

ONEOTA CO-OP BOARD SPECIAL MEETING
Spectrum Meeting Room
January 24, 2009

Present were board members: Steve P., Onita M., Lyle L., Georgie K., Joan L., and Toni S.
Absent: Keith L.

President Steve P. called the meeting to order at 10:35 a.m.

Agenda - The board wanted to discuss the logistics for the January 29, 2009 board meeting (room arrangements, whether to have a facilitator, how to handle the member question/comment period, and what message the board wanted to convey). The board also wanted to have an executive session to discuss legal issues and what information the board could disclose regarding personnel issues. Georgie asked that at least two board members volunteer to take care of clean-up at the February coop pot luck.

Meeting logistics – Georgie will get the key at noon. Board members will try to be there by 4:30 to move tables and set up chairs, with plenty of seating. The board thought it would be good to have a sound system, with a microphone for member comments and one for the board. Steve P. will check with Kepharts about rentals. The board decided that it would be helpful to have a facilitator for the member comment section. Barb Ettleson agreed to serve in that capacity. The order of the January 29 meeting will be the introduction of Troy Bond, a statement about the general expectations of how the meeting will be conducted, then the start of the regular board agenda (approval of minutes and the GM's report on the financial condition), then a board statement responding to the member comments received so far, then member comments, then the rest of the board meeting (board policy monitoring).

The meeting will be an opportunity for Troy to see how the members and the board work through challenges. The coop's members are passionate, intelligent and capable of having a civil discussion, even though we acknowledge that we may not all agree at the end of the day.

The board will prepare a written response to the member comments received so far. This will be available at the meeting and can be posted on the coop web site. The questions/comments the board should be prepared to address include:

- the board's oversight of the GM and the delegation of power to the GM
- the loss of the membership-marketing position and how those functions will be handled
- the financial condition of the coop and how it got so serious
- the board's communication with the membership about finances at the coop
- staff-board channels of communication
- whether the board will reinstate any laid off employee
- whether the board knew layoffs were going to happen and whether it supported them
- whether the members should have a direct say in important decisions

Toni moved to go into executive session to discuss legal and personnel issues. Georgie seconded. Approved unanimously by all present. The board discussed advice from counsel and personnel issues. Georgie moved to leave executive session. Joan seconded. Approved unanimously by all present.

The board discussed the message it wants to focus on at the meeting. It wants to communicate the seriousness of the current financial situation. The coop will almost certainly face more of these difficult decisions in the future. Michelle Schry had advised the board that layoffs were needed, and the board was aware of the possibility of one particular layoff, but it did not know when the layoffs

would be implemented. The board was satisfied that the decisions about all layoffs were being made based on reasonable business criteria. The board will not be able to comment about why any particular staff member was laid off. That will likely add to member frustration about the situation, but the coop is under a legal obligation of confidentiality.

At the time the coop was preparing to advertise for its first general manager, the board was aware that the transition from co-managers to a GM would be difficult, since the co-managers wanted to continue working at the coop. The board took steps to ease that transition. There was an entry in the December 20, 2006 minutes indicating that the board authorized board president Georgie K. to enter into contracts with the co-managers. That much may be disclosed. The particulars of those arrangements cannot be discussed, since they are confidential personnel matters. However, those arrangements could not be expected to go on indefinitely.

The coop exists for a purpose. The store must continue its existence in order for the coop to pursue its purpose. It must be run as a business. The board has been aware for some time that there were issues with high labor costs and low inventory turnover. It has been the board's goal for many years to have labor costs nearer to the industry norm. As part of the expansion planning, the board hired consultants to analyze store operations and make recommendations on the operational systems that would be needed for efficient management. Some recommendations were implemented, others were not.

It is common in an expansion to over-hire new staff. That happened in our expansion, and staff were not let go soon enough when it became clear that sales in the new store would not support the staffing levels that existed. The opening of the new store happened at the same time that the economy was moving into a recession. Financial reporting systems were not responsive enough to provide adequate, timely information to allow the management team to respond quickly, or to provide the board with measures for oversight. The board was not aware that there were serious financial issues until August 2008, when the second quarter financial reports were in. An audit team from the NCGA was in place in October. Then the economy sharply declined in the fourth quarter.

Many factors contributed to the current financial situation, some external and some internal to Oneota Coop. The coop will need to be a bare bones operation and focus on cash in the near term. The board has a fiduciary responsibility to protect member assets and investments. Board members are trustees. They are responsible to the membership and organization as a whole and are not intended to represent particular constituencies.

The board agreed that it would set aside an hour and a half for member comments. The time limit per speaker would be two or three minutes.

The board discussed canceling the in-service training it had planned for February 3, 2009, to save costs. Bentley L. from CBLD may be able to do a general training on policy governance for the staff, board and our new GM.

Georgie and Toni will do clean-up at the February coop pot luck. Other board members will assist as they are able.

Joan moved to adjourn. Georgie seconded. Approved unanimously by all present. Meeting adjourned at 1:30 p.m.

Respectfully submitted, Onita Mohr, board secretary