

ONEOTA COOPERATIVE BOARD MEETING
SPECTRUM NETWORK
May 26, 2009

Board members present: Lyle, Steve P. Georgie, Joan, Birgitta, Onita, , Toni.

Absent: None

GM present: Troy Bond

Nine co-op members present.

President Lyle called the meeting to order at 5:03.

Agenda Review: Certifying the board election results was added as an agenda item. Toni moved to approve the amended agenda. Georgie seconded. Approved unanimously.

Member Comments: Steve McCarger provided a letter to the board which he also read out loud. He asked the board to reconsider the policy that does not allow member access to quarterly financial reports. His letter contained a set of questions he thinks the board should be asking as part of its financial monitoring. He also noted that in the most recent Scoop, in the article about the cost of credit and debit card fees, either the dollar amount or the cost as a percent of sales must be wrong.

Lucy Schempp said what she enjoyed most about the co-op was the community aspect of the businesses, with local products and education provided within the community. She is seeing more high-end products in the store, items that may be more expensive than shoppers can afford. She does not want local products to be crowded out. She thinks items from California or Washington would be more "local" than those from Italy or Spain. She would also like to see articles in the Scoop from a variety of people.

John Klosterboer would like to see the Scoop continue to recognize staff who are leaving the co-op.

Approval of Minutes: Lyle noted that the abbreviation for the Northeast Iowa Food and Farm Coalition is "NIFF." Georgie wanted to clarify a question about the election results. There were 397 ballots counted. The total possible votes would have been 794, if each ballot had two votes. A total of 789 votes were cast, so there is a discrepancy of 5 votes from ballots that had only one vote. Toni moved to approve the corrected minutes. Joan seconded. Approved unanimously.

GM Policy Monitoring – L5, Financial Condition: GM Troy Bond had provided the board with a written report. All board members received it and had an opportunity to review it. The Financial Condition report is for the portions of Policy L5 that the board is monitoring monthly, including sales, net income and liquidity. Sales are up 2.56% so far for the quarter and up 3.82% for the year to date. The store is seeing sales increases of 9%, 5% and 10% in the past three weeks, compared to the same weeks in 2008.

Net income is on track to meet the budgeted \$64,812 by year end. Labor expense is down 23% compared to last year. Margin for the first quarter was 38.09%, exceeding the target margin of 37%. The target margin has been lowered to 35.48% for the remainder of the year to take into account the value-image program to attract price-conscious shoppers. The coop will be converting to a 4-week tie-out on payroll, accounts and depreciation so that reporting will be more timely, thus allowing more

responsiveness to changing conditions. The quick and current ratios show gradual improvement over the 4th quarter 2008. Cash has improved by \$56,434 in 2009.

The HVAC system was upgraded with a control system that will help manage the motors. Air pressure and temperature in the store have improved. This may be sufficient, so that the higher cost dehumidifying upgrade to the HCAC system will not be needed.

The CPA audit review is still ongoing and will continue for another two or three weeks. The coop started providing data to the CPA about four weeks ago.

A member asked to see a copy of the monitoring report. The board denied the request.

The board agreed that the GM's policy interpretations were reasonable, the data was sufficient and supported the report of compliance with the sections that were being monitored. Toni moved to accept the report. Birgitta seconded. Approved unanimously.

GM Policy Monitoring – L10, Board Logistical Support: GM Troy Bond had provided the board with a written monitoring report regarding the adequacy of the logistical support the coop provides to the board. The coop provides physical space, and print and electronic venues for the board to communicate with members and maintain its records. Staff time is available to assist with board governance activities such as information gathering and disseminating and board elections.

All members received the report and had an opportunity to review it. The board agreed the interpretations were reasonable, the data was sufficient, and the data supported the findings of compliance with the policy.

A member asked that the monitoring reports be available to members who are present at the meeting, so that they can follow the board discussion. Another member asked how the membership can be informed about the monitoring reports if they do not see them.

Lyle said it was a question of how much of the board meeting time should be spent on informing members about the governance process and how much should be spent on the board actually doing its work of monitoring. Eventually, monitoring reports might be moved to a consent agenda, where they would only be discussed if the board had questions or objections to the reports.

Georgie moved to accept the monitoring report. Birgitta seconded. Approved unanimously.

Steve P. expressed the boards thanks to Troy for the logistical support.

