

FIDDLEHEADS
BOARD OF DIRECTORS MEETING
November 17, 2015
6:30-8:30 PM
105 Huntington Street, New London

Time	Topic	Resource	Board Action/ Outcome	Leader
6:30	Meeting Preamble <i>Each of us is a member of the coop community and has been elected to be leaders in serving our members. May we conduct this meeting by empowering each other, treating each other with kindness, and maintaining an atmosphere of mutual respect.</i> Check-in	Agenda	Convene/Focus	President
6:30	Agenda Review	Agenda	Make any needed adjustments	President
	Member Comments		Listen	President
6:35	Minutes (Board Packet) <ul style="list-style-type: none"> October 20, 2015 	Packet	Approve Minutes	
6:40	Managers Update Report – TBD <ul style="list-style-type: none"> Lease Negotiations Store reset IGM Vacation Coverage 	Packet or Oral	Q&A	IGM
7:00	Consent Agenda <ul style="list-style-type: none"> Board Monitoring Report C5-Directors Code of Conduct GM Search Committee Minutes Member Equity Refund Requests (as needed) Lease Renewal Jan 1, 2016 through Dec 31, 2018 (3 years) Approve revisions to Work Flow from September 15, 2015 	Each item in packet	Approval	President
6:45	Discussion of Items removed from Consent Calendar	See above	Discuss/Approve	TBD
7:05	Discussion/Action Items: <ul style="list-style-type: none"> * Report on Portland (OR) Co-ops CDS Contract for Board Support Board Budget Process for Handling Member Equity Refund Requests 	Materials in Packet CBLD Flyer and Contract in Packet Proposed Budget in Packet Equity Refund Proposal in Packet	Approve CDS Contract Discuss 2016 Board Budget (approve if appropriate) Approve processes for member equity refund requests	Vice President President and Vice President Treasurer and Vice President IGM

	<ul style="list-style-type: none"> Process for Handling Member Loans and Refund Requests (and inventory of outstanding loans) Expectations for Board Members Current discount policy and/or practice IGM Service Contract Continuation 	<p>Member Loan Process and Refund Request Policy in Packet</p> <p>In Packet or to be distributed</p> <p>In packet or oral presentation</p>	<p>Approve processes for handling member loans and how refund requests</p> <p>Discuss discount policies and reconciliation of policy and practice</p> <p>Approve 4-8 week continuation of IGM services</p>	<p>IGM</p> <p>Governance Committee</p> <p>IGM</p> <p>President and IGM</p>
7:15	<p>Committee/Task Force</p> <ul style="list-style-type: none"> Governance <ul style="list-style-type: none"> *Calendar *Committee Membership *Potential Candidates for Board Vacancy GM Search <ul style="list-style-type: none"> *What to expect for interview Annual Meeting Member Communications 	<p>Minutes on Consent Agenda</p> <p>Interview Questions in Board Paket</p> <p>Notes in Packet</p>	<p>Approve calendar membership and chair for Governance</p> <p>Approve annual meeting date</p>	<p>Mona Harmon Bowman</p> <p>Sue Phillips/Carolyn Wilson</p> <p>Carolyn Wilson</p> <p>Carolyn Wilson</p>
7:30	GM Monitoring Report	In Packet		IGM
	Member Comments			
8:30	<p>Closings</p> <ul style="list-style-type: none"> SCHEDULE CDS CALL! Review decisions, tasks, assignments December 15th draft agenda Meeting Checklist <ul style="list-style-type: none"> Everyone was present physically and attentively No sidebar conversations Maintain topic focus Everyone had a voice and was heard Be honest but not brutal Don't monopolize 		<p>Review</p> <p>Evaluate meeting process: what worked and what needs improvement</p>	President

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| | <ul style="list-style-type: none"> o Clarify the purpose of each agenda item to begin o Signal if you feel personally attacked, disrespected, or put down • Adjourn Meeting | | | |
|--|--|--|--|--|

BOARD PACKET:

Minutes of October 20, 2015 (DRAFT) – ELISA and DANNY
Managers Update Report -- WYNSTON
Board Monitoring Report C.5 – Directors Code of Conduct -- ELISA
GM Search Committee Minutes
 *October 13, 2015
 *October 27, 2015
CBLD 2016 Flyer
CBLD Contract
CBLD Additional Training Proposal – SUSAN Z.
Proposed Board Budget for 2015 – HELENE
Proposed Process for Member Equity Refunds –WYNSTON
Proposed Process for Member Loans and Refund Requests –WYNSTON
Expectations for Board Members -- MONA
Proposed Governance Committee Calendar – MONA
Questions for Final GM Candidate Interview
IGM Monitoring Report – WYNSTON

FIDDLEHEADS BOARD OF DIRECTORS
Board Meeting of October 20, 2015

I. CALL TO ORDER, ATTENDANCE, ANNOUNCEMENTS

A. Call to order

Susan Phillips called to order a monthly meeting of the Fiddleheads Board of Directors at 6:30 PM on Tuesday, October 20, 2015 at 105 Huntington Street, New London, CT.

B. Attendance

The following board members were present:

Susan Phillips, President
Susan Zimmermann, Vice-President
Helene Bardinnet, Treasurer
Danny Spurr, Secretary
Mona Harmon-Bowman
Ellen Clinesmith

The following board members were not present:

Carolyn Wilson
Suzanne Cattanach

The following additional members were present:

Wynston Estes, Interim General Manager
Elisa Giommi, Board Administrator

C. Board Check-in

Susan Zimmerman offered to present information she brought back from two coops that she visited in Portland, OR. She also noted that it was her wedding anniversary.

Mona distributed notes on Capital Campaigns from a workshop she attended at the New London Public Library conducted by the Non-Profit Resource Center.

Elisa mentioned that if there are errors in packet info, please tell her with enough time to correct them.

D. Agenda Review

Approval of the minutes for October 6, 2015 was added to the agenda. The minutes were included in the packet, but not the agenda.

“Process for handling member equity and member loan refund requests” was removed as the Equity Refund Proposal was not in the packet. There was a question raised as to what documentation exists for member loans and the terms of the loans. Wynston will look into these loan schedules and noted that there needs to be a more formal process for handling member loans. This should be on a future agenda.

E. Member comments

No members were present

II. MINUTES OF PRIOR MEETINGS

A. Minutes of September 15, 2015 meeting

Motion to accept minutes of September 15, 2015.

Motion: Helene Bardinet

Second: Susan Zimmermann

All in favor with Ellen Clinesmith abstaining

B. Minutes of October 6, 2015 meeting

Motion to accept minutes of October 6, 2015.

Motion: Ellen Clinesmith

Second: Helen Bardinet

All in favor

III. MANAGER'S UPDATE REPORT

The manager's report was not in the packet, but was handed out at the meeting.

A. Lease negotiations

The building owner, Charlie Facas, has been ill and Ed Demuzzio has not been able to meet with him to review the new lease. Though Wynston would like to request some improvements to the building and parking lot, the lease renewal offer is reasonable, and, in lieu of Charlie's health, there was a general consensus that a timely signing of the lease was of great importance. The lease may be able to be signed through a legal rep and could be approved by the board via email as long as the vote was unanimous.

B. Store reset

Additional funds are need for the purchasing of shelving for the reset. Wynston is looking into drawing a few thousand dollars from our line of credit through CFNE to cover some shelving and labor costs. Some alternative financial ideas were offered.

C. NCG

The co-op, as and associate member of NCG, has access to many of the programs and systems that they have to offer. Operations has been trying out some of the tools and information that NCG offers, but will not be able to get useful information until our financials are cleaned up. We do not have access to other co-op's financials as an associate member.

D. Other store topics

To improve cash flow, Wynston is working with staff on purchasing strategies to reduce inventory of slow selling items and items where there is too much selection of the same product. She has also been reviewing our radio ads, as our current ads are not impacting sales growth. We will spend less on radio ads and have them be better targeted.

Wynston will be on vacation next week. Rachel Watrous will be Acting GM in here stead.

IV. CONSENT AGENDA

A. Board Monitoring Report C4- Meetings

The report results were incomplete in the packet, but the full report was distributed at the meeting.

B. Member Equity Refunds

There were no pending request for a Member Equity Refunds.

Motion to approve Consent Agenda

Motion: Mona Harmon-Bowman

Second: Ellen Clinesmith

All in favor

V. DISCUSSION

A. CDS Contract for Board Support

NCG will likely be able to reimburse the money for our CDS (CBLD) contract, but we would have to approve the contract first.

Susan Zimmermann talked to NCG about whether they can offer financial training to the Board. They do not offer this, but they do offer funding for Board Governance training. Susan offered the suggestion of having a small self run financial statement training using CDS resources and then having a retreat on financials with newly elected Board members in the summer, that could possibly be subsidized by NCG.

The possibility of sharing expenses with neighboring/regional coops for Board financial training was also brought up. It was suggested that we talk to Erbin and Bonnie of NFCA about this possibility.

The CDS Contract was tabled to the November meeting so we could better determine if we would need additional services from CDS. We do not need to approve the contract until November 30th.

B. Board Budget

Helene emphasized that the Board budget presented was a very rough draft and more of a beginning point for discussion than a fully fleshed out budget. The actual board spending for 2015 is unclear as the financial reports are still being repaired and not all board expenses were separated from store expenses. In particular, the Annual Meeting was considered a joint Board and store expense last year and it is unclear how much was spent on the meeting. The Annual Meeting is now being considered a Board expense.

A question was raised as to the status of the Board's Cooperative Grocer subscriptions. Elisa said that she spoke to Kristin and she was supposed to do this. This may have been overlooked in the transition to our Interim GM. Elisa will check with Kristin regarding the subscriptions. It was also noted that Mark Patnode's subscription should be changed Ellen

Clinesmith. No one was sure about when the Nov/Dec issue was to arrive?

There was discussion about conference expenses. In particular, it was proposed that more money be budgeted for the CCMA conference as, due to it being in New England this year, we may want to send more Board members than usual; as many as seven.

Helene was thanked for her efforts in working on the budget.

C. Expectations for Board Members

Tabled to until next month, so that we can discuss this. Susan Phillips will talk with Suzanne Cattnach about this issue before the next meeting.

D. Current Discount Policy and/or Practice

This was addressed in the IGM monitoring report and pulled out to discuss here.

1. Member discounts

Wynston pointed out that the current policy of giving a 2% discount to member does not grow sales and does not incentivize or attract members. She is looking at other ways owners can be appreciated/rewarded without using an across the board 2% discount, with the hope of transitioning to a new system.

2. Military/student discounts

As was discussed last meeting, there was some uncertainty as to whether the military and student discounts had been discontinued or not. This program was found to violate our bylaws as it allowed a discounted equity payment of \$10 for students and military. According to our bylaws, equity shares cannot be discounted and all member-owners must pay the full \$25 stock price to become members. The 2% military/student discounts have not been discontinued. We are still unsure if the discounted equity program had been discontinued. Wynston reminded the Board that discounts are an operational issue and fall under the GM's discretion, though, as Susan Zimmermann pointed out, the Board became involved in this issue because of the discounted equity violations.

The issue will be put on next month's agenda where we will hopefully have more information on the discount program.

VI. Committee/Task Force Reports/Action

A. Governance Committee Report

Ellen Clinesmith was added to the committee. They will be sending out letters to potential Board members in November and are looking for more potential candidates. Helene will follow up with Constance Kendros on Facebook. Ellen Clinesmith talked about reaching out to Electric Boat members.

Approval of the Governance Committee calendar was tabled until we have an Annual Meeting date set.

B. GM Search Committee

There is a candidate. We will talk more about it next month.

C. Annual Meeting Committee

There is no date set yet for the Annual Meeting. Different venues and formats are being investigated as well as costs.

D. Member-Owner Communications Committee

Our next Board meet and greets are set for the Saturday and Sunday, the 21st and 22nd of November.

VII. GM MONITORING REPORT

It was decided to approve each section and subsection separately.

A. End A2-Thriving Local Economy

Motion to approve Monitoring Report for End A2:

Motion: Helen Bardinet

Second: Susan Zimmerman

All in favor

B. Ends A3-Sense of Community

Motion to approve Monitoring Report for End A2:

Motion: Ellen Clinesmith

Second: Mona Harmon-Bowman

All in favor

C. B1 Financial Conditions & Activities

1. Executive Limitation B1.1- The GM shall not allow sales to decline or become stagnant.

The last two quarters have shown negative sales growth compared to the same period last year.

There was a discussion about the elimination of the 2% member discount and it was clarified that the program would be changed to something more sustainable and not eliminated outright.

Motion to approve Monitoring Report for Executive Limitation B1.1 with acknowledgement of non-compliance:

Motion: Daniel Spurr

Second: Susan Susan Zimmerman

All in favor

2. Executive Limitation B1.2- The GM shall not allow operations to generate inadequate net income.

There was a question as to where the web grocer set up expense appears in the quarterly financials. Wynston informed the Board that the expense was split up over the first and second quarters and that she would provide more information for the next meeting.

Motion to approve Monitoring Report for Executive Limitation B1.2:

Motion: Susan Zimmerman

Second: Ellen Clinesmith

All in favor

3. Executive Limitation B1.3- The GM shall not allow liquidity to be Insufficient

It was noted that the Board would like to see the quick ratio reported in addition to the current ratio for the next report.

Motion to approve Monitoring Report for Executive Limitation B1.3:

Motion: Mona Harmon-Bowman

Second: Helen Bardinnet

All in favor

4. Executive Limitation B1.5- The GM shall not incur debt other than trade payables or other reasonable and customary liabilities incurred in the ordinary course of doing business.

Motion to approve Monitoring Report for Executive Limitation B1.5:

Motion: Susan Zimmerman

Second: Helene Bardinnet

All in favor

5. Executive Limitation B1.7- The GM shall not allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.

Motion to approve Monitoring Report for Executive Limitation B1.7:

Motion: Ellen Clinesmith

Second: Helene Bardinnet

All in favor

6. Executive Limitation B1.8- The GM shall not allow late payment of contracts, payroll, loans, or other financial obligations.

Payroll and loans payments are current. Accounts payable are not current.

Motion to approve Monitoring Report for Executive Limitation B1.8 with acknowledgement of non-compliance:

Motion: Susan Zimmerman

Second: Helen Bardinnet

All in favor

D. Executive Limitation B2- Business Planning And Financial Budgeting

Motion to approve Monitoring Report for Executive Limitation B2:

Motion: Mona Harmon-Bowman

Second: Ellen Clinesmith

All in favor

E. Executive Limitation B3- Asset Protection

Motion to approve Monitoring Report for Executive Limitation B3:

Motion: Helen Bardinnet

Second: Daniel Spurr

All in favor

F. Executive Limitation B4- Membership Rights and Responsibilities

This section was deemed not applicable.

G. Executive Limitation B6- Staff Treatment and Compensation

Wynston noted that once the Staff Advocacy Group is in place the Grievance Committee can retire to an ad hoc committee.

Motion to approve Monitoring Report for Executive Limitation B6:

Motion: Daniel Spurr

Second: Ellen Clinesmith

All in favor

H. Executive Limitation B7- Communication to the Board

Motion to approve Monitoring Report for Executive Limitation B7:

Motion: Helen Bardinnet

Second: Mona Harmon-Bowman

All in favor

There was a conversation about Susan Zimmerman and Helene Bardinnet meeting with Wynston to talk about financial reporting formats. It was agreed that December would be a better month to meet, as November will be a very busy month due to the proposed reset.

VIII. CLOSINGS

A. Agenda Review for November 17, 1015 meeting

Minutes of October 20, 2015 (DRAFT) – ELISA and DANNY

Info on Portland, OR Co-ops presentation- SUSAN Z.

Manager's Update Report – WYNSTON

Board Monitoring Report C.5 – Directors Code of Conduct -- ELISA

GM Search Committee Minutes — SMP

CBLD Additional Training Proposal/NCG Funding Application – SUSAN Z.

Proposed Board Budget for 2016 – HELENE

Proposed Process for Member Equity Refunds –WYNSTON

Proposed Process for Member Loans and Refund Requests –WYNSTON

Expectations for Board Members — MONA/Governance

Proposed Governance Committee Calendar – MONA/Governance

Candidate(s) for board vacancy — MONA/Governance

IGM Monitoring Report – WYNSTON

ALSO

WYNSTON to send SMP final approved (edited) version of IGM Monitoring Plan for "Filing" (add date approved please!)

SMP to inform SPZ of any opportunity for collaborative financial training with other NFCA Boards

Lease Renewal (WYNSTON to provide to SMP) – SMP will seek email approval if possible before November 17th

Discount Policies and Practice – WYNSTON to determine if written or oral report more appropriate and whether able to make proposal

B. Adjournment

Motion to adjourn at 8:46PM

Motion: Mona Harmon-Bowman

Second: Ellen Clinesmith

All in favor

Draft minutes prepared for submission to the board by Danny Spurr/Elisa Giommi on October 31, 2015.

Minutes approved by vote on _____ and put into final form by _____ on _____.

Asset Protection

Inventory

Shrink

All items pulled off the shelf for any reason besides a sale (e.g. damaged, expired, spoiled, spilled, left by customer) are processed as shrink and are subtracted from on-hand inventory. We are beginning weekly random audits of on-hand quantities to verify that all product sales and shrink are accounted for. If all processes are perfect, differences should be due to theft. Monthly store-wide shrink has been less than 1.5% of total purchases for each of the last 6 months. Based on on-hand adjustments from quarterly store-wide physical inventories and industry standards, we expect our shrink to be closer to 3%. We are currently testing our processes for receiving and monitoring shrink to gain confidence in the reported numbers and to better estimate store theft.

Margin Management

We are changing our pricing structure to improve our pricing image and increase our competitive edge. Previously, we have used a fairly uniform applied margin to all departments across the store. We are shifting to a category-specific applied margin to better match industry standards and present more appealing, competitive prices to our customers. For some categories, such as dairy (a category of the refrigerated department), prices dropped significantly, from a 38% applied margin to an 18-22% applied margin. We anticipate an increased volume of sales and decreased shrink resulting in an equal or greater gross profit and will be tracking sales and profits on a weekly basis for the categories that have undergone significant pricing changes to monitor changes in sales.

