

ONEOTA COOPERATIVE BOARD MEETING
SPECTRUM NETWORK
April 28, 2009

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

Absent: None

GM present: Troy Bond

Three co-op members present.

President Steve P. called the meeting to order at 5:05.

Agenda Review: Steve P. added an agenda item about the Co-op potlucks. Lyle moved to approve the amended agenda. Georgie seconded. Approved unanimously.

Member Comments: Steve McCargar said that he had asked Troy for access to the quarterly financial reports prior to the meeting and they had been denied to him. He had understood that members attending meetings last year had the quarterly financial reports in the meeting packets. A member told him the meeting packet could be reviewed at the meetings and then returned at the end of the meeting.

Steve P. said the board went through a review process and spoke with other coop boards, and decided that member-owners would have access to end-of-year financial reports, but not quarterly financials. Georgie thought the member meeting packets had included the GM report, not the quarterly financial reports.

Steve M. said that when he was co-manager, there was a notebook of financial reports in the store that members had access to. He felt that if the board wanted to build confidence in the board's financial oversight, it should share that financial information with member-owners. Transparency and understanding of the co-op's financial information are vital to the confidence of the co-op. Steve M. asked if the policy change about access to financial information had been communicated to the membership.

Steve P. said the coop was going to have an outside audit review in the next month or so. Steve M. still thought that the membership should be able to have access to financial information so that it could ask informed questions and evaluate whether the board was exercising its due diligence.

Steve M. also commented on the ongoing discussion about the ends policy. He would like the policies to enumerate the Cooperative Principals by some mechanism. If they are only referenced, without being included, they lose their importance.

Approval of March 24, 2009 Minutes: Onita noted that she had corrected the month on the minutes to "March." Tony moved to approve the amended minutes. Lyle seconded. Four votes aye. Three members abstained, because they were not present for that meeting (Georgie and Joan absent; Birgitta not yet a member).

GM Policy Monitoring – L5, Financial Condition: Troy provided a overview of current financial indicators and a monitoring report for Policy L5, Financial Condition, via power point. The board also received first quarter financial reports: Statement of Cash Flows, Profit and Loss, and Balance Sheet.

First quarter figures: sales were \$730,855.33, labor expense was \$179,018.16 (24.49% of sales), net profit, after depreciation, was negative \$6584.50, margin was 38.29. The current ratio was 1.03 and quick ratio, .41.

Sales for first quarter 2009 were up 3.3% compared to first quarter 2008. In the NCGA, many coops are experiencing flat or negative sales (up to 4% decrease). Troy thought, for the most part, running even with last year's sales would be a positive thing in the current economy.

Labor costs decreased, both as an overall expense and as a percent of sales, compared to first quarter 2008. Troy said his target for labor was 22-23% of sales. Birgitta said she had some concern that as labor levels were reduced, increased stress might result in an increase in work-place accidents or sick leave. She would like to know if there is some dramatic change. Georgie suggested that the human resources department could provide Troy with data from 2008 to compare. Tony said it would be Troy's job to monitor and assure the board that it was being attended to if this become an issue. Steve P. thought it would be helpful to compare OCC with other coops our size for labor as a percent of sales.

Margin at 38.29 was above the target of 37.25%. Birgitta asked at what point there should be concern that the coop is going too far beyond the target margin, since price image is an issue. Troy said 1% above or below was acceptable.

The quick and current ratios were up compared to fourth quarter 2008. Net cash also increased by \$30,000 compared to first quarter 2008. Overall, Troy thought OCC was in a much better position this year to experience a positive year, if margins and labor are kept in line. The specialty departments are doing better in sales. That is often an indication that the rest of the store will soon experience growth. It could be a good year. Maintain good displays and make the store experience fun.

Birgitta asked how margin was doing six months ago. Onita said reports from last year had margin in the upper 36% range, near 37%. Steve P. said the NCGA store audit said OCC had maintained a very steady margin in 2008. Birgitta asked about the store's price profile. Troy said he had adjusted margins down in many areas. There are everyday value items, such as bananas, milk and bread. Carefully choosing key items for price reduction is helping sales.

