

ONEOTA COOPERATIVE BOARD MEETING
SPECTRUM NETWORK
February 23, 2010

Board members present: Toni Smith, Joan Leuenberger, Georgie Klevar, Steve Peterson, Onita Mohr, Robert Fitton
Absent: Lyle Luzum
GM present: No
Three co-op member/owners were present.

Vice-President Steve Peterson called the meeting to order at 5:03.

Agenda Review and Approval: No additional items were added. Toni moved to approve the agenda. Joan seconded. Approved unanimously.

Conversation (member comment section): A member/owner said the Downtown Decorah Betterment wants to make a park in the public parking lot next to the Co-op. He recommended that there be a board presence at their meetings.

Member/owners commented about the board proposing bylaw changes for the March ballot without there being any chance for member input or education. Board members responded that due to the amount of board time spent on the GM search, they did not get the draft changes ready in time for the January board meeting. The board wanted to get the changes ready to be sent with the election ballot in March, because otherwise a special meeting of the membership would have to be called and a separate mailing done. Even at bulk rates, a mailing to the membership costs about \$1000. The board agreed that ideally, it would have been better to have the proposed changes out earlier. However, member/owners will have about a month to review and consider the bylaw proposals before the ballots are due.

A member/owner commented that the board member code of conduct handed out at the candidate forum did not have the proposed policy amendment included. He thought the proposed change was substantial, something the candidates should have been able to see on the handout. He interpreted the proposal to mean that board members could not ask the GM questions without the approval of the board president. He encouraged the board not to adopt the change at this meeting. Board members disagreed with that interpretation. The amendment is intended to govern board member behavior outside of a board meeting. Board members could still ask individual questions of the GM at a board meeting. Member/owners suggested that the language be clarified.

A member/owner asked if the quarterly financial information provided at this meeting was subject to change. Joan responded that yes, it could change. Depreciation is included, but there could be adjustments. Final numbers will be completed in March.

Approval of Minutes: Joan moved to approve minutes from January 26 and February 6. Robert seconded. Approved unanimously.

CONSENT AGENDA: GM monitoring of Policies L5 Financial Condition and L9 GM Succession and board monitoring of Policy D, Global Governance-Management Connection.

Georgie moved to approve the Policy D report. Toni seconded. Approved unanimously.

A summary of the monitoring report for Policy D, Global Governance-Management Connection, follows. The global policy statement is, "The Board's sole official connection to the operational organization, its achievements, and conduct will be through the General Manager."

The board interprets this to mean that: 1) the board will supervise only the GM, not store staff; 2) the board as a whole is the supervisor of the GM, not individual board members; 3) the board holds the GM accountable for store performance with respect to the board's written policies; 4) the GM must present a "reasonable interpretation" of the board's policies and the board should accept "reasonable interpretations." The board may change its policies at any time, thereby clarifying, opening up possibilities or restricting possibilities for GM action in the future; and 5) the board may gather information about GM performance through various means, including GM reports, direct inspection and external reports.

Evidence of compliance with the global policy is the compliance with all sub-policies, including D1 Unity of Control, D2 Accountability of the GM, D3 Delegation to the GM and D4 Monitoring GM Performance. Compliance was reported.

[The board is not requiring the interim GM to file monitoring reports, so there were no written reports on Policies L5 (Financial Condition) or L9 (GM Succession). The items are kept on the consent agenda for the board to track the items that need to be carried forward.]

REPORTS:

End-of-Year Financial Update: Steve P. reported based on preliminary 4th quarter and year-end figures. Yearly sales for 2009 were up 5.33% compared to 2008, at just over \$3.2 million. Sales were up \$10,000 from 3rd quarter to 4th quarter. Margin was 39.14%, which is a bit high.

Fourth quarter payroll was down \$6000 compared to 3rd quarter, and 2009 payroll was down \$114,000 compared to 2008. Labor as a percent of sales was 24.96% for 2009, compared to 30.03% for 2008. Some other expenses rose compared to 2008, cutting into the savings from labor. The marketing expenses were up \$11,000, as OCC sought to reach a broader audience. Overall, expenses decreased by \$73,000 compared to 2008.

Quick and current ratios, and the debt-to-equity ratio steadily improved over the year. The quick ratio was .42 at year-end. The NCGA benchmark is .70. The current ratio was 1.18, with the NCGA standard being 1.25. The debt-to-equity ratio is coming down as OCC pays off loans. The NCGA benchmark for debt-to-equity is 3.00. OCC's was 3.31, down from 3.68 a year ago.

Net income for 2009 was \$5034, compared to -\$113,000 for 2008. Net income was 0.16% of sales. The NCGA benchmark for net income is 0.5% of sales.

Overall, the board thought the OCC financial condition was moving in the right direction. Interim GM Michelle Campe has been keeping a cap on labor and other expenses. When David Lester starts as GM, he may choose to do some investing in the future, so some expenses may go up.

Board Development Committee: Steve P. provided a report. The committee will create a document outlining the election process for future boards, including a time-line, activities, recruitment, balloting, voting, counting, electioneering, etc. This could be developed into a procedures manual to be kept by the Vice President.

There will be a board retreat on either May 8th or 15th. Board members and candidates have been asked to keep the dates open. The board's CBLD consultant, Art Sherwood, will attend and facilitate some training on the board's role in policy monitoring and what the board's next work is now that the ends policies have been adopted. The GM should be invited to attend as well. A venue has not been chosen. It could be in the Co-op basement or in someone's home.

