



ANNUAL REPORT

Fiscal Year 2008-2009

Manager's Report

by Kelly Rauzi, General Manager

I am proud to report that Fiscal Year 2008-09 was another one of success for the Cook County Whole Foods Co-op. Despite the dismal economy, our sales grew 4.6%, bringing annual sales over the 1.5 million mark!

While we invested in building upgrades, a new point-of-sale system, our first-ever financial audit, and professional board development, we managed to accumulate a surplus of more than 1%. Once again, we are preparing to distribute rebates to our owners.

At the August board meeting, your board of directors voted to return 25% of surplus generated by owners back to you. Approximately \$5,000 will be redistributed, with checks ready around Thanksgiving to pick up at the register. Checks not picked up within a two-week period will be mailed to owners.

I'd like to take the time to thank owners for your patronage. Without you, the Cook County Whole Foods Co-op would cease to exist!

I'd also like to appreciate our excellent, dedicated, playful, friendly, and efficient Co-op staff, who make shopping and working at the Co-op an unforgettable experience. Without such an excellent staff, it would be difficult to generate the surplus we are proud to return to our owners. Thank you for your conscientious service.

And finally, thank you to our purposeful board of directors, who strive to ensure that the Co-op moves forward with thoughtful vision in service of our 1200 owners. Our future shines.

Cook County Whole Foods Co-op **ANNUAL MEETING**

Monday, October 26, at North House Folk School

6 p.m. Owners' Meeting

Manager & Board Reports, Volunteer Recognition, Drawing for a Free-range Turkey, & Elections

6:30 p.m. Potluck & Celebration

- Co-op provides bison & veggie chili, spritzers, regional beer, paper plates.
- Bring your own dishes and "local" food to share.
- Write down your recipe to share with others!
- Co-op Trivia: winning team wins \$5 Gift Cards!

Board Report by Rick Schubert, Board President

Your Board of Directors made the decision this year for a major overhaul of both our Bylaws and our Articles of Incorporation. To our knowledge, our Articles have not been updated since 1976 when our Co-op was formed. Need we say that much has changed since? We also needed to change our Bylaws from an equity basis to a stock based ownership to bring our structure in line with other co-ops in the country. We have been discussing possible expansion scenarios in the next 5-10 years and a stock structure would facilitate any future financing requirements.

We hired an attorney, Mary Probst, with 20 years experience with co-ops and nonprofits, to help us and make sure our documents meet current legal codes. We formed an ad hoc committee which worked through several revisions with our attorney, and then we had a long conference call with Mary, our committee, and our general manager to iron out the remaining questions.

At our last meeting, your Board of Directors unanimously passed these final revisions of our Articles of Incorporation and Bylaws. We strongly urge you to vote yes to accept these changes.

We need a minimum of 50 votes to change our Articles and/or our Bylaws. A majority of the votes cast is required to accept these changes. If we don't get 50 or more votes we will have to do this all over again, costing our Co-op more money.

**Please study the revisions (I explain them on page 2)
and VOTE!!**

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*A Member Owned
Community Grocery
Working to Create a Healthy
and Sustainable Society*

Board of Directors

President - Rick Schubert
475-2778
rschub@centurytel.net

Vice Pres. - Judy Peterson
387-1322 gjpete@boreal.org

Secretary - Ralph Latham
387-1038 jnrlat@boreal.org

Jeanne Wright
387-2968 wright@boreal.org

Vicki Biggs
387-1913 vbiggs@boreal.org

Sally Nankivell
370-0468 sally@boreal.org

Erik Hahn
387-2802
ehahn123@northlc.com

Let Us Hear From You!

Do you have questions, comments or suggestions for the Co-op board of directors? Give us a call, e-mail, drop a note off at the co-op or come to a board meeting.

Board meetings are the fourth Tuesday of each month and owners are always welcome.

Notify Rick Schubert, board president, in advance, so you can be added to the agenda.

President's Report cont. from pg 1

Bylaw Changes Explained

Many of the revisions are structural, like adding headers to make finding things easier and language revisions such as members to owners, co-op to cooperative. But some are major, and these changes are discussed in the following frequently asked questions:

FAQ

Why the change to a stock ownership model? A stock ownership basis is by far the most common way to structure a cooperative today. Our attorney was surprised we were not already set up in this way. The stock structure gives us much more flexibility in any future financing needs. It gives us more flexibility if our co-op comes upon difficult financial times. And it helps us understand that we are the owners of our co-op.

