

ONEOTA CO-OP BOARD MEETING

Spectrum

February 26, 2008

Present: Georgie, Lyle, Onita, Steve P., Keith, Joan, Toni, Christopher, with guests, Tom and Jeanette Hanson, John Klosterboer, Karl Knudson

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

Review Agenda – The following items were added. The March meeting date will be March 18, as Christopher will be at an NCGA meeting the fourth week of the month. Preparation for the annual meeting and an update on the Cooperative Development Services' Board Leadership project were also added as topics. Lyle moved to approve the amended agenda. Joan seconded. Approved.

Approval of Minutes from January 22, 2008 meeting – Joan moved to approve the minutes as written. Lyle seconded. Approved.

Member-owner comments – Tom and Jeanette Hanson, who produce beef that is sold at the co-op, addressed the board about their concerns about the co-op's meat department. They had three issues. First, the presentation of the product could be improved. They thought the frozen meat looked disorganized on opening day. The packages were lying flat, so they were hard to read. This has improved, but it could be better. The fresh meat section should be highlighted so shoppers know what is available, as selections will vary. Second, they did not agree with the co-op's conflict of interest policy in that it would prevent Jeanette from being hired by the co-op in a capacity that involved buying beef for the store. Jeanette has been a butcher, is very knowledgeable about meat, and could work with local producers. Third, they were concerned that the price of the meat at the co-op is cost-prohibitive to a large segment of customers. If the co-op seeks to improve the health of the community, the product should be affordable. They thought the co-op had a higher mark-up on meat than other stores.

The Hansons pointed out that it takes three and a half years to grow cattle to market weight. They need to know how much beef can be sold, and they need to be able to market it when it is ready.

Georgie explained the board's role in policy governance. The conflict of interest policy has been in place for a long time and is aimed at protecting co-op customers and producer/vendors from unfair bias in the co-op's choice of products to be sold at the store. On the issue of pricing, the board advised that margins and pricing are up to the general manager, who has a board mandate to maintain profitability. The board asked Christopher to report on the meat department at future meetings. The board was not prepared to revisit the conflict of interest policy at this meeting. One possibility that could be explored is whether it would be feasible to separate out the functions of buying as opposed to the marketing or merchandising of products. The board would like the co-op to have the benefit of the expertise of its local producers if that can be done in a manner that does not create an actual or perceived conflict. The Hansons excused themselves from the meeting at this point.

Revisions to Bylaws 2.5 and 8.4 – Attorney Karl Knudson attended for this segment of the agenda at the board's request to consult on two proposed amendments to the bylaws of the co-op. The proposed amendment to 8.4 would change the fiscal year to correspond to the calendar year. The proposed

amendments to 2.5 would set out more clearly what sort of actions could result in the termination of membership at the co-op and would establish a nondiscrimination subsection. A question was raised as to whether advice from counsel should be received in executive session. Joan moved and Toni seconded to go into executive session for advice from counsel on the proposed amendments. After discussion, the motion was withdrawn by unanimous consent.

Mr. Knudson stated that the current bylaw 2.5(iv) could be construed as vague. It did not give members adequate notice of the sort of conduct that could result in a termination of membership “for cause.” For due process purposes, there should be standards for what “cause” means. The proposed amendment would set out those standards and establish a procedure for the board to follow to give notice and hold a hearing on the termination of membership. Grounds for termination under the proposed amendment would include conduct that created a hostile work environment, or that was hostile to customers and other members, or disruptive to business or detrimental to the co-op. Without the amendment, the co-op would still have the authority to ban someone from the store under the “no tolerance” workplace harassment and disruption policy. However, the co-op might also want to take the further action of terminating membership in the event that there was a claim that membership conferred an expectation of being able to shop at the store. Mr. Knudson was then excused from the meeting.