Data Security

PCI Compliance

The Payment Card Industry (PCI) has established guidelines for any business using customer credit card numbers to help protect against credit card fraud. PCI compliance is a complex matter. We are working with our credit card processor, Mercury Payment Systems, through a contract available to us as associate NCG members to assess our compliance and address issues needing improvement. Current status is as follows:

- We have partnered with Trustwave and have access to their PCI Manager (an online PCI and security tool), monthly vulnerability scans, 24x7 phone support from PCI specialists and breach assistance protection for up to \$100,000.
- Using the tools available through Trustwave, we are assessing our current level of compliance and working on a plan to be fully compliant within a year.
- Based on our size and the fact that our POS system does not store any credit card numbers, we are able to evaluate ourselves with a Self Assessment Questionnaire (SAQ) and documented Trustwave system scans rather than hiring a 3rd party auditor.
- Initial vulnerability scans and system assessment indicate that we have passed several key benchmarks.

EMV Liability Shift

On October 1st, a policy change occurred which states that for any fraudulent transactions occurring with an EMV card processed in a non-EMV approved manner (ie the mag stripe is swiped), the merchant is liable for the fraud. Although the industry is working "as fast as it can", only the big retailers (e.g. Walmart, Home Depot) are EMV-compliant at this point. We are working with our POS vendor and Mercury Card Services to have an EMV-ready solution in early 2016. The remaining hurdle is purchase of the EMV-ready card terminals.

Electronic Systems

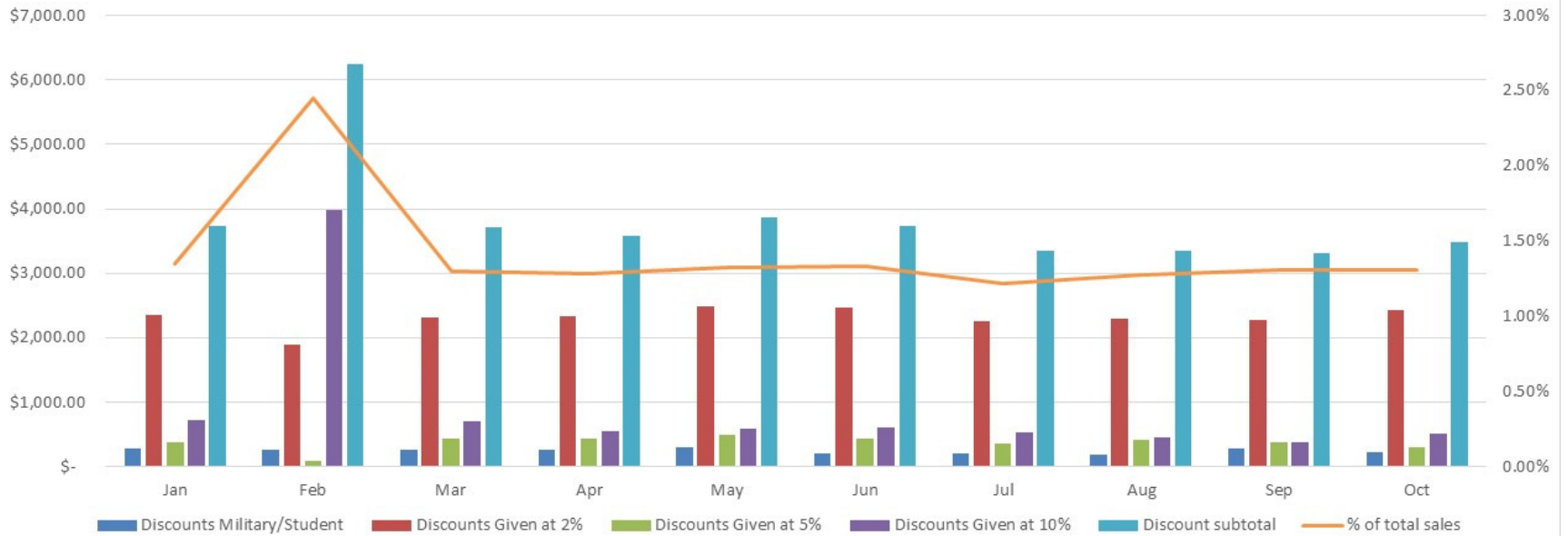
We have made significant improvements to the security of our electronic devices, files and email over the past 4 months. Changes include:

- Installation of a server-based network for all computer workstations and centralized storage of all electronic files on the server.
- Installation of a server-based antivirus program to provide uniform and up-to-date antivirus protection to all computer workstations.
- Daily backups of server data files on a local drive. Backups are verified weekly and saved off-site on a monthly basis.
- Daily backups of our POS data to the cloud with email verification.
- Access to our computer network and files requires a user log in.
- All sensitive user names and passwords are protected with a password-protected password manager program. Access to the shared password database is restricted to 6 high-level administrative staff. Individual password databases

exist for these same administrative staff with protocols in place should access to an account be required without the user's consent.

- Electronic personnel files exist with access restricted to the appropriate manager and GM.
- An Acceptable Use Policy for electronics has been drafted to inform staff of acceptable use of the Co-op's computers and electronic communications systems.
- Email accounts for all previous staff are either deleted or modified by system administrator for controlled forwarding of emails.
- Network user and POS accounts for all previous staff are locked by system administrator.
- All small electronics (e.g. tablets and ipods) are locked in a cabinet when not in use.

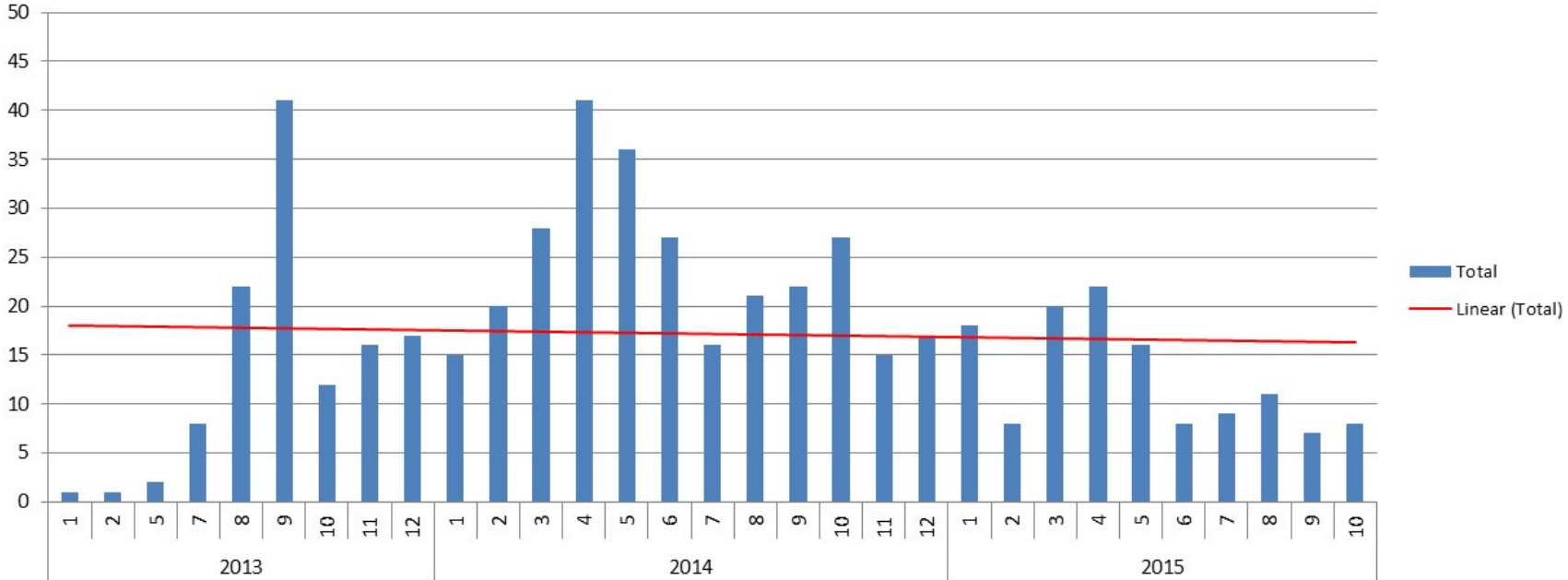
Discounts (Non Employee)



Indicator	What is it	Where to find it	What to look for	General Benchmark	Preferred Trend	Red Flag	Great Stuff	Q1	Q2	Q3	Q4	2015 YTD
Sales	Total revenues collected through operation of normal business activities	Income statement	Has the historic level of business activity changed? Look at past years as well as quarter to quarter fluctuations.	At least 3% Growth	Increasing	Decreasing	10%	\$833,438.96	\$865,964.28	\$807,506.86		\$2,506,910.10
Sales growth	Total revenues collected through operation of normal business activities	Income statement	How do growth trends vary from season to season? How does growth compare to local competitors, to other co-ops, and to your goals?	At least 3% Growth	Increasing	Decreasing	10%	1.90%	-0.28%	-2.89%	0.00%	0.00%
Gross Margin	Difference between cost of goods sold and sales. This money will pay for all expenses (labor, rent, supplies, etc.)	Income statement	Gross margin as a percent of sales is one of the most important pieces of financial data that the e board should monitor. Gross margin is the most difficult aspect of the retail food business to manage and control. A gross margin that is a few percentage points off it's goal will have very negative effects on profitability	Varies depending on the market and product mix_ in general 34-38%	Consistently meets targets	Unplanned and/or unexplained decreasing margin	38% (36.5% in 2009)	35.68%	35.48%	36.46%	#DIV/0!	35.86%
Expenses	Total amount paid for operating expenses (wages, rent, utilities, insurance, supplies, advertising, cleaning, equipment, etc.)	Income statement	Percentage of various key expenses (personnel, marketing, etc.) should be monitored for period to period, as well as compared to industry standards	At least 0.50% less than gross margin	At budget or less	Significantly over budget	37% (36.17% in 2009)	29.59%	33.39%	40.59%	0.00%	34.05%
Net Income (profit)	Difference between gross margin and total expenses	Income statement	This number will vary, depending on the Co-op's goals. Are you trying to build some reserves to prepare for an expansion, or to lower prices an accept less profit to provide better value to members? Compare numbers to previous reporting periods to see if things are improving or not	At least 0.50%	Meets budget or better	Losing money or in the red (unplanned)	0.85% (.23% in @009)	1.59%	1.44%	-7.08%	#DIV/0!	-1.26%
Cash and days of cash on hand	Money in the bank or readily available to pay operating expenses, including the purchase of goods for sale	Balance sheet	Compare cash balance to total purchases and expenses in a period to find the total days of cash. A weeks work of cash is workable. With more that two week's worth, cash should be invested rather than kept for the immediate access	10 or more days	Increasing with more than 20 days	Decreasing with less than 10 days	16.53	29.50	29.77	9.23		
Current ratio	Ratio of current assets to current liabilities (divide current assets by current liabilities	Balance sheet	Provides a comparison of assets available to cover short-term debt and financial obligations. Less that 1:1 can be trouble (not enough cash to meet current obligations).	1.25 (or \$1.25 in current assets for each \$1. in liabilities)	Steady at 1.25	Less than 1	3	2.15	2.20	1.69		

Member shares	The percentage of total assets financed by member investment	Balance sheet	Answers the question, "How much of this co-op has been financed by member - owners?"	20-30%	Over 30%	Less than 20%	25%	8.03%	7.88%	8.37%
Debt-to-equity ratio	Ratio showing the relationship between total debt and total equity (capital)	Balance sheet	Acceptable ratios vary depending on the situation. A range of 1:1 to 2:1 is realistic for most food co-ops. A ratio closer to 1:1 is advisable if the co-op is experiencing instability	2:1	Decreasing with less than 2:1	Increasing and more than 2.5:1	1.25	1.14	1.06	1.30

Members Joined per Month



What is a Co-op?

A co-op is a business organization owned by a group of individuals for its mutual benefit. Everyone makes the same investment to become a Member-Owner of the co-op and has the same amount of influence. All co-ops operate according to the same seven cooperative principles:

Voluntary: Anyone willing to accept responsibilities of membership is welcome.

Democratically controlled: Members set policies and make decisions. Everyone has equal voting rights (one member, one vote) and the Board of Directors is accountable to owners.

Member economic participation: each member makes an equity investment.

Autonomy and independence: A co-op is controlled by its members alone.

Education: Co-ops provide education and training to members, community, and staff so that all can contribute effectively to the development of their co-op.

Cooperation: Co-ops strengthen the cooperative movement by working together through local, national, regional, and international structures.

Concern for Community: Co-ops work for the sustainable development of their communities.

Benefits

As a Member-Owner you can:

- Enjoy Member-Owner only specials and discounts
- Receive discounts on quantity purchases
- Be eligible for patronage rebates in times of profitability
- Have a voice and vote in the Coop's future!

- Serve on the Board of Directors
- Support a locally owned and operated business that is part of our community and puts money back into the local economy
- Support local farmers and producers contribute to a robust and thriving local food system
- Own the store where you shop! Being a Member-Owner means you are investing the future of your co-op. Shopping at the co-op ensures it is here for the community well into the future
- Work towards the sustainable development of our community. The Coop provides local jobs for people in our community

How do I become a Member-Owner?

By becoming a member-owner, you will have the opportunity to get involved in the development, operation, and decision making of the coop. The cost to become a member-owner is one-time \$175, which includes an initial \$25 joining fee. The remaining \$150 can be paid in monthly installments. Unlike memberships at well-known buying clubs, at the Co-op you do not need to renew

annually.

Household Member-Owner

Household memberships cover up to four adults sharing the same address. Any mailings will be addressed to the primary member and they are the designated voting member.

Business Member-Owner

Intended for food-service businesses. Please provide proof of business entity status at the time of applying for your member-ownership.

Member-Owner Application

Please Select One:

Household Membership (Up to 4 Adult Members)

Business Membership

Member Names:

(Primary Member)

Member Emails:

1. _____

2. _____

Address: _____

City, Zip: _____

Phone: _____

Payment Options: (Please select)

\$175 (\$15 processing fee plus \$160 Equity Payment)

\$25* (The Remaining \$150 Equity in Installments)

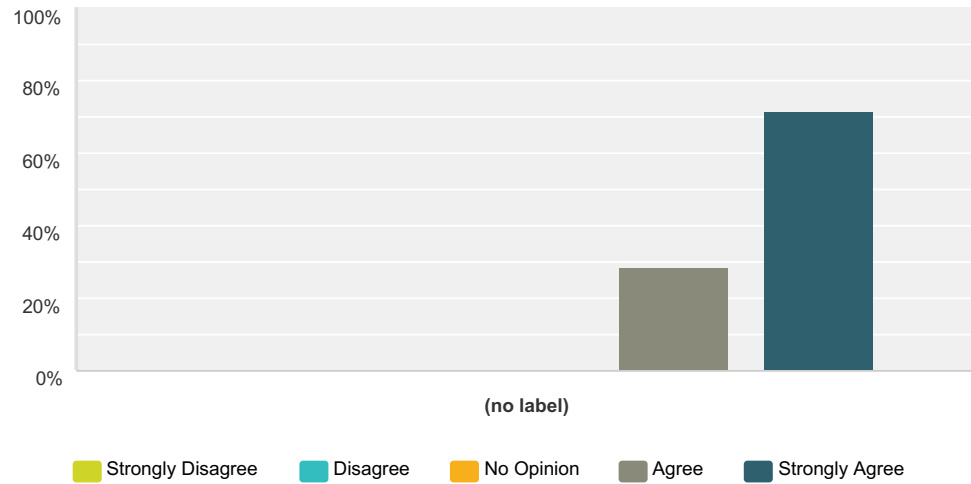
*\$15 Processing Fee. Member-Owner must make at least ONE \$10 payment every three months to maintain a "good-standing" status, until the membership is paid off in full.

MEMBER ID # 4100000

Staff Initials

Q1 Every director is responsible at all times for acting in good faith, in a manner which she/he reasonably believes to be in the best interests of the Cooperative, and with such care as an ordinarily prudent person in a like position would use under similar circumstances.

Answered: 7 Skipped: 0

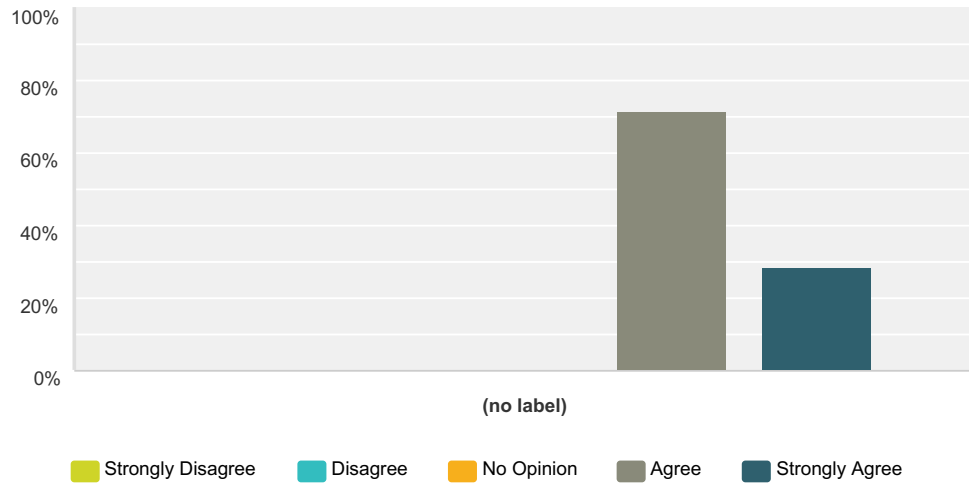


	Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree	Total	Weighted Average
(no label)	0.00% 0	0.00% 0	0.00% 0	28.57% 2	71.43% 5	7	4.71

#	Other (please specify)	Date
	There are no responses.	

Q2 Directors must demonstrate unconflicted loyalty to the interests of the Cooperative’s owners. This accountability supersedes any conflicting loyalty such as that to advocacy or interest groups, membership on other Boards or staffs, and the personal interest of any director acting as an individual consumer or member.

