

Keweenaw Cooperative, Inc.
Annual Meeting Minutes (DRAFT)
March 25, 2010
Held at the First United Methodist Church, Hancock

Present: Christine Alquist, Anitra Bennett, Christine Bier, Ted Bier, Carl Blair, Bonnie Brandt, Julie Brimm, Anton Pintar, Dan Butler-Ehle, Faye Carr, Cindy Drake, Jack Eberhard, Jeff Flam, Felix Fournier, Virginia Fournier, Tammy Gajewski, Jay Green, John Hamilton, Barb Hardy, Kelli Hawley, Robyn Johnson, Jessica Juntunen, Steven Karpiak, Joyce Koskenmaki, Rick Loduha, Denina Kaunonen, Daniel Krueger, Kay Lang, Sharon Levine, Cory McDonald, Evan McDonald, Peter Method, Elizabeth Meyer, Diane Miller, Thomas O'Neil, Ann Pace, Amanda Plummer, Christopher Plummer, Karen Rumisek, Dan Schneider, John Slivon, Keren Tischler, Patricia Van Pelt, Curtis Webb, Viki Weglarz, Rhianna Williams, Lena Wilson, Roger Woods

1. Call to Order

The meeting was called to order at 6:06 p.m. by Board President Roger Woods. Total number of households present was 34.

2. Approval of Minutes/GMM, 2009

MOTION: A motion to approve the Minutes of the General Membership Meeting held on February 26, 2009 with changes was made by Steve Karpiak and seconded by Dan Butler-Ehle. The motion passed without opposition.

3. General Manager's Report, Curt Webb presenting

i. Curt thanked all in attendance for attending the 2010 Annual Meeting, saying their participation is vital. A lot has happened, he said, since last year's meeting.

ii. Sales (2009)

a. Business continued to grow. Though the Co-op did not achieve the double-digit sales growth of the past few years, sales still climbed 5 percent over 2008. Curt attributed the growth to: our 37 years experience in the natural foods business, the growing awareness of the importance of clean food, continued support from our customer base, especially members.

b. Annual sales crested over the \$2 million mark for the first time. Our daily average for the year was more than \$5,600. The price of food remained relatively stable from 2008 to 2009.

c. Gross profit margin for 2009 was 37.5 percent. This is what's left of each sales dollar after we pay for the cost of product sold. This margin provides the dollars to cover all other expenses. (Benchmark: 36–37.9 percent)

d. Labor margin was 24.2 percent. This reflects the percentage of each sales dollar that goes to labor related costs, typically the second largest expense in a business after cost of goods. (Benchmark: 22.7–23.9 percent)

e. The sales trend was 5 percent, which shows sales compared to the prior year. (Benchmark: 9–19 percent for a mature, small store)

f. Sales per square foot per year was \$466. This indicates how effective our use of retail space is. (Benchmark: \$300–\$1000)

g. Member discounts: 1.1 percent of sales. This number reflects profits distributed to members before a profit is declared. (Benchmark: 1.0–1.5 percent)

h. Net income was 2.7 percent (before taxes). This reflects the overall efficiency of our operation. It is a key measure of earning capacity, which is necessary for expansion or diversification plans. (Benchmark [before taxes] 2-4.5 percent)

iii. Co-op members made the majority of purchases in 2009 at just shy of 60 percent. Membership peaked in 2009 at around 970 active members. In return for their patronage, members received \$23,000 in discounts in 2009.

iv. We achieved a slightly better margin than anticipated, less than 1 percent over budget. Our labor expenses increased in direct relation to the increase in sales, as did the Cost of Goods. Inventory continued to expand in 2009 to keep pace with sales. The other expense categories—occupancy, operating, administration, and governance are not so directly tied to sales, and were comparably close to projections. Net income for 2009 was \$45,604.

v. In 2009 we launched our Core Value Program that features staple foods at affordable prices, and the response has been positive. We also unveiled our new website: www.keweenaw.coop. We continue to respond to demand and expand our search for quality local and regional products.

vi. **Most of all:** In 2009, we proposed, voted on, passed, and at the end of the year implemented a major change in our ownership structure, reincorporating to become a true cooperative. While the Board played the key role in making this happen, there was plenty of effort on the operational end: our front end staff was key in the educational element of the reincorporation. Behind the scenes, many hours were spent developing documents and procedures to make the new Co-op structure a reality.

vii. Year to date 2010 sales are up a little more than 10 percent compared to 2009. This is uncommon in January and February -- historically the first quarter of the year is our slowest.

viii. We're approaching 400 member-owners, with more joining every day.

ix. We continue to look to the future and look for ways to serve you better. We hear the calls for more consumer education, more local products, energy efficiency, an expanded deli with seating. We look forward to your input.

x. Ultimately our operational work keeps us moving toward our Policy Governance Ends. Our board of directors gives the staff direction by setting these Ends based on member-owners' input.

xi. Having crossed the major hurdle of reincorporating, we can now look to the next challenge. Member-owners are asked to help decide what that goal should be.

