

Ozark Natural Foods

2015 Annual Owners Meeting

Joshua Also want to talk about the other reason this is a really special AOM, 'cause we are voting to approve a new set of Bylaws. So your board has been working for really three years, really working in earnest the last eighteen months. We've had several forums; I hope some of you were able to take part in those. We got a lot of feedback from concerned owners, very interested people, people that knew a lot about the Bylaws when they were passed in the early 1980s. We've done a lot of thinking about it. The board has worked very closely with our legal counsel. We've worked closely with national consultants and we have what we think is a really great revised Bylaw package.

And so when you're looking at your ballot today, you'll see a couple of things to vote for. You'll see the candidates that have already been added to the ballot, and there's three of us. You'll see articles of incorporation – so we're voting to change the articles of incorporation – and we're voting to get rid of the old Bylaws and approve the new Bylaws. And there's also a set of Bylaw amendments that have been proposed by an owner. And those are down at the bottom. So you'll be voting either for or against the new bylaws, and by doing that you'll be getting rid of the old bylaws and bringing in the new ones. You'll be voting for or against changing the articles of incorporation, which is really important. Partly it brings up the quorum necessary for the board to four people, which is more in keeping with what we've been doing for a long time, so that's an important one. And then also, you'll be voting for or against the bylaw amendments that have been proposed by petition. Okay?

[inaudible question] Okay, so it doesn't need to be 160 people; it needs to be 80 people, and the 80 proxies. So if there are 80 owners under the tent and all of them are representing someone by proxy, we can open up the annual owner meeting. And that was the count that we just did, and it's been certified by owner services, correct? All right.

[inaudible audience comment] There's a motion to open the floor – I'd like to move on with the business meeting. There's more than 80 people here. We can hold up ballots real quick. If you have a proxy ballot or a pink ballot, you can hold those up. I don't need to count all these people, that's more than 80 people right here. It was 168 when the official count happened. And we've had two more people, so we're currently around 180 including proxy representation. I will ask that all of you stay while we do the business meeting, because we do need proxy to be here. So hopefully the food gets going and you all have deliciousness and good information and you want to stay and talk to us. So please stay under the tent while we're conducting the business meeting.

Checking the agenda. At this time I will bring up – oh, before, I'm going to bring up Colleen Pancake, and she's going to read our minutes from the 2014 meeting. And I just want to talk again briefly, and we'll talk more about this, about the bylaws. We are actually going to hold a bylaw forum, another one, to field your questions right after the business meeting. So we're going to go into the building and all the board members will be there, and we'll answer your questions. We've had a lot of questions ourselves; we know you have concerns about it. This is a major change.

You know bylaws are not just your legal – how you talk to the Arkansas state statutes, which it is. It's your legal representation for your organization. For us, we are a cooperative, a consumer cooperative, and we represent ourselves legally through our bylaws. And the new bylaws that we've drafted bring us back in compliance with state statutes. We've been out of compliance in some key ways. They're also modernized, they're shorter, they address some important concerns for us, like our aging membership and how to retain owner numbers within your family. Just something we wanted to address. It also addresses how much bigger our coop is now than it was in the '70s and '80s. So now we're more than 10,700 owners – that's way bigger than it used to be. So 2:30 we'll be having the Bylaw Forum; I was just reminded of the timeframe, so we'll be right over here.

But the bylaws also represent the culture of your coop. Just me personally, speaking for the board, his is true. We hoped that we retained what you thought your coop was. And we hope that we have embedded in this new document, which retains almost all of the existing Bylaws, which has been revised, with a couple of modifications on size and things like that. We hope that we've retained what you want your coop to be. So I encourage you to read them closely. We've had copies of it available at the desk up here. We've had copies available in the store; we've got copies online. So if you need to read it again, please do it. If we have five more questions, 1 more question, no more questions, come let us know, we're happy to talk to you about them.

And we also have a copy of the amendments that have been proposed by an owner through petition. There's four of those. You'll be voting on all four of them at once, an up or down vote, and it does say on your ballot that the board does not approve of those amendments; in part because two of them have already been addressed by the board and incorporated into the bylaws. So we treated those as recommendations, which we brought in. And the other two the board just does not agree with. So... but those amendments are also available up at the desk.

So if you have more questions about bylaws, come see us at two o'clock. And thank you so much for being here. It's so important for us to vote on these

bylaws, and to be able to vote for your candidates to represent you and your coop on the board of directors. So, with that, nothing else to go, Colleen, please come up.

Colleen: Hello, I'm Colleen Pancake the board secretary, and I am going to be reading the minutes from our April 27, 2014, annual owners meeting. We will have five minutes set aside for questions.

Ozark Natural Foods, Annual Owners Meeting, April 27, 2014.

President Joshua Youngblood called the meeting to order at 2:33 p.m. President Youngblood announced the change in bylaw voting and introduced the board facilitator Kathleen Trotter.

2013's AOL minutes. Board secretary Colleen Pancake read the minutes from the 2013 Annual Owners Meeting. A motion was made, seconded, and carried to approve the 2013 AOM minutes as read.

President's Report. President-elect Youngblood reported that the board set key goals in 2013, including building a stronger alliance with management by becoming more engaged with strategic planning, and having regular conversations with management about the vision for the future of ONF. Bylaw review continues to ensure correct and accurate information, assisted by ONF's local legal counsel and the board's national cooperative consultant Thane Joyal.

The broader mission of the board is to grow the knowledge pool by meeting with owners more often and having more conversations with management. The board has been conscientious about training opportunities and has participated in various training throughout the year from all over the country. The board held forums in 2013 including the next big thing where owners shared their ideas to help guide the board in setting the vision for the future of ONF. The board also created the owners solutions committee, which brings together staff, owners, and board members to brainstorm together. ONF is in a strong place to face future challenges, and the board has worked together to put the coop in a position to see more positive change.

General Manager's Report. Store Manager Mike Anzelone, on behalf of General Manager Alysén Land, reported staff and management had a fantastic year rebuilding relationships with the board. Two large goals were set and accomplished last year, breaking \$14 million in sales, which was accomplished with a sale of \$14,132,632 in total sales. And achieving 10,000 owners, which the store also accomplished with the current total of 10,433. Other store accomplishments included upgrading the deli-produce area, including creating ala carte, which has been growing tremendously, and an also expanded produce prep area with a set-up that makes staff more accessible and also resulted in the produce department experiencing the largest sales growth in the store. Other upgraded systems that were installed in the store included a new security system and cameras as well as upgraded credit card pen pads.

ONF received an award from the Fayetteville Chamber of Commerce recognizing excellence in sustainability efforts and was a finalist for Arkansas Business of the Year.

Recognized staff for helping create such a great business and specifically thanked Alexa McGriff, marketing manager, for her contribution.

Switching warehouses has been difficult and resulted in changes in some products' availability. Quoted General Manager Alysen Land, who thanked the board of directors for working so well and in the spirit of cooperation with herself and staff.

Financial Report. Finance Manager Gary Cook gave the financial report and presented graphs demonstrating the outcome of going debt-free.

Annual sales in millions: the 2013 sales were \$14.1 million, and that was up from \$13.1 million in 2012.

Annual sales growth: 9.3 down from 13% in 2012.

Sales to owners: 74.6, down from 77% in 2012. This is tracked for patrons' refunds and for income tax calculations. The coop pays income tax only on non-owner sales.

Active owners: The coop continued its growth in active owners to 10,193 at year's end.