Joan suggested that it would be helpful to have the income statement presented alongside the data from last year. Troy said he would be happy to provide that.

With regard to the other Policy L5 policy monitoring items, a summary of Troy's report follows. Incurring Debt: No new debt has been incurred. The board authorized the GM to seek \$30,000 in additional member loans for operating capital. He has not needed to, so far. Real Estate: No real estate transactions have occurred. Tax Filing: Troy reported that OCC did not always pay taxes on time in 2007 and 2008. He will have the CPA review this in the May audit review. It appears to be a financial systems problem. Troy will provide a remediation time line after receiving the audit review report. Late Payments: Payments have been made in a timely manner since February 9, 2009. Before then, payments were tight, due to the cash situation (not a financial systems problem). Use of Restricted Funds: No restricted funds have been diverted for other purposes. Record Keeping: OCC has variable compliance with the Generally Accepted Accounting Principles (GAAP). There is inconsistent reporting to the GM, no history of full accountability and a failure to provide real-time financial information when using a quarterly financial reporting system. Troy would like to get on a 28 day

cycle of accruing wages, benefits, taxes and depreciation. The rhythm of the 2-week pay period with the 30- or 31-day month, and the 3-month quarter, makes it difficult to compare one month or one quarter to the next.

Troy will be talking to the CPA doing the audit review about the reporting capabilities of QuickBooks, which is what OCC uses for accounting software. There may be reports that can be generated that he is not aware of, as QuickBooks is new to him. These may be helpful.

Georgie moved to accept the Policy L5 Monitoring Report. Joan seconded. No additional discussion. Approved unanimously.

Board Policy Monitoring – G5, Global Governance Commitment: Steve P. provided the written report. The policy states, “The purpose of the Board, on behalf of our member-owners, is to see to it that the cooperative (1) achieves appropriate results for appropriate persons at an appropriate cost and (2) avoids unacceptable actions and situation.”

The board interprets this to mean that it acts to understand the needs and desires of the membership as a whole, establishes written policies to govern its own governance process, the delegation of authority to the GM, the limitations placed on GM activity and the organization's ends or goals. The board regularly reviews its activities as they relate to the policy statements and revises policies as needed to reflect the long-term goals of the organization.

Compliance was reported. The board has a policy manual in place, and it is seeking member input on creating new ends policies. The board uses its calendar to regularly review the policies, and reflect on them as they come up. Birgitta asked if members can only address concerns about a policy when it comes up on the monitoring calendar. No, members may comment at any time. The board may or may not choose to alter its monitoring schedule to address member concerns. Member comments are taken as input for discussion. The board tries to be deliberative and thoughtful over the long term.

There were some questions that came out of various meetings that would be good for the board to talk about in the next year. What does it mean to “speak with one voice?” What does the board expect of itself in that regard? How can the board improve on its reflection process so that policy monitoring does not become perfunctory? Steve P. suggested keeping a running list of questions or issues so that the board can schedule time to discuss them.

Birgitta asked if the board minutes could reflect the rationale for the actions the board takes. Georgie and Lyle said the minutes reflect what is said and decided at meetings. They do not editorialize or include rationale outside of the statements and written reports at the meetings.

Lyle thought it was up to the board to interpret meaning as questions are asked. It gets back to the question about speaking with one voice. If the board is going to interpret something, it has to decide what it previously meant. It can be a challenging.

Lyle moved to accept the monitoring report. Joan seconded. Discussion. Birgitta noted that some members may be interested in one thing and not another, which can be frustrating. If there are pro's and con's, the way those are communicated to the membership can be a challenge. Steve P. asked that the minutes reflect Birgitta's concern that the board think carefully about member concerns and how to

communicate appropriately and reflect the meaning of the board.

Perry-O Sliwa asked that the board agenda be readily accessible. She said she had stopped by the board's bulletin board many times and had not seen it. She felt that she has been trying to be an informed member, but it was not easy. Steve P. said he tried to get the agenda out a week ahead of time. That may not have happened this month. He apologized if the agenda was not up at the coop.

