

ONEOTA COOPERATIVE BOARD MEETING
SPECTRUM NETWORK
September 22, 2009

Board members present: Lyle Luzum, Toni Smith, Joan Leuenberger, Georgie Klevar, Steve Peterson, Onita Mohr

Absent: None

GM present: Troy Bond

About thirty co-op member/owners were present.

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

Agenda Review: Lyle stated that the Policy L2, Staff Treatment, monitoring report should be removed from the agenda. Troy was out of town for two weeks and was not able to complete it. Steve P. asked that a proposed change in the role of the Vice President be added to the agenda. Georgie moved to approve the agenda as amended. Toni seconded. Approved unanimously.

Board Member Resignation: Birgitta Meade resigned from the board of directors effective September 5, 2009.

Member Comments: Debbie Reiling said the continuing negative attitudes and expressions are harmful to the Co-op and community. She acknowledged the pain that members felt but asked them to move forward.

Ruth Hampton asked the board to acknowledge the stage of the changes the co-op is in and examine current realities. Former staff members thought that board policies and personnel policies were not being honored. She said she had a letter to that effect from former staff members but it was not signed and she did not provide a copy to the board.

Steve McCargar read a letter that he had provided to the board before the start of this meeting and read the last paragraph of his previous month's letter to the board. When he went over his three minutes of speaking time, Lyle asked him to sit down. Steve M. did not do so. Lyle and Georgie directed him to sit but he read until he was finished. His September 22, 2009 letter was in regard to staff surveys and whether the board would seek one if the GM did not as part of the Policy L2 monitoring of Staff Treatment. The portion he read from his August letter to the board concerned criticism of Troy's performance.

John Snyder made comments critical of Troy's behavior.

Lyle interrupted the member comment time to state that all comments should be directed to the board. It was the board's meeting, not the general manager's, who was not really in a position to respond. Personal attacks on Troy were not appropriate.

John Klosterboer said he was sad at Birgitta Meade's resignation from the board. He asked if the board could give commenting members some idea of when it might respond to their questions or comments. He acknowledged that for the board to speak with one voice it might need some time to deliberate, but he thought it would be helpful if there was a section of time at meetings when the board was

responding to previous month's comments and questions.

Emily Neal said she, too, was sad for the loss of Birgitta. She suggested that Andy Johnson be asked to fill the position. She thought there needed to be some other method of communication for the membership, because the member comment time was not working.

Members requested additional time for comments. Toni moved to extend the comment time by five minutes. Georgie seconded. Approved unanimously.

Don Maxilla said he would like answers to Steve McCargar's questions.

Mary Hart said she has been a working member for a long time. She is seeing pain and stress in the co-op staff and a lot of people are leaving.

Laura Kemmer said many long-term employees had left the co-op at a time of general economic distress, without necessarily having new jobs to go to. What did that mean? It could be rationalized by saying they were unable to accept change, but she did not think that was likely.

Board Member Comments: Georgie said everyone present at the meeting cared about the Co-op. The board has heard positive comments about the direction of the store. Many feel that OCC has become a more welcoming place for all of the Decorah community. Steve P. said that, as individuals, we should not assume we know what other people are thinking or feeling. Lyle observed that board members have not been having much enjoyment from meetings, either. He said he has to steel himself for the monthly meetings. He has heard from members who think the board does not know what is going on. He thought it did, and for the most part, the board has supported what has been done at the store.

Approval of August 25, 2009 Minutes: Toni moved to approve the regular and executive session minutes. Joan seconded. Approved unanimously. Georgie asked Troy to post the clarification in the "member in good standing" policy on the board board. He will do so.

POLICY MONITORING CONSENT AGENDA:

Items on the consent agenda were Policy L5, Financial Condition (sections 1 through 4, ongoing update), Policy G10, the Board Secretary's role, and Policy G9, the Board Treasurer's Role.

Joan moved to accept the reports. Georgie seconded. Steve P. said he had a question on the report on the Treasurer's Role. In that event, the report should not be on the consent agenda. The motion was defeated unanimously. Steve P. moved to remove the Policy G9 monitoring report from the consent agenda. Toni seconded. Approved unanimously. Toni moved to approve the remaining consent agenda items, L5 Financial Condition and G10 Secretary's Role. Joan seconded. Approved unanimously.

The Policy L5 Financial Condition report stated that, so far, third quarter sales were up about 9% over last year's third quarter. This is the largest sales growth of any quarter in 2009 and is above average compared to other co-ops in the NCGA. Net income is up. Labor costs and hours are down compared to last year.