Capital expenses included \$295,742 in building upgrades, \$127,909 in equipment, and over \$408,000 returned to owners in patronage refunds.

This concluded the financial report.

Nominations from the Floor. There was no call for nominations from the floor.

Board Candidate Introductions. The board candidates were introduced. The board candidates included Tuesday Eastlack, Colleen Pancake, Susan Graham, and Dr. Ben Ozanne. After candidate statements, owners had the opportunity for a question and answer session with the candidates.

The ONF business meeting was adjourned at 3:48 p.m.

I will now entertain a motion to approve the minutes from last year's annual owners meeting. When you make a motion and a second, please stand and identify yourself, so we can reflect our actions and owner decisions. Do I hear a motion? [floor response inaudible] So moved by Julie Moody. Julie Moody moved to approve the minutes. Is there a second? [inaudible] The second was by Joy Fox.

I'm going to turn this over to our facilitator now. [No, no, vote on that, right?] Now we vote on that. I've got to turn the page on this script here.

President: So the motion's been made; it's been seconded. Are there questions? Then if there are questions – it comes to a vote. And at this point would you mind introducing Kathy [faded out]

Colleen: Okay, we have a motion to approve the minutes from last year, and we have a second. Thank you. All right. We have a motion and second to approve the minutes, is there any discussion? Are there any questions? All right. This is our facilitator, Kathleen Trotter, who will be fielding this.

Rawlston: Hi, Kathy, Linda Rawlston. Just wanted to make sure that the two women that approved the minutes or made the motion were indeed in attendance at this meeting. Where the minutes were taken.

Kathleen??: I don't believe that's a requirement for the vote, is it?

Joshua: I don't think it's a requirement that I've ever encountered.

Kathleen: They're official owners; that's not a part of the requirement of any part of the bylaws.

[inaudible audience comments]

Joshua: Is there someone who was at the meeting last year, who would like to make a motion to approve the minutes?

Milton: Yeah, I was at the meeting last year. I make a motion to approve it. My name is Milton [Angman?? 13:34].

Kathleen: All right. Milton Anglan?

Milton: Right.

Kathleen: All right.

Jerry: -- last year, Huddleston, I'll second the motion.

Kathleen: Jerry Huddleston seconds the motion. Both are owners. And were in attendance last year. Are there any questions about the minutes as they were read? All right. Thank you. I see no questions.

Colleen: So... will all in favor of approving the minutes from April 27, 2014, please say Aye. [audience ayes]. All opposed say Nay. The Ayes have it. And now Board Chair Joshua Youngblood will give his 2015 report.

Joshua: All right, thank you very much, Colleen. I realize I was amiss earlier in not introducing Kathleen Trotter, who has been our facilitator for the last several years, who does an excellent job. As well as the rest of the board who I failed to mention, and I'm sorry about that. So Tuesday Eastlack, board vice president. Colleen Pancake, who is board secretary. Danielle Dotson, who is board treasurer. Hank Kaminsky, board of director. Mr. Todd Scarborough, and Dr. Ben

Ozanne. So thanks very much to the board. And thanks very much to the management. We've had a really great year. This is a little bit of an odd report, in that I have to talk about some stuff that's slightly uncomfortable, and I'll get to that in just a second. But also I'm reporting in September about stuff that happened in 2014 that the board did. September 2015. So I'll try to not get it too confused.

So as you know, we changed the AOM, so thanks for being here, of course. And we did that for a couple of reasons I mentioned earlier. That is part of what the board worked on in 2014. The main reason was we had a huge ice storm and we had to cancel the AOM, and we were getting tired of ice storms in March, so we said, hey, when's a nice day in Fayetteville that we can have this thing? And September works really well, so we've decided to move it. As I mentioned also, we've been wanting – I know since I've been on the board, and since probably well before that, we've wanted these meetings to be more inclusive and to get more people and have more community involvement. And to not to be in a dark room necessarily. And so we picked this space right next to our building, and we're very proud to do that.

So I have my script, and I'll try to read some notes from it, and I'll go off-script as I'm wont to do, and I apologize if I go too long. And you can just pull me off, Gary, if I go over five or ten minutes. I thank the board of course. I want to thank management too, who's here. GM Alysen Land is not here right now, she's out of town; she's actually meeting with other coop experts on the West Coast, and so she couldn't be here right now. But we do have every other member of senior management's in attendance. You heard from Jerry earlier, and you'll hear from Gary and Mike Anzalone in just a few minutes.

I want to thank the management because this has been a really interesting couple of years for us. You heard earlier in our 2014 report that our sales went down. That's true. And what I – hopefully you'll hear from me in ways that you'll remember are our sales increases have gone down to be more specific. Is that we're also in a point of reshaping vision and thinking about how our coop is going to grow. We have all of this space to work with, even though our finances aren't rocketing up as they were in the recent past, we still are in a really strong financial position. And so we have a lot of really great opportunities to look forward to.

2014 was a funny year also in that what the coop and other people in Fayetteville knew was going to happen for a long time finally did happen, which is that Whole Foods announced that they were moving to beautiful Northwest Arkansas finally. I don't know what took them so long, but they finally got to it, and they made that announcement. They haven't opened their store yet. And then Natural Grocers followed right the heel of that and announced that they

were going to open. So that is a new reality for our coop of course, and for the board and the management. We have to think about what this area will look like competition wise. We have to look about what our growth is going to look like in an environment that has a lot more competition. And we have to look at continuing to meet owners' needs when there are other stores frankly that sell a lot of food that we might sell. So how are we meeting those needs? And so that's to say that in 2014, and going into 2015, the board focused on a conversation with management and conversation with owners very strongly. We held several different forums on strategic planning.

So we actually established a new committee, which is an ad hoc committee chaired by Todd Scarborough and included Mike Anzalone from store management, and other members of the board and owners, that we called Strategic Directions. So what is our direction going to look like? And that committee, they were in the vestibule collecting comments. We established an email account where we got more than 200 comments. We held a couple of different forums where we got all that feedback and we processed a lot of that feedback and we put it into spreadsheets and into word docs that we could look at at the board meetings, and we discussed it. And we gave it over to management and said, this is what our owners are telling the board that they're interested in.

Meanwhile, we are having regular updates from Alysen and Mike and the entire team about what is growth going to look like for us. And that's a process that's still going. You've seen some changes, and you'll see a lot more changes in the store in the near future. But we really wanted to get the owner feedback on that.

The other really big issue that we were taking on, as if competition coming to town wasn't big enough, was we knew we needed to do the bylaws. And so we took that on. And that was something that had been done – Sue Graham, who was on the board previously, had worked on bylaws. The board, since I joined, had known that we had bylaw issues, and we took on that hard work really in 2013. And then most of 2014, really cranking on bylaws. Getting comment, coming up with drafts, sending drafts to experts, getting comments back. We looked at other coops to look at their bylaws. We looked at Wheatsville and other places that we know are respected and very successful coops to see what they were doing a little bit different than us. We consulted with Thane Joyal, our CDS consultant, as well as other people who are national leaders for cooperative governance. And then we worked with our lawyers to make sure that we were going to be in better compliance with Arkansas statutes, as I mentioned earlier.

And what we came up with took at least 18 months of work and think work and went back years before that, and I just really want to applaud our board of directors for sticking with this process and for doing that good hard work. I'll say

that I really want you to approve the bylaws today. I really want you to do that. But I'll also say this. Even if you don't, we had a conversation about bylaws, and we got the owners to talk about bylaws and governance. And your coop is more than just the food that's sold here. And your coop is more than just the work that we do out in the community. Your coop is a way for you to express your values in a cooperatively-owned business. It's an institution you are working with other people to make happen and to keep going. And your bylaws on it are an essential way to do that. It's actually how you exist legally.