Answered: 7 Skipped: 0

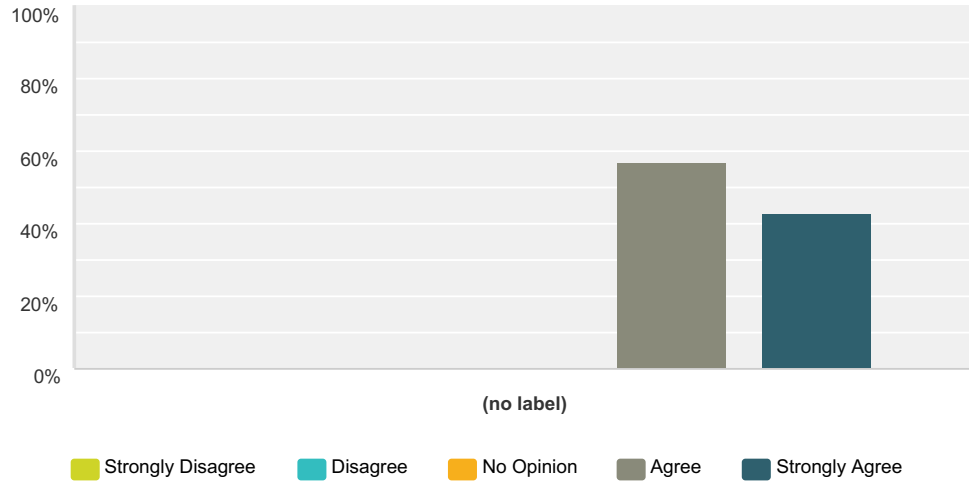


	Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree	Total	Weighted Average
(no label)	0.00% 0	0.00% 0	0.00% 0	71.43% 5	28.57% 2	7	4.29

#	Other (please specify)	Date
1	Although this has been an issue for us in the past, we have established clear guidelines and defined roles and our board is moving forward as a unified team.	11/4/2015 7:34 AM

Q3 There will be no self-dealing or any conduct of private business or personal services between any director and the Cooperative except as procedurally controlled to assure openness, competitive opportunity and equal access to “inside” information.

Answered: 7 Skipped: 0

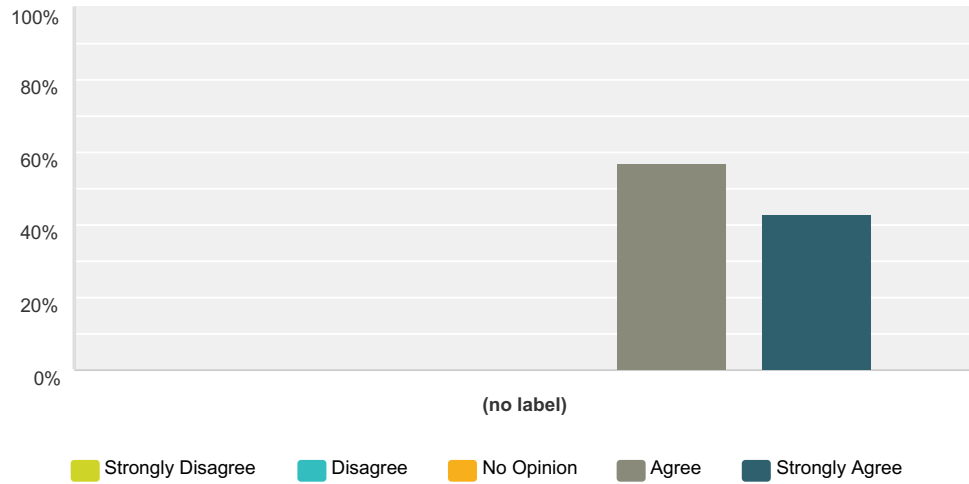


	Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree	Total	Weighted Average
(no label)	0.00% 0	0.00% 0	0.00% 0	57.14% 4	42.86% 3	7	4.43

#	Other (please specify)	Date
	There are no responses.	

Q4 When the Board is to decide on an issue about which a director has an unavoidable conflict of interest, that director shall abstain from the conversation and the vote.

Answered: 7 Skipped: 0

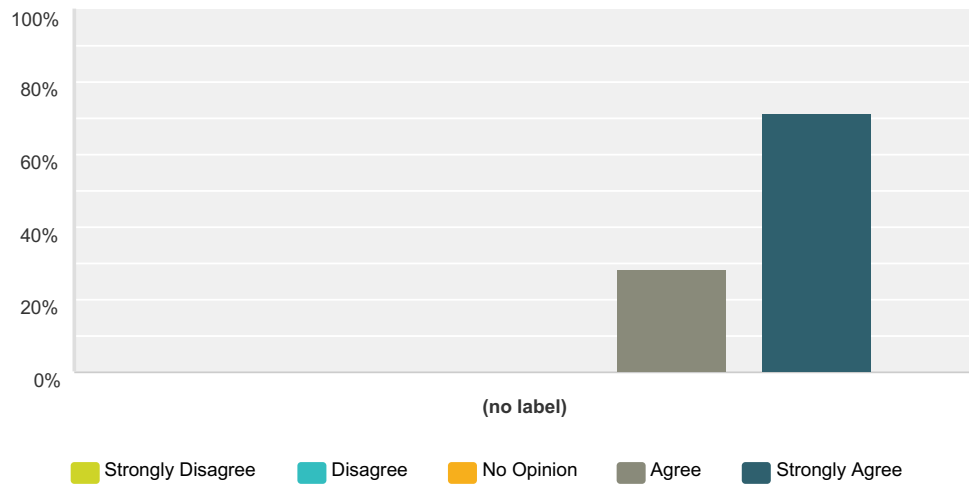


	Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree	Total	Weighted Average
(no label)	0.00% 0	0.00% 0	0.00% 0	57.14% 4	42.86% 3	7	4.43

#	Other (please specify)	Date
	There are no responses.	

Q5 A director who applies for employment must first resign from the Board.

Answered: 7 Skipped: 0

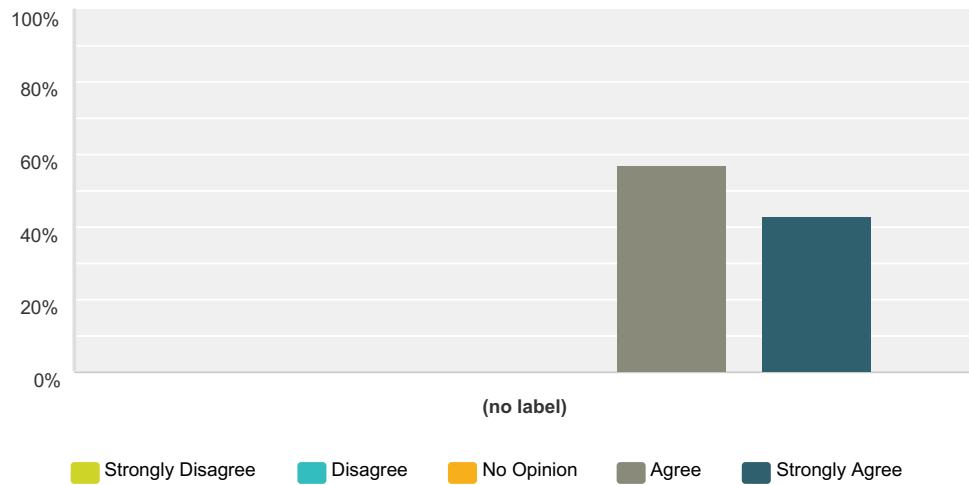


	Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree	Total	Weighted Average
(no label)	0.00%	0.00%	0.00%	28.57%	71.43%	7	4.71
	0	0	0	2	5		

#	Other (please specify)	Date
	There are no responses.	

Q6 Directors may not attempt to exercise individual authority over the organization.

Answered: 7 Skipped: 0

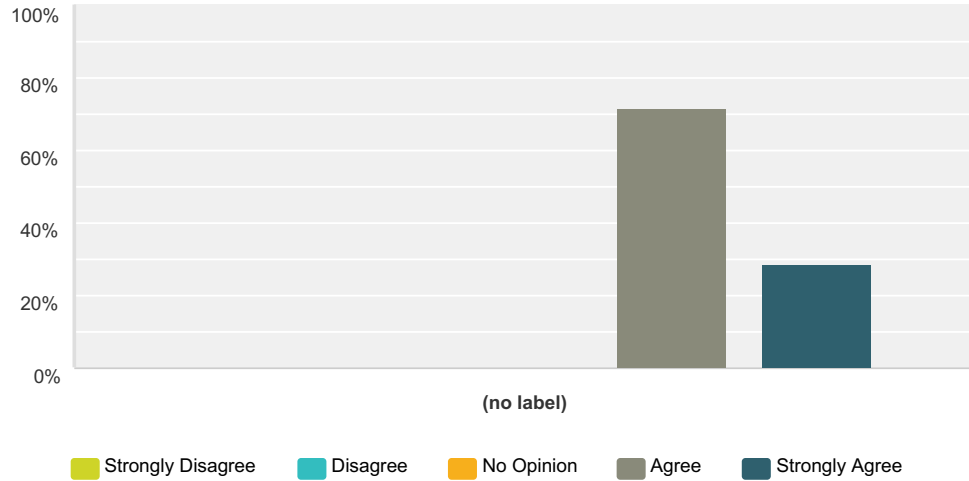


	Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree	Total	Weighted Average
(no label)	0.00%	0.00%	0.00%	57.14%	42.86%	7	4.43
	0	0	0	4	3		

#	Other (please specify)	Date
1	Again - we have made progress in this area.	11/4/2015 7:34 AM

Q7 When interacting with the GM or employees, directors must carefully and openly recognize their lack of authority.

Answered: 7 Skipped: 0

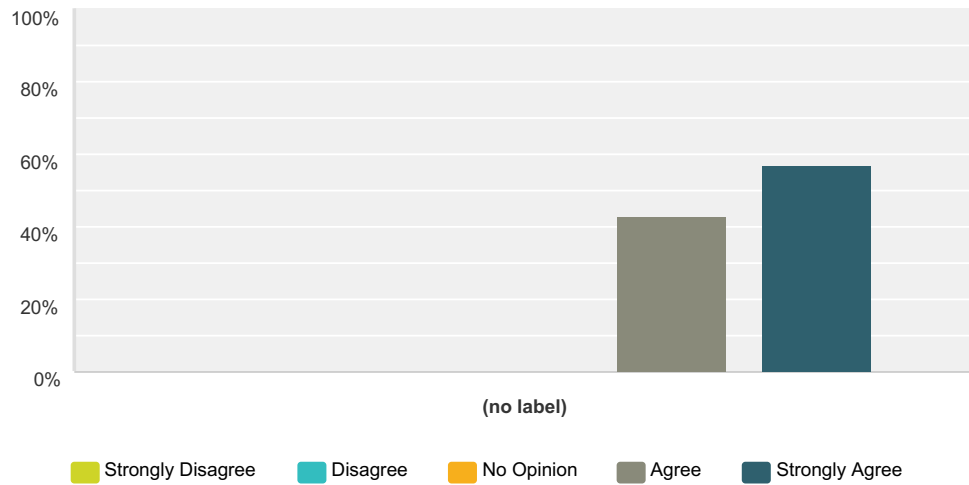


	Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree	Total	Weighted Average
(no label)	0.00% 0	0.00% 0	0.00% 0	71.43% 5	28.57% 2	7	4.29

#	Other (please specify)	Date
	There are no responses.	

Q8 When interacting with the public, the press, or other entities, directors must recognize the same limitation and the inability of any director to speak for the Board except to repeat explicitly stated Board decisions.

Answered: 7 Skipped: 0

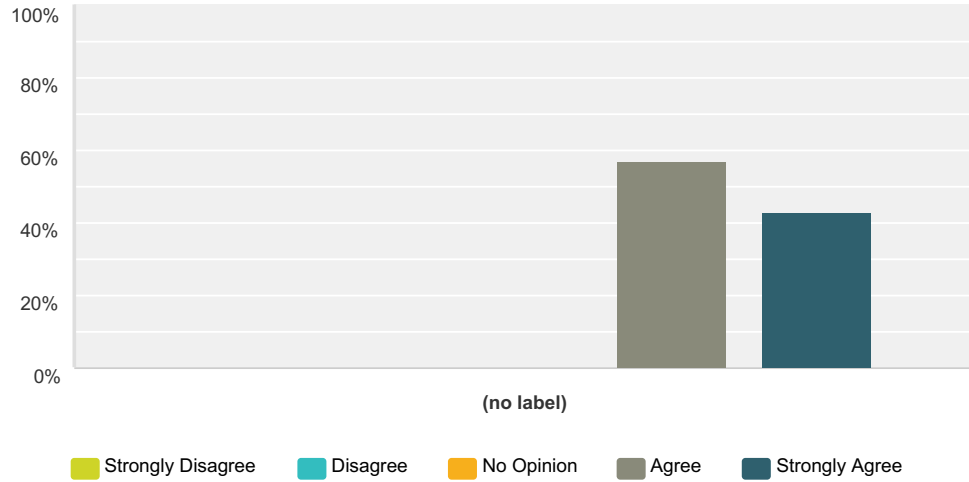


	Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree	Total	Weighted Average
(no label)	0.00% 0	0.00% 0	0.00% 0	42.86% 3	57.14% 4	7	4.57

#	Other (please specify)	Date
	There are no responses.	

Q9 Directors will respect the confidentiality appropriate to issues of a sensitive nature and must continue to honor confidentiality after leaving Board service.

Answered: 7 Skipped: 0

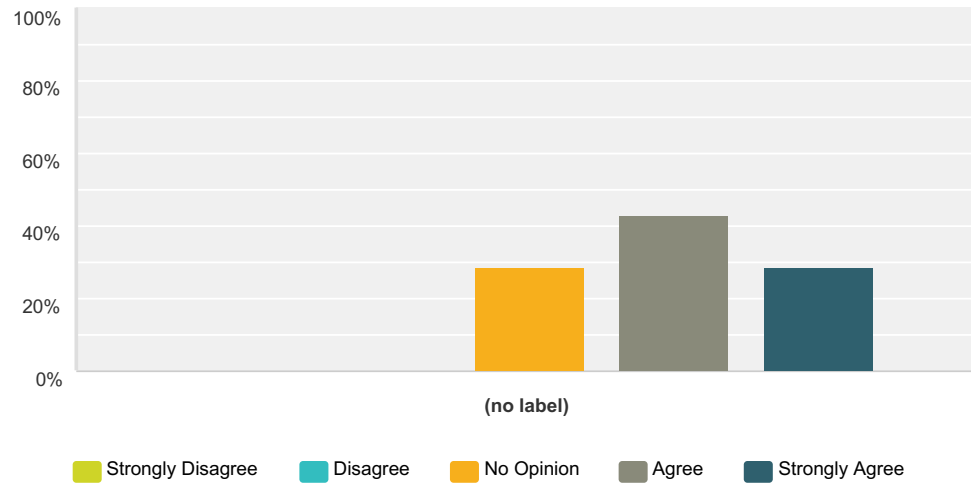


	Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree	Total	Weighted Average
(no label)	0.00% 0	0.00% 0	0.00% 0	57.14% 4	42.86% 3	7	4.43

#	Other (please specify)	Date
	There are no responses.	

Q10 Directors are expected to prepare for and attend all Board meetings and trainings.

Answered: 7 Skipped: 0

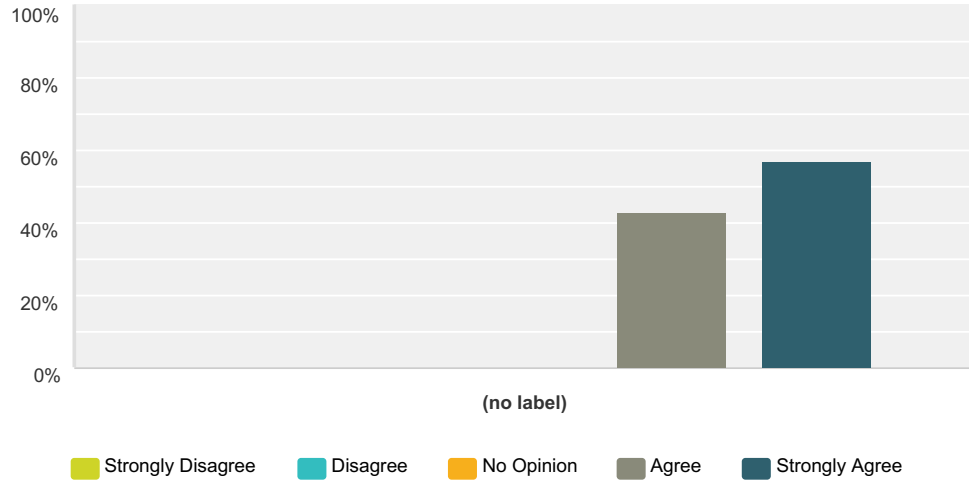


	Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree	Total	Weighted Average
(no label)	0.00%	0.00%	28.57%	42.86%	28.57%	7	4.00
	0	0	2	3	2		

#	Other (please specify)	Date
1	I feel there are directors who are not meeting this expectation.	11/9/2015 11:31 AM
2	Guidelines are clear. We now need to hold ourselves and each other accountable.	11/4/2015 7:34 AM

Q11 Directors will support the legitimacy and authority of the Board’s decision on any matter, irrespective of the director’s personal position on the issue.

Answered: 7 Skipped: 0



	Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree	Total	Weighted Average
(no label)	0.00% 0	0.00% 0	0.00% 0	42.86% 3	57.14% 4	7	4.57

#	Other (please specify)	Date
1	We have done a good job speaking with one voice over the past year.	11/9/2015 11:31 AM

Fiddleheads GM Search Committee
Meeting Notes: October 13, 2015

Present: Susan Phillips, Carolyn Wilson, Alison Wydler, Ellen Anthony

Also Present: Elisa Giommi Board Administrator

- 1) This meeting was called (despite initially saying we would not meet until the 20th) as a result of another candidate and an affirmative response from the candidate we interviewed two weeks who is interested in coming for a job interview.
- 2) We are waiting to schedule a board meeting with the candidate who needs to travel from out of this region. Waiting to hear from Danny, Suzanne and Ellen about availability. SMP will also talk to Carolee about how much to schedule in addition to 2 or so hours with IGM and the full board interview. (Dinner or drinks the night before? Breakfast meeting with staff?)
- 3) We have a candidate available for a phone interview on Thursday evening at 5:30. We will all meet at 105 Huntington Street.
- 4) SMP and CW will be prepared to talk about financial impact/affordability of permanent GM and what the board interview will look like.
- 5)

Submitted to Board on 10/13/2015.

Fiddleheads GM Search Committee
Meeting Notes: October 27, 2015

Present: Susan Phillips, Carolyn Wilson, Alison Wydler, Ellen Anthony

Also Present: Elisa Giommi Board Administrator

- 1) Although we know that there is a limited pool of candidates but given that we now only have one to present to board we would like to do a little more recruitment. We will try two new postings:
 - a. NaturalIndustryJobs.com (\$150) (SMP to ask Wynston to make funding/credit card available for this purpose)
 - b. Glassdoor.com (free) (Elisa to do)
 - c. Saint Mary's University in Nova Scotia has MA in Co-op Management (Carolyn will investigate but presumably free)
 - d. Also contact Hampshire and UMass (perhaps through Erbin)
- 2) Visit of Candidate S. He wants to arrive on Tuesday December 1st and interview Wednesday the 2nd and depart by train on December 3rd or 4th from Hartford. We will pay for hotel for the two or three nights and the one-way train fare from Hartford and provide all his meals.
- 3) We will work on on-the-ground itinerary at our next meeting, which will be November 10th.

