

NEIGHBORHOOD CO-OP GROCERY

Annual Report 2019



Published by:

NEIGHBORHOOD CO-OP GROCERY

OUR STORE

1815 W Main Street, Carbondale IL 62901

Open Daily 7am - 10pm

www.neighborhood.coop

The Neighborhood Co-op is a cooperative grocery store owned by members of our very own community. Most of our staff are even owners! We are a founding member of the National Co-op Grocers, a network of more than 200 cooperative grocery stores all across America. We combine our buying power to bring you the best food at the best value while staying locally governed. We work hard to support our community, and improve our local food system.

OUR MISSION

Neighborhood Co-op Grocery aims to serve the needs of its owners and patrons by providing wholesome foods, economically, in the cooperative tradition and in ways that best promote the health of the individual, the community, and the earth.

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ECO PRINTING

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QUESTIONS

Email info@neighborhood.coop or call

618.529.3533

2020 BOARD MEETINGS

Meetings happen once a month

6pm • Co-op Community Room

All owners are welcome!

See neighborhood.coop for meeting dates

BOARD OF DIRECTORS

Richard Thomas, Chair

Barbara James, Vice Chair

Margaret Anderson

Mary Avery

Kristy Bender

Lauren Bonner

Leslie Duram

Jak Tichenor

Contact the Board at:

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FROM THE GENERAL MANAGER

FRANCIS MURPHY

Despite many familiar challenges, Neighborhood Co-op Grocery continues to thrive. In 2019, sales grew for the first time in three years, and we repaid the last of the senior debt from our relocation in 2006. The Co-op also made progress in the achievement of its Ends Policies. Since 2010, when the board of directors established policies that describe desired outcomes that form the purpose of the Co-op, management has created three-year strategic plans to achieve those Ends. Annually, I report to the board on the progress the Co-op is making to further our shared values. The following outlines some of those accomplishments.

The Co-op's success at living its Big Purpose (a distillation of the Ends Policies), to cultivate community and provide meaningful goods and services, is evident on a daily basis in the store. In 2019, we received confirmation of this accomplishment with improvement in our mystery shopper scores. The National Co-op Grocers (NCG) offers a mystery shopper program to its member stores. This program allows us to regularly benchmark our performance and serves as an accountability tool for providing an excellent shopping experience. Results from 2019 show improvement compared to the last two years, particularly in the wellness department, checkout, promotional item availability, and in the overall score.

The Co-op recognizes that our staff are an important part of the community and desires that they have a positive work experience. Comparing the Co-op's scores on a 2019 staff survey to those of over 230 employee surveys at other retail natural food co-ops, the Co-op ranked in the top quartile on 27% of the measures. According to the report, Neighborhood Co-op staff scored significantly higher than their peers at other co-ops on an engagement index. The index measures the degree to which employees "try to give their best each day, are committed to their organization's goals and values, and are motivated to contribute to organizational success."

In 2018, we earned recognition from the U.S. Environmental Protection Agency (EPA) for our work reducing refrigerant emissions, becoming the first store in Southern Illinois to receive GreenChill certification. We were certified again in 2019, continuing to lead the way as the only supermarket in Southern Illinois to receive a GreenChill Store Certification award. This certification recognizes the Co-op for using non-ozone depleting refrigerants, using less refrigerant in our store, and maintaining a low refrigerant emissions rate. Relative to a similarly-sized average supermarket, the Co-op avoided refrigerant emissions equivalent to an estimated 601 metric tons of carbon dioxide. That's equal to 105 homes' electricity use for one year.

The most successful new program in the last couple of years has been the Link Match program. In 2019, we rolled over approximately \$3,400 in leftover grant money from 2018 and combined it with \$15,000 in new funding from Experimental Station, an Illinois not-for-profit. We redeemed roughly \$14,600 in Link Match currency in 2019, which meant we increased our ability to help low-resource individuals and families eat local fruits and vegetables. The Co-op actively seeks ways to be more inclusive of our community and to make shopping more affordable for people of all economic backgrounds. This grant allows us to offer healthy incentives for customers and to help local farmers, as well.