It's a great process for coops to go through. It's sticky. It's hard. It's a lot of work. It takes a lot of work like Colleen Pancake, and I want to thank Colleen in particular. Colleen really did most of the hard – the heavy lifting on this process. She did a lot of the drafting. Colleen and I met with lawyers ourselves, just over and over and over, and lots of correspondence. And Colleen's the one who really kept us on track with it. We had a lot of deadlines to meet, and a lot of [___?? 22:00] to try to pass. And we got to this point largely through Colleen's work, and as well as the rest of the board. So thanks very much for that.

There's another thing that I want to talk about. You know, I won't get into the sales stuff too much and how we're faring with competition, because we've got people who are much better at that, who are going to talk to you in a little bit. I do want to address something that we did last year, that some of you might disagree with. And I want to take this time to explain that in a little bit more detail. The board decided to reduce the amount of retained patronage that we returned for 2014. That was a decision that I know a lot of people did not agree with. But I talked about our strategic planning. I've talked about the prospects for growth. The things that this board and I think future boards will want to do vision-wise, to make this coop really powerful. And the fact is, you need money to do that. And with competition coming to town, with still big opportunities ahead of us, the board took on that tough decision of saying, we need to retain more of the money.

So the way it works, and you probably know this, is that there are federal guidelines for how much a cooperative business has to return. And a lot of cooperative businesses don't make profits. They just are not profitable businesses. Yours happens to be an extraordinarily successful business. And so we have a lot of profit every year. We always exceed our profit. In this past year, we did exceed, but we also knew that in the next couple years we might not. And that's a reality that our coop has to look at. And the board, trying to plan ahead and trying to do the hard work, not just the celebration but the hard work of saying in two years, three years, four years, it may be we're flatlining on profits. We're going to need some money in the bank to do some stuff. And so the board decided to go ahead and give you less back.

And so, I would say I apologize for that, but I don't apologize for that. I think it was a good decision, but I know that some of you wanted more money back. When I first came to Fayetteville – I've only been here for four years – I was really surprised at how profitable this coop was. I was really surprised at the check I got back, because I had been a member at lots of other coops, and that didn't happen. But I also know how tightly run this coop is, how well managed it is, how well financed it is. I know that we're a zero debt business, that we pay as we go, we make really responsible decisions. And the board needed to make a tough, responsible decision. So that's what we did.

And in the coming years we'll have to grapple with those realities and new realities as well. [pause] I'm not done yet. Well, I kind of got to everything I was going to say, but I did want to touch on a few other things. And a lot of this is in your report already. And I alluded to it earlier, is that the coop from my point of view, and I know that our current board sees it this way. It's not just about a check. It's not just about a financial return on investment. And this board, we had a really great annual meeting, board retreat in 2014. And we worked very closely with management to create a strategic plan, to start working with that. And we had a really great meeting this past July.

And in those meetings what we're doing, and this is really the hardest work that the board does, is we're not looking at one year or two year or even five years. We're looking 20 years into the future. And at this point, for our coop, even with competition coming to town, we have this great opportunity to say, yes, we sell natural and organic foods. Yes, we sell natural and organic health food products. Yes, we support businesses, and there are other people coming to town that also support other local businesses and nonprofits. So we try to give money back, and we know other people are going to do that. And some of them are going to be really big corporations.

But we're the store that you own. And we're the store that's been here since 1971. And we're the store that's going to be here in the future. So after Whole Foods decides that Fayetteville isn't profitable, or after Natural Grocer realizes their niche has evaporated and they have to go somewhere else, or even if they come and then three or four or five more people come to town. Your coop is going to be here because of the decisions we've made in the past, like paying off our debt. Like being very prudent with our financial planning about not giving all the money back. But we're going to be here because we know that this town needs something more than just a store to buy stuff at. They need a store that places values on every single one of those products that's bought and sold here. And that's doing other things.

And so some of the stuff that we've done in the last few years just paints very vividly how different from a corporate organic natural food store we are. So next

door, Apple Seeds. It was through ONF's efforts years ago that helped get this organization going. It's a separate entity now. It's a nonprofit doing education here that we partnered with, that we know this is important work. This is education as happening. So we're using our money to help support them as much as we can. That might change because we're going to have less money. But we're doing what we can right now. All of the other nonprofits we've worked with – try Second Farm, if you got to go out to Pesto Fest yesterday. We've been a long support of Tri Circle Farm. Some of our local producers, like Across the Creek Farm. These are groups that are here because of ONF. And ONF really wants them to stay here, and we were thinking beyond just the storefront and just beyond the financial investment. And I want you to know that your board is thinking more than just about the checks. And more than just about the money that's coming in and going out. We're thinking about what is ONF going to do to shape Northwest Arkansas in 20 years and in 50 years, and I really hope that we have your support to do that. I really hope we have a good set of bylaws that will allow us to do that in the next 10 to 15 years. But I hope that we have your support for the other ways that we're going to grow the coop. Maybe it's other services. Maybe it's other uses for some of the space here. We have lots of things that we can do. And we have so much potential even with competition coming in.

So thank you so much again for being here. That's my board report, and you'll hear again from me later.

[brief pause]

Mike Hello. I'm Mike Anzalone; I'm the store manager. I really wanted to talk for about 25 to 30 minutes, but Joshua took everything that I was going to say, so I'll just cut it down to about three. 2014 we did really well. We had had our very first competition in 2012, and we had completely recovered from that by 2014, that was Fresh Market up north from us. They did take about ten percent of our sales. It didn't last long though. I think the owners very quickly noticed a difference between what we provide and what they provide, and we rebounded really quickly. So last year we did \$15 and a half million dollars, ten percent sales growth. Yes, that was really good. And we didn't actually do a lot operationally last year, because we have been thinking about the same thing that you guys have been thinking about for a long time, and that's how to prepare for competition.

And so we sort of battened down the hatches and stopped doing large projects and started looking toward what we might really do to defend ourselves from competition in the future. And in order to do that, we thought that would take some very lengthy conversations with the board and with the ownership, and that's what we did. We're down to a couple ideas now, and that's fantastic. So

you will see change in the coop in the next year. Which plan? We're down to two plans, A and B [laughter], and we'll see one of those and they're both going to be fantastic.

One of the things we did do operationally though in 2014 was we created the building's operations master plan, which is really cool. If we're going to own this large building, we have to know what we've done to it and what we plan to do to it. And so we worked with Allison Architects to create a master plan. We gathered up as much history of the coop's building as we could. All the projects that we've done. Oh, and William Beavers, he was the one who started this project, and it carried on a long time after he left the coop, and we finally finished it last year. And so as we do things to the store, we just keep adding it to this master plan, so we'll have a really vivid picture of our history, and it'll help us make decisions in the future.

So, as Joshua already said, we do have some new competition in town. Natural Grocers came. We will have another piece of competition come as well. It may be Whole Foods, I don't know, they seem to have halted over there. But it's just the nature of what happens now. There's a new statistic that people don't do all their shopping in one place any longer. They bounce around from place to place looking for deals and looking for quality. And that probably happens right here in our coop as well. I think what we always have to remember is how we sell our groceries here. We're not just a grocery store; we're a grocery store that practices the cooperative business model. And that's what's really important about what we do. And so our focus is not only going to be to grow our business, but also to remember to make sure that we remind our owners, and that we bring new owners in, and we tell them the difference between the cooperative business model and the traditional corporate business model.