Georgie noted that there is now a binder at the front desk with all of the minutes from 2008 and 2009. Onita will include the OCC bylaws and the governance policies. Troy said Nate will do a sign for the board's bulletin board advising of the binder and documents available to the membership.

Steve asked if there was further discussion. None. On the motion to accept the monitoring report, the board approved unanimously.

Election of Board Officers: Georgie moved a slate of the following candidates: Lyle Luzum for President, Steve Peterson for VP, Onita Mohr for Secretary, and Joan Leuenberger for Treasurer. Toni seconded. Lyle said he felt a bit overwhelmed with the thought of being board president. The board and the coop have been through a pretty tough time. Lyle thanked and commended Steve P. for all he had done and said he wanted people to understand that he did not intend to allow the position to burn him out. He would like to delegate certain areas of expertise and responsibility. There are limits to what a volunteer board can do in terms of its time commitment. Steve P. offered his full support as VP. Georgie said the board members have always supported each other.

Georgie motioned to approve the slate. Joan seconded. Approved unanimously.

Report: Ad Hoc Election Committee: Georgie provided a written report. The committee's task was to look at the past election cycle and make recommendations for improvement. She noted that all five of the other coops that were surveyed used a form of signed balloting. There was committee consensus on the following items. Ballots should be mailed, with an envelope requiring member signature and number. Voting members will put their ballot in the envelope and either hand deliver it or put it in another envelope for mailing. Three member-owners can verify signatures against a list of members in good standing right after the voting deadline.

The committee recommended shortening the election time. Ballots can be mailed out March 1 and the voting deadline can be the end of the month. The ballot will not state that any candidates are "board recommended." There should be three member-owners, other than those verifying signatures, to count ballots. The nomination committee should include two member-owners to recruit candidates. There should be at least two candidates for each opening on the board. The definition of "member in good standing" should be clarified.

Other topics of discussion that did not have committee consensus were to change the bylaws to disallow casting two votes for one person and to delete the role of the board in nominating candidates.

Steve P noted that the by-laws refer to the back of the member contract for the definition of member in good standing. He thought the member contract had a March deadline for being current on installment payments. It is not very clear. Aaron Bodling had advised that the POS was not easy to work with in making the sort of who were members in good standing. Troy noted that OCC would be getting a new

POS in October.

Georgie recommended that the board put the “member in good standing” issue on future agendas to work out.

Lyle Otte and Ellen MacDonald were very helpful in their work on the committee. They were thanked for their assistance.

Birgitta said that there were 22 fewer votes than might have been expected out of 406 ballots cast. There were nine invalid ballots (which accounts for up to 18 votes), and it is possible that some ballots only had one vote.

Birgitta said the Comm-Post with election results showed how many votes each candidate received. It did not explain how the total votes ended up being less than the total ballots cast. She thought it would be good to report the number of invalid ballots and explain the vote count. Georgie said she did report at the annual meeting that there were nine invalid ballots. She suggested the board discuss election reporting further as it worked through other election process issues.

No motions needed.

Report: Ad Hoc Member-Board Connection Committee: Steve P reported. The committee developed an outline of what it wanted to accomplish, with areas of concern, goals, activities and a time line. The coop currently has multiple avenues for members to receive information and to communicate. The board wants to be able to assess the needs of all members, including those who are less inclined to speak. There are various levels of member involvement and member input. The Ad Hoc committee will act as a study committee. By the end of this process, the board would like to have a system in place for members to receive information from the board and communicate their thoughts to the board in multiple ways and for the board to regularly assess the needs of members even if those members are not vocal. This system should be placed in the board calendar so that it can be regularly reviewed and evaluated. The goal is to have that system in place by the next time we create a board calendar, at the end of this calendar year.

Tony, Onita, and Steve P. previously volunteered to serve on the Ad Hoc committee. Lyle asked if he should serve on the committee rather than Steve P, since he is now board president. Georgie pointed out that the VP has responsibility in the election process. Steve P. said he was willing to continue on the Ad Hoc committee.