In short, despite the challenges of a shrinking local economy and mounting competition, Neighborhood Co-op Grocery continues to be a thriving consumer-owned food co-op. We remain a profitable business while making progress towards achieving goals around community, sustainability, and access to meaningful products and services. Thank you for being part of the Co-op and contributing to its success.



FROM THE BOARD CHAIR

RICHARD THOMAS

2019 was another in a series of “interesting” years for everyone, including the Neighborhood Co-op Grocery and its Board of Directors, whom you, the owners of the Co-op, elected to help further the mission of the Co-op in collaboration with our most excellent General Manager, Francis Murphy. The grocery business continues its rapid changes locally and nationally. Carbondale lost a landmark with the closing of Arnold’s Market, and nationally dollar stores continue to proliferate at a great rate, while grocery chains consolidate or go out of business.

We are very pleased that we have negotiated another three-year contract with Francis to carry on as General Manager from 2020 through 2022. We also bid a fond farewell to board member Susan Barry, who resigned due to overwhelming work commitments. Rather than appoint a replacement board member for part of a year, we decided to leave the position open until the upcoming board election.

In addition to asking you, the Co-op’s owners, to vote for a slate of candidates for the board, you will be asked to vote on proposed changes to the Co-op’s bylaws which are the legal rules by which we operate and are on file with the State of Illinois. We believe these changes are needed to clarify several items and to bring us in line with current best practices. Please do vote on these items – we need a sufficient fraction of owners participating in order for the result to be binding!

2019 marked the end of one of our three-year planning cycles and preparation for the new 2020-2022 cycle. The board revisited the Co-op’s Ends Policies, which guide the operation of the Co-op. We decided the current Ends Policies are still a good, concise statement of the aims of our Co-op that will serve well for at least another planning cycle. In July, we held our annual day-long board retreat where we worked with the

General Manager and the other members of the management team. We used scenario planning to help plot a path to guide us through these uncertain times. On the continuum between the zombie apocalypse, and unicorns and rainbows, we developed three scenarios representing our collective judgment of a plausible worst case, middle case, and best-case situation to guide the Strategic Plan for the next three years. Having the diverse knowledge and experience of both board members and store managers in one place made this a very helpful exercise.

The board completed and adopted a new Procedures Manual that collects in one place explanations and protocols for the many tasks the board is called upon to do. This is a huge help to people like me who need all the help they can get remembering things, and I expect it will prove helpful to future board members.

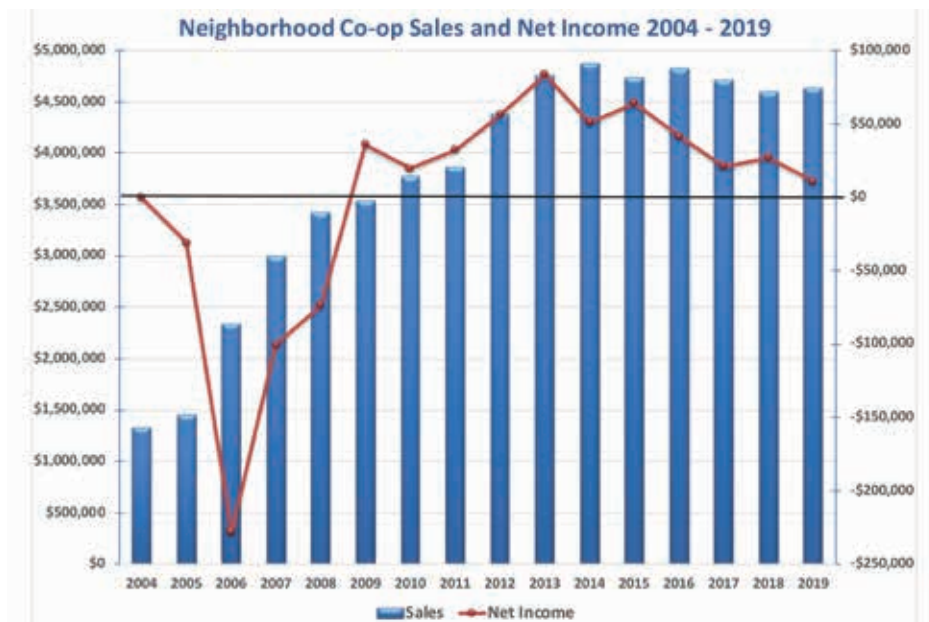
“**Having the diverse knowledge and experience of both board members and store managers in one place made this a very helpful exercise.**”

