The board has taken advantage of educational opportunities. This was the first year of the board's connection to CBLD, Cooperative Board Leadership Development, which is an organization that specializes in working with co-op boards. The board has attended many CBLD webinars and trainings, conducted a day-long retreat with a CBLD consultant, and had many discussions with others about the board's work processes.

The board's planned activities included:

1. Improving the board's monitoring of its own and the GM's performance. This includes ongoing

- and systematic reviews, with remediation plans if expectations are not being met.
2. Looking at OCC's organizational goals. This is still ongoing. The board drafted a set of policies and has made changes after receiving member input.
 3. Thinking about how to develop the board as an institution. The board developed some new election procedures that better fit the rules as defined by the by-laws. It hopes to refine them for next year's election process. The board wants to support new board members to become effective in their roles.

Steve Peterson thanked the other members of the board for their work.

Member comments about the Board report. A member expressed concern about the board's "professionalizing" its work processes. Does that mean it becomes more hierarchical, secretive and autocratic, things that define a corporate style? The member wondered if CBLD was making the co-ops it works with more homogeneous. It may be a good business model, but it makes some members uncomfortable. How do members learn about the governance process and the board's work without attending every board meeting? The member thought the board minutes showed the decisions but not the discussion that went into them.

Georgie Klevar said she disagreed about the board minutes. She thought they were quite detailed, showing discussion points as well as outcomes.

Member/owners and board members discussed the concept of the board "speaking with one voice." The board's interpretation was that board members do not have to agree, and often do not initially agree, about any given topic. However, once the board makes a decision, board members must accept and support the result. They may seek, within the board, to revisit an issue, but until a new decision is made, they should support the prior decision.

Some member/owners indicated that they wanted to be able to tell from the minutes what positions various board members took. Joan Leuenberger said the minutes often have attributions. Lyle Luzum said that during the course of a discussion, board members listen to each other and reflect, and it is not uncommon for them to revise their thinking and change positions. The board's eventual position is taken as a result of careful consideration. It is fundamental to the operation of boards that these discussions take place.

A member expressed concern about the ability of four of the seven board members to control the board and stifle dissent, if the board has to speak with one voice. Lyle Luzum said majority rule is the common form of decision-making in this country. When there is a vote, board members do not necessarily give up their values, but they do accept the results. That is what happens on boards.

Steve Peterson said the board strives to think long-term, in the big picture. Board members do not represent individual constituencies. Each board member is expected to represent the interests of the whole organization.

A member asked if in future there could be a candidate forum night, where member/owners can meet the board candidates and have them say more than just the paragraph in the Scoop.

A member urged the board to reconsider a couple of procedures from this year's election process. The

member suggested that there be a nomination committee that included non-board members and that the ballot be secret. Georgie Klevar responded that the OCC by-laws makes the board responsible for nominating board candidates.

A member commented that some words and phrases had acquired a “loaded” or “buzz word” status that raised red flags for some people. The board may not have intended them as such, but events have caused that to happen.

A member commented that with 2,300 co-op members, how can the board determine what members want? Most members do not come to annual meetings or vote. Steve Peterson said the board was forming an ad-hoc board committee in order to explore how best to communicate with members, and to understand what members need. Some members are more vocal than others. There are members with different levels of interest and commitment. It is prudent for the board to understand all parts of the membership so the co-op can better serve them. Lyle Luzum said most people choose not to be very active in their membership, but they may still be very interested.

A member commented about staff/board communication. The member agreed that staff should go first to the GM to resolve issues, but thought they should be able to come to the board. Steve Peterson said the board had clarified a staff/board communication process, and Troy has publicized it. Troy has expressed an intention to do periodic anonymous staff surveys. A member said it might be time for the board to consider whether there should be some kind of ombudsman or a staff member position on the board.

A member who had previously served on the board said he was glad he had served back then. He thought the membership owed its appreciation to the current board for its work. The board was given a round of applause.

Board Election Results. Georgie Klevar gave an overview of the election process. The board attempted this year was to make sure that everyone who voted was a member in good standing. Clearly, there had been feedback on how the balloting was done. The board will take that into account for next year's election.

Two non-members verified that ballots were from eligible member voters. They then cut the bottom signature portion off of the valid ballots. On a separate day, two members counted the ballots. From the 406 ballots cast, Birgitta Meade received 258 votes, Lyle Luzum 238, Andy Johnson 229 and Ben Nauman 64. Birgitta and Lyle were declared the winners.

Steve Peterson thanked all of the candidates for running and being willing to serve. He also extended a special thanks to Keith Lesmeister, who was leaving the board, for serving through a difficult time with patience and confidence.

Member Comments. A member said if the OCC needed to raise capital for a large expense in the coming year, the membership would almost certainly step forward.

A member requested that local vendors be given preference and paid at delivery instead of having to wait for payment.

There were a number of member comments about the board's letter to the membership about OCC's financial situation earlier in the year. Many members found it insulting or unsettling. It made them suspicious about what the board meant about needing to run OCC as a business, since no one has been saying it should not be run as a business. Perhaps the question should be, what kind of a business.

A member commented about being upset with the board for denying the petition for the special membership meeting about Liz Rog, simply because it missed the 20% requirement by a few signatures. The board could have called the special meeting anyway or encouraged the petitioners to try again.

Several members talked about the hard feelings that had developed over the past several months. The board's stance on various issues caused anger, disappointment and distrust among a portion of the membership. They thought it might be difficult to move forward without some airing and resolution of past issues.

Board members commented about role that the board position requires. The board is the trustee of the organization's financial and moral assets. Unfortunately, sometimes parts of those assets collide and the board has to make hard decisions. Board members' responsibilities as trustees can sometimes be hard to reconcile with their personal inclinations. The board members thought that the decisions they made were necessary, even though they caused pain.

Liz Rog shook hands with Steve Peterson and Troy Bond and expressed hope that the co-op community would find ways to heal its wounds.

Perry O Sliwa presented Steve McCargar with a card on behalf of several members, with funds to help him attend a conference on the Progressive Movement.

Steve McCargar thanked Perry O and made some remarks about his own and the OCC's recent experiences. He thought everyone present saw ways to get the co-op to the next point in its evolution. Steve M. said Troy Bond had a wonderful opportunity to do good at OCC, and he supported him. Steve M. said the questions he asked were not intended to undermine Troy. He apologized if he had offended anyone. Steve M. said he would still be part of the co-op life and the community and expressed a wish for everyone to make the co-op work.

Steve Peterson said he had promised that there would be an opportunity to continue the discussion on the Ends Policies at this meeting. Given the lateness of the hour, he proposed to postpone that discussion. There was general agreement to do so. A member commented that the changes incorporated from the last discussion were appreciated. Steve Peterson said there were more changes on the draft document available at this meeting, which could also be viewed on the website.

Lorado Adelman moved to adjourn the meeting. George Hagen seconded. Approved unanimously. Meeting adjourned at 10:00 p.m.

Respectfully submitted,

Onita Mohr, Secretary
Carolyn Thompson, Scribe