Board Policy Monitoring – G4, Board Member Code of Conduct: Lyle had provided the written report to the board members, and they had an opportunity to review it. He read it out loud, and copies of the board member code of conduct were handed out to board members for signature and to the coop members present for their perusal.

Board members must represent complete loyalty to the interests of the ownership, avoid conflicts of interest in their fiduciary responsibilities, refrain from attempting to exercise individual authority over the co-op, maintain confidentiality as needed to protect the co-op's interests and financial viability, and

contribute productively to the board's work.

Board members have a duty to self-report and to monitor other board members for violations. Board members may be reprimanded by a majority vote of the members, up to and including the requirement to resign. No reprimands or reminders as to a board member's proper role were needed in the past year. Compliance was reported in all sections of Policy G4. A correction was noted in Policy G4.3.2, in the "Data" section, "... no reported instances of board members speaking about *unresolved* matters as if they were resolved."

Board members agreed that the interpretations were reasonable, the data was sufficient, and the data supported the report of compliance on Policy G4.

Birgitta asked what policies were monitored under Policy G4.3.3. Is it board governance policies only, or personnel policies also? The board requires that there be personnel policies. It reviews them in the context of monitoring the policy on staff treatment.

Georgie noted that the prior version of the governance policies included a provision that board membership was not appropriate for a person who received a substantial portion of his or her income as a vendor to the co-op. She would like that issue to be carried forward for discussion as to whether it should be included in governance policies.

Georgie moved to accept the corrected monitoring report. Joan seconded. Approved unanimously.

Certify Board Member Election: Onita moved to certify the 2009 board election results as electing Birgitta Meade and Lyle Luzum. Toni seconded. Approved unanimously.

Report: Ad Hoc Member-Board Connection Committee: Steve P. reported for the committee. They had listened to a CBLD (Cooperative Board Leadership Development) webinar titled, "Understanding Member Needs and Motivations" and reviewed a *Cooperative Grocer* article, "Appreciating the Diversity of Member Needs and Motivations."

The *Cooperative Grocer* article identified five general categories to describe the levels of member involvement in the co-op: customers, shopping members, social members, member owners and active owners. The needs and motivations at the various levels were different. The committee had asked the board members to read the article, describe their involvement with the co-op and identify what category(ies) they thought fit them.

Georgie said she started shopping at the co-op because of organic produce and was later asked to serve on the board. She thought she had jumped levels. Birgitta said she has had many friendships with co-op members. The amount of her shopping has varied over the years. She thought the co-op should welcome people wherever they were on their food journey. Lyle said he was surprised when he moved back to the Decorah area to find that it had a food cooperative. He gradually started shopping there and joined. Toni said she walked in the door as a customer, then did volunteer work at the co-op. For a long time, she thought it was a not-for-profit enterprise, and she supported it as a good cause. Steve P. said he had been a member at many food co-ops in the Twin Cities. He felt an ideological commitment to cooperatives as a movement. Onita said she had been a member of New Pioneer Co-op when she lived in Iowa City. She joined there for the financial benefit, since New Pioneer added a surcharge for

non-members. She appreciated the cooperative business model and was glad to find a co-op when she moved to Decorah. Joan said she was an occasional shopper at the co-op for specialty items and then volunteered to serve on the board when there was an unfilled term vacancy. She thought she was working her way backwards through the levels of involvement.

The committee will try to assess how well the co-op and board understands the needs of members in all levels of involvement. Individual experiences do not give a whole picture. It is hard to tell what points of view are dominant or that any views are more valid than others. Sometimes member needs are synergistic and sometimes they can be competing or in conflict with each other. The overall goal is to provide the best shopping experience possible. The committee will explore the mechanisms for understanding and assessing member needs. One framework for doing this might be to set up a grid, with “what do people need” and “how do we know it?”

The board discussed having member-owners on the committee. Birgitta asked what would happen if the committee ended up with member-owners who had an agenda, such as food purists. The board agreed that the purpose of the committee is to have a system developed to identify a process for communication and assessment of needs. The proper medium for communication may vary, depending on the information to be transmitted and the needs and interests of the membership.

Georgie asked for a consensus to allow the committee to seek member input. Agreed. Birgitta would like the membership to be polled about how it wants to be communicated with. Member-owners can be invited to serve on the committee. The committee will take the board's suggestions into consideration.

