

Board of Directors Meeting

May 10, 2006

APPROVED

Ashland Food Cooperative
237 North First Street
Ashland, OR 97520

Board members present: Erik Wallbank, Joe Golton, Herb Heiman, Richard "Ric" Sayre, Gwyneth Bowman and Serena St. Clair. Staff present: Richard Katz, General Manager; Annie Hoy, Outreach/Owner Services Manager; Kevin Bendaw, Staff Council Liaison; Christina Oliver, Financial Manager; James Dills, Staff Council member, Leslie van Gelder, Board Assistant. Owners present: Franklin Ross, Josh Cornelius, Tom Stekkinger, Fawn Ledesma, Yolanda Ledesma, Danielle Amarotico, Hueltz.

The meeting was called to order at 5:30 p.m. by facilitator, Herb Heiman.

1. Announcements: Gwyneth Bowman was nominated and confirmed by the Board by email as interim Secretary to fill the position vacated by Glenn Hill. Glenn has resigned to take a job with PC Market of Choice. Kevin Bendaw, Staff Council Liaison will be taking a leave of absence from the Co-op from August to November. His term as Staff Council Liaison will be up in July.

2. Check In: Done.

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

4. Owner Forum: The following concerns were brought to the Board by owners attending the meeting:

- To have the Co-op initiate a petition or perhaps an action committee to cease all spraying of pesticides on public lands within the city limits.
- Are Co-op financial statements available to owners? (Joe Golton, Treasurer, responded that financial statements for 2005 will be sent out with the annual report in June and updated on the website. Also, Christina Oliver, Financial Manager, and Joe Golton will present the 2005 financial statements and will be available to answer questions at the Annual Meeting/Owner Picnic on June 25th).
- Concern was expressed over the financial viability and the service in the Deli.
- A group of owners requested that policies regarding how alleged shoplifting incidents are handled by the Co-op be reviewed. Richard Katz, General Manager, offered to meet with these owners and to invite some of the Board members to attend the meeting to hear the owners' concerns.
- A request was made for the Co-op to consider building solar-heated greenhouses. Herb Heiman suggested that the Outreach Committee consider the idea.

5. Staff Council: James Dills, who was elected to Staff Council in January, was introduced to the Board.

6. Filling the Open Board Position: The Board discussed options for filling the Board seat left vacant by Glenn Hill, who resigned to take a job with PC Market of Choice. The Board agreed to make a fourth Board seat for a one-year term available in the coming election to fill the vacant position.

7. Review of 2005 Financial Statements: Christina Oliver discussed adjustments to the year-end financial statements and answered questions from the Board.

8. Review of 1st Quarter 2006 Financial Statements: Christina reported that the Co-op is still seeing double digit growth in sales in 2006. There are more than 4,000 members currently, and sales to members make up more than 60% of total sales. It was noted that it is encouraging that even as we lower prices, sales are still growing. Christina is tracking the discounted sales resulting from the new 10% coupons taking the place of Owner Appreciation Days.

9. Finance Committee Report:

a) Review CPA Information: Joe Golton requested that the Board review the 2005 financial and the CPA information at the July meeting.

b) Modify Profit Sharing Formula: Joe presented a recommendation from the Finance Committee to the board that the board policy on profit sharing be amended to read: "Employees are to be paid a bonus based on a share of profits before income taxes, profit sharing, and patronage refunds. The bonus will now be calculated as one-half of the profit in excess of 1.5% of sales, limited to a maximum bonus of .5% of sales." This change in the wording of the policy will help prevent confusion during future audits. The Board agreed to the changes.

c) Declare Profit Sharing: Joe presented the Finance Committee's recommendation that the Board declare profit sharing of \$82,889 for 2005. This amount, added to a small accrual from prior years, equals .50% of sales. The Board accepted this recommendation.

d) Declare Patronage Refund: Joe presented the Finance Committee recommendation regarding the 2005 patronage refund as follows: Allocate the entire 2005 owner patronage net savings (\$270,322). Distribute 65% (\$175,983) of the 2005 patronage allocation to owners, retaining 35% (\$94,339).

