

ONEOTA CO-OP BOARD MEETING
Spectrum
January 22, 2008

Present: Georgie, Lyle, Onita, Steve P., Keith, Joan, Toni, Christopher

Board President Georgie K. called meeting to order at 5:05 p.m.

Review Agenda – No changes.

Approval of Regular and Executive Session Minutes 12/18/2007 – Toni moved to approve both the regular and executive session minutes as written. Lyle seconded. Approved.

Manager's Report– Sales for December were up 10.02% compared to last year. Sales were hurt by poor weather the first ten days of the month. Sales growth for the 10-month fiscal year ending December 31 was 13.39%, which was short of the target of 14%. The total sales for the shortened 2007 fiscal years were \$1,743,563.77, which is a little over \$6000 short of the pro forma projection. Christopher will have complete year-end figures at the next board meeting.

Christopher reported a flood of positive feedback on the new store. Sales have been very good. The six-day average for sales has been on target. All store departments have either exceeded or come close to meeting the projected percentage of total sales. Two departments that Christopher will be keeping an eye on are the fresh meat department and the bulk department. Growers who supply meat have made some suggestions about the fresh meat section. Christopher will be selecting a new front-end manager from internal candidates.

Christopher provided daily sales recap summaries for January 15-20, showing sales in the new store. Toni noted the percentage of sales to members was lower on January 19, but the average amount per sale was higher by over \$2.00. Those figures may be worth watching.

Expansion project and member capital campaign report – The board reviewed the updated sources and uses budget. Christopher reported that some line item figures in the budget are still fluid and could change by 1-2%. He will have more definite figures at the next board meeting.

The member capital drive is nearing the goal of \$505,000, with about \$6400 to go. Preferred shares are about \$9000 short, but loans, donations and member common shares have met or exceeded their goals. A solicitation letter to other co-ops will be going out soon, asking them to invest in our co-op's expansion. Loans from outside lenders are all secured, or the co-op has verbal commitments for their approval.

The co-op's buyers were conservative in their initial inventory purchases, so the vendor credit figure in the “sources” budget is lower than projected. The “free fill” line item may end up being higher. The “sale of equipment” figure should be \$9000 rather than \$8000. Two start-up co-ops, in McGregor, Iowa, and Wykoff, Minnesota, have purchased used equipment from the co-op. The freezers from the old store are being sold. Copper tubing is being extracted for resale, and there will be a public sale of remaining items on January 29. The grocery carts currently in use at the new store will be sold and

new ones purchased.

“Uses” appear to have exceeded the budget by about 1.3%. Insurance for the building and new equipment was higher than the pro forma projections. Personnel, remodeling and equipment costs incurred in the last six weeks prior to the new store opening exceeded expectations. The new store has experienced some roof leaks and frozen pipes. For budget purposes, January 1, 2008 was the cut-off date for expansion versus operational expenses. Maintenance and repair will be an operational expense from January 1 forward. Christopher is still working on the rebates for the HVAC and heat reclaim systems.

The co-op will start to pay the loan to Decorah Bank and Trust. The loan from Upper Explorerland has not been taken yet, but it will be needed to pay the balance of the contractor bill, which is not yet finalized. There is adequate cash on hand at this time to meet regular expenses. Christopher will be meeting with Steven Wolfe and Jan Rasikas regarding the “working capital” line item on the “uses” side of the budget.

The “equipment” line item on the uses budget may be reduced, as some items were returned. Christopher is also considering reducing the “start-up promotion” figure, since it exceeds what has been the norm for other co-ops.

Motion on Borrowing Authority – Georgie advised that Decorah Bank and Trust wanted to have on file a document saying who can sign loan papers. Joan moved to have the authority to sign loan documents vested in the general manager and board officers. Toni seconded. Approved by all.

Cooperative Board Leadership Development Project – Four board members will attend a workshop in Minneapolis on Saturday. Bentley Lein will be assigned to Oneota Co-op. CBLD will offer monthly consultations plus workshops. The board's enrollment is covered for the next six months, at least, so the board will need to plan how to best use the service.