The committee suggested some topics for board learning in the coming year. The retreat will be one component. There will be a new board secretary after Onita leaves. The board will want to support the person in that role through training. The board may need to have some discussion about what it wants included in the minutes. There is some information on board minutes available through CBLD and other sources. Other topics for board learning included GM evaluation and compensation, policy monitoring, addressing member complaints and staff requests for a presence on the board.

At some point it would be useful to create a calendar on board learning. The committee did not propose one at this time because there will be three new board members in April. It will assess the needs after orientation. The committee will meet in March to put together some materials for board learning about meeting minutes for the April meeting.

Board-Member Linkage Committee: Steve P. provided a report. The annual membership meeting is one of the board-member linkage events. The board discussed what it would like to report on at this year's meeting. There have been a number of policy changes and some permanent committees formed, including this one. The board could highlight the changes.

The committee recommended that there be two informational meetings for board-membership communication during the year, in addition to the annual meeting. These would be scheduled in June and October. These meetings would provide a venue for the board to report what it has been working on and to hear member input. A possible topic for the June informational meeting might be a discussion of how governance policies are monitored.

The committee proposed a calendar for its own meetings and for planning the year's linkage activities. There will be an annual board survey of the membership to monitor the board-member connection. Member/owners may be invited to participate on the committee for designated projects or purposes.

Georgie commented that the annual meeting was inadvertently scheduled on a religious holiday this year. The board may hear comments about that. It is something to bear in mind when setting the date for future annual meetings. The articles of incorporation require the annual meeting to be held within four months of the close of the fiscal year. In 2008, the Co-op changed its fiscal year to coincide with the calendar year. Therefore, the annual meeting must be held before the end of April.

The committee also proposed developing some checklist or protocol to facilitate the information flow from the board to the membership. Different board members have different responsibilities for creating

documents. The president creates the meeting agendas, the secretary, the minutes, the treasurer in conjunction with the GM, the quarterly financial summaries. These items get posted in various places. It would be helpful to have those places noted and to determine who is responsible for seeing that they get posted.

Election Progress: Georgie reported that the annual meeting packets will be ready to mail out by the end of the month.

A member/owner commented that approval of the bylaw amendments was on this meeting's agenda. He wondered if the board had printed the ballots for the bylaw amendments before approving them. Onita said the board had done a preliminary approval at its February 6, 2010 special board meeting. The member/owner thought it would have been a better process for the board to discuss the proposed amendments at some regular monthly board meetings so that members could comment. Joan said the board had done so for the bylaw amendments that it had adopted by unanimous board approval, because members would not have had any other voice in that process. However, the membership will have a voice in these amendments because they will be voting on them. The board is including a written explanation of why each change is proposed, and the membership will have about a month to consider the amendments.

The board's recollection was that the last time major amendments were proposed, to permit preferred shares, there had been no advance discussion with the membership. It would be a better process to do so, but time constraints did not permit it.

ACTION ITEMS:

Board Policy Change – Policy G4, Board Code of Conduct: Robert moved to insert into the first sentence of 4.6 “outside the context of a board meeting” after “GM” and approve the amended language as the second reading. Toni seconded. Discussion. The board thought this was a good clarification. Approved unanimously.

Board Policy Change – Policy L1, Treatment of Customers: Joan moved to approve second reading of changed policy L1 treatment of customers. Toni seconded. Steve P. read the proposed change out loud at the request of a member/owner. No discussion. Approved unanimously.

Approve Bylaw proposals to be put on ballot for member approval: A member/owner asked if there were copies of the proposed amendments available to look at. The board did not have copies. Onita said they were summarized in the approved February 6, 2010 minutes and provided that information.

The member/owner questioned whether the board's proposed change to Bylaw 4.2, regarding what can be done at a special meeting, was consistent with state law. The board thought it was.

Georgie moved to approve the bylaw changes for submission to the membership. Toni seconded. No further discussion. Approved unanimously.

Clarify definition of “business” under Bylaw 2.2 for membership eligibility: Georgie moved to clarify the definition of a “business” under Bylaw 2.2. Toni seconded. Discussion. Onita said the second cooperative principle includes the idea of “one member, one vote.” Individuals who operate sole

proprietorships or businesses under trade names have no separate legal identity from their businesses. Therefore, they should not be able to purchase a membership share under both the individual name and the business name. To be a separate legal identity, the business would need to be incorporated or be a partnership.

The Co-op's POS system shows some businesses as accounts. Accounts cannot vote. A business that has a membership is required to designate who is authorized to cast the vote for the business.

Onita asked to expand the motion, to clarify the definition of "business" under Bylaw 2.2 to mean a corporation or partnership, not a sole proprietorship or an individual doing business under a trade name. Georgie and Toni consented to the change in the motion. No further discussion. Approved unanimously.

This will be a board interpretation of the bylaws, similar to the "member in good standing" interpretation. Since it pertains to who is qualified to become a member, it could affect voting eligibility. It might be useful to keep this with the election materials.

Next Month's Monitoring: Board report on Policies G7, G8, G9 and G10 (board officers). GM report on E1, Ends, and L5, Financial Condition (update).

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

Georgie moved to adjourn. Toni seconded. Approved unanimously. Meeting adjourned at 6:07 p.m.

Respectfully submitted,

Onita Mohr, board secretary

Rachel Breitenbach-Dirks, scribe

Documents reviewed:

Agenda

Minutes, January 26, 2009, monthly meeting, regular and executive session

Minutes, February 6, 2010, special meeting, regular and executive session

Policy D, Global Governance-Management Connection, monitoring report

Draft amendment, Policy G4, Board Members' Code of Conduct

Draft amendment, Policy L1, Treatment of Customer

Committee report, Board Development

Committee report, Board-Member Linkage

Draft bylaw amendments