Joe explained that allocating the entire patronage net savings is a tax free way to keep some of our surplus and noted that this year's allocation was unusually high due to nonrecurring tax-related factors. Several reasons AFC has retained a portion of these savings in past years are no longer applicable as the debt is retired, there is now a sizeable "rainy day" fund, and this fund is generating income.

However, at current sales growth rates, AFC may outgrow its current facility. Parking is the worst problem but within a few years we may exceed capacity in a number of other areas such as

inventory and docking space, food preparation space, retail floor space, and room for more cash registers.

Most of the solutions to AFC's capacity constraints require capital expenditures of millions of dollars, and therefore it is prudent to begin accumulating the necessary funds in advance. In the event that AFC decides that the best course of action is to stay in the current facility in a manner that does not require large capital expenditures, then the finance committee will likely recommend that all retained patronage refunds (from 2003-2005) be distributed to owners in future years.

The Board agreed to the Patronage Refund recommendation and asked Joe to prepare a one-page sheet of talking points which could be handed out at the Information Desk to owners with questions about how the Board decides on the amount of annual refund to be distributed.

10. Growth Committee: Erik Wallbank reported that although there was no meeting of the Growth Committee in April, he had attended the Ashland downtown planning meetings in order to stress to the planners that A Street is an important part of the downtown. He wanted to be sure that the City considers the needs of the A Street businesses in future planning. Erik will request a meeting with the new City Planner to express the needs and concerns of AFC.

11. 501(c)(3) Update: Richard Katz presented a report to the board regarding AFC initiating a 501(c)(3). The board will continue their research on this issue.

12. Vision/Values Statement: The Board reviewed a draft vision statement and talked about the next steps to take before presenting it to different focus groups. It was decided that a committee (Gwyneth, Herb, Ric, Richard and Annie Hoy) will meet to come up with a second draft of the vision statement. The Board also discussed moving ahead with long-range planning in the meantime. Richard and Erik will head a committee to consolidate the elements of the plan which are currently in place and will come up with a process to complete this task.

13. Board Stipend, Cost of Living Raise, Increasing Stipend for Officers, Board Food Policy: This item was tabled until next month.

14. Outreach Committee Report: The report was distributed to the Board by email, and there were no questions regarding it.

15. General Manager Report: Richard was traveling in April and had no formal report for the Board.

16. Minutes Review: The Board reviewed the minutes for April and accepted them with one correction.

The regular meeting was adjourned at 8:40 pm, and the Board went into executive session. (The minutes of the Executive session were recorded by the Secretary and approved by a Board member).

The next regularly scheduled Board meeting will be on June 13, 2006 at 5:30 p.m. with Erik Wallbank facilitating.

The GM report and Committee reports are available on request.

BOARD ACTIONS:

- Gwyneth Bowman was nominated and confirmed by the Board by email as interim Secretary to fill the position vacated by Glenn Hill.
- The Board agreed to make a fourth Board seat for a one-year term available in the coming election to fill the position vacated by Glenn Hill.
- The board policy on profit sharing was amended to read: "Employees are to be paid a bonus based on a share of profits before income taxes, profit sharing, and patronage refunds. The bonus will now be calculated as one-half of the profit in excess of 1.5% of sales, limited to a maximum bonus of .5% of sales."
- The Board declared profit sharing of \$82,889 for 2005. This amount, added to a small accrual from prior years, equals .50% of sales.
- The Board agreed to distribute the 2005 patronage refund as follows: Allocate the entire 2005 owner patronage net savings (\$270,322). Distribute 65% (\$175,983) of the 2005 patronage allocation to owners, retaining 35% (\$94,339).

The minutes were amended and approved by the Board on June 14, 2006.