

ONEOTA COOPERATIVE BOARD MEETING  
SPECTRUM NETWORK  
January 26, 2010

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

Absent: None

GM present: No

Six co-op member/owners were present.

President Lyle Luzum called the meeting to order at 5:04

Agenda Review and Approval: An item was added to the agenda to change the bank signature card authorization. Georgie moved to approve agenda as amended. Toni seconded. Approved unanimously.

Conversation (member comment section): Georgie said the board had generally just listened during the member comment section. This time she wanted to make a statement in response to some previous member comments.

Georgie said the board has been criticized in past months, both for being too “hands off” in staffing decisions and for engineering recent staff terminations and resignations. Neither is true. The most recent criticism concerns the financial manager position. The board and the OCC's general managers over that past few years have been aware that there was a need for a financial manager position that would have new work hours and duties. Interim GM Michelle Campe went forward with creating the position. Although she advised the board of her intentions, the decision was an operational one that was within her authority.

The board's role in monitoring staff treatment is governed by its policies. It has not been, and should not be, involved in individual staffing decisions. The board has operated under policy governance since 1996. It has become more rigorous in monitoring the GM's and its own compliance with the policies in the past two years. As the board monitored the staff treatment policy, it became aware that a more explicit governance policy was needed regarding the store's staff grievance procedure, and it made that change last month. Georgie said she felt strongly that policy governance has been a good system and that the board had practiced due diligence.

The current Policy Register was available as a handout for the member/owners who were present. Lyle said it would be posted, with recent additions and amendments, on the OCC web site and a hard copy will be included in the board binder at the customer service desk. The handout contained proposed policy changes that the board would take up as first readings at this meeting. Bylaw 5.1 charges the board of directors with creating policies that specify the procedure the board is to use to carry out its financial and legal obligations to the Co-op and the membership.

A member commented that she was grateful for the change concerning the grievance procedure and wished it might have been in place earlier.

A member commented that the board had said former managers were generally barred from serving on a company's board for some time after they leave the employer. He said he did some Internet research and found that chief executives served on the boards of 20% of Fortune 500 companies. Joan responded that in corporate governance there is a strong preference to separate the roles of president and chief executive officer. It is likely that the CEO's were already on those boards. Steve P. said it was common sense that an organization had to be able to move beyond its former leadership.

A member commented on the "College Cooperator" program. He thought it undermined the value of a membership share by allowing non-members to have discounts. In 2005 the board voted to limit the financial impact of discounts and not allow them to non-members. This program appears to be contrary to that earlier board decision.

Steve P. said the comment raised an issue that the board had already talked about and decided. When the college student discount was proposed by the GM last year, the board discussed it and said it must be distinguished from a "membership." Beyond that, it was an operational decision for the GM to determine discounts. Steve P. wondered how often the board should have to revisit its decisions. There was also the issue of how the board interprets policy governance now versus how it did that in 2005. The board would not now make detailed restrictions as to discounts without first amending the Policy Register.

Another member commented that the "College Cooperator" program was well presented in the Scoop, but there may be questions as to which students are eligible and how many years can they get it. It may represent a diminution of share membership to allow non-members some of the benefits of membership.

Lyle said the board delegates the responsibilities of operations to the GM. There are a lot of things in operations that are designed to bring people into the store. The GM needs to do a balancing to increase sales and maintain shareholder value.

The board will need to decide if it wants to put the College Cooperator issue on a future agenda for discussion.

This section of the meeting ended at 5:45 pm.

Approval of Minutes: Joan moved to approve the minutes from December 17, 2009. Toni seconded. Approved unanimously.

CONSENT AGENDA: Toni moved to approve the consent agenda report on G2.1, Board Job Description. Robert seconded. Approved unanimously.