While it is the board’s responsibility to carefully consider the threats to the Co-op and our community, we also celebrate the positive things happening around us. The General Manager, Francis Murphy, covers some of these in his report. I do want to mention that positive things are happening at SIU, which I hope herald a reversal of fortunes for the university and the region as a whole. It’s up to all of us to help that along in whatever ways we can.



TREASURER'S REPORT

FRANCIS MURPHY, INTERIM TREASURER



Neighborhood Co-op Grocery's 2019 sales increased 0.8% compared to the previous year to \$4.63 million. While a small increase, it was better than 2017 and 2018 when sales declined approximately 2.5% each year. Having essentially flat sales seems like an accomplishment for the Co-op as Southern Illinois University and the community continue to downsize. The Co-op is also operating in an increasingly competitive environment with national supermarket chain stores offering more and more private label natural and organic products.

Net income was roughly \$11,000 or 0.2% of sales in 2019 compared to budgeted net income of roughly \$14,000 or 0.3% of sales. As the graph below shows, the Co-op's net income has been generally declining since 2013. Net income has generally fallen

off for co-ops that are members of National Co-op Grocers over the last several years as a result of reduced margins and increased personnel costs. Our co-op, like others, has lowered margins in recent years in order to better compete with conventional grocery stores that offer similar products. At the same time, personnel costs have gone up due to growth in wages and increased costs of benefits, especially health insurance.

The Co-op's balance sheet continued to grow stronger in 2019 with the Debt to Equity ratio reaching its lowest level in 13 years at 0.99 as of December 31. This indicates that the Co-op's assets are financed more with owner equity than with debt. In 2019 the Co-op retired its senior debt from the relocation project in 2005-2006 that created our current store.

"Senior debt" refers to the roughly \$1 million that the Co-op borrowed from First Southern Bank and the City of Carbondale.

The Co-op's balance sheet continued to grow stronger in 2019.

At the end of 2019, owner loans were the Co-op's only long-term debt with repayment scheduled to begin in 2021.

Even with declining profitability, the Co-op's cash flow should improve in the coming years as the amount of cash needed for debt service has decreased dramatically with the retirement of the senior debt.

2019 HIGHLIGHTS



CO-OP OWNERS

203

NEW OWNERS

37

RESIGNATIONS

2995

TOTAL ACTIVE OWNERS



OUTREACH

Almost \$10,000 contributed to local non-for-profits



NET INCOME

Roughly \$11,000 or 0.2% of sales compared to budgeted net income of roughly \$14,000 or 0.3% of sales



21% OF SALES

Sales of local products \$970,000



SALES

Increased 0.8% to \$4.63 million



FREE OF SENIOR DEBT

The Co-op paid off its loans from the City of Carbondale and First Southern Bank, which at one time totaled over \$1 million



SAVINGS THROUGH OWNERSHIP

\$21,600 in Owner Buys and Owner Appreciation Weekend discounts

2019 FINANCIAL REVIEW

BALANCE SHEETS

	2019	2018
Assets		
Current Assets	\$553,841	\$591,899
Property and Equipment	574,849	614,866
Other Assets	92,710	88,956
Total Assets	\$1,221,400	\$1,295,721
Liabilities and Equity		
Current Liabilities	\$308,615	\$411,897
Long-Term Liabilities	300,000	299,004
Total Liabilities	608,615	710,901
Paid-In Capital	\$22,234	\$22,234
Co-op Shares	399,547	383,167
Retained Earnings	180,502	152,639
Net Income	10,502	26,780
Total Equity	612,785	584,820
Total Liabilities and Equity	\$1,221,400	\$1,295,721