Changes to the bylaws must either be approved by $\frac{3}{4}$ vote of the membership at any meeting called in part for that purpose, or by a unanimous vote of the board of directors. The change in the fiscal year was planned to coincide with the co-op expansion and was mentioned at the 2007 annual meeting. It would allow the co-op to better compare its quarterly financial data with other co-ops. Steve P. moved to amend Bylaw 8.4 to change the fiscal year to January 1 through December 31, commencing January 1, 2008. Roll call vote. Unanimously approved.

Christopher implemented an Appendix C, “Harassment and Disruption Policy,” to the store-wide procedures and policies, effective February 15, 2008. In summary, the policy stated that the co-op would have a policy of no tolerance in regard to harassing, abusive, disruptive or threatening language or behavior on the part of customers, members or employees. Karl Knudson had recommended that the board specifically ratify the policy as a reasonable interpretation of Policy B1(3), in the Executive Limitations section of the Board Policy Manual. Toni moved to approve the draft resolution approving the “Harassment and Disruption Policy.” Lyle seconded. Approved unanimously. The board signed the written version of the resolution approving the policy.

Toni moved to go into executive session to discuss the proposed amendments to bylaw 2.5. Lyle seconded. Approved. John Klosterboer left the meeting during executive session. The board discussed the proposed amendments to 2.5. Toni moved to leave executive session. Lyle seconded. Approved. John Klosterboer returned to the meeting. Lyle moved to amend the proposed amendments to bylaw 2.5 as follows: strike the proposed change “or during which the member fails to make purchases at the Cooperative;” keep Roman numeral (iv) in section 2.5(a) but remove the Roman numerals after that; have the clauses in section 2.5(a)(iv) separated by semicolons; add “committing theft against or defrauding the Cooperative” where Roman numeral (v) should be; and move “by majority vote of the Board of Directors, after a fair hearing at which the member has an opportunity to be heard and to present evidence” from the first portion of 2.5(a)(iv) to the end of the subsection. Steve P. seconded. The amendment was unanimously approved. Steve P. moved to approve the amended bylaw 2.5 “Termination” and the proposed new bylaw 2.5 on nondiscrimination. Roll call vote. The amendments

to bylaw 2.5 were unanimously approved.

Manager's Report – Sales for January were slightly below projections. Half of the month's sales were in the old store, half in the new store, with 4 days of store closure for the move. However, the average daily sales at the new store on days without blizzards or severe cold were at or above target.

Christopher thought it was hard to detect sales patterns yet because there have been so many weather disruptions. Monday sales have been depressed because poor weather has kept many shoppers who use the senior discount home on those days. Overall, the outlook for meeting the first year sales target looks good from initial sales.

Ninety nine new members have joined the co-op since January 1, 2008. New member equity is \$8910.00 as of February 25, with a goal of \$20,000.00 for the year. The percentage of sales to members has increased by 4%, and the average amount per sale has increased by \$1.00 compared to January last year. Labor costs for January were high due to the move. Christopher said payroll had been coming down in February.

Sales for the 10-month fiscal year ending December 31, 2007 were \$1,743,976.79, only slightly short of the projected sales of \$1,749,900.00. Margin for the last 4 months of the year was down, at 36.7%, resulting in an average margin of 37% for the year (target was 37.2%). Labor as a percentage of sales was 27.48%, about 1% higher than the fiscal year target of 26.61%. The ratio of current assets to current liabilities (current ratio) and the debt to equity ratio are good.

The reports for fiscal year 2007 are preliminary. Due to a software failure in the accounting system, it will be some weeks before the fixed asset depreciation can be completely tabulated. A net income figure for the 2007 fiscal year should be ready by the next board meeting.

The United Supply Contract will take effect in April. There will need to be staff training, some software changes and additional signage. When the contract starts, the co-op will have its bill to UNFI (United Natural Foods, Inc.) paid by debit withdrawal. This will give Oneota a discount on wholesale costs and reduce the amount it is required to deposit in the Joint Liability Fund for the NCGA. The co-op wants to maintain its offerings from local producers as much as possible and not just rely on the Co-op Advantage Program (CAP) to draw customers.