The Policy G2, Board Job Description, monitoring report summary is as follows. The global policy statement is "The job of the Board is to represent the member-owners in ensuring appropriate organizational performance." Policy G2.1 states that the board will act as a link between the member-owners and the business they own. They will educate themselves about the values held by the members and report on board activities, decisions and compliance with board policies. Policy G2.2 says the board will enact written policies that address the broadest levels of all organizational decisions and situations, including Ends, Governance Process, Board-General Manager Delegation, and

Executive Limitations. Policy G3 says the board will assure GM performance through monitoring Ends and Executive Limitations policies. Policy G2.4 says the board will monitor its own performance through monitoring the Governance Process and the Board-General Manager Delegation policies. Policy G5 says the board will perpetuate itself through recruitment of board candidates, training, and ongoing professional development.

The board communicates about its activities through the Scoop, Comm Post and board minutes, and receives member comments at board meetings and through e-mail. It is creating a standing Member-Board Linkage Committee to plan and carry out regular activities to foster communication to and from the membership.

The board has recently completed the Ends Policies and has monitored GM and board performance on a regular basis through systematic policy monitoring. The Co-op underwent its first independent financial review this year. The board has discussed developing a schedule of periodic external reports to validate data provided by the GM, including CPA financial reviews, audits and staff surveys. The board has reflected on the policies as part of the monitoring process, amending some and proposing amendments to others.

The board, with the assistance of some volunteer member/owners, developed a clearer process for board recruitment in the past year. It also worked on professional development through webinars offered through Cooperative Board Leadership Development (CBLD) and an in-service workshop about "Dealing with Change."

Compliance was reported on all segments of Policy G2.

[The board is not requiring the interim GM to file monitoring reports, so there were no written reports on Policies L5.1 through L5.4 (Financial Condition update), L8 (Communication and Counsel), or L10 (Board Logistical Support). The items are kept on the consent agenda for the board to track the items that need to be carried forward.]

## REPORTS:

Financial Update: Steve P. reported that for the first three weeks of January, sales were up 7% over last year. The board has received weekly updates on sales, labor costs and the quick and current ratios, all of which are generally improving. Michelle has reported problems with the POS system and tracking inventory from one department to another. The previous GM and the current Interim GM have looked into new POS systems. One system that many co-ops use costs \$10,000 per machine, which would be \$40,000 for our store. Lyle said it would be something for the new GM to evaluate.

Board Development Committee – Candidate Nominations, Forum Time: Georgie reported. The committee recommended that the board nominate Dennis Potratz, Joan Lubke, Bill Pardee and Jon Jensen as candidates for the board. A candidate forum is scheduled for February 11, 2010 at 7:00 pm at the Decorah Senior Center. Each candidate will have 3 minutes to make a statement. The board will have one or two questions. The audience will be able to ask questions. Then the candidates can make a closing statement. The total time will be about 90 minutes.

A member asked why the opening statement time could not be more than 3 minutes per candidate.

Georgie said the committee did not want the forum to go on forever. Candidates will be able to do a one-page statement that will be published at board expense.

Toni moved acceptance of the committee recommendations. Joan seconded. Approved unanimously.

#### ACTION ITEMS:

Board Policy Change – Policy G4, Board Code of Conduct: Lyle gave a summary of the reason for the proposed change. Board members can only give directives to the GM as a board, not as individual board members. They should not act on their own in ways to pressure or control the GM. Given that, how can one board member appropriately bring a concern to the GM's attention? The proposed amendment to Policy G4 defines a process for bringing the issue before the board for discussion.

The proposed change is an attempt to balance the interests of the board and the GM. It reinforces to the GM that he/she is responsible only to the board as a whole, not to individual board members. On the other hand, it creates a mechanism for a board member with a particular concern to have the matter addressed. The board member should first take the matter up with the board president. If the president does not find the issue worth passing on to the GM, the board member may, with the agreement of one other board member, call a special board meeting on the issue. This is consistent with Bylaw 7.2.

The proposal is a method of solving the problem of the frustrated board member who wants to bring issues to the GM. The GM should not have to respond to the demands of seven individual board members, only to the approved resolutions of the board as a whole.