The current ratio was 1.27, the quick ratio was .32. The ratios take a dip at the end of each month when taxes and loans are paid and cash-on-hand is tight. Troy noted that OCC has been in a rather flat cash position. The store is unable to make sustainable gains when sales are below \$65-70,000 per week. Labor costs have largely been controlled, but sales are vulnerable to outside factors. For remediation, Troy planned to keep costs to a minimum while increasing sales. No capital projects or new equipment purchases are planned for the remainder of 2009.

The debt to equity ratio continues to fall. As of September 21, 2009, it was under 2.97, down from 3.12 in August 2009. The Co-op is still highly leveraged, but it has made great strides in controlling spending and reducing its debt.

Compliance was reported on Policies L5.1 and L5.2 (sales and net income), and noncompliance was reported on L5.3 and L5.4 (liquidity and solvency). Although noncompliance was reported on the last two sections, the Co-op is stabilized and moving in the right direction to recover financially.

The Policy G10, Secretary's Role, states that the secretary shall ensure the integrity of the Board's documents. The secretary had duties for maintaining minutes and other board documents. Compliance was reported on all sections except that recent changes to the policy register had not yet been updated.

REPORTS:

GM Monthly Report: Troy reported that sales had been doing well, except for a dip in the last few weeks. He is starting monthly inventories through an independent service, because it appears there was a theft of \$10,000 in wine over the past year. Troy is working with the Decorah Police Department on the theft.

The Co-op will have "Back to Cooking School" starting soon. The downstairs meeting room has new flooring with an island and stove. There will be a "Taste of the Holidays" event in November. A complete holiday meal will be available for a \$10 donation, the proceeds to benefit the local food pantries. The October pot luck program will also be on food pantries.

Troy attended the NCGA meeting in Seattle. The NCGA is recommending more frequent change-outs of end-caps. Pricing with UNFI is being reviewed. The NCGA has developed a "co-op" brand logo. This will be used in conjunction with "core sets." Stores displaying the logo will have a core set of products, so that shoppers will know they can expect to find them.

Troy and the other central corridor general managers are starting to do quarterly conference calls. They are sharing weekly sales figures and other data. Most co-ops have rebounded from the economic downturn. They are leaning to be nimble, to respond quickly to changing conditions.

There are over 800,000 member owners in the co-ops that belong to the NCGA. The NCGA is looking at doing some legislative advocacy to promote the cooperative business model.

OCC may be able to use some consortium services through the NCGA to get assistance in the human resources and information technology areas, as well as possibly a health benefit plan.

The central corridor will have three more co-ops joining the NCGA in the next year.

Troy will be doing a store audit at the Winona co-op in October. There will be a grocery department reset in October.

Ad Hoc Committee Report – Bylaws Review: The committee had compiled a list of bylaws that needed minor changes. Those changes were noted in a draft document provided to the board and to member-owners at the meeting. For discussion, see the “Action Items” below.

Board – Member Communication Committee Report: Steve P. provided a report. The committee recommended that the board have a regular mechanism to explore the board/member-owner connection. There are various aspects to the connection, including communication, board education and member-owner education.

The board is aware that there are communication issues. The Co-op has a diverse membership with differing, and sometimes conflicting, needs. The board discussed whether to have a permanent board/member-owner connection committee. Georgie said that although she is generally reluctant to add standing committees, this one would be worth while. Toni thought it would be a purposeful way for the board to gather information.

Steve P. offered to draft a committee charter. One of its charges will be to plan how the board will communicate with member-owners over the next year. A possible option would be to have quarterly forums either in a town hall or focus group format. Lyle noted that the pace of change in electronic communication is creating expectations that cannot be met. Member-owners should not expect that the OCC will create a Facebook page or Twitter.

ACTION ITEMS:

Policy change recommendation, Policy G4.4, Board Code of Conduct: This was the third reading of the proposal to amend Policy G4.4 regarding disclosure of an abstracted quarterly financial report to the co-op membership. Board members had previously reviewed the draft revision. Toni moved to approve the amendment to Policy G4.4. Georgie seconded. There was no discussion. Approved unanimously. Georgie said the abstracted quarterly reports would be available at meetings and at the Co-op.

Steve McCargar said he still thought members should have access to the full quarterly financial information.

Bylaw, minor change recommendations: A list of bylaws that need minor changes was provided to the board and was available for members present at the meeting. The board noted a correction that was needed in the draft changes. “*Principle* office” should be “*principal*.”