With that being said, I'm going to turn the mic over to Gary Cook, he's our finance manager. A little spoiler alert – good stuff. Good stuff coming up.

Gary: Thank you, Mike. These two guys have stole most of my script already, but we'll listen to it again. 2014 was a busy year for us. We looked at a 10% sales growth over the previous year. Ala Carte was our largest gain in sales; they were at 26% sales growth last year. And thanks to Pauline and her crew right over here, they've been creating exciting new recipes and having lots of new breakfast options for the on-the-go crowd.

I'm sorry, I'm Gary Cook, the finance manager of the coop. Our balance sheet – everybody should have got a 2014 report in front of them, and so usually I have a slide show, and I show you all this stuff. It's there in front of you, if you want to follow along. Our balance sheet remains in solid condition with our current ratio that measure our liquidity is at 5.1, that's a really good strong number right now.

Our debt to equity ratio, which is another important balance sheet measure is at .1, and that measures our solvency. So that's an extremely low number, which is good. We have no long-term debt whatsoever.

And as Joshua had mentioned earlier, the reason we kept a lot of patronage is we're planning expansion into this part of the building we own next door to us. And one of our most anticipated thing is the meeting area and educational area where we can hold our classes. Probably not a meeting this big, but for every other small meetings, I think we're looking at having up to 75 people present. And we plan on staying debt-free while we do this.

In April of this year, we returned our patrons refunds from 2014, and it was \$151,206. Also in April we completed our financial audit, which is required by our bylaws – yeah, I know, it was not fun. It was done – we had a new auditor this time. It was Wegner CPAs – they have several offices nationwide, but Wisconsin's their main office. And they specialize in coops. They represent more than 50 coops around the country. So it was good to have somebody that's used to looking at other coops come in and look at ours. They found that our financial statements are in conformity with the U.S. GAAP standards, the accounting standards, which is good, that's what we want them to be. They were also able, which was really the benefit of this audit, was they were able to provide us with some procedures that they see other coops do that help and strengthen the way our internal controls and a lot of the work that finance has been doing has now been delegated to some board members and to the GM and other people, basically to oversee our finances and make sure everybody's – for instance, I cannot sign a check. After a check is signed, I can't touch it or handle it at all, it has to go to somebody other than me, other than finance. So it's a good control.

But everything else, the AOM report, I will be available after the meeting if anybody's got some questions, they don't understand something. Otherwise, I believe that's it, and Kathleen, I believe?

JOSHUA: Mr. Don Austin just asked when will the community room be open? We don't have an exact date, but we could see it on the calendar, right? [inaudible in background] So the board is receiving bids on Plan A and Plan B by our next meeting, which will be in October. And then construction will begin almost immediately after that, because the money's already been budgeted to do it. So let's say construction by the end of the year at least. We'll take one more question, and then we need to go on to the next thing on the agenda. Linda? Linda, I'll ask you to keep the question brief, if you don't mind, because I do want to get to the next thing that we have to do according to our bylaws, which is...

LINDA: Linda Rawlston, past board member and enlightened owner. Gary, most owner members they really don't understand that when we do a profit as we've done

for the past two years of between 5.7 and 6.1 percent that that's excessive in the cooperative world.

JOSHUA: Excessive is an incorrect term, but okay, sure.

LINDA: And as anyone can find online, if you check on cooperatives and profit, the IRS rules, the actual rules of the IRS, treat a cooperative as having the option of operating as a pass-through entity, where profits are considered an overcharge to be returned to the patrons. And I'm wondering more money is not being returned –

JOSHUA: Do you want to answer that?

LINDA: -- the profits should not be retained or diverted or Appleseeds or a foundation.

JOSHUA: Gary is going to answer that question. I will say that the monies that are spent for our philanthropic endeavors are budgeted expenses, and we do – we've had audits according to our bylaws every – regularly, we've never missed one that I'm aware of, including one from the most well-regarded cooperative auditing firm in the world this past year. So if there were a discrepancy, I'm pretty sure they would have told us. But Gary will explain that in greater detail.

GARY: Our profit – we have goals on profit. Up until last year, our goal was to be between 4 and 6 percent. And that is a board mandated to the general manager. So that's what we try and do. We try and – when we do things, we try and exceed them. We cut our expenses, and probably you're seeing profits because we've been able to save money where in a normal business maybe we couldn't. We've had lots of owner bonus buys, for example, that go right back to the owners.

JOSHUA: So Linda, at this point, we're going to move on. But please, feel free. If you want to come talk to the board afterwards, I know that you will avail yourself of that opportunity. And you can always send the questions – questions like this, anyone here, theboard@ONF.coop, Joshua@ONF.coop. It's the first name of every other board member at ONF.coop. We would love to have those questions. We love to field them. And then Gary is available for owners, so if you schedule an appointment, he will actually meet with you and explain finances in detail, if you'd like to do that further. Is that correct, Gary? Yes, that's correct.

Okay. So at this point, we'll move on to the next thing we have to do, which is to – so, our bylaws allow candidate nominations from the floor. The bylaws require a motion to open the floor. If anyone is planning to make a floor nomination, please stand at this time, identify yourself, and attest that you are an active owner.

DON AUSTIN: Okay, Don Austin, and I am an active member, and I'd like to nominate Sue Graham.

JOSHUA: Okay, so I need a motion to open the floor for nominations first.

DON: Okay, I make a motion to open the floor.

JOSHUA: Okay, so a motion has been made to open the floor for floor nominations for board members. Is there a second? And please identify yourself, ma'am.

BOBBI: My name is Bobbi Beecher, and I'm an owner.

JOSHUA: Okay, and you're making the second?

BOBBI: I make the second.

JOSHUA: Okay. So Article 5, Section 3 of our current bylaws states that a two-third majority vote of active members present is required to accept nominations from the floor. What is the current number of owners that are present?

JERRY: There are 240 owners and proxies in the room. Two-thirds of that is 158.4; I was taught to round down if it's under five, so that's 158.

JOSHUA: Okay, so we need 158 people – and this is the only time that you can actually vote with your proxy. Side note, because you're representing people to open the floor. So it's 240 people present; we need 158 people to vote to open the floor for nominations for board candidates. So at this time, if you'd like to vote, you can either vote for yourself or you can vote with your hand and a proxy. And we have all these people back here too, and you can be counted.

JERRY: What we're going to do real quick is if you will hold up your proxy and your ballot like this, so I can see both of them. What I will do is I will walk through the room, we're going to count out loud together. As I point to you, put 'em down. All right? Okay.

JOSHUA: And again, this is to open the floor for the possibility of nominations for someone to run for the board of directors.

JERRY: All right, here we go. Did you have a proxy, ma'am? Or just that? That's one. Two, three, four, five, six, seven [continues counting consecutively]. Did you have a proxy too? [continues counting]

JOSHUA: Just in case you're wondering, we're voting to open the floor for nominations.

JERRY: Eighty-nine, etc. Ninety-four.

JOSHUA: Okay, so is that it?

JERRY: I count 94.

JOSHUA: Okay, we have 94 of a required 158, is that right?

JERRY: That is correct, sir.

JOSHUA: Okay. So the motion to open the floor for floor nominations has failed to achieve the two-third majority required. So we'll move on with the meeting.