Q. (Susan Burack) Is there a goal for membership? a projection of what we'd like to see for numbers of member-owners?

A. (Curt) He does not know if that has been talked about specifically. Votes in favor of reincorporation numbered about 670. We have

Q. (Patricia Van Pelt): What are you doing with the money?

A. (Curt Webb) For the most part we have it in various savings accounts and certificates of deposit. Operational staff are putting together a wish list of capital improvement needs for our current building.

4. Board Nominations and Elections, Roger Woods presenting

Q. (Steve Karpiak) Are those who are now on the board eligible to run for consecutive terms?

A. (Roger Woods) Yes.

Q. (Susan Burack) Are the current members interested in running again?

A. (Roger Woods) Yes.

Q. (Susan Burack) Can we function with only eight board members?

A. (Roger Woods) Yes, we have been, but it's always good to have new members with fresh perspectives.

Comment (Susan Burack) Based on my experience, eight is a good number of people for a board.

Response (Roger Woods) The bylaws require nine and it's good to have a rotation of board members if possible.

Comment (Dan Butler-Ehle) It is important to have fresh perspectives on the board in addition to experienced members.

i. Steve Karpiak nominated Robyn Johnson, Sigrid Resh and Cory McDonald. Robyn and Sigrid accepted. Cory regrettably declined.

ii. Felix and Virginia Fournier nominated Carl Blair. Carl accepted.

iii. Robyn Johnson nominated Ted Bier. Ted accepted

iv. Cindy Drake nominated Amanda Plummer. Amanda accepted.

v. Faye Carr nominated John Slivon. John accepted.

MOTION: A motion to accept the nominations was made by Pete Method. Steve Karpiak seconded. The motion passed without opposition.

5. Board Report, Roger Woods presenting

i. Roger thanked the Deli for the food at the meeting, thanked Faye Carr for helping put the meeting in general together, thanked Curt for all his work, thanked the Co-op staff in general and asked for a round of applause on their behalf. The requested applause was enthusiastically granted.

ii. Roger gave a brief history of the reincorporation initiative that took place throughout 2009. It started in 2007 with frustration over current bylaws. It began moving more speedily along when lawyer and member Mark Stewart contacted the Board offering to help the Co-op reincorporate under a truly cooperative ownership structure. The vote generated a lot of excitement, to wit: a ballot was returned from Sweden, and Roger traveled to Pelkie to pick up one ballot. The vote happened in August and the reincorporation measure passed resoundingly. It required a lot of work by the Board and the operational staff to make the actual transition to the cooperative ownership structure, but the transition went smoothly.

iii. Our major tasks now include looking toward the future as well as learning how

to deal with some of the new realities of our reincorporated Co-op, such as patronage refunds and the like. Determining how share investment resources should be put to use is an important part of planning for the future.

iv. It feels like we're doing pretty well in terms of selling shares/growing member-ownership. Our rate of share sales is outpacing some other Co-ops that have recently reincorporated.

Q. (Pete Method) Where does the membership income on the balance sheet come from?

A. (Dan Butler-Ehle) The number on the balance sheet (\$66,580 for 2009) reflects ... The 1,000 that Roger was talking about were the members of record for the reincorporation vote. The equity number on the balance sheet reflects the initial equity paid by the Co-op's more than 3,700 members, the majority of whom were not current with their dues at the time of the vote.

Q. (Pete Method): What were renewal fees used for?

A. (Dan Butler-Ehle, Curt Webb) That money was put back into the business. Much of it was used to offset member discounts.

Q. (Pete Method) What is the new equity from share purchases being used for? It should be set aside for long-term projects rather than used for day-to-day operations (such as purchasing inventory).

A. (Roger Woods) Dollars are not traced directly from source to use on the balance sheet. We do keep track of the source of all incoming dollars (equity, retained earnings, liabilities) and the value of all the Co-op's assets (building, inventory, bank accounts, etc.). The share purchases have generated additional income for the Co-op, which is reflected in higher balances in savings accounts and certificates of deposit. Members will be asked to weigh in on how the Co-op should use these additional resources during the next portion of the meeting. This is part of the Co-op's planning process for the future.

Q. (Steve Karpiak) As the board functions, do you usually look for consensus or do you count votes?

A. (Roger Woods) Usually, the Board operates on consensus. Yea-nay votes are taken on legally binding decisions, including approval of Board meeting minutes.

Announcement (Pete Method, speaking on behalf of the ballot enumeration committee) The top vote-getters in the Board election were Robyn Johnson, Carl Blair, Ted Bier and John Slivon.

6. Discussion, Looking to the Future

Discussion questions concerning the Co-op's future plans were distributed to all of the tables at the meeting. In the proceeding portion of the minutes, the question will be reproduced in italics. Names given in parentheses are those of speakers representing all of the participants at each table where that question was posted.

Table Question: *Our Global Ends Statement describes our Co-op as a center for proactive socioeconomic, environmental, and health concepts. What role can our Co-op*

take in promoting sound environmental practices.