INCOME STATEMENTS

Sales	\$4,627,187	\$4,591,768
Cost of Sales	2,876,021	2,843,033
Gross Profit	1,751,166	1,748,735
Expenses		
Personnel	\$1,131,974	1,101,331
Occupancy	319,384	332,144
Operating	146,730	149,435
Administrative	43,820	38,986
Governance	31,116	30,182
Owner Sales Discounts	21,615	20,784
Marketing	47,135	50,705
Total Expenses	1,741,773	1,723,567
Operating Income	9,393	25,168
Other Income (Expense)	1,109	1,612
Net Income	\$10,502	\$26,780

A More Engaged, Vibrant Community

Link Match Program



Link Up Illinois, our Link Match program, is funded by a grant from Experimental Station and enables Illinois farmers markets, farm stands, and our Co-op to double the value of purchases for those shoppers using their Link cards. This gives customers greater buying power towards fresh, locally-produced foods.

In 2019, we combined approximately \$3,400 in leftover grant money with \$15,000 in new funding. We redeemed roughly \$14,600 in Link Match currency in 2019, increasing sales in our produce department and enhancing the overall health in our community.

Because of the Neighborhood Co-op, the people of southern Illinois and surrounding areas have a more engaged, vibrant community focused on local sustainability and access to meaningful products and services.

As a cooperative, we structure much of what we do around our community. It's this grassroots approach that guides us to work with local groups to make a collective impact in our region. We have supported several local organizations by working in partnership to help educate, bring awareness to and raise funds for important causes. A few highlights to note:



Souper Bowl of Caring – February 2. We were one of the locations that provided space for SIU football players to volunteer their time to raise money for Good Samaritan House.



Collection for backpacks – We supported Backpacks for Success, a local program that supplies children, whose families can't afford school supplies, with backpacks. We served as a drop off location during the month of February.



SIU Ceramics Spring Cup Sale – April 6. SIU Ceramics students sold cups in front of the Co-op to raise money for their program. The Co-op supported this event by providing free hot tea and coffee with every cup purchase.



Earth Day All Species Puppet Parade – April 22. The Co-op contributed to this family-friendly event by providing healthy treats to parade participants.



Bike to Work Day – May 31. The City of Carbondale ended their annual bike event at Turley Park. The Co-op provided a picnic lunch with sandwiches, chips, and drinks. The turnout was better than the year before, with about 30 people attending.



Red Cross Blood Drive – January 4 and September 25. In partnership with Red Cross, the Co-op hosted two successful blood drives in our parking lot.



Empty Bowl Fundraiser with SIU Ceramics – October 19. SIU Ceramics students and faculty sold handcrafted bowls outside the Co-op, and the store donated soup for people to enjoy after they purchased a bowl. More than \$3,000 was raised for the Good Samaritan Food Pantry!



Wooden Nickels Program

The Wooden Nickels program allows patrons to support local and regional non-profit organizations. Bring a bag, basket, or anything else to carry your groceries in, and we'll give you a Wooden Nickel to place in the token boxes near the store exit. There are two Wooden Nickel recipients each quarter. In 2019, the recipient organization funds totaled almost \$1,500 and went to the following organizations:

- Hospice of Southern Illinois
- Science Center
- St. Francis CARE Animal Shelter
- Free Again Wildlife Rehabilitation
- New School of Carbondale
- Jackson County League of Women Voters
- Boys & Girls Club of Carbondale
- Southern IL Down Syndrome Community Group

If you are a member of a non-profit or know of one to nominate, sign up at www.neighborhood.coop/community



Having Fun!

The Co-op has been working toward having a greater presence in our region. Supporting events in our community is important as it encourages patronage at local businesses. This year the Co-op participated in several events again. Here are a few highlights:

- **Murdale Safe Halloween** is a popular event! We invited trick-or-treaters into the store for candy, cookies, apple cider, and coloring sheets. Hundreds of patrons participated in this great event.
- Sponsored by the Rotary Club of Carbondale Breakfast and Carbondale Main Street, the **Carbondale Great Pumpkin Race** is a family friendly event. The Co-op once again participated in the Race. We re-purposed the big pumpkin we bought as a store decoration. The Co-op was a crowd favorite and won the Grand Prix!!
- **Santa at the Co-op** brought many smiles to children and adults. This free event provides an intimate environment for our customers to experience holiday cheer.