Submitted to Board on 11/17/2015.

Monthly Work Flow

Approved May 19, 2015 (additions in red NOT approved)

- Meeting
 - Recording Secretary takes minutes and prepares draft minutes within 1 week of board meeting
- 7 days after meeting
 - Draft minutes distributed to GM and Board President
 - GM and Board President have 7 days to review minutes & send any comments to secretary
- 14 days after meeting
 - GM and Board President input on minutes complete
 - Directors (and owners) may submit agenda topics to Board President up to 14 days prior to monthly meeting*
- 12 days before meeting
 - GM and Board President meet to discuss agenda, et al.
 - Board President sets agenda (*submitting a topic does not guarantee it will be on the agenda)
- 10 days before meeting
 - Board Administrator to post Meeting Notice at co-op and send to all Directors
 - Draft agenda distributed (including posting on website for member-owners)
 - Short window to make adjustments to the agenda if needed
 - Any information for the board to consider delivered to the Board President at least 1 week prior to the next meeting so that it can be included on the board packet
- 7 days before meeting
 - All packet material sent to Board President
 - Board President compiles and distributes packet of material
- 5 days before meeting
 - Packet distributed
 - Directors have 5 days to read all packet material prepare for board meeting
 - Board President meets with facilitator to go over meeting agenda
- Meeting
 - (Recording Secretary to bring 3-5 copies of agenda for member-owners who attend)
 - Near the beginning of the meeting there is an agenda review to answer any questions or make any last-minute necessary changes
 - For each agenda item, directors are asked if they read the related documentation and are prepared for the topic; if directors are not prepared, the board decides whether to table the item or proceed, and if proceeding, whether unprepared directors should abstain from voting on any decision

- At the end of the meeting, directors review the preliminary draft agenda of the next month's meeting, evaluate the meeting process, and determine any action items due in the interim before the next meeting

The Portland Oregon Co-op Experience

On a recent trip to Portland Oregon I visited two food coops-People's Food Coop <http://www.peoples.coop> and Alberta Coop <http://www.albertagrocery.coop>. People's is a 45-year old co-op in a location that has been a grocery business for 75 years. Alberta is a 12-year-old coop.

Both these urban coops are smaller in square footage than our Fiddleheads store. But both have sales that are considerably higher. People's Co-op boasts the highest sales per square foot of any co-op.

Being urban co-ops, we share the same challenges with unloading a truck without a loading dock. Parking is not as much an issue as most shoppers walk, bike, or use mass transit. The importance of bulk bins to our members seems to be the same.

The advantage of being in Portland is size of the market. Portland is a foodie town. Consumers expect to get healthy food and accommodation for special diets in restaurants from food trucks to high-end restaurants and in their grocery stores. Local is also expected. So the challenge for both these coops is to provide members with a reason to shop co-op.

People's Annual Report says:

In light of the booming interest in products like ours, the widening array of options for places to buy our products, we have to ask ourselves, "What makes People's unique?" The answer, for me, is obvious and powerful. **We Own It.**

Alberta describes itself as "Community Owned, Worker Run."

Both co-ops have a collective management model. No GM at the top. There is a staff of collective managers and a substitute staff to call in when help is needed.

Alberta still uses working members but People's has largely done away with the program except to offer discounts for services like free yoga classes.

People's is located in a residential Portland neighborhood and it has the feel of a large house. It houses the store on the first floor and on the second floor, administrative space and a spacious community room available for member and non-member use. And a wonderful outdoor courtyard. Each Wednesday a Farmer's Market happens in the

courtyard space. People's was a pioneer in Portland in creating public space.



Alberta Co-op is located on a busy Portland shopping street surrounded by great restaurants and artists' shops. (Down the street we enjoyed GF deep-dish pizza, a first!) The Alberta section of Portland is undergoing changes from a poor neighborhood to gentrification. It was the most diverse neighborhood I visited in Portland, which is a mostly white city.

As I mentioned, the two co-ops operate in a business environment where larger store chains offer shoppers the same kind of food choices. New Seasons is the store chain where I shopped most often as my neighborhood store while I was visiting. In addition to offering similar food choices and bulk, New Seasons offers a significantly larger prepared food section and offers locally raised meat products, which I did not see at either co-op.

The sense of one of the co-ops I visited is that the employees are less well treated at New Seasons. As I experienced in both co-ops helpful staff despite being busy and I experienced one New Seasons cashier stressed because she was required to take a break despite checkout lines, my limited anecdotal shopping experience would support the perception of the co-op employee. It would seem working environment and shopper experience then are other ways that the two co-ops seek to distinguish themselves.

A few other interesting notes about the business climate. The City of Portland recently outlawed plastic bags. It is cultural to bring your own bags to any kind of store in the city, not just your local co-op. And one gets kudos for using a shopping bag from another shop if it saves on the bag.

Every home in Portland has a compost bucket provided by the city. Buckets get emptied for recycling by the city. It is estimated the city saves 40% in garbage waste with its composting program.

Portland is also close to a cashless economy. Even the smallest merchants use the Square App. There is no sales tax to collect. But the app will gladly figure the tip for you.

I didn't have the opportunity to interview board members but I had an impression that both co-ops have strong boards. I suggest this because the former board chair of People's Food Co-op is now a CDS Consultant. And the board agenda at Alberta Co-op was a list of 12 decisions on policies and monitoring reports to be made in a two-hour meeting with a 15-minute break.

In summary, Portland co-ops have an advantage operating in a food conscious environment. They have a disadvantage in the number of similar shopping experiences offered by competitors. Member involvement, worker involvement, and shopper experience appear to be the key to their success.

LEADer

A publication designed to promote visionary and forward-thinking discussions between and among NCGA's Western Corridor co-op leadership



A Study Guide for Co-op Leaders Monitoring the Co-op's Financial Health

Inside This Issue

Making Peace with Financial Statements—Philip Buri [Page 3](#)

Eight Key Financial Indicators for Co-op Boards to Monitor—Lucinda Berdon and Paige Lettington [Page 5](#)

Trust and Verify: Don't Monitor Alone—Martha Whitman [Page 8](#)

By the Numbers: Board Decision Making Based on Financials—Marcia Shaw [Page 11](#)

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Study Guide Financial Reports and Trends

Monitoring Financial Trends—[SG 1](#)

Assessing Financial Reports and Monitoring Systems—by Michele Adams [SG 3](#)

Healthy Food, Healthy Finances

Monitoring financial statements comes with the job of being on a co-op board. Whether you relish the quarterly review of the financial statements, dread that agenda item, or couldn't care less, it is an important board responsibility.

Some of us only learn to read financial statements and to understand what they can and cannot tell us about the co-op's health and future potential by serving on a board. So for those who don't step into the job with deep financial analysis skills or experience, we're here to say: Don't sweat this one. It's not even close to being the trickiest or most difficult part of the job of the board. Important? Yes. But it is one that all directors willing to spend the time can learn to master.

This issue of the LEADer will help you and your board better monitor your co-op's financial health. We hope the articles help directors and management develop some common agreements and understandings about what the board should be paying attention to—the overall picture and trends—as well as specifics and details. That's not to say that the details aren't important. They often provide insight into what's behind the trends. But start with the big picture (the forest), and with time you'll learn how to understand the details (the individual trees). We offer this issue and a couple of tools in hope that they help the entire board with this role.



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More about the LEADer

A publication designed to promote visionary and forward-thinking discussions between and among NCGA's Western Corridor co-op leadership

- The *LEADer* is published quarterly and is distributed to directors and leaders of Western Corridor co-ops.
- The *LEADer* is now available to all interested co-op leaders at no charge, thanks to the generosity of NCGA's Western Corridor members. You can find information about the LEAD program and an online subscription form at <http://www.cgin.coop/leader>.
- We welcome your reactions, suggestions, and contributions, as well as questions for us to answer in future issues. Send comments or questions to askthebest@ncga.coop.
- The next issue will be available in spring 2011. That issue will focus on the board's important role in evaluating the general manager's performance.
- For more information about NCGA, the Western Corridor, upcoming western regional board training events, the *LEADer*, or the BEST, contact:

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The LEADer Is Online and Available to ANYONE!

The *LEADer* is available to all interested co-op leaders. This issue and all back issues are available online at <http://www.cgin.coop/leader>. Western Corridor co-ops can have new issues sent directly by e-mail; contact Karen Zimbelman at kz@ncga.coop.



Making Peace

with Financial Statements



by Philip Buri

Very few people in the co-op world love financial statements. And the rest of us are more than happy to let these few people do the work. Yet we all have the ability to use financial statements to govern our co-ops. The trouble is psychological, not technical. What could be more fraught with subconscious angst than math *combined* with money? That's what financial statements are—math and money. Put that way, I'm surprised we haven't had more trouble over the years.

In this month's edition of the *LEADer*, we dig deep into our collective unconscious to make peace with financial statements. Our pitch to you is simple: financial statements gauge your co-op's health, kind of like a thermometer. Once you learn how to read your co-op's temperature, you'll know whether things are okay, slightly off, or really sick. Financial statements come with a host of intimidating acronyms, mysterious ratios, and bewildering numbers. But in the end, they all tell you whether your co-op is healthy or not.

How do we make peace with financial statements? We suggest a few steps. First, accept the psychological landscape.

We join co-ops and run for the board with great intentions but often no formal financial training. Reviewing financial statements takes us back to high school algebra and its inevitable baggage. We give you permission to feel anxious and queasy.

Second, think of a time when you developed a working relationship with finances. I keep track of my checking account balance and know that if it is in a general range, I'm okay. Above a certain amount and I can splurge a bit. Below a certain amount and I'm buying \$5 bottles of wine. Your goal is to develop that same relationship with a *limited* group of numbers on your co-op's balance sheet. The hope is that you can take a quick look at a few monthly numbers and know whether the co-op is okay, sort of flush, or in a hole.

Third, the challenge is to find the *meaningful* numbers. Remember the few people who love financial statements? They love all the numbers in every shape, form, and spreadsheet. They are like car buffs who understand how every part works under the hood and revel in their complexity. The rest of

Continued on Page 4

Making Peace with Financial Statements

Continued from Page 3



us do not need to know these things to drive a car and keep it working. We just need to know the really, really important stuff.

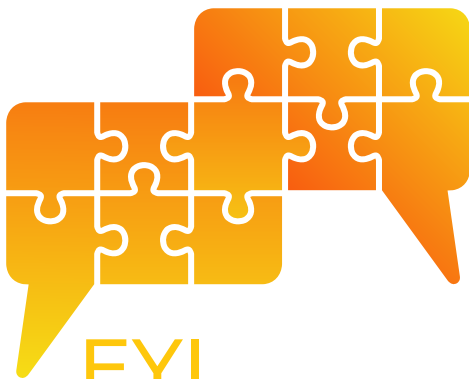
Fourth, your general manager has either mastered this material or knows someone

who has. Each month, your GM looks at a few key indicators to judge the working health of the co-op. These typically include your sales revenues, labor expenses, margins, and net income (among others). Wait. Come back. I promise we will cover these concepts in the pages to come. All you need to know now is that you don't need to master everything on the financial statements. You just need to know where to look for the good stuff.

Fifth, experience helps. As with your personal finances, learning co-op finances is an acquired skill. Over time you will see that some numbers stay relatively stable month to

month. When they jump out of line, you'll want to know why. Other numbers bounce wildly from day to day. What you really want to know is what the long-term trend looks like. Again, this is simply a matter of perspective, something you acquire over time.

So take a deep breath and join us as we descend into the rings of co-op finances. Like any journey through forbidding territory, it will require courage, intuition, and luck. But at the other end of this journey is a golden vision: you will pick up your co-op's monthly financial statements, look at five key lines, and say, "Looks good." And mean what you say.



FYI CoCoWhat??

Over the course of the last decade, food co-ops have been sharing financial data through a system called CoCoFiSt, which stands for common cooperative financial statements. CoCoFiSt has evolved into a sophisticated financial database. A worker co-op called CoopMetrics manages it for a variety of co-op sectors (housing co-ops, purchasing co-ops, and others). CoCoFiSt takes quarterly financial information from all participating food co-ops and presents it in a variety of ways for comparisons and benchmarking. Managers can see comparisons to peers (regionally or by size). They can access tools that help with budgeting, identifying opportunities for improvement (top quartile), and quantifying trends. Coming soon: an easily generated report that shows a co-op's financial performance compared to its peers, which managers can share (confidentially) with boards.



Eight Key Financial Indicators for Co-op Boards to Monitor

by Lucinda Berdon and
Paige Lettington

Watching these indicators will also help you better monitor the normal, related fluctuations of business cycles and isolate changes that need more attention.

How the heck do you get the overall picture of a co-op's financial health? Let's look at the main tool in the manager's tool kit—key indicators.

Key indicators are the core financial measures that all managers use to monitor financial performance and to identify trends. We propose that boards focus their review on the following eight key indicators, all of which are pretty common in the cooperative grocery world and offer at least a starting point in assessing your co-op's financial status. In diving into these indicators, you'll want to understand:

- What each indicator tells you. Which part of the financial picture does it help clarify? What are the general benchmarks for good (or better) financial performance? What factors influence this number—make it get better or get worse?
- Overall trends. A single quarterly financial statement with less than desirable results is not a disaster. In any business, financial performance will fluctuate depending on the season, the economic climate, the local market, and any number of internal or external situations. However, having three or more consecutive quarters with poor performance, especially when it was not anticipated, does indicate that something is amiss and worth keeping an eye on.

By looking at these indicators over time, you'll be able to see what is changing and how the co-op's actions and results impact the indicators. Keep in mind that positive and negative trends are

Continued on Page 6



Eight Key Financial Indicators

Continued from Page 5

not necessarily good (or bad) indicators in and of themselves. Your analysis of the trend (is it a good trend or a bad one) will depend on your goals, as well as the overall context. For instance, watching cash go down over six quarters may seem like a bad thing in isolation, but if you know the co-op plans to use cash for some much-needed improvements, it's no longer a red flag.

Watching these indicators will also help you better monitor the normal, related fluctuations of business cycles and isolate changes that need more attention. For instance, if sales are up 15 percent, you can expect dollars spent on labor and operational expenses to also be higher. On the other hand, if sales are down 5 percent, those same expenses should also decrease. The level of income needs to support the level of expenses. That's why we use ratios to monitor performance. On the income statement, all items are expressed as a percentage of sales. Rather than looking at individual dollar amounts, look at the percentages on your budget and compare them to your quarterly, year-to-date, and rolling quarter information.

Some boards establish red flag warning signals. These can be deviations of a set percentage

or dollar amount, depending on what you're looking at. One co-op has a red flag warning for anything that deviates 10 percent from budget, up or down. For instance, if your budget for labor is 23 percent of total income, 10 percent of that would be a 2.3 percent variance. So if your co-op's labor all of a sudden jumps up to 25.5 percent of total income, find out from the GM what the reasons are. If the deviation is less than

10 percent, you probably don't need to worry about it unless it trends upward for two or more consecutive quarters. Consider establishing red flags for your own co-op and experiment with the results.

To assist in your review of these eight key indicators, we offer (above) very simplistic financial statements from a fictional co-op.

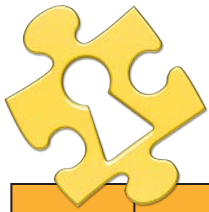
Great Stuff Food Co-op

Quarterly Financial Statements as of September 30, 2010

Income Statement	Quarter Ending 9/30/09	Quarter Ending 9/30/10
Sales	3,000,000	3,300,000
Cost of goods sold	1,905,000	2,046,000
Gross margin	1,095,000	1,254,000
Total expenses	<u>1,085,000</u>	<u>1,221,000</u>
Other income/expenses	<u>3,000</u>	<u>5,000</u>
Net surplus (profit)	7,000	28,000

Balance Sheet	Quarter Ending 9/30/10
Assets	
Current assets—cash	600,000
Current assets—all others	150,000
Fixed assets	250,000
Other assets	<u>10,000</u>
Total assets	1,010,000
Liabilities	
Current liabilities	250,000
Long-term liabilities	<u>310,500</u>
Total liabilities	560,500
Equity	
Member investment	252,500
Retained earnings	155,000
Net income (YTD)	<u>42,000</u>
Total equity	449,500
Total liabilities and equity	1,010,000

Continued on Page 7



Eight Key Financial Indicators Reference List

Indicator	What Is It	Where to Find It	What to Look For	General Benchmark	Preferred Trend	Red Flag	Great Stuff Food Co-op
Sales and sales growth	Total revenues collected through operation of normal business activities	Income statement	Has the historic level of business activity changed? Look at past years as well as quarter-to-quarter fluctuations. How do growth trends vary from season to season? How does growth compare to local competitors, to other co-ops, and to your goals?	At least 3% growth	Increasing	Decreasing	10%
Gross margin	Difference between cost of goods sold and sales. This money will pay for all expenses (labor, rent, supplies, etc.).	Income statement	Gross margin as a percentage of sales is one of the most important pieces of financial data that the board should monitor. Gross margin is the most difficult aspect of a retail food business to manage and control. A gross margin that is a few percentage points off its goal will have very negative effects on profitability.	Varies depending on the market and product mix— in general 34 to 38%	Consistently meets targets	Unplanned and/or unexplained decreasing margin	38% (36.5% in 2009)
Expenses	Total amount paid for operating expenses (wages, rent, utilities, insurance, supplies, advertising, cleaning, equipment, etc.)	Income statement	Percentages of various key expenses (personnel, marketing, etc.) should be monitored from period to period, as well as compared against industry standards.	At least 0.50% less than gross margin	At budget or less	Significantly over budget	37% (36.17% in 2009)
Net income (profit)	Difference between gross margin and total expenses	Income statement	This number will vary, depending on the co-op's goals. Are you trying to build some reserves to prepare for an expansion, or to lower prices and accept less profit to provide better value to members? Compare numbers to previous reporting periods to see if things are improving or not.	At least 0.50%	Meets budget or better	Losing money or in the red (unplanned)	0.85% (0.23% in 2009)
Cash and days of cash on hand	Money in the bank or readily available to pay operating expenses, including the purchase of goods for sale	Balance sheet	Compare cash balance to total purchases and expenses in a period to find the total days of cash. A week's worth of cash is workable. With more than two weeks' worth, cash should be invested rather than kept for immediate access.	10 or more days	Increasing, with more than 20 days	Decreasing, with less than 10 days	16.53 days
Current ratio	Ratio of current assets to current liabilities (divide current assets by current liabilities)	Balance sheet	Provides a comparison of assets available to cover short-term debt and financial obligations. Less than 1:1 can be trouble (not enough cash to meet current obligations).	1.25 (or \$1.25 in current assets for each \$1 in liabilities)	Steady at 1.25 or improving	Less than 1	3.0
Member shares	The percentage of total assets financed by member investment	Balance sheet	Answers the question, "How much of this co-op has been financed by member-owners?"	20–30%	Over 30%	Less than 20%	25%
Debt-to-equity ratio	Ratio showing the relationship between total debt and total equity (capital)	Balance sheet	Acceptable ratios vary depending on the situation. A range of 1:1 to 2:1 is realistic for most food co-ops. A ratio closer to 1:1 is advisable if the co-op is experiencing instability.	2:1	Decreasing and less than 2:1	Increasing and more than 2.5:1	1.25

Portions of this chart were adapted from *Reading and Utilizing Financial Statements* by Fred Stapenhorst.