Lyle thought there would need to be some balance between what is technically possible in the realm of communication and what is a reasonable expectation for volunteer board members. Board members may not have the time or inclination to contribute to blogs, Facebook or MySpace.

From the management side, it is not trivial to keep a website current. It is labor intensive. If the website is not current, members are disappointed.

Perry-O Sliwa said from her point of view, she would like basic things like the agenda and other board documents to be available for members without access to e-mail and the Internet. She would like the board to communicate the basics as simply as possible. She also suggested having a member-owner on

the Ad Hoc committee. Georgie agreed that it had been helpful to have member-owners on the ad hoc election committee.

Georgie remarked that the proposed plan for the Ad Hoc Member-Connection committee's work was very thoughtful and reasonable. She had two other suggestions about member-board communication. One, the board should do a monthly report of some kind on the Comm-Post. Board members could rotate the responsibility. This month, there should be something about the quarterly financial situation, as an update from January. E-mail is a much cheaper means of communication with the membership than regular mail. Her second suggestion was that the Scoop may no longer be the proper venue for reporting information that should go to member-owners only, since the Scoop is now going to a wider audience.

Steve P said the board will still have a column in the Scoop, but for financial information, there could be a board column through the Comm-Post, which would also get posted to the website, and could appear as a hard copy at the front desk.

Joan said she liked the plan for the Ad Hoc committee to do some work every month and report back to the board. It will keep this issue before the board in a regular way. Joan would like at some point to have a member survey to get input on what modes of communication members prefer.

Birgitta noted that the work plan for the Ad Hoc committee will be done over the course of six months. Members may not realize that the board will be continuing a regular course of activity and deliberation to consider the issues. They may think the board will not be acting on this for six months. Georgie said the minutes would reflect what the Ad Hoc committee's plan was.

The board discussed who should be responsible for doing a financial summary column, the president or the treasurer, or some combination. Tony asked that the board consider what information it wants to routinely report in this fashion. There is a fair amount of volatility from month to month and quarter to quarter. The board should communicate that these numbers are a snapshot in time. She felt that the full quarterly financial reports were internal documents to aid the GM and the board in assessing financial health and trends. They were unaudited and should not be for general circulation.

Georgie thought the purpose of a board statement about the quarterly financial reports was to communicate how the coop's financial situation has changed, for the better, since the board statement and interim GM report in January. The communication would not include the complete quarterly financial statements, which is what Steve McCarger was requesting.

Onita noted that the board minutes have routinely included quarterly financial data, such as sales, labor, margin and net profit. Birgitta said that from reading the minutes from the last six months or so, it was difficult for the members to know how serious the financial situation was. She wondered if the board had wanted to protect members from that information. Joan said she did not think that was done. The board presented the important information that it had, not just the rosy bits.

With the coop having approached a financial crisis, members are now very attuned to and interested in the financial indicators. The board should present regular updates to let them know what is going on. The board has some confidence that things are improving.

Lyle said the timing of the Scoop last fall was terrible for getting timely financial reporting to the membership. Alternative means of communication would be useful. Troy said about 1,200 people receive the Comm-Post. Only about 22-30% of the e-mails are opened. The board would like some assurance that the Comm-Post list is members only, if that is going to be an avenue for reporting financial data.

The board agreed that Joan, with Troy's assistance, would compose a board report on the quarterly financial information.

Report: Kellogg Foundation Meeting in California: Lyle reported on his recent trip to San Jose, California, as part of the Food and Fitness Initiative. Three years ago, a Northeast Iowa Food and Farm Coalition (NIFF) was created from an upwelling of interest in a local food system. NIFF has very broad membership. A year and a half after the NIFF was started, Kellogg created its Initiative and invited NIFF to apply for a planning grant. NIFF was the only rural area among the nine grant recipients across the country. Applications for implementation grants will be due in October 2009.

The aim of the Kellogg initiative is public health, physical activity in the built environment and healthy food. Their definition of "good food" is that it is fair (non-exploitive), green, healthy and affordable. Lyle thought it was easy to accomplish three of the four. Meeting all four measures of "good food" is hard. We know the challenges of organic and local production. "Good food" costs more because it is not exploiting workers or the environment. The challenge is to get people interested enough to understand that and make decisions that support good food.