Fundraising Events

Co-ops have seven basic principles that serve as guidelines for decision-making. “Concern for community” is our seventh principle. The Co-op is dedicated to assisting local non-for-profits that help community members who are in need. As a business, we have resources that allow us to make a big impact; we do so by annually hosting two major fundraising events, the **Feed Your Neighbor 5K** and **Co-op Farm Crawl**. In 2019, we restructured our efforts to increase the effectiveness of our fundraising efforts. We offered exciting sponsorship opportunities, better event organization, and great press coverage, while strengthening current and new partnerships. Those efforts paid off, as we were able to triple our donation amounts to Good Samaritan House and Food Works!

Feed Your Neighbor 5K



Feed Your Neighbor 5K



5K Participants



5K Participant

A big thanks goes to a great group of volunteers and our Co-op staff who assisted in making our 5K the most successful to date! It's humbling to see so many in our community show such great support to battle hunger in our region. Thanks to the many local businesses that sponsored the race, because of their support we were able to donate 100% of race proceeds, \$3,800, to the Good Samaritan House! We also collected a large sum of nonperishable goods that went to support the SIU Food Pantry. In addition, we had music by local musicians, The Anns; John A. Logan College Massage Therapy students gave free massages; we gave away many door prizes; and the Co-op provided a variety of wholesome foods after the race.





Rolling Oaks Alpacas



Country Sprout Organics



Bison Bluff

Co-op Farm Crawl

In September, we held the annual Co-op Farm Crawl, featuring 14 participating farms from across Southern Illinois. 2019 was the first year we sold out of all our car passes! Our Produce Manager, Chris Neville, was instrumental in solidifying the commitments of many of the farmers, assisted by Jennifer Paulson, Director of Food Works. Hosting farmers did an amazing job of prepping their properties and educating participants. It says a lot about these amazing people who are willing to take time out of their busy schedules to teach others about their processes, struggles, and successes! After all was said and done, we raised \$2,200, which was donated to Food Works!



Food Works Recipients with Francis Murphy and Amy Dion of the Co-op



Echo Valley

Meet Your 2020 Board of Directors Candidates



Kristy Bender

BOARD NOMINATED/INCUMBENT

I've had the privilege of serving on the Co-op board for the past six years. During that time I've served as both a committee chair and vice chair for the board. I've had the opportunity to write newsletter articles, schedule owner presentations, train new board members, help guide policy changes, and assist staff with future planning efforts amongst other things. The work I've done has been fulfilling, and I would welcome the opportunity to continue serving the Co-op community in this capacity.

I personally remain most passionate about "promoting the health of individual, community and earth". Although this has always been of interest to me, those words continue to resonate now that we have four young children and are responsible for both their health and that of the world they will grow up in.

My kids have grown up accompanying me to meetings, attending presentations, and shopping alongside me. They view the Co-op as an integral part of their community. The Co-op staff welcomes their presence, and we enjoy the family friendly environment. The Co-op fills an invaluable role in the community, and I am seeking another term, so I can continue to contribute to its ongoing success.



Lauren Bonner

BOARD NOMINATED/INCUMBENT

When I joined the Neighborhood Co-op a number of years ago, I was initially drawn by its small, local flavor and the sense of community I felt when I shopped there. Since then, as I've continued to learn about the cooperative model and the mission and values of the store, I've had the privilege of channeling my passion for a values-driven organization by serving on the board, and on the Boardlink committee.

Further, I feel that board service parallels my professional life as a public servant. As a federal employee, I answer to Illinois constituents and convey their concerns to Springfield and Washington; in the Co-op setting, I'm tasked with serving the owners as well as the community. There is also a strong connection between my board service and my new role as a mom. As I shop with my daughter at my side, I am ever-conscious of the world she will be inheriting, and I take comfort in knowing that the Co-op is dedicated to the health of the individual and the earth. As we know, the seeds of a healthy lifestyle are often planted early in life, and I sense that bringing my daughter to the Co-op will point her in the direction of a healthy lifestyle and a community mindset. These are the values and connections that have inspired me to run for the board of directors once again. I would be greatly honored to continue in this capacity as the Co-op looks toward the next decade.



