

Board of Directors Meeting

July 13, 2005

APPROVED

Ashland Food Cooperative
237 North First Street
Ashland, OR 97520

Board members present: Erik Wallbank, Joe Golton, Herb Heiman, Glenn J. Hill, Richard "Ric" Sayre, and Gwyneth Bowman. Board members absent: Serena St. Clair (approved). The meeting was called to order at 6:30 p.m. by facilitator, Erik Wallbank. Others present: Richard Katz, General Manager; Annie Hoy, Outreach/Owner Services Manager; Kevin Bendaw, Staff Council Liaison; Ryan Langemeyer, Owner.

1. Announcements: Herb Heiman announced that the annual meeting at Emigrant Lake was a success with over 180 people attending. Annie Hoy announced that Mary Shaw will be doing a dress rehearsal of her "Pantry Basics" cooking class the evening of July 20th for staff and Board members. The next Owner Appreciation Day is Tuesday, August 9th.

2. Check In: Done.

3. Agenda Review: The agenda was reviewed, amended and accepted.

4. Staff Council: Kevin Bendaw announced that the Staff Council helped with the election of the Staff Director to the Board. The Council is in the process of finalizing a compensation policy for members of the Council with staff feedback, pending AFC management team approval. The All Staff Meeting is tentatively scheduled for Sunday, September 18th at 7:30 pm. The co-op will close at 7 pm that night. The Council distributed a request to staff to provide input on the location for the 2005 holiday party. ScienceWorks was the preferred site by a narrow margin, with the Ashland Springs Hotel as the second choice.

5. Election of Officers: The Board elected the following officers for the coming year:

- President: Erik Wallbank
- Vice-President: Herb Heiman
- Treasurer: Joe Golton
- Secretary: Glenn Hill

6. Election Results: 548 ballots were received for the one owner Board position by the cutoff date, 22 of which were invalid for not following voting directions. The remaining validated votes were for:

- Erik Wallbank — 312
- Clair Killen — 84

- Guy Nutter — 68
- Ruben Davalos — 24
- Gregg Adams — 20
- Richard Ulrich — 17

For the AFC Staff Director position on the Board, 53 ballots were distributed to AFC staff, and 24 were returned. 100% of the votes went to Ric Sayre, who will serve a second term.

7. Owner Forum: Ryan Langemeyer reported on the activities of the owner group which has requested to meet with the Board on various issues. The group has decided to focus on the waste stream resulting from co-op products and is currently researching the issue both with co-op staff and on their own. They have been brainstorming and have come up with some interesting ideas which they will be discussing at their next meeting. At this point they are not ready to bring the results of their meetings to the Board.

Erik Wallbank suggested that the group invite members of the Board and management staff to meet with the owner group at any time that is mutually agreeable. AFC will have in attendance at least a Board member, a staff member, and a manager at the meeting. Erik suggested that the agenda be limited to one item at each meeting. A meeting invitation can be sent to Erik Wallbank, Herb Heiman, and Annie Hoy.

Erik Wallbank and Annie Hoy will attend the Owner/Board meeting on July 14th. Future Owner/Board meetings will be scheduled as requested.

8. Strategic Plan: Board member Gwyneth Bowman relayed an offer from her husband Steve, a professional facilitator and planner, to work as part of a group or team to facilitate a strategic planning process with the Board. The Board invited Steve to make a presentation at the August meeting on how to set up the strategic planning process. Erik Wallbank requested that the Board review the visioning process done in 2003 before the next meeting as a reference point in beginning the planning process.

9. Medford Market News: Annie Hoy passed out a flyer from the Medford Market group which will be holding a visioning meeting on August 11th for a co-operative in Medford. Erik and Annie attended a potluck dinner at Alba Park in Medford which was attended by at least 20 people. A steering committee has been chosen by the group. Annie will facilitate the visioning process and has given the group co-op materials and information on the Food Co-op 500 development model for start-ups.

Joe Golton asked the Board for permission to share the AFC feasibility studies with the Medford Market steering committee. The Board indicated that it felt comfortable sharing this information and asked General Manager Richard Katz to present the information to the committee.