What Lyle learned at the recent conference was that for urban areas, the major issue is food access. The concept of producing their own food was not something they were looking at. There are "food deserts" in rural areas as well as urban areas, areas where there is no access to fresh, unprocessed foods. What the NIFF is looking at is a bigger picture, a comprehensive food system in which people can participate as producers, distributors, and processors, not just as retailers or consumers. NE Iowa will be Kellogg's model for the nation on how to do this in rural areas.

What is OCC's role in the NIFF and the Food and Fitness Initiative? OCC is the natural partner of good food. The coop's existence makes this geographic area able to have the interest in this topic that it has. OCC is a retail outlet for locally produced food. There are a lot of people interested in getting into this. The question is, how are we going to make good food a part of our economy? If OCC does not take advantage of the opportunities offered by the Food and Fitness Initiative, it will be a loss, not just for OCC but for the health of the region.

At the San Jose conference, there was discussion about transformation. The stages of transformation are at the personal, interpersonal, institutional and cultural levels. The co-op is an example of an interpersonal transformation. There is a larger cultural movement going on around the topic of food. The barriers tend to lie at the institutional level because of laws and rules, or because some large institutions have an interest in keeping the barriers high. When movements start becoming a threat, they get greater push-back. We are coming closer to a time in this country when the "good food" movement will get push-back.

Lyle said the Kellogg Initiative has technical assistance from the University of Michigan. Much of what is being developed through the Food and Fitness Initiative is now outside the realm of their

experience.

Lyle advised that the next NIFF meeting was May 14th, 12:00 pm at the Extension Office. He encouraged Troy to come.

Steve P thanked Lyle for his work on this. He would like the board to continue to have regular discussions on this topic. Toni thought it was energizing to see OCC in the context of a larger movement. Lyle said that even if the Food and Fitness Initiative does not receive an implementation grant from Kellogg, the NIFF will continue its work on local food systems.

Next Meeting, monitoring assignments: Next meeting date is Tuesday, May 26th at Spectrum Network.

The board will sign the Board Code of Conduct, which is found in Policy G4. Georgie said she would put the forms in the board mailboxes. Toni will do the Policy G4 Monitoring Report.

Steve P suggested the Troy do only the policy monitoring on board logistical support, since he is new to the policy monitoring report-writing process. The board would also like Troy to provide updated financial data, especially quick and current ratios, sales data, labor cost data and actual cash. The monitoring report on the global executive limitation will be tabled.

In June, there there will be GM monitoring on customer treatment and membership and some other policies to revisit. Gradually throughout the year, Troy will be introduced to the monitoring process. The board agreed that this was a reasonable approach.

Coop Potluck: Troy had asked the board to take over responsibility for the co-op potluck. When it is indoors, at Good Shepherd Church, there are duties in turning on lights, turning up the heat and cleaning up when we are done. In the summer the potlucks have historically been at Phelps Park. That does not involve anything except reminding people.

Other item: Birgitta said someone had asked about the coop having a motorized wheelchair. There was something in the NCGA audit about that. She thought there was an interest-free loan available. Troy asked that the person interested give him a call. He will need to know what company has that loan offer. If it's something OCC can do to make it easier for shoppers, we can look investigate.

Joan moved to adjourn. Onita seconded. Approved unanimously.

Meeting adjourned at 7:30 p.m.

Onita Mohr, board secretary

Carolyn Thompson, scribe

Documents reviewed:

Agenda

Minutes, March 24, 2009, regular meeting

Policy G Monitoring Report, Global Governance Policy

GM Report and Policy L5 monitoring updates

Balance Sheet, 1st Quarter 2009

Profit and Loss, 1st Quarter 2009

Statement of Cash Flows, 1st Quarter 2009

Ad Hoc Election Committee report

Ad Hoc Member-Board Connection Committee report

Attached: Member-Board Connection work plan