Trust and Verify

Don't Monitor Alone

by Martha Whitman

When you think of audits and accountants, do Enron and Arthur Andersen come to mind? Bad things happened when auditors failed in their ethical responsibilities by giving Enron a clean bill of health when the company was really a house of cards. The Sarbanes-Oxley Act of 2002 was enacted in response to Arthur Andersen's unethical auditing practices, and now accountants are required to increase the scope of their services. Currently the rules of Sarbanes-Oxley apply only to publicly traded corporations. It may be that someday nonprofits and cooperatives will have to comply, but until then, we have a great deal of flexibility in contracting for external financial monitoring.

Even if accountants and audits aren't on your radar, as a board member it's good to know what they can and can't do for you and the role they play in the independent external monitoring of your financial statements. There may be excellent reasons why your board doesn't contract for financial auditing; below are

reasons why you might consider it.

Have you ever questioned why your board might contract for a professional audit of the co-op's financial statements? They're pretty pricey, right? And aren't you sending a message of distrust to the general manager? The answers are yes—they can be expensive—and no, independent external monitoring is simply a smart business practice. Oftentimes general managers do benefit from information that comes out of an audit, but that's just a nice by-product. What's really happening is that one of the key responsibilities of a board, protecting the members' assets, is achieved. Contracting with someone from outside the co-op to examine the numbers is not a statement of a lack of trust but rather a prudent path to fulfilling the board's duty of care and diligence. And the professionalism can cut both ways; a new general manager might insist on an audit to establish the baseline for which he or she will be held



accountable. Another reason your board might contract for an audit is to fulfill a lender's requirement, in which case there isn't a choice about the scope of external verification. In this case, the cost of the audit is essentially one cost of procuring a loan.

If you aren't required to do an audit but still want to verify through independent external monitoring, your board might consider engaging an accountant to perform a financial review. You and your board have to weigh the pros and cons of an audit versus a review—your decision will depend upon your particular circumstances. A financial review consists of the accountant verifying financial records using data provided by management. With a review, the accountant is not required to obtain any independent corroboration to substantiate the records. In contrast, as part

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Trust and Verify

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of an audit, the auditor must obtain independent evidence to verify account balances. (This accounts for much of the price difference between a review and an audit.) A review doesn't provide the auditor's statement of opinion, which is required under standard rules for an audit. This is a significant difference. An audit, through the statement of opinion, provides the co-op legal assurance, whether or not the financial statements are free of material misstatement. A review, on the other hand, due to its scope, offers what is technically referred to as limited assurance.

Some co-ops have an audit every year, while others decide an audit every three years is adequate. Another common approach is to have reviews during interim years between audits. Such was the case at La Montañita until our independent accountant presented us with another option. Since we don't have a loan covenant requiring an audit, our business has been stable, and our accountant understands the cooperative model, he suggested we switch to reviews, with the caveat that he would monitor year-end

inventory, so if the need arose, we could switch back to an audit in any given year.

What has made this plan particularly appealing (beyond the obvious cost savings) is how we now tailor each year's review with an additional engagement for services known as agreed-upon procedures. It's a separate engagement to perform specific monitoring driven by what is happening at the co-op. So far we've identified four areas for additional focus to be covered under the agreed-upon-procedures engagement: fixed assets, cost of goods sold, sales, and human resources. In this engagement, a few accounts are randomly selected within the chosen area and are checked for accuracy and adequate internal controls. If the results of the random investigations are good, the agreed-upon procedures are done. If an irregularity appears, the auditor might dig deeper but will certainly make recommendations for changes. Keep in mind that your general manager might have good reasons for doing something a particular way and might not agree with a recommendation, in which case the GM must adequately defend his or her position so that the board can make an informed decision.

For any given year, circumstances drive the selection of areas for agreed-upon procedures engagement.

We started with fixed assets because we had just completed a major store expansion. Last year the area was human resources because we were between years of management's own external monitoring. And this year we'll ask our auditors to review cost of goods sold. As there was a chance we were going with a new POS system, it didn't make sense to select sales because procedures would potentially change and render the engagement moot.

The discussion to determine each year's area of engagement occurs between the board's finance committee and an independent accountant; the committee then submits its recommendation for board approval. (As the auditor's work is part of the board's external monitoring, it isn't management's job to make the choice.) We are now in our third year using this approach for external monitoring, and we are pleased with the results. The cycle of particular focus into specific areas has provided prudent oversight and useful recommendations, along with cost efficiency. The system may not be for everyone, but it has served us well so far.

Under the umbrella of cooperative principles and values, co-ops are primed to enjoy a positive and trusting relationship between boards and

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Trust and Verify

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managers. The role of external monitoring is not to “catch” management doing something wrong. It’s a function of trust and verification. An independent accountant contributes his or her professional expertise to help the board fulfill its duty of care and diligence. Along the way, positive outcomes can surface, to the benefit of both board and management, and can ultimately strengthen the co-op as a whole. Since most co-op board members aren’t highly proficient with finances yet are still accountable for the performance of the co-op, independent external monitoring is worth your consideration, and it certainly offers the potential for a better night’s sleep.

Try This: What If?

Take 15 minutes at each board meeting (or one board meeting per quarter) and have a “what if” discussion. For instance:

- *What if our co-op was given \$500,000? What would we do with that windfall?*
- *What if it became apparent that our sales were declining at a slow but regular rate?*
- *What changes in consumer shopping have we observed in our store since October 2008 (the start of the current recession)? How do those changes match national trends? What should we be planning for the co-op’s future if patterns hold or don’t change?*
- *What would we be doing today if we knew we would have to relocate in three years?*
- *What would we be doing today if we knew a new competitor was going to open within a mile of the co-op in the next year?*

See You in Portland!

For the NCGA Western Corridor Regional Board Training

The next Western Corridor regional board training will be held on **Saturday, March 26, 2011**, in Portland. Like past regional training sessions, this year’s session will offer a “Cooperative Board Leadership 101” seminar for new directors, led by CDS Consulting Co-op board trainers. In addition, we’ll offer a concurrent board effectiveness seminar on strategic planning for consumer co-ops. The planning role is a critical one for co-op directors, and this session will explore the successful path to long-range and strategic planning, methods for engaging members in the process, and how to reflect member needs and interests. Details and registration are available through your co-op’s NCGA designated representative. Join us for another day of group





By the Numbers

Board Decision Making Based on Financials

by Marcia Shaw

Financial decision making is based on a philosophy about how we should conserve and use our resources. It's likely that you both agree and disagree with other directors about the right time to make decisions that cost substantial amounts of money (building improvements, equipment upgrades) or involve risks. That said, as part of a board, all directors need to find a way to review financial reports, projections, and plans and build agreement on using that information as a basis for making decisions.

Before getting bogged down in a specific situation or proposal, it may be useful for your board to have a broader discussion about how those choices play out and the cost/benefit assumptions that we share. Focus on a discussion about the key assumptions that make up the budget and on the actual figures. You'll avoid wrangling over specific budget lines if you can agree on broader underlying principles and the implications over time.

Personal Financial Philosophy

It's also useful to recognize that you might handle your own personal budget and financial decisions very differently from other board members. From "Budget? What budget?" to "I can account for every penny of my monthly expenses," we all have different financial styles. Board members must understand that handling the co-op's financial and business decisions might be quite different from how individual directors handle their personal finances.

Most food co-ops are very conservative in their financial decisions. One could argue that that factor has been an important element in our longevity and success over the years. But in the business world, we need to use our resources wisely and to best business advantage. Operating debt-free is rarely viewed as a prudent way to go in business circles, as doing so can greatly limit a co-op's ability to leverage its resources to accomplish goals. Similarly, having a huge stash of cash

isn't always the best business decision. Another factor that can be hard for directors to adjust to is the magnitude of financial decisions. Most of us aren't used to thinking about saving or spending a million dollars (or several million dollars); but this is likely the scale of the decisions facing many of our co-ops.

Budgets and Budget Variance

In addition to having some broad agreements about how conservative we'll be or what level of risk/benefit we're willing to accept with co-op money, directors also need to consider the budget itself. Some believe that a budget is a planning document and as such it will need to be modified as the year goes on and reality shows up on monthly statements. Others treat the budget as a yearlong reflection of the co-op's plans and note or track deviations from those plans as they occur. The board (with management) ought to have some understanding of what will happen if you generate windfall

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By the Numbers

Board Decision Making Based on Financials

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profits or just have a really great quarter or year. What if a truck takes out a bridge close to the store, and the driveway and parking are disrupted for months? It happened to us! Unforeseen circumstances can have a big impact on your bottom line.

How will the board view the budget in light of such unexpected factors? What is the board's expectation about how management should adapt to unexpected situations? How will the co-op's finances be affected by external factors, and how are your co-op's budget and financial philosophy affected by those factors—some of which you can predict and some of which are entirely unpredictable. All budgets should include a reserve or amounts that can be used by management when things don't go as expected. What parameters of deviation will the board accept? What are the board's expectations in terms of management reporting as these things are understood, revealed, or occur? There are no "right" answers to these questions, but it will be helpful (and calming) to have a prior discussion on what happens if assumptions change or are revealed to be wrong.

Monitoring Trends

Sometimes it's hard to make decisions based on a slowly moving target. Little changes from month to month may not mean much, but if some of your key indicators change steadily (and in the same direction) for six months to a year, that's a trend worth paying attention to. Just as it's important for directors to pay attention to the co-op's goals and how they translate into the co-op's finances, it's important to pay attention to what's going on in the business world beyond your doorstep.

Some directors find it useful for the GM to report regularly to the board about national natural food industry, local market, and environmental trends. How might the business climate in your city, county, or state impact the co-op? What do we know about changes that competitors might be making in the coming year? What changes in the organic foods industry should we be considering in planning for the coming and future years?

These trends can be subtle, but urban planning, traffic patterns, new housing

developments, school placements, and family patterns can all change your shopper base, membership, and overall shopping patterns. Is the board tuned in? One reason we seek diversity in board members is to represent different constituents and areas of knowledge. Don't be surprised if directors have differing perspectives on ambiguous information.

Financial information is an important element in board decision making. The board needs accurate information presented cogently. It needs to understand what the numbers say and the limits of those messages. We need to be clear on what the subtle trends are and what management is doing to either curb those trends or capitalize on them. However, most difficult board decisions are matters of judgment that take into account all the variables that get brought to the table. Financial data is an important piece of the whole. Money talks and it often shouts, but decisions are still made by humans on the board. Make sure your board understands the language.

Check It Out!

For More Information

Additional articles that cover aspects of the board's financial monitoring role for further reading and consideration:

“Reading and Utilizing Financial Statements” by Fred Stapenhorst. From *Challenges to the Cooperative Board of Directors*. This article provides an overview of co-op financial statements, as well as a “10-point financial analysis” for directors. Available for purchase at: http://www.cgin.coop/toolbox/challenge_pub

“Balance Sheets: Getting the Picture of Your Co-op's Financial Position” by Mark Goehring. *Cooperative Grocer* magazine, September/October 2007. <http://s.coop/6b6>

“Economics 101—Sunk Costs and Opportunity Costs” by Scott Beers and Margaret Lund. *Cooperative Grocer* magazine, November/December 1998. <http://s.coop/6b7>

“Finance Committee Finesse” by Scott Beers and Margaret Lund. *Cooperative Grocer* magazine, March/April 1998. <http://s.coop/6b8>

“Financial Management and Ratio Analysis for Cooperative Enterprise” by the U.S. Department of Agriculture. This article is written for agricultural businesses, so some parts do not apply well to grocery and retail businesses. <http://s.coop/69m>

“Understanding Audits” by Randy Lee. *Cooperative Grocer* magazine, April/June 1989. <http://s.coop/6b9>

“Understanding Ratios” by Scott Beers and Margaret Lund. *Cooperative Grocer* magazine, January/February 1998. <http://s.coop/6ba>



General Manager Evaluation

Our next issue, which comes out in March 2011, will look at how boards can use the GM evaluation process to improve performance and clarify goals and expectations. We'll provide some guidelines, as well as some tools that can guide your board's annual evaluation process. Send your thoughts, questions, experiences, ideas, and tips on this topic to askthebest@ncga.coop or contact Karen Zimbelman kz@ncga.coop.



Thanks Michele!

Michele Adams is leaving First Alternative Co-op and the western corridor to enjoy other life pursuits and travel. Michele has served on the BEST since its inception and has been an invaluable contributor to our emerging LEADer publication and our regional board training sessions. Thanks so much for all your contributions, Michele!

FINANCIAL REPORTS AND TRENDS

A LEADer STUDY GUIDE

MONITORING FINANCIAL TRENDS

It helps to see overall financial trends presented in a clear picture and over time. We offer the following template, covering the eight key financial indicators, for your regular financial review.

Your board may get its financial summary in this format already, or you could ask for it in the future. However, since many of us learn by doing, here are some steps to engage all directors in a hands-on learning experience with these indicators and this report format:

1. Decide who will coordinate the group's activity. This could be the board treasurer or any director willing to coordinate and lead the exercise.
2. Set aside about 30 minutes at a board meeting or set up a special finance review training meeting. In preparation, make copies of the following chart (or make your own) and get copies of your co-op's quarterly financial statements for the past eight quarters. (Feel free to adjust the dates on the chart to reflect the prior eight quarters.) Make sure that everyone participating has a calculator.
3. Start by calculating, as a group, all the indicators for the oldest financial period (first quarter 2009, in this example). As a group, identify which numbers you are using to calculate each ratio on the statements and calculate them. Make sure everyone gets the same ratio and understands how you got the result before moving on to the next calculation.
4. After you've completed the calculations for all eight indicators for the oldest period, decide how to continue. You can assign a different period to each person or have people work on calculating indicators in small groups.

In this issue, we offer tools to help directors better understand their co-op's financial trends and to identify whether the financial reports they're getting meet their needs.

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FINANCIAL REPORTS AND TRENDS

A LEADer STUDY GUIDE

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- Once everyone has completed all calculations, compile one full chart of ratios for everyone and review it. Look at the trends and discuss them. Do you understand the changes in your current ratio? How did changes in your gross margin affect other ratios? How do your ratios compare to your co-op's goals? These are questions for the board to discuss with each quarterly financial review.

Later, consider having this data presented in an Excel format, with charts to accompany the numbers.

INDICATOR AND FORMULA	Indicator	Co-op's Target or Goal	1Q 09 (or oldest period)	2Q 09	3Q 09	4Q 09	1Q 10	2Q 10	3Q 10	4Q 10 (or most recent period)
Sales growth: difference in sales divided by sales in prior period	%									
Gross margin (% of sales): sales minus cost of goods sold, divided by total sales	%									
Total expenses (% of sales): total expenses divided by total sales	%									
Net Income (% of sales): net income divided by total sales	%									
Cash (days of cash on hand): total cost of goods plus total expenses divided by 90 (or number of days in period), then divided by current cash balance	#									
Current ratio: current assets divided by current liabilities	%									
Member equity (% of total assets): member equity divided by total assets	%									
Debt to equity: total liabilities (debt) divided by total equity	%									

FINANCIAL REPORTS AND TRENDS

A LEADer STUDY GUIDE

ASSESSING FINANCIAL REPORTS AND MONITORING SYSTEMS

by Michele Adams

Here are some questions that can help you assess if your financial systems and the reports you're getting meet your needs as a board.

Indicate if you're:

- ✓ Happy with what you get
- ▲ Get something like this but would like some changes to presentation or formatting
- ✘ Don't get this or are not getting information that meets this need

FINANCIAL STATEMENTS AND REPORTS	✓ ▲ ✘
Do you receive simplified and clear quarterly financial statements, including an income statement (or "profit and loss" statement), balance sheet, and cash flow statements? Notes:	
Do financial statements show comparisons to the previous year, as well as comparisons to budget? Notes:	
Are financial statements accompanied by a management narrative that explains material deviations from budget or anomalies? Notes:	

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FINANCIAL REPORTS AND TRENDS

A LEADer STUDY GUIDE

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EFFECTIVE FINANCIAL MONITORING	✓ ▲ ✕
<p>Does a finance committee keep the board up to date on financial matters that affect the board?</p> <p>Notes:</p>	
<p>Does the board have clear expectations about what it wants reports to cover (board policies, directives, or limitations statements)?</p> <p>Notes:</p>	
<p>Do you feel informed as to the financial condition of the store? Are the statements and reports presented in a way that gives you a clear picture of how things are going financially?</p> <p>Notes:</p>	

BUDGETING	✓ ▲ ✕
<p>Does the board review and approve budgets or projections for operations (income statement and balance sheet) before the start of each fiscal year, including core assumptions and goals for the coming year?</p> <p>Notes:</p>	
<p>Does the board review and approve a capital budget that identifies the total capital needed in the year, the priority for those investments, and a reasonable allowance for deviations?</p> <p>Notes:</p>	
<p>Does the co-op do financial planning derived from a multiyear plan?</p> <p>Notes:</p>	

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FINANCIAL REPORTS AND TRENDS

A LEADer STUDY GUIDE

Continued from Page SG4

FINANCIAL SYSTEMS AND COMPLIANCE	✓ ▲ ✕
<p>Does the board ensure that the co-op follows generally accepted accounting principles in its financial systems and reporting through engagement with an outside financial expert?</p> <p>Notes:</p>	
<p>Does the board ensure adequate internal financial controls to safeguard the co-op's assets?</p> <p>Notes:</p>	
<p>Does the co-op settle its payroll, payroll taxes, and debts in a timely manner?</p> <p>Notes:</p>	

FINANCIAL CONDITION AND POLICY	✓ ▲ ✕
<p>Does your co-op budget and manage operations to meet goals and needs in terms of sales growth, margin, expenses, and net income?</p> <p>Notes:</p>	
<p>Does your co-op budget and maintain adequate ratios in key areas: current ratio, debt to equity, number of days cash, and member investment?</p> <p>Notes:</p>	
<p>Does the co-op maintain investments in institutions that are sound, financially prudent, and support the co-op's goals and values?</p> <p>Notes:</p>	

PROPOSAL FOR FINANCIAL TRAINING

In response to a request from board members, I investigated options for training to better understand financial statements. There are two related but separate goals to meet:

1. Improve current financial knowledge to evaluate GM monitoring reports
2. Train future board members

In preparing this proposal I spoke with David Fowle of NCG, Joel Kopischke of CDS Consulting, and Kathleen Krider of Willimantic Food Coop.