Richard Gibson

BOARD NOMINATED

I am a semi-retired corporate executive on the back end of a nearly 40-year career as an actuary in the property and casualty insurance industry. I have been a Carbondale resident since 2017, after returning to be closer to family. Being a part of the board would be a privilege, as I am a life-long learner who seeks new challenges and a student of business. I am interested in the Co-op because we need our small to middle market businesses to be successful for the good of the community.

As an actuary, I have a strong financial background, with experience in financial statements and corporate reporting. My strong analytic background is due to my day-to-day duties requiring a detailed understanding of cross-functional operational issues affecting the success of the business. My numerous leadership roles have allowed me to develop strong management and people skills, and have offered me experience with strategic management, budgeting, and executive duties. Additionally, my regular board room exposure offered me experience working closely with Boards.

Clearly, the Co-op is one of those successful businesses that has found ways to compete with larger corporations. Being a part of the Co-op's future success would be a privilege.



Ron Mahoney

BOARD NOMINATED

I arrived in Carbondale in the Fall of 1969. Attending SIU was a highlight I had looked forward to after spending four years in the USAF and then finishing my A.A. degree in California. My B.S. degree was in education with physical education being my focus. Because I was always involved in sports, several instructors had impressed upon me the importance of nutritional health along with exercise. I would hope being involved with the Co-op would increase my knowledge and help me spread this information in the community that I've been a part of for fifty years.

Throughout my adult life I have had many positions of responsibility. In the USAF, I was assigned to air police, where I guarded Air Force One for Presidents JFK and LBJ at Bergstrom AFB. At Porterville Junior College, I served as class president and directed junior sports basketball. After graduating from SIU, I began a thirty-year career in multiple positions in University Housing. During that time, I had extensive supervisory and financial responsibilities.

I was also an advisor to student organizations, such as the Inter-Greek Council, Black Affairs Council, Black Fire Dancers, and Kappa Alpha Psi Fraternity. On the SIU Cancer Committee, I helped raise \$150,000 in three years, and I was elected to the SIU Service Council for eight years. As a board candidate, I offer my commitment to healthy living and my experience working well with others to achieve significant goals.



Erika Peterson

BOARD NOMINATED

My family and I have been faithful Neighborhood Co-op shoppers for 20 years now. On Saturday mornings, after we've finished our grocery shopping, you can find us at a table near the window reading the newspaper and enjoying tasty snacks. There are so many things to love about the Co-op, but there are two that especially stand out for me. The first is support for local agriculture; having a robust, sustainable local food system makes Southern Illinois stronger. The second is support for diverse dietary needs and preferences; as someone with a food allergy, I really value being able to just stop in and buy foods that meet my needs!

I would be honored to join the board and use my skills to help guide the Co-op. Currently I work for Shawnee Health Service as their Process Improvement Coordinator. In this role, I assist with strategic planning and I help redesign operations, so that we provide the services our patients value as efficiently and reliably as possible. I'm so glad I work for a company that makes a real difference in our community. Community service is a priority for me, and some of the organizations that I've been involved with include the Girl Scouts, the John A. Logan College Literacy Program, and the Jackson County Positive Youth Development action team.

The Co-op is one of my favorite places in Carbondale, and whether I'm elected or not, I will contribute to its success in any way that I can!

VOTING STARTS APRIL 11

Voting in the Co-op Board election is one of the things that makes the Neighborhood Co-op a co-op! Board candidates are Co-op owners who, if elected to the Board, serve for three-year terms. The Board guides Co-op policy and plans for the Co-op's future. We can't do it without you, so please cast your vote and join us at Owner Fest to celebrate the newly elected Board!

Online voting will start April 11, and will end at 6:30 pm on Sat., May 2.