HEATHER: Okay, before we move on to the candidate introductions, I would like to explain the voting procedure. First you can vote online starting tomorrow morning at eight a.m. by going to www.onf.coop and clicking on the vote link. We will have a computer in the store at the community board at your convenience when you're shopping in the store. We also have the traditional option of dropping your ballot in a box. You can vote here before you leave by placing your ballot in a box by the entrance. Or you can do it in the store.

Please be sure to include your name and your owner number. If during the voting process you need help at any time, we'll be happy to assist you, and at the end of the meeting, we'll be giving away seven \$100 ONF gift cards, so make sure you stick around.

KATHLEEN?: All right, will the board candidates take the stage please? Alexa McGriff, Avril Sable, and Joshua Youngblood. And I'm going to move this to the side.

Backgrd: We're going to need this up there. [some inaudible conversations in background]

KATHLEEN: All right. This is an important time for you to understand the board candidates so that the representation on the board is the person that you choose, or the persons that you choose. So each candidate will have two minutes to give your speech. And please don't go over your allotted time because I'm going to be keeping track. The candidates will give their speeches in alphabetical order by last name. And once each candidate has given their speech introduction, then we'll have candidate questions and answers from the group. So Alexa McGriff, will you go first?

ALEXA: Sure. Hi, everybody! So I am Alexa McGriff and I currently work for United Way of Northwest Arkansas as the marketing and direct programs director. I've been doing that for about a year. At this time last year, I actually left ONF. I worked at ONF for about four and a half years as the marketing director and with the owner services department as well. I love this store. I love everything that the coop stands for, and I would just really like to serve on the board because I'm very passionate about what the coop does. I love the fact that we focus so much

on local products and local food. I love how much the management and the board loves the staff and the owners. And I just want to continue the work that's going on here that Joshua and the rest of the board has done. And I think you have three great candidates up here; I don't think you could go wrong with all three of us, but you can only choose two. So... no, I'm kidding. Anyway, thanks for coming out. I really appreciate you guys and I don't think I took my two minutes, so you can have one of mine, Josh.

KATHLEEN: Avrel?

AVREL: Hi, everyone. Many of you know me, but for those who don't, my name is Avrel. I was born here in Fayetteville. I've been coming to ONF since I was a little girl. Like Alexa, I worked at ONF for about five years. I worked here through my college career, and it was a wonderful time for me. I love ONF. I want to run for the board of directors, because I want ONF to be around for the next forty years. I think it's really important that we get the younger generation involved in order to make that happen. So I'm really excited to offer my services to the board, and I really hope that we can be successful. So thank you.

KATHLEEN: All right, Joshua.

JOSHUA: All right. As if you haven't heard enough from me already, my name is Joshua Youngblood, and I've been on the board of directors here for three years, well, three and a half because of the change in the calendar. I moved to Fayetteville only four years ago. It seems like longer than that. But I quickly decided to make this wonderful place my home. If you look back there – my kids are back there, and my wife Theresa, Woody, Fox and [Lumin?? 49:54]; I have three boys. You know, in coop talk they talk about the people who do all the shopping, who talk coop all the time as core people. And I will say unabashedly you don't get more core coop than me. I do all of my grocery shopping here. I do all of my natural product shopping here. Because of my board commitments, I spend most of my free time here. But I do that with love.

I think this coop is an amazing resource in an amazing part of the world. I moved here for a university job; I'm an archivist by profession. I work for the university libraries, and I'm on faculty there. And that's a great opportunity; that's what brought me to Northwest Arkansas. But what's going to keep me here is the good work and the commitment to local production, environmental sustainability, economic sustainability, community development – that so many people here have demonstrated for me. It was obvious the first time I came to this store, and it's been obvious every day since then. I really love it here. I think ONF is an essential ingredient to what makes that work. We're part of the network that supports all of these other organizations, and as those sorts of movements – movements that some of you have been working on for 40 and 50 years – as those movements keep growing, ONF is going to be there. Hopefully

to help sustain them. I think it's a really powerful thing, and I think with this town and with this coop we just have so much potential. We have so much more that we can do. Even with the amazing sales, the amazing staff. I want to commend the fact that the other two candidates right now, how much – well, just very quickly, the fact that the other two candidates here are former employees. That speaks to the culture that's developed in this store right now. It's that when people come through this system, they understand the work that's being done, and they want to do their part to help it go on. So thanks!

KATHLEEN: Well, the other two candidates gave Joshua another few minutes. So... all right. So now your turn to ask questions of these candidates before you cast your ballots. What are your questions? Hang on, I'll bring this. We want to get the questions with the microphone.

AUDIENCE: For all three candidates. What control do owners have over funds that have been allocated for Appleseeds or other foundations in the works? And how will these allocations affect any individual owner from cashing out their patronage in the case of a personal emergency?

KATHLEEN: All right, if each of you would give a response to this. [inaudible in background]

JOSHUA: Okay. So I'm not sure if Alexa and Avrel how directly they will speak to it, if they have thoughts. I really encourage them to say. I'll give my understanding of this. And I was on the board that received – at the time when we received a business plan from Appleseeds, and I was on the board when we had three open meetings where we discussed that business plan. And I was on the board where we worked with management to make sure the funds were put into the long-term budgets and the short-term budgets to make sure that money was there, and it wasn't going to be injurious.

So the way the current bylaws read, and the bylaws that hopefully we will get approved today, read is that – I'm going to segue to the next part of your question, which is that an owner who is experiencing difficulty or needs to make a request for a return of their retained patronage, if that request happens, then it comes to the board and the board can make an assessment based on financial need, on the emergency situation itself, the context of the request. But also we are prevented from returning money if it's going to be injurious to the coop. So, bylaws like that, and principles like that that we operate under, really guide decisions like giving money to Appleseeds. Because we're not going to make donations like that that are injurious to the long-term finances of the coop. So if we were putting the finances of the coop in jeopardy, we wouldn't have done it.

There is another aspect to your question that I would like to address. I think it was in there, maybe between the lines, it spoke to me anyway. And I applaud you on that, which is you ask what would be the return to owners for

investments like that. So I'll say as far as I know, I'm not an accountant, you can't get money back from Appleseeds. We gave that money to them. It wasn't a grant. It was a gift. It was a supporting gift. But it was a gift that was made with business plans. I mean, they presented a business plan. They told us what we were going to get. We knew that we would get a return on investment for the coop. Signage over there. The ability to host classes over there. A growing relationship with them. And it's not just Appleseeds, of course. We've given gifts and support to other people. And our coop does a really good job of planning for that, and making sure that none of that money that goes out for philanthropic activities budgeted every year is injurious.

But the return is an interesting question. And I'll try to wrap it up after this and give the mic back over. Because I think the return on your investment, you've already seen it personally. I think the space is better. The space where our coop exists. We are actually selling stuff in our store that we grew in land that's being tilled by school children in the name of Ozark Natural Food. So we just changed the future to – there you go, that's a pretty good investment in my estimation. I've gone over there personally, and they invite owners to go over there all the time. They opened it up to owners. They have events that they invite ONF owners in particular to come help, work, take part in, and I've been to several of those. They have work days. They are working to make Fayetteville better, and Northwest Arkansas better. And if you want to talk to me about ends policies at some time, I'd love to do that. But what the board does, Appleseeds is helping us do what the coop does. So investing in them is helping us achieve larger ends. So how are we going to change Fayetteville. How are we going to change children and families? How are we going to change the food that people put in their bodies. And again, not just them, but other businesses. So please.