Responses:

- (Anton Pintar) The Board could establish an independent committee to act in the manner of "Consumer Reports" magazine, evaluating different products we offer in the store based on their impacts on the environment: packaging, carbon footprint, production methods, etc.
- (John Hamilton) Continue education, including through the newsletter and classes; sponsor speakers; continue to offer good products; become more visible in the community.
- (Keren Tischler) The Co-op could calculate its environmental footprint and prioritize which aspects of its footprint should be reduced. There could be a charge for using bags. We could look at creative ways to reduce transportation costs. The Co-op should compare environmental impacts between retrofitting our current building and relocating to another facility.

Suggestion (Ann Pace) UPPCO offers electricity produced from renewable sources at an extra cost. If the Co-op signed up for this service, we would be the first business in the area to do so.

Suggestion (Dan Butler-Ehle) New Belgium brewery advertises that they are the country's only wind-powered brewery. They don't have a wind farm. They buy blocks of energy directly from a wind farm up in Montana. So there are other options besides buying through UPPCO, which counts hydroelectric and some nuclear generation as renewable.

- (Tammy Gajewski) To promote sound environmental/health practices you need to start with the youth. Educate the high schoolers who are still buying Mountain Dew. More education on things like bulk food buying would be beneficial for customers.

Suggestion (Pete Method) The Copper Country Community Arts Center (CCCAC) is in the middle of evaluating how they can use their building in a more sustainable way. We could maybe tap into some of that initiative.

Comment (Lena Wilson) Outreach to college students could be more effective.

Q. (Patricia Van Pelt) How did the deli trial at Finlandia University go.

A. (Daniel Krueger) Great, it went well. They want us there permanently. It's just a matter of business considerations concerning whether it can become a reality.

Table Question: *Our Ends statement E2 states: "The Keweenaw Co-op provides the community access to information, products, and support for promoting physical, mental, and spiritual health and well-being."*

How should the Co-op handle product offerings that are in violation of this statement but are also in high shopper/member-owner demand?

Responses:

- (Karen Rumisek) Our Core Value program was designed to reduce the margin on certain products that are considered household staples, so the idea that we discussed was to have another special pricing structure for products that do not reflect the Co-op's core values.
- (Evan MacDonald) Maybe the Co-op could use money from such a program to finance

outreach and education. On the whole, the Co-op is good at achieving this end. Maybe the best thing to do is to promote more heavily those items we carry that do reflect our values.

Table Question: *Our Global Ends Statement says that our Co-op is a center for the development and transfer of values and skills in the community. With what kinds of initiatives, and with which local groups, could the Co-op further develop itself in this area?*

Responses:

- (Susan Burack) We had lots of suggestions: create a place to sit down and have a cup of coffee at the Co-op, organize tours of the Keweenaw with stops at the Co-op, seek newspaper coverage of Annual Meetings, help school lunches improve, advertise Co-op catering more, e-mail member-owners to inform about sales and new items, create a new Co-op cookbook, install a blackboard up front to let people know about what's new and exciting in the store.
- (Pete Method) How about a weekly column for the Daily Mining Gazette? The Co-op could work with student groups such as E-8 at Tech, which works with the developing world. The Co-op could benefit from co-promotion with some of the other specialty food stores in the area. And the Co-op could work with the CCCAC with regard to a green building.
- (Steve Karpiak) Gluten-free is a big thing. We should have a list of gluten-free products that we carry.
- (Rick Loduha) Said he would be pleased to be a liaison between the Co-op and the CCCAC, where he is on a committee working on the green building project there.

Table Question: *Now that we've reincorporated as a structure that can develop equity, we are better able to think of a future in which we may be able to expand in our present location or relocate. Which of these options has the most merit?*

Responses:

- (Lena Wilson) Portable investments would be wise, including additional staff training or a product information kiosk.
- (Jay Green) The retail portion of the store is full to bursting. The building itself is lacking merit. We own the building. It's fine with us if we move. The ideal new location would be downtown with parking. Maybe talk to Superior Gravel about getting parking space over there and expand the current store into the current parking lot.

7. Open Member-Owner Discussion

Q. (Steve Karpiak) How much catering did we do last year?

A. (Daniel Krueger) Hard to tell since it's lumped in with the deli's overall sales.

Comment (Steve Karpiak) It would be nice to create a facility at the Co-op where businesses could host meetings and have their lunches catered by the Co-op.

Comment (Tammy Gajewski) I just wanted to thank the board for all your hard work last year.

Comment (Susan Burack) The fact that this church does not use paper or plastic table

settings in their dining hall facility is one of the reasons it was a good choice as the venue for the Co-op's Annual Meeting.

8. Adjournment

MOTION: A motion to adjourn the meeting was made by Pete Method and seconded by Dan Butler-Ehle. The motion carried and the meeting adjourned at 7:58 p.m.

Minutes prepared by Dan Schneider