This year's voting will take place online. The election results will be announced at Owner Fest on Saturday, May 2.

VOTING LOGIN INFORMATION:

Your user name is the primary owner's first name. The password is your owner number, which is in the top right of the address area on this mailer. Paper ballots are available upon request. Please see a Co-op staff member for more information.



Proposed Bylaws Changes

Every few years, the Co-op board and management have the Bylaws reviewed by an attorney specializing in cooperative law to identify any areas where they can be strengthened to better serve the Co-op. As you probably know, the Bylaws form the legal foundation for the Co-op and can be amended “only at a meeting of owners, provided that the proposed amendments are stated or fully described in the notice of the meeting at which the amendments are to be adopted.” Below are five proposed Bylaws changes along with the rationale for each one. You will have an opportunity to vote on each proposed change along with the Board election beginning April 11. Voting will take place online and the results will be announced at Owner Fest on Saturday, May 2. The board and management encourage you to vote “Yes” on each of these proposed Bylaws changes.

Proposed Bylaws Change #1

Current Section 1.2 – Mission statement. The mission of the Co-op is to serve the needs of its owners by providing wholesome foods - economically, in the cooperative tradition, and in ways that best promote the health of the individual, the community, and the Earth. The Co-op shall be operated exclusively on a cooperative and nonprofit basis.

Proposed Section 1.2 – Mission statement. The mission of the Co-op is to serve the needs of its owners by providing wholesome foods - economically, in the cooperative tradition, and in ways that best promote the health of the individual, the community, and the Earth. The Co-op shall be operated on a cooperative basis, not for the purpose of making profits for the Co-op or for its owners as such, but for the purpose of benefiting owners as patrons.

Reason for proposed change – The “nonprofit basis” language is historical from a time when it was more important to cooperators to make it clear that a co-op was “nonprofit,” by which they meant operating at cost and not to make profit for the owners. At this point it’s often more important to distinguish a cooperative from a charity. This proposed change tries to make clear that a co-op can bring profits to owners, but in their role as patrons, not as shareholders.

Proposed Bylaws Change #2

Current Section 2.6 – Nontransferability. Ownership rights and interests may not be transferred except as provided herein. Following termination of ownership, or at any time as to shares held in excess of the minimum amount, the Co-op will upon request of the owner transfer the carrying value of such person’s share credits, net of any authorized offsets, to the credit of another person designated by the requesting owner, provided that the transfer is gratuitous and that the person so designated is an owner or becomes an owner of the Co-op. Any attempted transfer contrary to this section shall be wholly void and shall confer no rights on the intended transferee.

Proposed Section 7.4 – Restrictions on Transfer. The Co-op’s common stock is transferable only: a) to the Co-op, or b) to a person who is an owner or who has been approved for ownership, provided that the transfer is gratuitous. Any attempted transfer contrary to this section shall be wholly void and shall confer no rights on the intended transferee.

Reason for proposed change – The current *Section 2.6 Nontransferability* would be replaced by new *Section 7.4 – Restrictions on Transfer* in order to simplify and clarify the language about the circumstances under which an owner can transfer their share in the Co-op to another person.

Proposed Bylaws Change #3

Current Section 4.2 – Number and qualifications. The Board shall consist of nine individuals. All directors shall be owners, shall not be employed by the Co-op, and shall not have any overriding conflict of interest with the Co-op.

Proposed Section 4.2 – Number and qualifications. The Board shall consist of nine individuals. All directors shall be owners. A person cannot be a director if the person:

- is currently employed by the Co-op,
- has been employed by the Co-op within the past 24 months,
- has ever been dismissed from employment by the Co-op for cause,
- has any overriding conflict of interest with the Co-op; or
- is a parent of, sibling of, child of, or resides in the same household with, someone who is disqualified from being a director because of their employment, former employment, or conflict of interest with the Co-op.

Reason for proposed change – Unfortunately, a number of co-ops have experienced situations where disgruntled former employees (or their agents) have sought a board seat for the purpose of retaliating against the general manager. The proposed change would minimize the chance of this happening at our co-op.