Will it cost me more money? No. Currently we require an investment of \$120 to be an owner. The proposed Bylaws require ownership of 10 shares of Class A stock which is \$12 per share for a total of \$120. Any current equity will automatically be converted into Class A shares.

Can I still contribute \$12 per year toward full ownership? Yes, the minimum purchase of Class A stock is one share per year for 10 years.

Why have Class B and Class C stock? Class B stock gives us the flexibility discussed earlier and is outlined in Article V, Section 3 of the proposed Articles of Incorporation. In addition to patronage rebates, which are distributed to owners depending upon the financial performance of the Co-op any given year, Co-op owners have additional equity that is retained by the Co-op. That amount is conveyed to each owner in their annual individualized ownership report. This equity would convert into Class B stock under the new Bylaws. Class C stock is used for financing purposes. It carries a dividend (interest) and is used instead of loans.

Why change the Board term limits from two terms to three? Our co-op is investing significant dollars and time into board training to give us more effective board members. We want to take advantage of this for more than six years. The experience and historical perspective of long serving board members is very valuable. We have had more challenges with board members dropping off after one term than with board members staying too long.

Why change "member" to "owner"? Because stockholders ARE the owners of our co-op. We are not members, like membership in Sam's Club or Costco. We want to emphasize our unique way of doing business and differentiate ourselves from traditional grocery stores.

Why change the equity refunds in the Bylaws? The current Bylaws require us to notify each member that is not current directly and offer to return their equity. This is a time consuming, expensive process and with the economy today we have had to send checks to a much larger number of people who have moved away or are no longer active. The proposed Bylaws still require us to notify owners of this option, but through our newsletter; and the proposed changes provide an easier mechanism for owners to donate their equity back to the co-op.

Any additional questions? Please contact any of your board members.

Please VOTE!!

Proposed Amended and Restated Articles of Incorporation

We cannot show line by line changes from the original Articles of Incorporation, written in 1976, because the formats are quite different. If you would like to view the original Articles of Incorporation, copies are available at the Co-op or at our new web site: www.cookcounty.coop.

AMENDED AND RESTATED ARTICLES OF INCORPORATION OF COOK COUNTY WHOLE FOODS CO-OPERATIVE

ARTICLE I NAME

The name of the cooperative is Cook County Whole Foods Co-operative.

ARTICLE II PURPOSE

The purpose of the cooperative shall be to engage in a marketing and mercantile business, and to supply and furnish its owners and patrons on a cooperative basis such goods and services as the owners may require or in any lawful business as the owners shall authorize.

The general nature of its business shall be to buy, sell, market, store, acquire, transport, distribute, and otherwise deal in and procure for its owners and patrons on a cooperative basis food, clothing, supplies, goods, wares and merchandise of all kinds, and to render such services as the owner and patrons may desire, and to engage in any activity connected with or related to any of such purposes. For those purposes it shall have power to:

- (a) Borrow money from its owners and others upon adequate security, to issue bonds, debentures, notes and other obligations and to secure the same by pledge, mortgage or trust deed on any property of the cooperative; draw, make, accept, endorse, guarantee, execute and issue promissory notes, bills of exchange, drafts, warrants, warehouse receipts, certificates and other obligations and negotiable or transferable instruments for any purpose, deemed necessary to further the objects for which the cooperative is formed.
- (b) Acquire, purchase, hold, lease, encumber, sell, exchange and convey such real estate, buildings and personal property as the business of the cooperative may require.
- (c) Purchase, sell, transfer and own capital stock, bonds and obligations of other corporations.
- (d) Join with other cooperative corporations or associations to form district, state, national or international purchasing marketing and service organizations; and to purchase, acquire and hold capital stock notes, bonds and other obligations or such organization.
- (e) Do and perform every act and thing necessary and proper to the conduct of its business for the accomplishment of the purposes set forth herein or permitted by laws of

Minnesota applicable to the cooperative, and to have and exercise all of the powers conferred upon the cooperative by the laws of Minnesota under which it was organized and acts amendatory thereof and supplemental thereto.

ARTICLE III PLACE OF BUSINESS

The principal place of business of the cooperative shall be 20 East First Street, Grand Marais, Minnesota 55604-0813 in Cook County. Branch offices may be located at other points.

ARTICLE IV DURATION

The period of the continuance of the cooperative shall be perpetual.