Erik Wallbank asked the Outreach Committee to come to the August meeting with a proposal to change the committee's charter to expand its scope to include support of new regional food co-operatives.

10. Board Training Retreat: The Board needs to discuss the necessity of a training retreat, the possible date for such training, and the focus of the training. It was decided to table this discussion until the August meeting when Serena St. Clair will be in attendance.

11. Return on Investment: Joe Golton, Treasurer, provided training to the Board on the concept of Return on Investment (ROI) and Internal Rate of Return (IRR) using figures from the co-op expansion as an example. Based on Joe and Richard's best guess as to what would have happened without the expansion versus what actually happened (and is projected to happen in the future), the Co-op has realized a pre-tax IRR of 14.8%. This 14.8% represents time-weighted incremental extra cash flows attributed to the expansion project (more precisely: capital expenses and Earnings before Interest, Taxes, Depreciation, Amortization, and Patronage refunds). Given that this 14.8% return exceeded the weighted average cost of capital for the expansion project of approximately 6.75%, the project was clearly a financial success. It was noted that the Co-op's return on investment could have been higher if the co-op had not cut prices (via the Basic Pricing program) beginning in February of 2004.

12. General Manager Evaluation Process: Erik presented the new manager and staff forms, for evaluating the GM. The board decided to change the rating system from 5-1, instead of from 3-1. The categories will be: 5 - excellent, 4 - very good, 3 - good, 2 - fair, 1 - poor. There needs to be written language that the comments are important to the evaluation and to please not comment on questions where the evaluator does not have personal experience. The Board will review the draft forms and make suggestions to Erik by e-mail in preparation for the August meeting.

13. Yearly Board Evaluation: A draft of a peer evaluation form for the Board was passed out. The Board was asked to take the form home for review and comment to Erik by e-mail in preparation for further discussion at the August meeting.

14. CCMA Report: The members of the Board and staff who attended the Consumer Cooperative Management Association (CCMA) Conference in June reported their impressions and highlights of the conference. All the attendees were enthusiastic about their experiences and feel that AFC is on the right track.

15. General Manager's Report: Richard Katz answered questions related to his written report to the Board. The savings from the senior discount have been greater than anticipated, but any changes to the policy will be effected at the end of the year. Savings realized will be applied to lower prices. Bulk food prices have been lowered by 5%. A new deli manager, Michael Rozenfeld has started working at the co-op.

16. Financial Report: Joe Golton, Treasurer, answered questions relating to the May financial reports. Sales are still increasing monthly.

17. Finance Committee: The Finance Committee meeting was held on 7/6/05. The Board discussed the meeting report with Joe Golton, Treasurer.

18. Outreach Committee: The Outreach Committee met and discussed the annual meeting. Comments and suggestions about next year's meeting will be compiled and shared. The

Committee would like the same site at Emigrant Lake next year and will be reserving it soon. Herb Heiman moved that Peter Hoyt and Jean Fife receive a six-month extension of their 15% discount. Glenn Hill seconded the motion, and it was passed by unanimous consent.

19. Committee Assignments: The Board Committee assignments for the following year are as follows:

Board Development Committee Chair:

- Ric Sayre
- Serena St. Clair

Management Relations Committee Chair:

- Erik Wallbank
- Herb Heiman

Finance Committee Chair:

- Joe Golton
- Glenn Hill
- Erik Wallbank

Outreach Committee Chair:

- Herb Heiman
- Gwen Bowman

19. Minutes Review: The May 2005 Board meeting minutes were reviewed and accepted with revisions.

19. Meeting Evaluation: Done

The meeting was adjourned at 10:40 p.m. The next regularly scheduled Board meeting will be on Wednesday, August 10th, 2005 at 6:30 p.m. with Erik Wallbank facilitating.

The GM report and Committee reports are available on request.

BOARD ACTIONS:

- The Board voted to extend Peter Hoyt and Jean Fife's 15% discount for a period of six months.

Minutes were amended and approved by the Board on August 10, 2005.