Proposed Bylaws Change #4

Current Section 4.7 - Indemnification. In order to attract and retain qualified people to serve in positions of responsibility, the Co-op shall indemnify its directors, officers, general manager, and other responsible agents as required by, and may indemnify them as permitted by, the General Not For Profit Corporation Act of 1986, except that indemnification shall not be required if the person has been successful otherwise than on the merits in defense of any action, suit, claim or proceeding. Indemnification payments shall be made on a priority basis but only in such increments and at such times as will not jeopardize the ability of the Co-op to pay its other obligations as they become due.

Proposed Section 4.7 – Indemnification. In order to attract and retain qualified people to serve in positions of responsibility, the Co-op shall indemnify its directors, officers, general manager, and other responsible agents as would be required by, and may indemnify them as would be permitted by, the General Not For Profit Corporation Act of 1986, if the Co-op were a not for profit corporation formed under that Act, except that indemnification shall not be required if the person has been successful otherwise than on the merits in defense of any action, suit, claim or proceeding. Indemnification payments shall be made on a priority basis but only in such increments and at such times as will not jeopardize the ability of the Co-op to pay its other obligations as they become due.

Reason for proposed change – This clarification is needed because the Co-op is **not** a not for profit corporation formed under the General Not for Profit Corporation Act of 1986. The Co-op started off as a Not For Profit (NFP), but converted to a cooperative corporation in 2003. The Co-operative Act does not have any indemnification provisions but we want this Bylaw to require indemnification under certain circumstances. The proposed change allows indemnification as if the Co-op was an NFP.

Proposed Bylaws Change #5

Current Section 7.2 – Certificates. Every holder of a fully paid share shall be entitled to receive a certificate evidencing such holding. All certificates shall be signed personally or by facsimile by the Chair and the Secretary and shall be numbered and recorded in a stock register maintained by the Co-op. Each certificate shall contain a prominent notation that, in accordance with these bylaws, it is transferable only to the Co-op, which shall be obligated to purchase such share or shares, and that the voting rights pertain only to ownership status. The Co-op may issue a replacement certificate for any certificate alleged to have been lost, stolen or destroyed without requiring the giving of a bond or other security against related losses.

Proposed Section 7.2 – Shares shall be Uncertificated. The Co-op's shares of common stock shall be uncertificated. All sales of shares shall be numbered and recorded in a stock register maintained by the Co-op, and the Co-op's official stock register shall be evidence of ownership of common stock. The Co-op shall send to each new owner, within a reasonable time after the owner has purchased one or more shares, a written notice stating that the Co-op is organized under the laws of the State of Illinois; the name of the owner to whom the stock is issued; and the number and class of shares issued. The notice shall prominently state that, in accordance with these bylaws, the shares are transferable only to the Co-op or as a gift to a person who has been approved to become an owner, and that the right to vote attaches to the status of ownership on a one-owner-one-vote basis.

Reason for proposed change – The Co-op fell out of the practice of issuing share certificates years ago and the change proposed here will be simpler to administer.



Neighborhood Co-op Grocery
1815 West Main Street
Carbondale, IL 62901

CO-OP Owner Fest 2020

SATURDAY
MAY 2 • 5 - 9PM
The Warehouse at 17th Street
214 North 17th Street, Murphysboro



SOCIAL 5:00 PM

Be Happy Social Hour with live local music!

MEETING 6:00 PM

Meeting (*Last call for voting. Ballots close at 6:30 pm*)

DINNER 7:00 PM

Catered dinner from the Co-op and 17th Street

Join us for our biggest owner social event of the year, Owner Fest! Owner Fest is a celebration of our accomplishments and serves as our annual owners meeting. This is also the last day for voting before we elect the new board members. All owners are invited!

Tickets are necessary to attend the dinner and cost only \$5 each.

Pre-event registration participation will be used to calculate the quantity of food needed. Owners are asked to preregister whenever possible. However, tickets will be sold at the door for \$10 each.

(NOTE: Due to liquor licensing regulations, no outside alcohol will be permitted. Sorry for the inconvenience.)

Sign up at **neighborhood.coop** or in-store.