KATHLEEN: All right, how about another response? It's a little bit different question when you haven't actually been on the board, but response?

ALEXA: Yeah, I think just really quickly the only thing that I can speak to, since I don't currently serve on the board, is if you have issue or you have thoughts about the decisions that they're making in general, if you go to a board meeting or – I think it's board@ONF.coop. Send an email and let them know. They're always willing to listen to the things that you have to say and your opinion. So if you agree or you disagree with Appleseeds or anything, the only way to get them to know that is to share that with them. And then if enough owners bring that stuff up, then hopefully they would have a discussion and reconsider or whatever. But that's all I can really speak to.

KATHLEEN: Avrel?

AVREL: I would echo the same thing that Alexa said. Obviously, I support Appleseeds, I think Appleseeds is a great organization. And again, like I said earlier, and like

she's saying, if you want to be involved in these kind of decisions, you have to attend board meetings and get your voice out there and be heard. So please, come to board meetings and be involved.

KATHLEEN: All right, other questions.

KAREN: Okay, this might be a little bit contentious, Karen [Saramba?? 57:02], Herbal Simplicity and Bean Mountain Farms. We've been growers of organic and certified naturally – can't hear? Okay, Karen Saramba, Bean Mountain Farms and Herbal Simplicity. I ask this question at the last town meeting at the Town Center, and they ran with the microphone away from me as fast as they could. So this is about GMOs, genetically modified organisms. I'm very concerned that any products in our store contain GMOs and they're not labeled because we don't have labeling. And I think we need a lot more education. I think we need to go through all those boxed products and other products and let people know that they may be buying genetically modified food. I think a lot of people don't want it. What would you do as a board member? Would you support some kind of effort at education and labeling ourselves? We could stand out in this town if we labeled our food the way nobody else is. That is a board question, what would you do?

AVREL: Okay, well, I will be the first to say I hate GMOs. I personally eat all organic. I do everything I can to keep GMOs out of my diet, so I feel your concern and I support that. I think it's a really valid concern for our country and our coop alike. So yes, I think more education would be great. I think that like you were saying, a lot of people just don't know that GMOs are in the majority of packaged foods out there. So education could really help, and I would support any kind of endeavor that we could do in that direction to help make people more aware of genetically modified foods being in their diet so they could avoid them.

ALEXA: I agree with Avrel, I definitely would support something like that. I think it's really hard to know the GMOs that are in your food because you said they're not labeled and it will take a lot of education. And I think our staff continually works to educate themselves and to know what's in the products. And I think that just continuing that effort, and if the board could be involved in that obviously we would – we, I say we. They would. I'm jumping ahead of myself. But I definitely would support that if I was on the board. Doing more education and making sure that the owners could know what was in their food.

JOSHUA: Yeah, I think those are two really great responses from the other people on the dais. That's the response, the board would want to support the coop's educational endeavors. I would like to give some credit to the coop now for a lot of the things that they do. I know Heather Artripe does just amazing educational programming, and we do other things. And our wellness department, they're so knowledgeable, and they're so responsive, and they're so willing to work with

anybody on questions. If you've never talked to Pauline Thiessen about plants and where our plants come from, I really encourage you to do that. That woman knows everything, just ask her. She'd be happy to talk to you about all that. So we have a lot of expertise, which both Alexa and Avrel referred to. Our staff is really well educated. I think the board wants there to be better education, and I will say that I've had the opportunity to attend national coop meetings because of my board involvement I've been to five CCMA's now, which is our national meeting. I'm on a couple of national boards, and something we are talking about right now at the national level is how can coops be more visible in their advocacy. So this is something our board could actually encourage the national organizations we are involved with, NCG – National Cooperative Growers – to take a firmer stand on this. Maybe that's something our coop wants to do is say, hey, we'll lend our resources, our expertise, to help this discussion happen.

Maybe we're not going to get labels on everything, because we're fighting some really big bullies on that. But we can do our part to make sure that coops are taking a stand. The reason people know about organic foods like they know about now across the country is because coops started selling them. So we can do that with GMOs too.

KATHLEEN: Okay, thank you. Thank you. Other questions?

AMBER: Hi. So I'm Amber; I've worked here for a long time, and I wanted to ask a different kind of question I guess. This year has been kind of a more difficult year for us to meet our labor goals because of the decline in sales due to competition. And as a result of that, as staff have left, we've had to continue pass off more of those duties to other staff members. Sorry. So I guess my question is can you explain any of your management experience and how you could hold the general manager more accountable to her day-to-day responsibilities? Since we're all taking on more duties, and labor – like when Whole Foods comes in, we're going to continue to see our labor budget decline. So how are you going to keep more oversight on her? Since currently there's little to no oversight on a day-to-day basis.

KATHLEEN: Did you hear the question? The question is board oversight of the GM, right?

ALEXA: Yeah, definitely. That's a great question, Amber. As far as my management experience goes, I graduated college in 2010 and started at Ozark Natural Foods right after college and managed the marketing and owner services department for the four and a half years that I was here. So I have managed several people. I currently manage one person at United Way. I've never managed someone on the level of a general manager before, but I attended I think almost every board meeting from the beginning of 2012 until last month. And so I know – I've seen how the board manages, and I definitely think you're right, there's a lot more oversight that will need to happen as labor does shrink and as things get a little

more serious when it comes to competition. So it definitely is something I would have to think about. Off the top of my head, I don't know exactly what I could do right now, but I know as a team of seven people ideally we would come up with a great way to manage the GM that would be effective and wouldn't be overwhelming for her, because when you have seven people telling you what to do, sometimes that can get a little overwhelming too. But if we can all work together and with the leadership of the board president hopefully being that person, that liaison to the GM, I think we could definitely come up with some ways to make sure that there is more oversight. I'm not sure if that was really a clear answer.

KATHLEEN: Okay, other responses?

AVREL: I started out here at ONF as a cashier, in the front end, and I eventually became front end manager. So as front end manager, I managed a group of about 25 people. We went through – you know what that was like. We went with a lot of turnover, dealt with a lot of staff, a lot of great people. After that I became wellness manager, so that was a retail management position, so a lot more responsibility. Again, labor is still a huge concern in that situation. I guess what I want to say is I hear your concern. I think it's a really valid concern, and I too have noticed this kind of trending happening. I agree with Alexa. I don't really have a concrete idea for how it would grow, but I think it's really important. Part of why I want to be on the board is to support the staff. The staff are really important to me. Being former staff, I know what it's like to work here, but I also know how important it is to have a place like the coop for young people to come work and gain experience and have jobs and things like that. So I hope I answered well, but it means a lot to me, it's important to me too.

JOSHUA: I'm much older than both of these young women, and yet I have less management experience than both of them. Good job, ya'll. I work for research services for the university, and I manage a staff there. I've managed a reading room our archives here at the University of Arkansas. Go Hogs! Except for yesterday. And that marks eight years of research services experience I have for institutions of higher learning, and higher level research, which is not management of a store. But this also marks my ninth year on boards of directors for coops, and so I've had a lot of experience in that. I was secretary/president of a coop down in Florida, in Tallahassee, and then I've had the good fortune and great honor of being on this board of directors. So I will say that one thing to keep in mind is that currently this board of directors is operating under policy governance. And we are committed to that method. Policy governance is not as strict or not as constraining on boards as people think it is. So policy governance does keep a separation of powers between the management and the board of directors, which is a very good thing in my experience with coops. That's very valuable to know when the board should butt out, and when the board should

advise. Those are really important roles. And it keeps the board from getting bogged down in day-to-day questions all the time.