I recommend board members plan a one to two hour training facilitated by Willimantic board members/CFO using the Healthy Food, Healthy Finances primer: Healthy Food, Healthy Finances [LEADer #10 - 2010 Winter](#) The primer is attached with this proposal.

Further we would plan to include in our next board retreat, scheduled after we seat our new board in May, an evaluation of training resources including financial for their effectiveness. This would give us the opportunity to both train new board members and to develop orientation-training materials for future board members.

In addition to the proposed training, we could use our CDS consultant to support our current knowledge. Two suggestions are to ask our consultant to participate in our board discussion of a B1 monitoring report and to ask all current board members to attend the CBL 101 training in January 2016.

Beyond the Healthy Food, Healthy Finances primer, Joel has suggested other resources for board members interested in more information about financial statements:

- CGN has gathered some articles into one handy primer: <http://www.grocer.coop/articles/accounting-best-practices-primer-now-available>
- [Understanding the Balance Sheet](#) - CDS CC online recorded workshop
- [Balance Sheets: Getting the Picture of Your Co-op's Financial Position](#)

I believe this recommendation is the best use of resources. Keeping to our usual retreat schedule would allow us to train the new board members who will be seated in May. The primer is meant to be self-directed and should be adequate to train current board members. And using another coop board for facilitation saves the cost of a consultant and gives us an opportunity to develop a working relationship.

Susan Zimmerman
November 17, 2015



Please return to Mark Goehring, PO Box 6053, Brattleboro, VT 05302 or fax: 206-350-6418, or send an email confirming participation in CBLD based on the following.

CBLD Participation Agreement for _____ Co-op

The CBLD program leader will assign a consultant to serve as the co-op's primary resource provider. Satisfaction on the consultant/client match and overall program satisfaction is kindly requested.

The following will be provided by CBLD consultants:

As described in the CBLD program brochure and description:

- a) Ongoing, regular consultation with Board President, GM, or other designate, with up to 15 hours provided in the base program fee.
- b) Planning and facilitation of a one day retreat designed to meet the needs of the board.
- c) Development and delivery of CBLD Resources, including access to the CDS CC Library, Online Recorded Workshops, Field Guides, GM Report Support, the CBLD GM Compensation Database and other resources as they become available.
- d) In-Person sessions, including Cooperative Board Leadership 101 (CBL101), Leadership Training and Cooperative Cafe.



Quarterly program utilization reports will be provided.

Commitment from Co-op: Our board understands and accepts the commitments required to participate in CBLD, including:

- a) Establish and maintain regular contact with our CDS Consulting Co-op consultant.
- b) Provide timely replies and access to documentation requested by consultant, including all board packets and materials.
- c) Be accountable for the use of co-op and/or supporting funds by participating in CBLD activities, including scheduling and participating in our board retreat, attendance at in-person sessions, utilization of ongoing consulting hours and other resources.

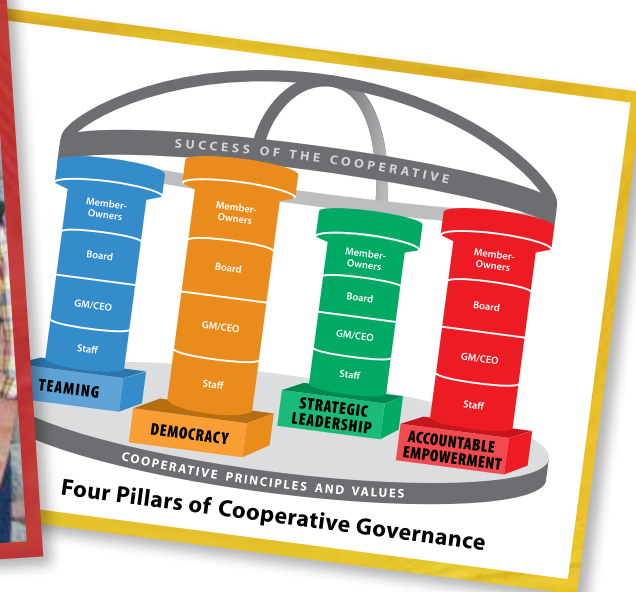
Payment: Our co-op agrees to pay:

- a) The CBLD quarterly fee when invoiced each quarter (March, June, September, and December. An alternate payment schedule may be arranged in advance with the CDS Consulting Co-op manager.)
- b) Our co-op will also be invoiced for reimbursement of CDS's expenses, including transportation, lodging, meals, copies, telephone and other, related to your retreat or other in-person meetings.
- c) A modest per person registration fee for attending Cooperative Cafe events.
- d) We understand that we will be responsible for paying any travel or related cost for our directors to attend CBLD events.

Unless otherwise instructed, we will share relevant client information with other CDC CC consultants and NCG or NCG DC staff who are also supporting your co-op. If you want to further limit how we share any specific information, please let us know. All information provided and recommendations made will be provided in good faith based upon the experience and judgment of the consultant. However, it should be understood that the client remains responsible for the accuracy of all information provided to CDS Consulting Co-op, all decisions made and all actions or inactions that result from this work. CDS Consulting Co-op is the exclusive agent of its members. All the Co-op's actions and business are specifically and only undertaken on behalf of its Members who in each case are the principal party with whom the client contracts for services.

Signature for the board _____ print name _____ date _____

Signature for CDS Consulting Co-op / CBLD  Mark Goehring date: September 15, 2015



CBLD Cooperative Board Leadership Development

With increasing market pressures and unprecedented interest in natural foods and community, I can't imagine a more important time for co-op boards, management and staff to be working together on behalf of member-owners to deliver on the goals of the co-op. Now is the time for cooperative governance to shine! On behalf of the CBLD Team, thank you for participating in the CBLD program and for the opportunity to serve you, your co-op and the community of co-ops.

—Mark Goehring
CDS Consulting Co-op

Direct support

CBLD is an award-winning, innovative program designed to support your board and general manager (GM). Ongoing support is achieved by close contact with the board, board leaders and GM, through in-person regional multi-co-op events, and by continually adding useful resources to the CDS Consulting Co-op's open access online library. CBLD support utilizes the Four Pillars of Cooperative Governance—Teaming, Accountable Empowerment, Strategic Leadership and Democracy. Support for GMs focuses primarily on building and sustaining a strong Board/GM relationship.

About 125 co-ops are enrolled in CBLD. Participating in CBLD strengthens your co-op and the community of co-ops.



Program features

The CBLD program includes regular contact with the primary CBLD consultant, planning and facilitation of a one-day board retreat, a variety of in-person sessions (see 2016 schedule on back page), the monthly newsletter Connections, and access to resources via the CDS Consulting Co-op Library.

Program fee

The CBLD fee for 2016 is \$6,850, paid in quarterly installments in March, June, September and December. In addition, your co-op is responsible for costs associated with your retreat and attending in-person events.

Related Services

CBLD for Startups utilizes the Four Cornerstones in Three Stages model and supports the business development and governance needs of startup groups.

Bylaw review support helps boards consider what bylaws will be appropriate for the future of their co-op. Our expert support allows for legal review to be most efficient, saving the co-op time and money.

Patronage Dividend support helps co-ops implement the Patronage Dividend system.

Participation leads to success of the co-op! We can help grow your membership, raise member capital, tell the co-op story and nurture a sense of belonging to the co-op.

For more info, please contact Mark Goehring at 802-380-3824 or email cbl_d_enrollment@cdsconsulting.coop

CDS Consulting Co-op



SOLUTIONS FOR COOPERATIVES

In-person sessions

There are three different types of in-person sessions: CBL 101, Leadership Training, and the Cooperative Cafe. Each of these provides an essential piece of training, personal/professional development and shared experience to make leadership in a cooperative more effective, satisfying and productive.

The CBL 101 and Leadership Training are included in the CBLD program fee. The Cooperative Cafe is sponsored by National Co+op Grocers and there is a modest cost per person to attend.

Please mark your calendars early to avoid date conflicts!



2016 SCHEDULE OF IN-PERSON SESSIONS

Attend the event closest to home or the one that fits your schedule the best!

	CBL 101	Leadership Training	Cooperative Cafe
Who should attend?	Newly elected directors, candidates, GMs and successors	Board leaders, GMs and others looking to develop their leadership skills	Directors, GMs, managers, staff and anyone interested in the co-op's relationship with members and the community
EASTERN CORRIDOR	Northeast	January 9 Keene, N.H.	March 12 Keene, N.H.
	Mid-Atlantic	July 9 Buffalo, N.Y.	November 5 Philadelphia, Penn.
	Southeast	January 23 Asheville, N.C.	March 19 Asheville, N.C.
CENTRAL CORRIDOR	Minnesota/Wisconsin	January 9 & September 24 Minneapolis, Minn.	March 5 Madison, Wisc.
	Greater Michigan	May 14 Mt Pleasant, Mich.	October 22 Ann Arbor, Mich.
	Checking for interest!	January 23 - Austin, Tex. July 9 - Chicago, Ill.	
WESTERN CORRIDOR	Northwest	March 19 Portland, Ore.	October 8 Hood River, Ore./Provender
	California	September 24 Sacramento, Calif.	February 27 Sacramento, Calif.
	Southwest	January 23 Albuquerque, N.M.	October 29 Albuquerque, N.M.

2016 Fiddleheads Board Budget Draft 1.1

	FY 16 Budget	FY 15 Budget	FY 15 Actual	Variance
Professional & Administration	\$14,154.00	\$14,650.00	\$12,131.00	\$2,519.00
CDS Consulting	\$6,850.00	\$6,650.00	\$6,850.00	-\$200.00
Insurance	\$3,000.00	\$0.00	\$2,943.00	-\$2,943.00
Board Administrator	\$2,304.00	\$1,800.00	\$1,458.00	\$342.00
Recording Secretary	\$0.00	\$1,200.00	\$0.00	\$1,200.00
Legal Fees	\$500.00	\$5,000.00	TBD	\$0.00
GM Search	\$1,500.00	\$0.00	\$880.00	-\$880.00
Board Development	\$13,046.00	\$8,610.00	\$10,795.00	-\$2,185.00
CCMA	\$5,950.00	\$1,700.00	\$0.00	\$1,700.00
Annual meeting	\$3,500.00	\$0.00	\$200.00	-\$200.00
Conference Travel	\$500.00	\$3,850.00	\$443.00	\$3,407.00
Consultant Travel	\$1,000.00	\$1,500.00	\$573.00	\$927.00
Consulting Hours	\$1,620.00	\$1,560.00	\$9,454.00	-\$7,894.00
GM Coach ?			\$6,048.00	
Magazine subscription	\$261.00	\$0.00	\$0.00	\$0.00
Board Retreat	\$215.00	\$0.00	\$125.00	-\$125.00
Member Linkage	\$800.00	\$300.00	\$600.00	-\$300.00
Cooperative Café	\$500.00	\$300.00	\$600.00	-\$300.00
P.R. Expenses	\$300.00	\$0.00	\$0.00	\$0.00
Other Expenses	\$500.00	\$0.00	\$0.00	\$0.00
Unplanned Expenses	\$500.00	\$0.00 ?		\$0.00
Total	\$28,285.00	\$23,560.00	\$23,526.00	\$34.00
Sales	\$3,000,000.00	\$3,300,000.00		
Board Budget as % sales	0.94%	0.71%		

Draft 1.2

Code of Conduct Agreement Form For Board of Director

Note: This form is to be completed by all directors at least annually, preferably within one month following board elections and shall be updated as circumstances require.

I agree to abide by Fiddleheads Board Policy Code of Conduct (Board Process C5) and any subsequent changes the board makes to that policy. I agree that if, in the opinion of the majority of co-op directors, I have violated the letter or spirit of this agreement, I shall resign my position on the board immediately and shall not seek to cause continued disruption to the co-op and the co-op board. If I do not resign my position, I may be removed by a decision of two-thirds of the remaining directors (Article 4.4).

According to Board process C5 of Fiddleheads Policy Manual and Article 4.8 of the Cooperative's Bylaws, I have an affirmative duty to disclose my actual and potential conflicts of interests. These are listed below. I understand that I have a duty to disclose any additional conflicts that may arise and to abide by board policy regarding participation in matters under consideration by the board.

Signature of Director

Date



Field Guide to Board Discipline

By Thane Joyal

[View online at the CBLD Library](#)

In order to be effective in leading a retail food cooperative, a board must protect the integrity of its process. Two keys to sound board process are the ability to speak with one voice and the ability to protect confidential information. Most often these objectives are achieved with a shared understanding of the board's roles and responsibilities, by establishing a set of clearly articulated expectations for board conduct. While a carefully drafted code of conduct is an essential tool for every board, unless the board takes ownership of it and ensures that all board members live up to the code of conduct, the group's shared expectations for conduct becomes no more than a piece of paper or a blank pdf file.

Have Expectations

- Why have expectations? Because in its role as the co-op's fiduciary, the board has a trust responsibility to the cooperative to protect its owners' assets.
- Where are these expectations found? Check your articles of incorporation, bylaws and applicable state law for code of conduct requirements. Use these as your baseline, minimum requirements.
- Determine your additional conduct requirements. Look to the CBLD Policy template for an example of a good code of conduct drawn from policies by many different cooperatives over the years.
- Communicate code of conduct requirements to aspiring board candidates well in advance of the election.
- Review the code of conduct as a group at least twice a year: once when the new board is seated and once to check on the board's compliance.
- Remember: the board can review any policy at any time by any means. This includes the code of conduct.

Write Your Expectations Down

- Approve your code of conduct policy and create a form including the code of conduct for your co-op's board (see sample below).
- Have a formal review of the policy when the new board is seated.
- Ask all board members to annually sign a copy of the code of conduct and to provide information about any possible conflicts of interest (actual or perceived).
- Be sure board members keep their conflict disclosure statements up to date. (Use a reminder on the calendar, for example, and check when you monitor the policy)
- Be sure to document any deviations from the code of conduct by individual board members in writing. This means writing letters and memos and even saving and printing emails.

- Know the process for removing an individual director who does not follow the code of conduct--this should be specified in the code of conduct policy.
- If state law allows, include in the bylaws the ability of the board to remove a director for violations of the code of conduct. (See Fresh Start bylaws for sample language).
- Provide language in your Code of Conduct stating that a director agrees to resign, and not cause further disruption, if the majority (or 2/3 majority) of remaining directors request resignation because of violations of the Code of Conduct.

Be Kind to the Co-op First

- The board cannot uphold its fiduciary responsibility without upholding its code of conduct.
- Do not let personal loyalties or sympathy towards individuals interfere with the board's fulfillment of its fiduciary role.
- High performing groups hold individuals to high standards.
- Accept that board service is not for everyone: do not nominate or seat board members who cannot reasonably be expected to uphold the code of conduct, and do not delay in removing board members who fall short.

Questions for Discussion

Why does the cooperative have a board of directors?

What can we do to protect ourselves against situations where the code of conduct might be violated?

Who on the board is responsible for speaking up when a breach of the code of conduct arises?

What is the difference between adhering to a code of conduct agreement and a squelching of dissenting views?

What should an individual director do when removed from the board, or asked by vote to resign from the board?

Resources:

CBLD Online Recorded Workshop: Board Self Evaluation

<http://cdsconsulting.centraldesktop.com/cdsvideo/doc/5564651/w-BoardSelfevaluation>

CBLD Online Recorded Workshop: Roles and Responsibilities of the Board

<http://cdsconsulting.centraldesktop.com/cdsvideo/doc/5564651/w-BoardSelfevaluation>

CBLD Field Guides: Building a Positive Board Performance Culture I and II

<https://cdsconsulting.centraldesktop.com/cbld/doc/10955074/>

<https://cdsconsulting.centraldesktop.com/cbld/doc/14044558/w-BuildingAPositiveBoardPerformanceCultureI>

Precautions and Protections: Summarizing legal responsibilities of cooperative boards. By David Swanson and Thane Joyal in Cooperative Grocer Magazine #153 March-April 2011

<http://www.cooperativegrocer.coop/articles/2011-03-17/precautions-and-protections>

Governing with Discipline and Awareness, by Thane Joyal in Cooperative Grocer Magazine #166 May-June 2013

Sample Bylaw Language from CBLD Fresh Start Template

<https://cdsconsulting.centraldesktop.com/cbld/file/12694422/>

Any director who does not follow the code of conduct policy can be removed from the Board by a 2/3 majority vote of the remaining Board.

Example of Code of Conduct Agreement Form For Board of Directors
(Tailor to reflect applicable bylaws and board policies)

Note: This form is to be completed by all directors at least annually, preferably within one month following board elections and shall be updated as circumstances require. I agree to abide by Board Policy XX Code of Conduct and any subsequent changes the board makes to that policy. I agree that if, in the opinion of the majority of co-op directors, I have violated the letter or spirit of this agreement, I shall resign my position on the board immediately and shall not seek to cause continued disruption to the co-op and the co-op board for that action.

According to Article XX of the Cooperative Bylaws, I have an affirmative duty to disclose my actual and potential conflicts of interests. These are listed below. I understand that I have a duty to disclose any additional conflicts that may arise and to abide by board policy regarding participation in matters under consideration by the board.