Member in Good Standing: The board discovered in the past six months that “member in good standing” is not just a theoretical concept. It has practical implications in voter eligibility and the exercise of other owner rights. Georgie suggested looking at the bylaws and asking Troy what is done in the store now to determine good standing. Lyle thought that any definition must have criteria that are readily accessible through computer or the POS system. It must be clear and straightforward for the board and staff to explain.

Bylaw 2.3 states, “A member who has purchased a share of common stock or is current on his/her Member Share Purchase Agreement is a member in good standing and has the right to make purchases from the Cooperative as a member and to have one vote at any Cooperative meeting properly called.” The board needs to have the phrase “current on his/her Member Share Purchase Agreement” clarified before the next election cycle.

There does not appear to be authorization in the bylaws for the long-existing practice of “household membership,” allowing members of the same household to purchase under one membership number.

For the next meeting, the board would like Troy to report on what is done now to determine the “good standing” of members.

Financial Reporting: As noted in the member comment section, there is a stated desire for member access to financial data. The board began a discussion about what level of detail should be disclosed. Birgitta asked what was the reason for not allowing access to such documents as the quarterly financial reports. Different board members had different recollections about when and why the board decided that the financial information available to members would be the annual financial reports and

information reported in the approved board minutes. The quarterly reports have, in the past, often been corrected or amended, and there are seasonal fluctuations in sales and costs that could cause unwarranted concern if members were looking at them without the longer view in mind.

Georgie did not think that departmental level details were appropriate to disclose to the membership in the quarterly reports, but she would like some version of the reports to be available. Toni recommended that Troy ask the CPA doing the audit review what is customary in the industry. Lyle noted that members have concerns about the co-op's financial situation, the fiduciary oversight and asset protection. The board monitors the financial condition at least quarterly, and it has been doing so monthly since last fall.

The board would like to find a balance between transparency and protection of information from the co-op's competitors. Lyle said the co-op does not have a system whereby members can second-guess the GM or become shadow managers. He thought disclosing a greater level of detail would not necessarily provide greater clarity. There will always have to be some level of detail that needs to be summarized. Steve P. noted that there is a cost in time and focus to have the GM doing various levels of reporting.

A member commented that quarterly reports could be accompanied by some sort of disclaimer about the quarterly variations. Another member commented that denial of access to financial information makes her feel shut out and belittled.

The board will continue the discussion in future meetings.

Board Development Committee: The committee is responsible for recruiting board candidates and organizing board in-service training and education, as well as new board member orientation. Birgitta, Joan and Steve P. will serve on the committee for this year.

Ad Hoc Board Recruiting Committee Discussion: The board agreed that it would seek two or three member-owners to assist the Board Development Committee in recruiting board candidates. An invitation will go out on the Comm Post and notice should be posted on the Board board.

Ad Hoc Bylaws Review Committee: The bylaws contain a number of ambiguities that should be clarified. Lyle, Joan and Onita will serve on an ad hoc committee to review them. The board will need to determine whether the committee's charge will be to make recommendations for tweaking the existing bylaws or totally revising them. The committee members should review Iowa Code chapter 499 on cooperatives and the CGIN list-serve for board members about bylaws issues.

Board Retreat: The board agreed that it could combine an in-service training with social time to get to know each other better. Georgie has a training that could be scheduled this summer on the topic of "change."

Next Meeting, monitoring assignments: Board monitoring: Georgie will do Policy D1, and Joan Policy G1. Troy will do Policies L1 and L4 and the monthly financial update. The next meeting date is June 23, 2009 at 5:00 p.m. at Spectrum Network.

Executive Session – Personnel: Georgie moved to go into executive session to discuss personnel

matters with the GM. Birgitta seconded. Approved unanimously. The board began its executive session at 7:45 p.m. It clarified with Troy the issues regarding long-term personnel leaving the co-op. Georgie moved to leave executive session. Joan seconded. Approved unanimously. Executive session ended at 9:15 p.m.

Steve P. moved to adjourn. Birgitta seconded. Approved unanimously.

Meeting adjourned at 9:16 p.m.

Respectfully submitted,

Onita Mohr, board secretary

Documents reviewed:

Agenda

Minutes, April 28, 2009, regular meeting

Policy L10 report, Board Logistical Support

GM Report and Policy L5 monitoring updates

Policy G4 report, Board Members' Code of Conduct

Member Connection, ad hoc committee report