The board thought it would be good to get this policy in place before a new GM starts. There was a question as to some ambiguity in who the word “them” was referring to in the first sentence. There was board consensus to change the word to “these concerns.”

A member commented that if the board president, who speaks to the GM on a regular basis, starts crossing the line, what can the GM do? Lyle said the GM needs to ask if the directive is really coming from the board. A member asked if the board president gives instructions to the GM orally. Lyle said the GM did not need to obey instructions that were not approved resolutions of the board. If other board members suspect that the president is acting out of bounds, they need to reign in the president. The GM should keep a check on this, and so should the board.

Steve P. moved to approve the first reading of Policy G4.6, with the amended language, and carry the item to next month for a second reading. Onita seconded. Approved unanimously.

Board Policy Change – Policy L1, Treatment of Customers: Lyle said the proposed new Policy L1.1.1 would require that the Co-op have a merchandising policy that balances the needs of a diverse customer base with the Co-op's stated organizational Ends and the successful operation of the store. It would be up to the GM to interpret the policy and show how he/she has done the balancing and how the merchandising policy is updated at reasonable intervals. Policy L1.1.1 does not say what should be in the store merchandising policy, but it says it should be balanced.

A member asked if member/owners will be able to see the merchandising policy, so they can know if the Co-op is choosing products in a way consistent with their own processes, or if they need to do their

own research. The board said that it would be up to the GM. Policy L1.1.1 as proposed is a starting point. The board will not know until it has been interpreted and monitored whether it is working or needs refinement.

A member commented that the merchandising policy might be proprietary, something the Co-op would want to keep from its competitors. Another member said that other co-ops have made their policies known and used them as marketing tools.

A member said that if the merchandising policy is not made available, customers will have to spend a lot of time with staff getting questions answered. The board thought that this would be an operational issue for the GM to consider. There is a balance. A certain level of staff time spent talking to customers might be a good thing. Too much time might have an impact on productivity.

A member asked what would happen if the GM had a store merchandising policy but did not follow it. The board felt that this should become apparent when the board monitors compliance with the policy.

There were additional member comments about the value of having the merchandising policy made public. Board members were understanding of the request but did not want to make that mandate part of Policy L1.1.1 right away. Lyle said that future interpretation and data will show whether there is compliance or not. If the board started from the most restrictive set of governance policies, it would end up with a policy manual that leaves no room for GM to be creative.

Toni moved to approve the first reading of Policy L1.1.1 and carry the item to next month for a second reading. Joan seconded. Approved unanimously.

Committee Charter – Member-Board Linkage: Steve P. provided the draft charter, which would create a standing committee to help the board fulfill duties set out in Policies G2, Board Job Description, and G6, Governance Investment, regarding communication and linkage with members. The committee would be composed of three board members. Member/owners may be invited to participate. The committee will be charged with developing short and long-term strategies for the board to communicate with the membership about board business and seek ways to receive member feedback. Board members asked if it having bi-monthly reports from the committee was realistic. The board agreed that quarterly reports would be more feasible.

Board members on the committee right now are Steve P., Toni and Onita. They will meet and create a plan for the year.

Georgie moved to accept charter with the change of “bimonthly” to “quarterly” reports. Joan seconded. Approved unanimously.

Committee Charter – Board Development: Steve P. provided the draft charter. The Board Development Committee also has duties that are set out in Policies G2 and G6. It will be charged with identifying and recruiting well-qualified board members, developing an application and screening packet, screening candidates, developing an orientation process, providing a bimonthly written report to the board on the committee's activities, and planning board training.

Toni moved to accept charter of board development committee. Robert seconded. Discussion. The

board discussed whether by-monthly reporting would be necessary for this committee and agreed that it would. Motion approved unanimously.

Board Calendar for 2010 (updated): The updated version of the calendar reflects the move of the officers' reports to the end of their terms relative to the board election cycle. Joan moved to approve the calendar. Toni seconded. Discussion. The committee reporting schedule will need to be added to the calendar. Approved unanimously.