Review Policies L, G, D and committee charters – The board continued its review of the new template for policy governance. The revised draft sections L, G and D were reviewed. The word “Sample” should be taken off of the cover page. The most recent revision date should be included. Policy L1.4 should be deleted from the limitations policies and moved to ends policies. The revised versions of L2.1 and L2.2 were accepted. The board discussed what nepotism would mean under policy L2.2. Georgie wanted to review a Cooperative Grocer article by Carolee Coulter. At a minimum, there should be no undue influence in hiring and no direct supervision. A definition would require too much detail to be included at the board policy level. The meaning of the term could be left to the interpretation of the general manager, with the board determining whether the interpretation was reasonable. Policy L2.4 was kept as is, and policy L2.5 was deleted.

The board discussed policy L3.5, concerning the limitation on the general manager changing his/her own compensation and benefits. The board agreed that the policy should be that the general manager will not: “Change the GM's own compensation and benefits *as set by the board.*” At any time that the general manager's compensation is changed, such as after an annual review, a representative from the board should advise the co-op's accountant.

Policy L4 was satisfactory. The board had a carry-over question on policy L5.4, regarding the general manager not allowing operations to generate “inadequate income.” People's Co-op has a much greater level of specificity as to financial benchmarks. Hanover Co-op suggested the policy be left as is. It can always be revised later. Christopher noted that the pro forma has benchmark figures for the next ten years. That will give guidance for the “inadequate income” issue.

Policy L5.6 will be left as is, since a similar limitation was deleted at L7.9. The prior additions to L6.4 and L6.5 were accepted. The prior changes to policy L7 were also accepted. Policy L8.1 should read as follows at the end of the sentence: “...assumptions upon which the Board relies in making decision.” Policy L10.3 will be deleted. The task of providing new board members with co-op and board governance documents will be a board function, not a general manager function. Policy L10.1 will provide the board with administrative support for the task.

Policy G1.5 will be deleted, as the issue of board decisions being made by majority vote is covered in the bylaws. The lettered paragraphs under Policy G2.2 will be reordered as follows: “A” will be first, “C” second, “D” third and “B” fourth. The prior changes to Policies G3.2.2, G4.1, and G4.4 were accepted. Policy G4.5.6 was deleted. The prior changes to policies under G5 were accepted. Policy G6.1.1 was changed as follows: “purchasing resources” was changed to “purchase of resources.” In Policy G6.1.2, the “should” was changed to “may.” The prior change to G7.1.3 was accepted. The board had discussion as to the meaning of Policy G7.2, on the board president's role, and agreed to leave it as is for now and see how it works. The prior changes to Policy G8 were accepted. The board noted that the co-op's bylaws have duties for the treasurer that are not covered in the proposed Policy G9. The board treasurer has a role in interpreting financial data for the board. The treasurer has acted as a liaison to the board through the Finance Committee, which generally reviews financial reports from management before they come to the full board. All board officer roles (Policies G7, G8, G9 and G10) will have the following policy added: “Perform the duties and responsibilities as designated in the bylaws.” Policy G10.1.1 was rephrased as follows: “... assure that a) directors...” and remove “that” from the beginning of “b)” and “c)” in the same section. In Policy G10.3, “reasonable” will be inserted for “x.”

The prior changes to Policy D4 were accepted. The first sentence of D4.6 was changed to delete the phrase “will be completed by September.” The old board policy C4 is adequately covered in the new policy D4.

Steve P. will update the revisions to the draft policy manual. The next step is to work on a board calendar. The ends policies will be unchanged until the board has had a chance to do more work with Bentley Lein and the CBLD.

Housekeeping notes – There is no “Board board” to post agendas and minutes in the new store yet. They are being posted on the new web site. The board would also like there to be a suggestion box at the service desk.

Toni moved adjournment. Joan seconded. Motion approved. Meeting adjourned at 7:05 p.m.

Next meeting is Tuesday, February 26, 2008, at 5:00 p.m., Spectrum conference room.

Respectfully submitted:

Onita Mohr, secretary
Arlllys Adelman, Scribe

Documents Reviewed:

Agenda

Regular and Executive Session Minutes, December 18, 2007

General Manager's Report, including revised sources and uses documents

Sales Recap December 2006 and 2007

Sales Recap March 1 through December 31, 2006 and 2007

Sales Recap January 15, 16, 17, 18, 19, 20, 2008

Model policy governance policies