Signature of Director

Date

Precautions and Protections

Summarizing legal responsibilities of cooperative boards

BY THANE JOYAL AND DAVE SWANSON



As cooperative directors, it's important that we know our jobs. Some parts of that job are personal to us: we bring interests, skills, and perspectives that make our contributions unique. It's our responsibility to use those personal attributes to participate constructively in the group that makes up the cooperative board. A key way to do this is to follow the rules that have been established by the group itself. Another key way is the subject of this article: to be effective directors, we must comply with the legal requirements that apply to us.

The good news is that the law is understandable.

Although liability risk is present, common sense does have value, and there are tools to protect directors. As long as we bring our best attention and care and loyalty to our job as directors, keep good records of the board's proceedings, and follow a few other good practices, the chances are high that the law will find we have fulfilled our responsibilities.

What legal requirements apply?

The primary sources of law that govern the responsibilities of cooperative directors are:

1. state incorporation statutes; and
2. court-established common law, which is an artifact of our legal system's English heritage.

These responsibilities are commonly called a director's "fiduciary duties." The duties vary from state to

state, but there are common principles and themes.

A cooperative is a corporation created in accordance with the laws of the state chosen for its creation. Almost all the state cooperative and corporation laws (and most co-op bylaws) mandate the formation of a board of directors, which generally has very broad authority for governing the cooperative on behalf of its owners.

The members' authority is typically limited to major decisions, including election of directors, changes in bylaws, and liquidation or sale of the cooperative. The board can be thought of as the brain of the cooperative—it thinks and plans and decides. The state statute, then, gives rise to the basic relationship of the board to the cooperative, and many of these statutes set standards for the

board's performance.

The other source of legal duties arises from the common law, which is a body of law built on standards for director liability established by courts in cases against directors.

Fiduciary responsibility

A director is required to work for the benefit of the cooperative and all of its owners collectively. This is true even though you may have run for the board in order to represent a specific group or position within the cooperative. Once you are elected, you have a new relationship to the cooperative. Specifically, a director has a fiduciary obligation to the cooperative and its members as a whole, rather than a duty to a constituency or group of members. This is unlike a state or federal legislator, who usually represents a constituent group or set of ideals.

Thane Joyal once had an interesting argument with a board member who had lobbied in opposition to a board-generated proposal for revision of the cooperative's bylaws, with the result that the proposal failed to achieve member approval. The bylaw draft had been prepared and adopted by the board in accordance with the agreements the board had made for decision making. The board believed that these changes were needed for the cooperative to thrive. This particular board member disagreed personally with the decision the board had made, and argued that just as legislators in the U.S. House of Representatives have the right to voice dissenting views on legislation that has been adopted by House procedures, so he too retained a right he described as "free speech" to air his disagreement with the board's bylaw proposal.

This view may well be inconsistent with the nature of a director's fiduciary responsibility. In light of such a strongly held personal disagreement with the board's position, the board member may have better served his legal duties by resigning. A cooperative board is not the Legislature. Its role is to look out for the best interests of the cooperative and its members collectively, rather than the interests of a constituent group or viewpoint. In addition, directors are not given the benefit of the broad immunities and protections afforded to elected legislators.

Indeed, in taking on the responsibility of serving on a board, directors usually serve the cooperative most effectively by working in the framework established by the board and abiding by the best decisions the group can reach. To effectively serve on a board, we must be confident that the integrity of the process and the diversity of the individuals participating in it will lead to the best decisions for the cooperative. And most of the time (but not always), it is best for the cooperative for dissenting directors to avoid arguing against or undermining a board decision. We will have more to say about this later.

As a practical matter, in order to meet owner needs, it is likely that the cooperative will incur ▶

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◀ indebtedness as a regular business practice. If the cooperative becomes insolvent to a substantial degree, courts hold that the duty of the directors shifts from responsibility to the cooperative and its members to responsibility to the creditors. As insolvency progresses, the exact transition point where this duty shifts is difficult to pinpoint. But for directors of a financially troubled cooperative, it is important to understand the shifting duty and get expert advice.

Legal duties made easy

There are two ways directors can breach their fiduciary responsibility and risk liability: liability for failure to act, or nonfeasance; and liability for wrongful actions, or malfeasance. There are two broad categories of fiduciary duty—the duty of care and the duty of loyalty.

The duty of loyalty focuses on the board's deliberative process. Excellent record keeping of board deliberations and the information and process used in making decisions can be essential, especially when major decisions are being made (such as whether to expand or open a new store). Without a record of the board's proceedings, it is extremely difficult for the board to defend itself if a particular decision is questioned. A good resource about minute taking is the Cooperative Board Leadership Development (CBLD) Field Guide on Minute Taking Essentials (www.cdsconsulting.coop/FG/minutes).

Duty of care: Carry out board responsibilities competently. These responsibilities include selection and oversight of the general manager (often cited as the board's most critical function), setting strategy and direction over the manager's operation of the business, and ensuring compliance with laws and ethical standards. Make sure the board focuses its attention on these responsibilities: show up to board meetings prepared; participate actively and attentively in board processes; make sure adequate information is obtained before making decisions; and, when major decisions are involved, study alternatives. You should also make sure the board adopts and adheres to appropriate policies, including policies regarding risk assessment and management, ethical behavior, fraud risk, limits on manager's authority and the like.

Duty of loyalty: Put the cooperative first, before personal or individual or constituent interests. Deal with the cooperative fairly. If you have conflicts of interest—whether personal, familial, or pecuniary (financial)—disclose them. Normally, the director with the conflict personally decides what course of action to take. This may range from disclosure with participation in the discussion and vote to participation in discussion but abstaining from the vote to removal from the discussion and vote.

Duty of care

Show up: Directors should attend all board meetings and should participate in all events that the board agrees are important. If you can't attend a



The boardroom needs to be a place where differences of opinion can be safely aired and where candid discussions can take place.

meeting, let your board leader know in advance whenever possible, otherwise get in touch as soon as you are able. You may be responsible for the decisions the board makes in your absence, so catch up as quickly as you can.

Be prepared: Before each board meeting, review all documents that will be acted on in the meeting. Many boards receive board packets in advance of the meeting, allowing directors to prepare. Work with management to make sure the information provided is useful in monitoring performance and making decisions. Set aside preparation time on your calendar—at least an hour and a half or two hours, depending on the complexity of the issues to be reviewed. Spend time as a board or as individual directors in training programs for director performance, and learn about the dynamics of your cooperative's industry.

Protect the board's process: The integrity of the board's process depends on YOU. When the board reaches a decision and speaks with one voice, be sure that your perspective has been heard by the group. If you don't understand something well enough to act on it, try hard to make sure the board gets the information you need before making decisions. The use of experts—management or independent consultants—to provide information and advice is an important and accepted way to protect directors from liability claims.

The board's calendar is often full, and it can feel uncomfortable to slow something down if you don't understand it fully or aren't prepared. Decide how important this issue is. If it is relatively routine, you may decide to abstain from the decision. But if it is an issue with significantly high consequences, *speak up*.

If you can't decide how important an issue is, consider using this SIT algorithm:

- Severity: How serious are the consequences of

this decision?

- Implications: What could this mean for the co-op?

- Trends: Has this come up before?

Often there's a person on the board who is, by profession, a lawyer or an accountant or a specialist in something that is relevant to the board's work. Knowing that person is going to give special attention to an issue can make even the most well-intentioned board member relax. Don't fall into this trap. Remember, when the board hires a professional to represent it, that is a special relationship where the board is entitled to rely on that expert's advice. Your friendly, competent fellow board member doesn't have that relationship to the co-op—she, like you, is simply a board member, bound by the same duties as you. *Do your own thinking*, and don't simply rely on your colleagues or management to tell you how to vote. In brief, all board members need to act and think independently.

Duty of loyalty

The duty of loyalty is the duty to act on behalf of the cooperative in the best interest of the cooperative and its members as a whole. To the extent that a cooperative director is a member of the cooperative who shares in the benefits of a successful business, of course, the director will benefit from good governance and good management. But the director should not receive preferential treatment that is better than any other member of the cooperative. And in addition, the director must protect the cooperative's confidential information.

Disclose conflicts: It is not uncommon for a director of a food cooperative to have more than one relationship to the co-op. A board member may be a farmer/vendor, for example, or may be a store employee. Or a director may be closely related to someone who is. A conflict does not have to interfere with a director's effectiveness, and it will not interfere with the integrity of the board's decisions if it is handled appropriately.

Any potential conflict should be disclosed. It is the board's process we are protecting, as well as the integrity of its decisions. It is common practice for the board member with a conflict to describe the conflict and relevant facts, answer any questions, and abstain from voting. In some cases, it is appropriate for the director to then leave the room to ensure an open discussion. For example, directors on the staff of the cooperative would be well advised to recuse themselves from decisions relating to the compensation and employment of the general manager.

Don't compete with the cooperative: What if a board member knows that the cooperative is seeking a particular business opportunity, and that board member just happens to be in a position to go after that same opportunity? Maybe the co-op's deli is bidding to cater a visiting national television crew, and a caterer on the board learns about the job from an informational report at a board meeting. Can the caterer/director pursue the contract? Absolutely

not. Business information like this is a good example of something that belongs to the cooperative and should not be used by a director for personal gain. What if the director learns of an opportunity some other way, not at a board meeting, but knows that the co-op is bidding on it? Under many circumstances it may still be inappropriate for the board member to compete with the co-op. When in doubt, seek legal advice, or avoid even the appearance of competing with the cooperative.

Don't breach confidentiality: One very important rule for board members to follow is to keep the confidences of the cooperative. In cooperatives, transparency is very important, and the duty of confidentiality may seem inconsistent with a transparency policy. In practice, however, it is a relatively small universe of information that is required to be kept confidential. Personnel information, information about unannounced expansion plans or strategies or other contractual relationships, certain legal issues, and any draft documents that have not been released to the public should be held in confidence by each board member.

This is not only a matter of board integrity. In a worst-case scenario, a board member could be held personally liable if someone—an individual or even the cooperative—was harmed by a board member's breach of confidentiality. And it is clear that the cooperative's competitive position could be harmed by the untimely release of sensitive business information.

Aside from the legal consequences of breaching confidentiality, there is another equally important consideration. The boardroom needs to be a place where differences of opinion can be safely aired and where candid discussions can take place. Once a decision has been reached and is ready to be shared with the owners and the public, a communication strategy should be agreed upon that includes how those discussions will be shared, if at all.

Most of the time, the board should speak with one voice about decisions. In important decisions, it is helpful for the board to discuss this and reach an understanding about what will be said. In some cases, however, it may be important to communicate dissenters' views to the members. An example would be a split board recommendation asking the members to approve a merger with another cooperative. In this case, it may be important to provide the members with information about the dissenters' reasons.

What if a decision is challenged?

Thankfully, one test that will not be used in the event of a legal challenge to a board's decision is whether the decision turned out to be "right" using 20-20 hindsight. Rather than reviewing whether a decision or strategy brings adverse results, a reviewing court would look at the record of the board's process to determine whether the decision was made properly at the time it was made.

It's worth knowing that there are two rules that a reviewing court may use to determine whether the decision was properly made. Until recently, it was assumed by most attorneys that a rule known as the "business judgment rule" would apply to decisions of a cooperative board.

The business judgment rule puts the burden on the person challenging a decision to show that the board's decision was not made in good faith or in the best interests of the cooperative. The focus is on the reasonableness of the board's decision-making process, not the decision itself. In other words, the board has the benefit of the doubt; it is not automatically liable for a bad decision.

A 2004 case (*Willens v. Wisconsin Avenue Cooperative Association*) involving a housing cooperative in the District of Columbia Court has cast some doubt on the assumption that the business judgment rule would apply to a case involving cooperative directors. There the court put the burden on the cooperative director to show that the board's decision (rather than its deliberative process) was reasonable. This case can likely be explained by the fact that the directors were deciding on distribution of economic benefits among the members and suggests that special care should be taken by directors in making such decisions.

Directors should be particularly careful to be deliberative when making important decisions, because these decisions are more likely to result in claims against directors and may get closer scrutiny from a reviewing court. Selection of auditors and the general manager, review of financial information, expansions or new business lines, and any sort of insider transaction should be handled with ►



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Protections

Directors of cooperative boards have the benefit of at least two special types of protection. Indemnification is typically permitted under state law if provided for in the bylaws, meaning that, under specified circumstances, the cooperative must pay the liabilities and legal expenses of a director who is subject to legal proceedings for director decisions. Obviously, if the director acts illegally the cooperative is relieved of this responsibility; depending on the state in which the cooperative is operating, there may be other circumstances where indemnification is not available. A cooperative's bylaws will typically contain a provision specifying the circumstances under which indemnification is available.

A cooperative can also purchase insurance for its directors, known as D&O (directors and officers)

Directors of cooperatives have the benefit of at least two special types of protection.

insurance. D&O policies protect the cooperative and its directors from liability for actions taken by the board. It is worth reviewing these policies and their limitations carefully to be sure that the insurance purchased is appropriate in terms of scope and amount, including deductibles. A high deductible can be particularly troublesome when directors are sued, especially if the cooperative is insolvent and cannot cover the directors' legal costs. Insurance policies often have complicated exclusions that can limit their utility in some circumstances; for example, some policies do not cover securities litigation. It's best to be well informed.

Note that these protections may not be available if a cooperative has failed to pay state or federal employment, income, or other taxes. Here the best

protection is a good system for rigorously checking to be sure these obligations are being fulfilled.

The bottom line

The topic of directors' legal duties is complex and, to a limited degree, subjective. But by following good practices and understanding the basic rules, and by obtaining professional advice, especially when major decisions are undertaken, directors can feel confident they can avoid liability. Show up, do your homework, participate fully in discussions, follow good procedures for assessing your cooperative's performance and obtaining relevant information in decision-making, carefully document (i.e., ensure good minutes are taken), honor decisions the board makes, disclose conflicts, and protect confidential information.

Simple, right? Remember, cooperative directors are working to make sure that their co-op meets the needs of the owners today, tomorrow, and years from now. Work that is done right is work that is fun. So have fun! See you at the co-op. ■

POSITION OPENINGS

General Manager

Fairbanks Community Cooperative Market

Fairbanks Community Cooperative Market of Fairbanks, Alaska, seeks a full-time professional general manager to open and operate our community-owned grocery store and deli. Position starts July 1, 2011.

Please send your resume, professional references and a cover letter to: co-opmarket@ak.net or call 907-457-1023. Job description is available at www.CoopMarket.org. The position will close at 5:00 p.m. on March 24, 2011.

General Manager

GreenStar Cooperative Market

GreenStar Cooperative Market in Ithaca, N.Y., seeks a general manager who will collaborate with and support our council in implementing our newly adopted governance model—Policy Governance, while engaging our membership, and leading staff through future growth and expansion. Our mature, financially sound cooperative (over \$14 million annual sales in two locations, more than 150 employees, and more than 7,000 members) has a strong network of local suppliers and will provide the right person with the opportunity to be at the forefront of the natural foods industry.

Our general manager should be a community builder and a good communicator, someone who shows strong leadership and is committed to building a diverse and inclusive environment. Our ideal candidate has comprehensive knowledge of the organic and local foods marketplace, excellent writing

skills, financial skills, and three to five years of related experience in a food co-op or equivalent. Competitive salary and full benefits.

Go to the GreenStar website and follow the GM application process: www.greenstar.coop. GreenStar is committed to excellence through diversity in hiring. EOE.

Nutrition and HBC Department Manager Pilgrim's Market

Beautiful Coeur d'Alene, Idaho, is home to a wonderful, locally owned 25,000-square-foot natural foods store called Pilgrim's Market, which is looking for an experienced, qualified and motivated supplement department manager and customer service specialist.

General pay range: \$13–\$23/hour DOE

Essential functions (abbreviated):

- 1 Present a friendly character that balances efficiency and good customer service
- 2 Supervise a team of five in all aspects of running a supplement and HBC department in a busy market
- 3 Provide exceptionally knowledgeable service to our supplement customers.

Qualifications:

- Minimum of three years' experience with natural food's supplement customer service, required.
- Certificate of completion of several natural health programs or equivalent experience, preferred.

Contact: Joe Hamilton, Pilgrim's Market, joe@pilgrimsmarket.com

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Fiddleheads Co-op
General Manager Finalist Interview Questions
For the Board of Directors

Recommendations for the Interview Process:

- *Introduce yourselves at the start.*
- *Have a lead interviewer who will ask the questions, monitor for time, intervene if the candidate is taking too long to answer a question, and skip questions if the candidate has already answered them in the course of responding to earlier questions.*
- *Ask follow-up questions by raising your hand to be recognized by the lead interviewer.*
- *After the candidate has answered a question, wait about 5 seconds in silence while maintaining eye contact with him before asking another question. He may add something as the silence builds. This will also allow people time to formulate follow-up questions.*
- *If you do ask additional questions, keep them focused on what the person has actually done, rather than how he would handle some hypothetical situation.*
- *Designate one person to take notes.*
- *Ask all the questions you want and take time to wait for and listen to responses. Take all the time you need and don't rush this process.*

1. We'd like to go through your career progression, hearing the reasons for each job change you have made. For each position you have held, tell us what parts of it gave you the greatest feeling of achievement and satisfaction, and what parts were the most frustrating and unsatisfying.
2. What motivates you in your work? Where do you see yourself in 2 years? 5 years? 10 years?
3. Let's go over the job summary.
 - a) Let's start with items in the job summary that you feel you would be particularly skilled in carrying out.
 - b) In which areas would you need support from staff or outside resources?
4. You've seen our organizational chart. Do you have concerns about the staffing structure that you would want to address as the general manager? Does the staffing as it is now provide the support you would need to be successful?
5. Please tell us about a situation that illustrates how you go about making decisions affecting an entire organization. What was the decision that had to be made? What was the time line for making the decision? How did you gather information? Who did you involve in the decision?
6. What is one of the toughest decisions you've ever had to make in a professional setting? What made it so challenging? What was the outcome?

Follow up: What did you learn from this experience?