Expansion project budget report – Christopher provided an updated Sources and Uses budget. There will be future adjustments to the document, as some items are still estimates, including the contractor's final bill, energy rebates and depreciation on equipment. The cash reserve figure was adjusted to reflect the amount that was available in the co-op's checking and savings accounts at the beginning of the project (excluding funds needed for outstanding bills and amounts that had already come in for the member capital campaign). There is currently adequate cash on hand to meet accounts payable. Lenders have committed to loan the co-op the remaining \$164,000 that is budgeted for outside loans.

Joan moved to approve the business plan with the revised sources and uses budget. Lyle seconded. Approved unanimously. Christopher will need to show minutes of this approval to the lender Upper Explorerland. Onita will draft minutes of this board action and circulate so that they can be approved prior to the next regular meeting.

Member capital campaign report – Christopher provided an update. The co-op is approaching the \$505,000 goal, with \$499,086 received to date, leaving a gap of less than \$6000. Sales of preferred shares has slowed down, but co-op members are still making inquiries about purchasing them. Christopher will be following some suggestions from Ben Nauman of the NCGA as to how to seek investment in our co-op from other co-ops as well.

Board member roles and ethics – All board members should review the Board Policy D4 on the board members' code of conduct and sign a new ethics statement after the board elections.

Committee for General Manager Evaluation – Georgie, Lyle and Steve will serve on this committee.

Annual Meeting – The board reviewed what reports that would be needed for the April 3, 2008 annual meeting. Onita provides minutes from last year's meeting. Joan does a treasurer's report. The finance committee will consult with Christopher about his report. Georgie will do a sort of “state of the co-op” address. The board would like share it view of how the co-op's vision that has been carried into action, not just in the expansion to a new store, but in other ways that show the co-op's work has been taken to a higher level. The board will be seeking member input in the future on the ends policies for the revised Board Policy Manual.

Cooperative Board Leadership Development Project – Board members provided Georgie with their preferences for seminars they would like to attend. Joan did a visual demonstration with Legos showing how the assets and liabilities of the co-op have altered with the expansion.

Review Policies L, G, D, committee charters and board monitoring calendar – The board continued its review of the new template for policy governance. The revised draft sections L, G, D, and the committee charters and a draft board monitoring calendar were reviewed. The co-op's name should be changed to “Oneota Community Cooperative.” The order of the sections, in the table of contents and the policy register, should be: Ends, Governance Process, Board – General Manager Delegation, and Executive Limitations. Section L2.1 should be revised as follows. “The GM will not: L2.1 Cause or allow harassment among staff and potential staff or discrimination based on other than business related criteria, individual performance, and qualifications.”

The board reviewed the proposed monitoring calendar. For the month of March, the Scoop Deadline should be March 15, not February 15. Georgie asked if the selection of board policies to be reviewed in May was too much and if part of this could be moved to June. The board would like to set up a systematic method for recruiting new board candidates. The nomination committee should be activated before November, as is in the calendar now, so that the committee can work on this.

Board members should review the policies, committee charters and calendar for other corrections or additions prior to the next board meeting. Steve P. will update the revisions from this meeting.

Toni moved adjournment. Joan seconded. Motion approved. Meeting adjourned at 8:40 p.m.

Next meeting is Tuesday, March 18, 2008, at 5:00 p.m., Spectrum conference room.

Respectfully submitted:

Onita Mohr, secretary

Documents Reviewed:

Agenda

Minutes, January 22, 2008

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

Profit and Loss Statement, September through December 2007

Profit and Loss Statement, March through December 2007

Balance Sheet as of December 31, 2007

Sales Recap January 2007 and 2008

Sales Recap January 15 through February 19, 2007 and 2008

Model policy governance policies, committee charters, board monitoring calendar