Assessment of Membership Share Payments: Georgie moved to assess the \$20 membership payment due to maintain "member in good standing" status for those whose share is not paid up (per article VII Section I). Toni seconded. Approved unanimously.

Election Campaign Guidelines: Steve and Lyle reported that they had discussed campaign guidelines with the board's Cooperative Board Leadership Development (CBLD) consultant and with Marylin Scholl. There have been instances where co-op elections have been nullified due to campaigning in the store. During the period of voting, the store is a polling place, and as such it should be a neutral place.

The draft campaign guidelines say that candidates can prepare a statement before election, and they can campaign outside of the store, but in-store campaigning is not allowed. On the first report of a violation, a warning will be issued. The second, if substantiated by the Board Development Committee, will disqualify the candidate from the election.

Board members discussed how the guidelines should be publicized. The candidates need to be advised, as well as employees, and the policy should be posted at the store. It should also be published in the Scoop.

Board members discussed how the policy should be enforced. The GM and the GM's designees should be authorized by the board to ask violators to stop. Any incidents should be reported to the Board Development Committee or to other board members, not to the "outreach coordinator" as stated in the draft guidelines. Staff members should not express opinions in the store about any of the items on the ballot.

The space outside the store is public property, and no rules can be made concerning it. However, the board hopes that candidates and their supporters will be respectful of shoppers who simply want get to the store. The board asks that those who campaign outside the store not impede the flow of customer traffic.

Toni moved to approve the Election Campaigning Guidelines as amended and discussed. Georgie seconded. Approved unanimously. The campaign guidelines are an interpretation of the election process. They will be part of the Board Development Committee's materials.

Bank Signature Cards: Toni moved to approve making the financial manager a signatory on all appropriate bank accounts. Robert seconded. Approved unanimously.

Approval of action taken outside of a meeting: The board, consistent with Bylaw 7.5, signed a statement confirming action it took outside of a regular meeting in approving an interpretation of "member in good standing" on January 13, 2010. The interpretation is that memberships may be

purchased at any time, and the start date for that membership is the calendar year of purchase. The board will formally assess the \$20 annual share payment, for those purchasing memberships by installment, at its first regular meeting in each year (January). The due date for the share payment is March 1. Members may “pay ahead” by paying more than \$20 per year. If the installment payment is not made by March 1, the member is no longer considered to be in good standing and member benefits will cease until the payment is brought up to date. No discounts or voting privileges will be retroactively applied relative to the date of payment.

The board approved the interpretation outside of a regular meeting so that notices could be prepared for mailing to affected members by February 1.

Next Month's Monitoring: Board report on Policy D, Global Governance-Management Connection. will be done by Steve. The GM reports scheduled are on L9, GM Succession, and L5, Financial Condition .

Next Meeting: February 23, 2010, at 5:00 p.m. at Spectrum Network.

Executive Session – Personnel: Robert moved to go into executive session to discuss personnel issues. Toni seconded. Approved unanimously. Executive session began at 7:10 pm. The board discussed personnel issues, including the GM search. Onita moved to leave executive session. Toni seconded. Approved unanimously. Executive session ended at 7:50 pm.

Onita moved to authorize the board to seek a legal opinion on the confidentiality issue discussed in executive session. Steve P. seconded. Approved unanimously.

Adjournment: Toni moved to adjourn. Steve P. seconded. Approved unanimously. Meeting adjourned at 7:51 pm.

Respectfully submitted,

Onita Mohr, board secretary  
Rachel Breitenbach-Dirks, scribe

Documents reviewed:

- Agenda
- Minutes, December 17, 2009, monthly meeting, regular and executive session
- Policy G2.1, Board Job Description, monitoring report
- Draft amendment, Policy G4, Board Members' Code of Conduct
- Draft amendment, Policy L1, Treatment of Customer
- Draft Committee Charter – Member-Board Linkage
- Draft Committee Charter – Board Development
- Board Calendar 2010
- Election Campaigning Guidelines