But you asked specifically, Amber, about day-to-day oversight. So I would say that instinctually my gut response is, I don't want to be looking at day-to-day oversight. But my informed response here, as being on this board for three years and seeing what's happening right now, is that I'm concerned too. You know, we have competition coming, and we have an amazing staff that does amazing things, that moves mountains every day, and they shouldn't have to move two or three mountains. But that is not my decision. So the board supervises, under our current structure, the board supervises one person, that's the general manager. We do look at how the employees are treated, about how the planning for the store takes place every year, at least once a year. And if the board wants to move up reporting and get more information, that's one of the things that policy governance does allow you to do. You can say, Alysen, we want a report this next month. We want a report in two months. We want more reports. We need more information about this.

But I would really like to applaud our board and our current management for something that we've been able to do since I've been on the board at least, is to have non-confrontational, like really straight forward conversations with the management. So now we actually have dinners with Alysen where we can say things. In the board meetings we have much more fluid conversations. If you went to any board meetings in 2010, 2011, they weren't fluid. They were tense. They were largely bad, and they were largely ineffective.

Since 2011, we have been looking at, or actually since 2012, our board members have a certain agenda. We look to separation of powers, but we also have Alysen at the table. Tell us what's going on? We get an FYI report from her. We respond to her questions and, we have board members – I'm looking at Todd, and I'm looking at Hank Kaminsky right here, people who will say, Alysen, that's not how I see it right now. I want to ask a question. That's a good thing. So we can do it within our structure, and we need to keep aware of it. Thanks.

KATHLEEN: All right. Let's take another question. And I'll ask the board members to be as succinct as you can so we can get as many people involved.

DON: Don Austin again. So this is kind of a follow-up question to Karen Saremba's. So on the GMOs, our government says they're okay, the rest of the world says not. Gluten-free is all the rage now. And back in the Ala Carte, you've got the brownies and such that are labeled. They can't say gluten free, so what they do say is alternative grain. So can you all come up with a way whereby you could identify non-GMOs? The product up there. Client education is great, but if you could just have like some kind of stickers saying no GMOs or whatever code word you want. Can you be clever enough to come up with something?

ALEXA: I'm going to actually say no, because that would not be in my opinion the role of the board to actually come up with that. I think it would be the role of the board to mandate to the staff or to Alysén, hey, this is something that you need to look into or [background comments unintelligible] think about. And I definitely agree there needs to be good labeling but that wouldn't be something the board of directors would do.

KATHLEEN: Any other comment on that?

AVREL: I'll just agree with Alexa, and that's not really underneath the board jurisdiction, but it is a concern of mine as well.

JOSHUA: I would agree with Alexa as well. I would say though that Don is somebody that comes to our board meetings. Don has been on our owner solutions committee; he's a very involved person. The more feedback we get, the board hears, allows us to look at what we're getting from the GM and getting from other people with more intelligence. So the board should constantly be educating itself even on these issues. And when something we see that really makes sense to us, we should be able to speak up about it. Or we should be able to advise. Now, we're not the people designing it; we hire people to do that. But we do want the good information, and I want comments like that. I learn something every time I talk to Don, so that's great.

KATHLEEN: All right, we've got about another five minutes. Another question?

CAROL ANN: Hi, my name is Carol Ann Rose. I'm wondering if the board can create I guess the focus of all the employees and owners to promote organic as one way to avoid GMOs, and also to promote that information that if we have 100 percent organic produce, we know that that doesn't have GMOs. I actually saw a sign at Whole Foods that said, organic has no GMOs, as positive information. So I'm wondering if you as a board could promote that idea for all of us under all circumstances. Even in the newsletter, the stuff that we print, the way that we communicate.

KATHLEEN: If you want to respond to that, go ahead. That's actually a suggestion for the board.

AVREL: I think we can say yes. I mean, I think yes, I think that's a great idea. Like you were saying before, it's positive information. If more people knew that if you just bought organic, you could avoid GMOs, I think that they would, so I think that's a great idea.

JOSHUA: Alexa agrees. And I'll also say that again, this is – there is something related to the board's job in this. [audience suggestion] Setting direction. And then reviewing what the management's doing to see if we're meeting that direction. There's some things that we're doing right now, which I really like, and you and I

have talked about this before. The P6 initiative I think's a really good one. But there are other things that we do, and as a board member, I have voiced this criticism to our management, which is we do amazing stuff that people don't know about us much. Like I think everybody that wants to ever grow anything in this town should know about our certification program for naturally grown. That's really amazing work that Pauline's doing and other people. Our produce department does incredible stuff. So we should sing our song, sing our praise a little bit better maybe.

KATHLEEN: One more question.

LINDA R??: Hi, candidates. Where I'd like to address you all very quickly is that a lot of my cooperative friends are not here today because they're very unhappy that their coop is not a coop anymore. There was an illegal strike that happened a few years ago, that demanded Sue and I resign. And we are good – in good standing, due diligent members. We were shunned in very uncooperative, very undemocratic ways. I tried to run two other times, and Sue just got turned down. I want to know if you all as a candidate – and Joshua, because you participated in turning down good candidates. I cannot vote for you, sir.

?? Is there a question, please?

LINDA R??: I want to hear from you all. Will you return our coop and allow good standing owners to run for the board without being pre-selected and going through hoops and hurdles and being tossed in the trash. I want to know from each one of you all, will you support and make a change here? Let any owner run. What are you afraid of?

KATHLEEN: All right, who would like to respond?

ALEXA: So... yes, I definitely think that any owner in good standing as defined by the board should be allowed to run. I guess what I would say in response to your question would be to get our coop to continue to be a coop, those people who are frustrated should be here. They should come to things like this and voice their opinion and not – really the best way to get involved. So I would encourage that. I know that not everyone likes to hear things that they don't agree with, and it is hard to have those conversations, but I know what I've seen from the board is that they're willing to have those conversations even with people they don't agree with. And I know if I was a board member, I would be willing to have those conversations and listen to people who have different opinions from mine. So I guess that's my answer.

AVREL: So I would take a position of inclusivity. I would encourage anyone to be able to run for the board. I think that from my position the experience that I went through running for the board has been very smooth for me. It was a fairly

smooth and seamless process. I went through an interview process that I found to be very fair and clear. And everything else that I was asked to do made sense to me. I know that other coops have vetting processes with their boards, so at this point, I don't see any problem with the current system, but I would be dedicated to doing whatever I could to be inclusive in any situation.

JOSHUA: So, I could respond for a very long time, even longer than my other responses to this question, because as Linda pointed out, I've been involved in some of this process that she's referring to. I'll say a couple of brief things about it. One is that the candidate she referred to, Sue Graham, who is not on your ballot right now, had multiple opportunities and multiple audiences with me individually as well as other members of the board to work through our other processes the bylaws allow to get people on, and that didn't happen. So that's the case this year.

We have employed a vetting process, and the vetting process, I think, reflects some of the tension that, Linda, you referred to, which is yes, there was a staff strike a couple years ago. There was also a mass meeting called by owners trying to remove board members. There was a lot of stress and a lot disagreement.

And there are a lot of people who have differences of opinion. Those differences of opinion or agenda being brought to the board – it's the board responsibility to protect the long-term health of the coop. And the board itself takes a stand on that. If you have told us, you have put in writing, you have recorded and put on YouTube, if you had said these things and made them public that you want to dismantle the board of directors as it is, dismantle the coop, cause upheaval. If those are things you want to do, that's information that's informing our decision making, I have to say. That's things that we have to be aware of.

But, in fairness, we have a vetting process. So we've gone through that process. And Sue did have multiple opportunities to get on the ballot. Linda had multiple opportunities to get on the ballot in previous years as well – after the vetting process did not approve. Sue was approved for the ballot the previous year, and then did not win in the general election, just as a point of fact.

But I would say also about these two people in particular, and other owners, who have differences of opinion. Please let us know. But I would say that I have heard many of your opinions already. So if the board is in denial about this information or is not allowing people to talk to us –

KATHLEEN: Joshua, stay with the question, please.

JOSHUA: I can't respond to that accurately.

KATHLEEN: I need to ask, as the facilitator, it's the time that we indicated we would close things out. And I haven't heard from people out in the audience who have particular questions. People are queuing up.

JOSHUA: We still have the giveaway before we close the meeting, as well.

KATHLEEN: All right, one more question? Okay. All right, we have a question for information about voting. So we've got to do that before we go. All right, one more.

SUE G: I just want to say, at first, I think it's horrible that we don't have any time to ask the board members question. I'm pleased at least we get to ask the candidates questions. We earned three percent – or three times the profit that other cooperatives earn. Our new bylaws allow one vote and that is the vote we're taking now for the board of directors. But that vote is by a pre-selected committee. And Joshua says yes, there are other ways to run. This year I had to get 25 signatures. I was five days late getting it in because I was trying to get it in with my bylaws. I thought it would be easier. Anyway, my question is, with the profit so high, and the bylaws stating that except for that vote, the board of directors shall have the power to govern the cooperative. Where is the cooperative in here? If you had to defend to the IRS that yes we do deserve the tax break for cooperatives, when there's only one vote from a pre-selected list and profits three times what other cooperatives have, how do you support that this is a cooperative?

KATHLEEN: Who of you would like to respond to that?

ALEXA: I will try. When I worked at ONF, I visited several coops. Like Joshua mentioned I went to a few of the CCMA's, and I also went to some marketing conferences for coops. All of the coops that I visited were very similar to our coop. They had one annual owners meeting every year, and outside of that, any time an owner would vote, it would be at a special meeting. And most coops don't have special meetings unless they're having big issues going on and their owners are really upset about something. I guess I'm a little confused where you don't see the coop in Ozark Natural Foods. Because we do have board meetings, we do have our annual meeting. There are ways that owners can get involved, as outlined in the benefits brochure you can get in the store and in our bylaws. I understand your frustration, Sue, I definitely do. And I've had conversations with you, and I definitely have a respect for you. But I respectfully disagree. I think this is a cooperative. I think we have things we can improve upon absolutely. Anyone can make improvements. But I don't agree that it's not a coop, and I think that you can find coop any time you walk in that door and you talk with those staff members.

KATHLEEN: Any other response? You don't have to respond.

JOSHUA: That was extremely well said.

KATHLEEN: Okay. I'm going to take one more question, and then I'm going to go on to the rest of the agenda.

SCOTT: Hi, my name is Scott Smith, and I've been a coop member since the early '80s, so I've seen our growing issues throughout the years, and I know there are more opportunities for us to grow. One of the biggest complaints that I have is for the last 20 years I've been in Lowell. I make the drive every week at least once to shop here because I love this place. I hear constantly in Benton County, Rogers and Bentonville, I don't shop there because I'm not making the drive. I think we're missing a big opportunity and I'd like to know what your ideas would be to service that part of the area, because they are totally with nothing.

AVEREL: Okay, I have some ideas. First of all, there have been a ton of great ideas from staff and management over the past few years. They have talked about creating satellite stores, creating mobile stores. So the staff and management are, to my knowledge, are working in a direction to try and reach out to those people that can't get here. I think that's great. A satellite store or a mobile store would be so helpful to people who have to make that drive...

KATHLEEN: Any other comments to that question?

JOSHUA: Averell just referred to two things I know our management has been working on, and things that I support. I can say that I get to field a lot of the comments that come to the board, and I get people from Branson, people from Joplin, people from Lowell, people from Bentonville, and people from south of us and east of us that want more source. They love ONF. One thing we do – the board supports and the management's supporting is we need more coops, not just more Ozark Natural Foods. So we want to transform the world through cooperative economics, and we want communities to be empowered by their stores. So we can make good stores, that's true. And we're fantastic at that. But we also want other communities to take the lead and do it themselves. Little Rock is doing that right now. And I'd love to see every town in Arkansas and in Southern Missouri and in Eastern Oklahoma and everywhere else say, you know what? They do it great in Fayetteville; we can do it as good or better. But I do hear you. We have potential from expansion and we need your comments, because we have lots of ways that we can grow, and that's one of them.

KATHLEEN: Thank you, candidates. There's a question, Joshua, before we go to the final agenda items, to explain real clearly how the voting takes place.

JOSHUA: Heather, do you want to take this one or I'll do it? Heather's busy. Okay. There is voting right now. You can fill out the ballot. There will also be electronic voting for the next two weeks. There is a security protocol that's been placed with that

voting this year, so you'll have a randomly generated number that you will also use. And I can't explain the details of that, but I know owner services can do it. Heather, do you know more about how the voting's going to work? Do you want to comment on it?

Talk to the voting process again? Just real straightforward.

KATHLEEN: There was an owner question to just make real sure that they understand how to vote.

JOSHUA: And then while we're answering that, I'll ask you all to stay right where you are before I call for a motion to close the meeting because I want to make sure we have everybody here before we close, to make it an official business meeting. So please, go ahead, Heather.

HEATHER: All right, so we have three different ways you can vote. You can vote today before you leave with your ballot. There's a box right back here with Patty. You can also vote online at onf.coop – there'll be a big link that says VOTE. And we'll have a laptop set up in the store starting tomorrow morning, and you can log in and vote that way as well. And if you need any assistance, have any questions, you can ask any of the staff members.

JOSHUA: All right so there is a giveaway for me to do, so where is my giveaway bucket? I'm drawing seven. And each one of these is for \$100 to be spent at the coop, correct? Yeah. So I'm going to pull one at a time and say the name, and hopefully it's you. Okay? You have to be present to win. Malcolm Cleveland. Lee Taylor, Lee Taylor? I'll just hold on to them and give them to you in just a second.

All right. Wow, okay. Galen Vivasteck? Vivasteck? Are they here? All right. Shawna Landoles, Landoles? All right, she's a winner. Sarah Wilson. How many is that? That is four. Number five, Fran Kelly. Fran Kelly? Going once, going twice. No Fran, I'm sorry. Number five, Raoul Shartradi. Number six, Barbara Parker. And the last one, it could be you. All right, here we go. Last one is Richard Potter.

Okay, that said, giveaways are done. Thanks everybody for being here. It was a great meeting with good questions. Please vote, you can do it now, you've got two weeks to do it. With that I will call for a motion to close the annual owner meeting for 2015, is there a motion to close? Are you making a motion, Daniel? Wait, no, somebody else. A motion to adjourn.

All right. Motion made. Richard [___?? 1:28:43]. Seconded. All right, all those in favor of closing the annual owner meeting for 2015 say Aye. [chorus of ayes] Oppose? [silence].

All right, so Midtown Music Fest in just a couple of minutes. Got a ____, got food, got two great bands playing. Please stay, be part of the coop and all of our partner institutions. They're all here, go say hi. And get some food. Eat it all.

END OF AUDIO FILE