The proposed changes include updates to language to reflect current usage. “Board Policy Manual” would be change to “Board Policy Register,” and “management” to “General Manager.” Duties of the board president, secretary and treasurer would be changed by removing functions that are not within those officers' control. The duty to direct litigation would be removed from the president's duties, the duty to oversee the maintenance of membership records would be removed from the secretary's role, and the duty to oversee the financial affairs of the cooperative would be removed from the treasure's

role. The treasurer would have the duty to oversee the board's budget and ensure that all required reports and returns were filed.

“Gender identity” would be added to the nondiscrimination provision. Bylaws 7.2 (special meetings) and 8.7 (amendment) would be clarified. Bylaw 7.2 refers to special meetings of the board, not the membership, so “*of the board*” will be added to that section. Bylaw 8.7 for amending the bylaws would be changed to clarify what “three fourths vote of the members” means. It will mean three fourths of the ballots cast at a meeting or returned prior to the meeting.

A member asked if the articles of incorporation had any provisions about the process for amending the bylaws. The board did not have the articles at hand but it will check.

The changes proposed in this set of recommendations are minor and will be voted on by the board. The amendments can be adopted if there is unanimous approval. Other bylaw changes will also be needed. Those involving more substantive changes will be presented to the membership for approval. This is the first reading of the proposed changes. They will be posted on the Board Board, in the minutes binder and sent out in a Comm Post. The board will have the item on the agenda for three months and vote on approval in the third month.

Recommendation to create a college student share payment option: Troy recommended that the coop create a student membership payment plan option. It would encourage students to shop at the coop, eat better, and allow their parents to purchase declining balances for them. College students value the community aspects of the coop and the good food but do not necessarily care about voting and governance.

The board thought it would need to review the articles and bylaws to see whether the share payment plan could be different for one group of members. It might not be possible to call something a “membership” that did not have the same privileges and obligations as other members.

Joan suggested that it might be possible to have “student affiliates” who were not members but could have some discount privileges. The board consensus was that Troy could proceed with this as a discount category, since discounts are within the prerogative of the GM. Troy will submit a proposal.

Recommendation for a process to complete the Ends Policies: Steve P. said the Ends Policies are in their third version after two member-owner comment sessions. The board will use this as the working draft and put the item on the agenda for three months before voting on approval. Time will be set aside for member comments during that segment of the meetings.

Amendment to the Vice President's Duties: Steve P. had provide the board with a proposed amendment to the vice president's duties. It would give the vice president the duty to compile results of the GM and board policy monitoring reports and keep them in a summary form for GM evaluations and for board self-monitoring.

Georgie moved to adopt the amendment, which would be designated as Policy G8.2.1. Joan seconded. No discussion. Approved unanimously.

CONSIDERATION OF CONSENT AGENDA ITEMS PULLED FOR FURTHER DISCUSSION:

Board Policy Monitoring – G9, Treasure's Duties: Joan had stated in her report that the in order for the treasurer to monitor that the board's spending is staying within budget, she should have a quarterly report of what has been spent on board expenses. Troy said the Deb Reiling could compile that.

Toni moved to accept the Policy G9 monitoring report. Georgie seconded. Approved unanimously.

OTHER ITEMS:

Next month's policy monitoring: The GM monitoring will be the quarterly report on Policy L5, Financial Condition, and Policy L2, Staff Treatment. Georgie will do the board report on Policy G2.2 through G2.5, Board Job Description. Lyle will do Policy D4, Monitoring GM Performance.

Member question. Steve McCargar asked if the board would not be discussing the financial updates if they were on the consent agenda. Lyle said that was correct. There will be a summary in the meeting minutes, and Troy gave highlights in his oral report.

Executive Session: Toni moved to go into executive session to discuss personnel matters . Joan seconded. Approved unanimously. The board entered executive session at 6:38 p.m. It discussed personnel matters. Joan moved to leave executive session. Georgie seconded. Approved unanimously. The board left executive session at 8:15 p.m.

Adjournment: Steve P. moved to adjourn. Joan seconded. Approved unanimously. Meeting adjourned at 8:16 p.m.

Next meeting: October 27, 2009 at 5:00 p.m. at Spectrum Network.

Respectfully submitted,

Onita Mohr, board secretary

Documents reviewed:

- Agenda
- Minutes, August 25, 2009, regular meeting and executive session
- Policy L5 report, Financial Condition (update)
- Policy G9 report, Treasure's Role
- Policy G10 report, Secretary's Role
- Policy G4.4, Board Code of Conduct, proposed changes
- Policy G8.2.1, Vice President's Role, proposed changes
- Draft bylaws revisions