ARTICLE V CAPITAL STOCK

Section 1. The amount of the authorized capital stock of the cooperative shall be Ten Million Two Hundred Thousand Dollars (\$10,200,000), and shall be divided into three classes of stock. Class A stock shall consist of One Hundred Thousand (100,000) shares of Class A Voting Common Stock of the par value of Twelve Dollars (\$12.00) each for a total of \$1,200,000; Six Million (6,000,000) shares of Class B Nonvoting Common Stock of the par value of One Dollar (\$1.00) each for a total of \$6,000,000; and Thirty Thousand (30,000) shares of Class C Nonvoting Stock of the par value of One Hundred Dollars (\$100.00) each, for a total of \$3,000,000.

Section 2. Class A Stock may be issued for cash to any person, firm, cooperative, nonprofit corporation or other corporation to qualify said person or organization as a stockholder and member of the cooperative, under the direction of the Board of Directors. Only Class A stockholders shall have voting power and shall be deemed to be the owners of the cooperative. Each holder of Class A stock shall be entitled to one vote regardless of the number of shares owned, and voting by proxy shall not be permitted. No dividends shall be paid on the Class A stock.

Section 3. Class B stock may be sold for cash or issued in payment of patronage refunds or in exchange for outstanding Class A stock to owners. Class B stock shall have no voting power and no dividends shall be paid thereon.

Section 4. Class C stock may be issued to holders of Class A stock. Class C stock shall have no voting power. Dividends may be paid on Class C stock at the discretion of the Board of Directors, not to exceed eight percent (8%) per annum. Dividends may be cumulative, at the discretion of the Board of Directors.

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P.O. Box 813
Grand Marais, MN 55604
218-387-2503

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Grand Marais, MN

Section 5. No share shall be issued for less than its par value, nor until the same has been paid for in cash or its equivalent, and shall be paid at such time and in such manner as the Board of Directors of the cooperative shall require. The cooperative shall have a prior lien with the usual right of ordinary liens for enforcement, upon all outstanding stock for any indebtedness due it and no stock shall be sold or transferred except with the consent and approval of the Board of Directors. Capital stock shall be subject to redemption as provided by law, in the manner as the Bylaws prescribe. The capital stock of the cooperative shall be non-assessable.

Section 6. When the Board of Directors determines that the cooperative has sufficient working capital, Class B and Class C stock may be called for payment at par. Such stock may be called for payment as provided in the Bylaws of the cooperative; provided always, that at the time of calling Class B or Class C stock for payment the total amount of stock remaining outstanding after deduction of the amount called, plus the permanent surplus of the cooperative, shall at least equal the total liabilities of the cooperative.

ARTICLE VI ALLOCATION TO OWNERS

Section 1. All or any part of the patronage refund declared by the cooperative at any time may be paid in Class B stock, by allocated equity reserve or by the issuance of capital interest certificates, or by any other media determined by the Board of Directors.

Section 2. All of the annual net margins (net income) from owner business, including overpayment made by the cooperative to other cooperative associations and repaid to the cooperative, available for distribution, shall belong to its owners on the basis of patronage with the cooperative and as provided in the Bylaws. The records of the cooperative shall always show the interest of owners in the allocated reserves and surplus of the cooperative.

Section 3. In the event of liquidation or dissolution of the cooperative, all debt and liabilities shall first be paid according to their respective priorities. Holders of stock shall then be paid the par value of their shares plus any declared unpaid dividends thereon in the order of priority, if any, specified in the Bylaws and the remainder of the property shall be distributed as provided in the Bylaws.

ARTICLE VII BOARD OF DIRECTORS

Section 1. The government of the cooperative and the management of its affairs shall be vested in a Board of Directors. The number of directors shall be fixed from time to time by the Bylaws of the cooperative. Directors shall be elected by ballot by the owners from their own number at the annual meeting for such terms as the Bylaws may prescribe.

Section 2. A director is not personally liable to the cooperative or its owners for monetary damages for

Individual equity information will appear in the November-January Newsletter. Since our fiscal year now ends June 30th instead of May 31, our rebate checks will now be issued between November and December.

Ballot Enclosed
We need your vote!

- ✓ Board Candidates
- ✓ Major Bylaw Changes
- ✓ Restated Articles of Incorporation

breach of fiduciary duty except in the following circumstances: (a) for breach of the director’s duty of loyalty to the cooperative or its owners; (b) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of the law; (c) for a transaction from which the director derived an improper personal benefit; or (d) for an act or omission occurring prior to the date this provision of these amended and restated Articles of Incorporation became effective.

ARTICLE VIII DISSOLUTION; AMENDMENTS

Section 1. The cooperative may be dissolved upon the affirmative vote of two-thirds of the owners.

Section 2. These Articles of Incorporation may be amended as provided by law.