7. What was one of the most important experiences in your life that caused you to reflect and change your perspective on the role of race in our society?
8. Have you ever been in a situation where you were able to make a difference in advancing racial justice? This could be a workplace or elsewhere.
9. From the times you've seen the store, tell us some improvements you might suggest for improving layout, product presentation or customer service in the store. *[Marketing and merchandising in highly competitive markets]*
10. From what you know of Fiddleheads, what do you think are the most important steps the co-op should take to be ready to compete? *[Marketing and merchandising in highly competitive markets]*
11. You've seen our financial statements. What do you think of the co-op's financial position? What steps would you take as general manager to ensure financial soundness? *[Management experience]*
12. Where do you see the natural foods industry in 5 years? 10 years? How do you think our Co-op will fit into that picture?
13. What do you see as our Co-op's main challenges lying ahead? What do you see as the strongest assets the co-op brings to those challenges? *[Retail management experience, ability to articulate a vision]*
14. What are your concerns about working with a board of directors? What would you need from the board to ensure a productive working relationship? *[Experience working with a board]*
15. What are the limits of authority in your present (or former) job? Did you ever find it necessary to go beyond them? *[Ethics—this is not on the list of qualifications but I think it should be]*
16. Tell us about a time when you faced an ethical dilemma in a work situation. How did you handle it? *[Ethics--ditto]*
17. Tell us about a situation where you made a difficult decision to meet the demands of your personal life over those of your employer.
18. Now tell us about a situation that went the other way, where you made a difficult decision to meet the needs of your employer over those of your personal life.
19. Please take a few minutes to summarize your qualifications for the position.

Annual Meeting Report November 2015

Committee members: Dan, Carolyn, Ellen and Wynston (additional feedback from Elisa and Helene)

Proposed location: Hygienic Art Park and Gallery

Proposed date: Saturday, May 21st (preferred) or May 14th 4-8PM

Total Budget: \$3500

\$1200 for space

\$1200 for food

\$600 for sound and miscellaneous, etc. Their sound tech is \$100/hr—highly recommended.

\$500 for gifts/incentives for first 100 households. Incentive for quorum.

Required: 50% deposit at reservation, 50% day of event

Notes:

The Hygienic is enthusiastic to have us. They love the idea of having us on the last day of their “Colony Collapse” installation on 5/21 (environmental effects on bees)

They help support set up and breakdown.

They can serve drinks (alcohol and other). Cash bar, we may cover first drink. May work with local brewery.

We can have any food set up we want.

They can accommodate 300 people (we need 100 households for quorum)

Rain or shine event. Tents are available if we want them. Indoor space.

Brief business meeting, focus on celebration.

Voting process will be done mainly online, with an opportunity to vote at the meeting.

Tickets “sold” (free) ahead of time so we have a headcount for food.

November 2015 Fiddleheads Policy Monitoring Report
November 12, 2015
Wynston Estis

Ends A2 – Thriving Local Economy (Adopted January 6, 2014) *All reports*
Fiddleheads exists so to make Southeastern Connecticut a thriving, locally based economy
I report reasonable progress towards accomplishment

In addition to our continued work as a local employer and purveyor of local producers' goods the Co-op had a few opportunities for local collaboration and support in the past month.

- We are exploring collaboration with Williamantic Co-op to improve our financial acumen internally as well as to explore some possible cost sharing for financial management support.
- IGM went to Wakefield RI to assist them in planning a reset. We also hosted Elizabeth Hill, the South County grocery buyer, here during Fiddleheads reset so she could learn from our reset project.
- Artisans Market on Saturdays is back in full swing. We will have up to 4 local businesses selling baked goods, crafts, and meats every Saturday from 11-1 for the winter market season.
- Solar City has been tabling in store to educate owners about their services and green energy.
- Solomon Schechter Academy tabling in store regarding their academy and role in the community.
- FFC placed ads in The Day local newspaper.
- FFC is sponsoring a local youth sports team and an individual's participation in that league.

Ends A3 – Sense of Community (Adopted January 6, 2014) *All reports*
Fiddleheads exist so that shoppers and members have a strong sense of community
I report reasonable progress towards accomplishment

Steps we are taking to improve our customer experience

- Improve café layout for more open flow and higher visibility
- Support community art installations in the café (post café layout revamp)
- Manage musicians to play at a volume on that allows conversations to be heard
- Increase training with Front End Coordinators on their role in managing the customer experience
- Lock the piano rather than remove it so that those who can play it enjoyably have access to it but it is managed so as not to be an unpleasant feature of the Co-op experience

Ends A6 – Workplace (Adopted January 6, 2014) **November**
I report reasonable progress towards accomplishment

Fiddleheads exists so that Southeastern Connecticut has meaningful work opportunities in a supportive environment.

In addition to the many fronts we have been working on to address this end:

- Restructure of co-op staffing
- Job descriptions that accurately reflect job duties and expectations
- Posting and hiring for those new positions within current FFC work force
- Staff now contribute directly to this report. Last month contributors included Andrea Hall, Nancy Hutchins and Sheila Herbert. This month Amelia Lord and Andrea Hall area are contributors.

We have also proceeded with the CDSCC Staff Engagement Survey to measure policy compliance and staff satisfaction. The Survey was filled out by 25 of the eligible 26 staff members which is a high turnout and a great reflection of staff's commitment to the Co-op. While she was here, Sarah Dahl the CDSCC consultant, presented the results of the survey to the team I assembled. In a nutshell, though Fiddleheads employees have had some cause for dissatisfaction, most feel that things are improving. She also made some preliminary recommendations to me and a few staff that are in leadership and management roles for steps to take in response to the survey.

Preliminary recommendations:

- Continue building on positive changes
- Consider a re-opening
- Review possible alternate locations
- Communicate changes
- Impartiality from managers
- Set goals and give tangible actions
- Consistent accountability
- Evaluations and Merit raises
- Pay ranges and internal equity
- Implement safety training

Many of these themes are being addressed as a matter of priority, some of them though will have to be planned for in FFC's future such as pay ranges and internal equity. CDSCC will deliver a full report by the end of the month which will allow me to report more fully at our next meeting.

Executive Limitations B1 – Financial Condition and Activities (Revised August 18, 2015)

Sections 1,2,3,5,7, and 8 *All reports*

This report uses data as of September 30, 2015 except as noted. Quarter 3 results are now included.

The GM shall not

1) Allow sales to decline or be stagnant.

Data = Operationally the Co-op underperformed in sales showing a negative sales growth compared to the same quarter prior year in the last two quarters.

	Q1	Q2	Q3	Q4	YTD
Sales (before discounts) 2014	\$817,634.19	\$868,370.28	\$830,877.46	\$818,946.00	\$3,335,827.93
Sales (before discounts) 2015	\$833,438.96	\$865,964.28	\$807,506.86		\$2,506,910.10
Sales growth	1.90%	-0.28%	-2.89%		

Conclusion: Not in compliance.

Plan: Here is what we are doing to grow sales.

- Expanded use of the media
 - Ads and article in local newspaper The Day
 - Website is now maintained by two staff members to keep information, announcements, and sales information up to date
 - Constant Contact is routinely produced and distributed to ownership weekly
- Development of product systems and promotions
 - Demo program
 - Has been reformatted to support a more 'event' driven format with offerings that are more complete and seasonal. Focused on event themes: *ex It's Fall/ Thanksgiving/ Christmas/ Hanukkah/ New Years/ and so on*
 - Relocated to back of store if possible to give room and presence
 - A Co-op expert will be available to take suggestions and comments from customers engaged by samples
 - Highlight calendar of samples on FB, CC, and in Media like the Day in the 'what's going on' section of Thursday papers
 - Review of pricing strategies
 - Continue to review category margin application to bring it more into line with industry standards
 - Reset the store
 - Center store is planned to be complete by November 13th
 - Customer reception has been good so far
 - Evening floor hours for experts
 - Product staff are on the floor from 4-6:30 to support customer use of the store during peak shopping hours. Product staff are more in the know about vender and supplier developments than FE staff. Having this expertise available promotes shopper engagement

3) Allow liquidity (the ability to meet cash needs in a timely and efficient fashion) to be insufficient.

Data = Current ratio as of 3/31/15 was 2.15:1. Current ratio as of 6/30/15 is also 2.2:1. Current ratio as of 09/30/2015 was 1.69:1. Minimum acceptable is 1.25: 1

Conclusion: In compliance

To improve our cash position we continue to focus on generating greater sales while managing expenses down.

- Focus purchases on products that turn so that we have less cash tied up in slow moving inventory sitting on the shelves. Cash is not available for ‘safety’ stock. The products that are purchased in this quarter and future ones need to create revenue within a week to 10 days with rare exception. This expectation can be met in all areas of the store to a great degree, Wellness and Gen Merchandise are not categories where this rate of turns is typically possible so they are areas of high focus.
- Advertise promotion programs and seasonal items
- Reduce labor hours and drive efficiency on the sales floor. FFC staff are not accustomed to being busy which can lead to inefficient work habits. Front End coordinators are expected to give direction to staff that results in a contribution to sales or send staff home if there is nothing productive for them to do.

We have reason to believe the above measures are having the impacts that we need when we look at the P&L for the month of October.

Sales	Gross Margin	Labor %	Net Income
\$272,010.08	42%	20%	\$17,700.57

2) Allow operations to generate an inadequate net income.

Data = Net Income was 1.6 first quarter and 1.43 in the second quarter. Third quarter came in at -7.08%

Conclusion: Not in compliance

Plan to improve net income performance

To improve FFC net income we need to build our sales and cash base while reducing our expenses over a period of time.

A substantial amount of the sales decrease in the third quarter can be assigned to seasonality, low sales during the summer vacation season and local growing season is typical for most Co-ops. Staff turnover in key management positions, which impacts are also notable areas of increased expense not represented in prior quarters, had negative impact on sales

performance as well. These two areas account for a controllable contribution to FFC's decline in this measure.

Areas of expense or lack of support to consistent sales management and operations are:

- Professional support was procured for Co-Managers to bolster their effectiveness and stabilize their guidance
- The Produce Manager left without good operational systems for that department documented or trained
- Other administrative/ sales support positions had staff departures that were vacated

Extraordinary increases in expenses are cumulative from the year's activities but chiefly recognized in the third quarter financials.

- Legal cost & Settlement - \$17,228.00
- Accounting entry and reporting repair- \$10,775.00

Even with all of the above financial vulnerabilities there remains a consistent unsustainable burden on operations in the owner incentive 2% discount that makes the Co-op less capable of sustaining itself through the ebbs and flows of business.

The 2% discount does not appear to be a strong enough incentive to drive users of the store to become members/ owners of the store. This graph on new memberships has been updated since my report in October, yet it hasn't changed since my last report. I'm investigating this oddity but the data appears credible.

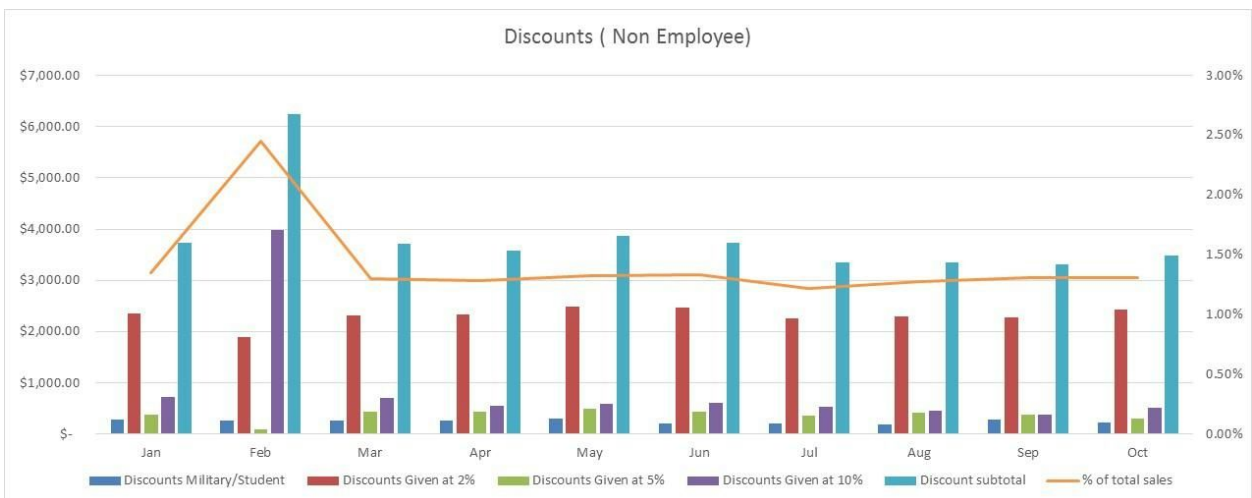


See 2_Members per month graph

Ownership payments into the Co-op are decreasing as you can see in this graph. The two percent discount is not enough of an incentive to stay current, paid through the quarter for full owner benefits, for existing members nor enticing enough to gain new owners.



- The percent of total sales that are going to the owner, military, and college users in the blanket 2% discounts are hampering the Co-op's ability to meet its financial obligations.



See 3_ Discount 2015 graph

Alternate ways to incentivize ownership, create value in ownership, and encourage use of the store can include a variety of product and service based owner exclusive programs such as:

- A product promotion discount program available only to FFC owners
- Owner 10% reward day at the owners discretion once a quarter
- Annual Owner Party exclusives, if you are an owner you get a free gift bag, entered into a drawing for ‘fabulous prices’, etc
- Quarterly owner focused promotions, ex. A selection of Earth Day promoted products that are earth friendly at owners prices

I suggest we replace the blanket discount in time for the new year once we have adequately posted information to FFC owners about the impact that the discount is having on the Co-op financially and how we like to use the financial resources it is absorbing to create better value in ownership of the Co-op.

5) Incur debt other than trade payables or other reasonable and customary liabilities incurred in the ordinary course of doing business.

Data = *The IGM has not incurred any new debt other than trade payables*

Conclusion: In compliance

7) Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.

Data = *The following taxes were paid in a timely manner*

Personal Property tax, bi-annually next payment due December 2015

Sales tax, monthly on the 20th of the month for the previous month based on sales

Conclusion: In compliance

8) Allow late payment of contracts, payroll, loans or other financial obligations.

Data: *Payroll obligations have been met in a timely manner. Loan payments are current as of 11/10/2015 Our accounts payable are not current as we have 5k in AP's over 30 days with AP's due within the next 30 days of 90,000k some of which are beyond terms (down from 100k in previous report.*

Conclusion: Not in compliance

Plan: I have developed a cash budget to determine how much money we can devote to reducing our AP. In addition, plans to grow sales and maintain expenses will help generate cash to assist with becoming current. We believe that 3rd quarter sales will be the lowest of the year with the most expenses.

Payment of loans to owners is also an area of concern. I am working with our finance team to develop a tracking method to better log owner loans and plan their timely repayment. I do not have a solution to present at this time.

Executive Limitations B2 – Business Planning and Financial Budgeting (Adopted June 18, 2013) *All reports*

I report compliance

I am working with staff to develop alternate programs to incentivize member use of the retail store. I am also working to discover a way to communicate with the membership in preparation of shifting how they achieve getting value from the Co-op.

Beginning mid-November we will begin budgeting Fiscal 2016. I plan to work toward aligning the Fiddleheads chart of accounts with the tool that NCG uses as part of our budgeting work.

Refer to Executive Limitation B2

Executive Limitations B3 – Asset Protection (Adopted June 18, 2013) *All reports* November
I report compliance

Work we are doing to improve our current measures.

- Inventory-
 - Systems are in place for shrink control and margin erosion monitoring
- Data security-
 - Systems administrator is working toward Payment Card Industry compliance
 - POS is managing EMV liability shift with our POS supplier
 - System administrator has developed an Authorized User Policy, (AUP) that will give staff detailed guidance on the approved uses of FFC electronic systems and communication tools
 - Network security for confidential files and other material has been greatly bolstered in the past four months
- Cash and sales reconciliation
 - Cash handling is monitored daily
 - Discount applications are monitored monthly
 - The daily deposit is counted out at least once a week by finance to monitor deposit systems

See full monitoring report for more details on efforts to support compliance with this policy.

Executive Limitations B4 – Membership Rights and Responsibilities (Adopted June 18, 2013) *By exception All reports*

Conclusion: Not in compliance

Current practice of applying a 2% discount to all purchases for college students and military personnel confers a focal benefit of member/ ownership to non-owners. The reason behind this practice was a misunderstanding of the equity requirement and an effort to create convenience for college and military patronage of the Co-op given their temporary residence here in Southeast Connecticut.

Plan to correct this practice:

- Develop and document a clear process for refunding owner equity
- Develop and train staff and owners on the equity refund request process
- Train staff on explanation of equity to owners to include refund request process
- Inform staff and shoppers of owner requirement for full owner benefits via in store signage in month of December

Executive Limitations B7 – Communication to the Board (Adopted June 18, 2013)

I report compliance

I am in frequent communication with the board regarding the status and concerns of the Co-op.

Executive Limitations B8 – Board Logistical Support (Adopted June 18, 2013) November

I report compliance

The board is supported by a capable staff member who works her scheduled hours without going over them. All board requests for additional staff labor have been approved primarily to support GM search efforts. The board has budgeted to continue working with an assistant in the coming year which I expect to be an approved use of the Co-op's financial resources.

BOARD OF DIRECTORS MEETING
December 15, 2015
6:30-8:30 PM
105 Huntington Street, New London

Time	Topic	Resource	Board Action/ Outcome	Leader
6:30	Meeting Preamble <i>Each of us is a member of the coop community and has been elected to be leaders in serving our members. May we conduct this meeting by empowering each other, treating each other with kindness, and maintaining an atmosphere of mutual respect.</i> Check-in	Agenda	Convene/Focus	President
6:30	Agenda Review	Agenda	Make any needed adjustments	President
	Member Comments		Listen	President
6:35	Minutes (Board Packet) <ul style="list-style-type: none"> • November 17, 2015 	Packet	Approve Minutes	
6:40	Managers Update Report – TBD <ul style="list-style-type: none"> • • • 	Packet or Oral	Q&A	IGM
7:00	Consent Agenda <ul style="list-style-type: none"> • Board Monitoring Report • GM Search Committee Minutes • Member Equity Refund Requests (as needed) • • 	Each item in packet	Approval	President
6:45	Discussion of Items removed from Consent Calendar	See above	Discuss/Approve	TBD
7:05	Discussion/Action Items:			
7:15	Committee/Task Force <ul style="list-style-type: none"> • Governance • GM Search • Annual Meeting 			

	<ul style="list-style-type: none"> Member Communications 			
7:30	GM Monitoring Report	In Packet		IGM
	Member Comments			
8:30	Closings <ul style="list-style-type: none"> SCHEDULE CDS CALL! Review decisions, tasks, assignments December 15th draft agenda Meeting Checklist <ul style="list-style-type: none"> Everyone was present physically and attentively No sidebar conversations Maintain topic focus Everyone had a voice and was heard Be honest but not brutal Don't monopolize Clarify the purpose of each agenda item to begin Signal if you feel personally attacked, disrespected, or put down Adjourn Meeting 		Review Evaluate meeting process: what worked and what needs improvement	President

BOARD PACKET: