There was a growing realization that every time a store was closed, the newer, younger employees were released, and the older employees had to be retained under union seniority rules. This meant that the average retained employee commanded a higher salary and more vacation and retirement benefits. A business that is growing and adding new outlets does not have this problem. Chairman Mohn pointed out at an October board meeting that the total GCS payroll package was considerably out of line with industry standards and put the Cooperative in a poor competitive position.

By this time, the Co-op was being flooded with angry requests by shareholders to get their money back. "You have robbed me of my $10 which I paid in good faith and now you won't give it back or pay me any interest on it," wrote one woman. Some threatened to sue. Others wrote to the Securities and Exchange Commission. The explanation that shares of stock are an investment that carry risk to the owner fell on deaf ears. For so many years members had the option of selling shares back to GCS for cash when they needed it, that they looked upon the Co-op as a sort of savings bank. Many members had never understood the difference between interest and dividends.

It was also around this time that people began pressing the idea of closing the supermarket division entirely. Director Leonard Lineberry was an early proponent of this idea, insisting that in the long-term tightening crunch, the Board's first priority must be to protect the remaining assets of the member-owners.

Members in the Norfolk/Hampton/Newport News area of Virginia also urged the idea. They were incensed at having their money tied up with no returns on it, especially since their bookstore had been closed when GCS took over Peninsula Cooperative. And now GCS was closing the remaining food stores and one of the furniture stores.

Supermarket closings in 1976 included Sherwood, Southampton, Capital Plaza, Pimmit Hill and Aspen Hill. This last store was in a good location and was converted to a SCAN in November.

Waiting for the SEC to approve the issue of a prospectus prevented the sale of stock or debentures during the year, with the result that GCS became more and more dependent upon borrowed money. As operations continued to show deficits, the shortage of cash became acute. By October the Board had to make some hard choices about which projects could be funded and which would have to be set aside. Plans for two more fresh produce stores were dropped, and scheduling of a new SCAN store in the Peninsula area was postponed. The opinion was voiced that "the Cooperative has apparently lost its borrowing power." There was a consensus that the big job ahead was to restructure GCS "into a profit-making organization before considering expansion."

A new member benefit was developed during 1976. Art Danforth, with a background in both cooperatives and law, put together a legal services cooperative with endorsement from the GCS Board. More than 200 members signed up within 2 months to take advantage of discount rates from a panel of lawyers. By May of the following year there were 320 members. After that growth was slow. In April 1984 the Board voted to make legal services at reduced rates part of the Cooperative's package of member benefits.

Another member benefit was created by the Board in September when an option was taken for vacation apartment units at Merritt Island, Florida. This was part of a cooperative apartment complex purchased by Cooperative Services, Inc., Detroit. The apartments were fitted with SCAN furniture and then rented to GCS members at discount rates. The travel and recreation program handled rental arrangements. Some members of the Peninsula area delegation criticized the Merritt Island project and again questioned "the authority of the Board to make any investment of this type when they are unable to pay dividends."

From around two hundred inquiries for the CEO position with GCS, the Board selected Roy Bryant late in the year. He came on duty January 1, 1977, bringing with him 21 years of experience in the corporate food industry and nearly 4 years as general manager of the large and successful Consumers Cooperative of Berkeley, California. The Board had high hopes for Bryant, who had earlier written to them that, "There isn't any reason why your food stores should continue to lose money if you have a proper source of supply and a realignment of staff for seven stores instead of the previous twenty-one."

Bryant came on board just in time to see GCS end up the year with a net loss of $462,022. In 1976 sales had dropped to $48,522,820, nearly $7,400,000 less than the previous year. The cash position was worse. Members' $10 shares now had an equity value of only $5.69. Total staff was down to 588 employees.

There was a lot of repair work to do. One of Bryant's first moves was to cut the staff still further. After 3 months in office he had reduced general overhead by half a million dollars annually.

Next, with Board approval, he set about designing a merchandising program for each supermarket that would fit the store's market area. All seven were operating at a loss.

For the Eastover store, on the edge of Washington's Anacostia area, management talked with neighborhood leaders about what local shoppers wanted and then renewed the lease for a year instead of closing it; Bryant showed that closing costs would save only $30 over keeping it open in 1977. There was no membership base for the store, however, and operating results did not improve. Eastover was an old market in a crime-ridden area. It would require $200,000 to modernize and was costing GCS $25,000 a year for security guards. Safeway and Grand Union each had a supermarket in the area offering competition that GCS could not match. The store was eventually closed in April of 1978; the new owner paid GCS $3,750 for equipment and the inventory at retail price less 25 percent.

There were some improvements to the small Fairlington store, which was generally acknowledged to be a walk-in neighborhood operation with a small but loyal Cooperative membership. It was continued on a month-to-month lease because the landlord had other plans for the location.

The most drastic change occurred at the large Takoma Park supermarket. Over the years the neighborhood had deteriorated, the area delegation of members had dwindled, and sales had been down for a long time. The operating loss for a period of 36 weeks was approximately $150,000.

As a last ditch effort at saving the store, management closed it for 3 days and reopened it December 1 as a "bare-bones" warehouse-type operation with no frills, reduced hours, shelf stocking in original carton bottoms, and deep cuts in markups. Slow-moving items were removed from stock. Advertising circulars went to the houses and apartments in the area. The hope in all this was that a large increase in customers and high sales figures would offset the thin margins and put Takoma Park back in the black. The first week's $100,000 in sales were close to expectations. After this initial surge, however, sales again sagged and remained unsatisfactory until the store was closed in 1979.

After a long and frustrating delay, GCS had obtained from the SEC authorization to issue a new prospectus to sell membership shares again. The head of personnel arranged for 24 store managers and other key employees to take the Maryland examination to become security agents. That made it possible to have someone in each facility certified to sell shares. Nevertheless, sales were slow. And all through this period there were members clamoring for repurchase of their holdings.

Much of 1977 and 1978 was given over to seeking a new approach to membership and raising equity capital. It was agreed that a "fair share" investment for each member ought to be about $100, but in the remaining years of GCS no way was ever found to achieve that goal. Board and management sought legal help in exploring options for restructuring GCS. With the help of members in the Congress, an attempt was made to have the Maryland Assembly amend the State Code to permit incorporation of consumer cooperatives. This would enable GCS to be a membership fee organization and not depend upon the high cost and complexities of stock shares. This campaign was successful in 1978.

Leadership and staff continued to experiment with merchandising and services during these years of attempted recovery. The 'Fresh from the Crate' produce market at Penn Daw was popular, but operated with marginal financial success. Even so, another one, known as the Co-op Green Grocer, was opened in August 1977 in the Pennmar Shopping Center. A renewed effort to sign up members and form a new area council was made, but without much success. Both the Green Grocer and Straight from the Crate were sold in September 1978 to former GCS staff members at book value.

Working with the Board/Congress Long-range Planning Committee, CEO Bryant came up with some merchandising policies and goals to improve service to shoppers and the cooperative's image in the remaining food stores. His suggestions included eliminating the use of colored lights to deceptively enhance the appearance of meat or other merchandise, using end-aisle signs to note if a better buy was available elsewhere in the store, marking each seafood package or tray with a sign saying "fresh" or "frozen" or "frozen and thawed," and ensuring that no more than 10 percent of all prices will end in "9".

Vice President Darby introduced a monthly special purchase as a member benefit. The first was a smoke alarm at a price barely above wholesale. They went so quickly, that he placed a reorder for $5,000 worth. Information about upcoming special buys was carried in the members' newsletter.

In February, the Board approved a recommendation to switch suppliers, from Mid-Eastern Cooperative, Inc., to P.A.& S. Small. For a number of years, GCS relations with Mid-Eastern had been deteriorating, due mainly to distance and an unfavorable pricing system. GCS also frequently found itself at odds with the management of Mid-Eastern on policy questions. Outages constituted another problem. The switch to P.A.& S. Small resulted in an estimated one percent saving.

SCAN sales were affected by two things in 1977. On a positive note, the Board and Congress leaders agreed on appropriate credit arrangements for SCAN shoppers. There had been a strong push to make the Greenbelt Credit Union the only, or at least the preferred, source of credit purchases, but this was modified to have the credit union one of several options. In the fall, Gowell reported that 33 percent of SCAN shoppers paid for their purchases with credit cards. The other matter was a strike by the dock workers union in Baltimore. After a month, the cutoff in deliveries had cost GCS and SCAN $400,000 in sales. Even so, the SCAN stores turned in total profits of $705,000 in the first 11 months of 1977.

In early 1978, the Denbigh, Virginia, SCAN store was closed, and a new one was opened in nearby Hampton.

While furniture sales sustained GCS, food stores continued to be a drain. For the first 11 months of 1977, supermarket losses were $580,000.

At the start of 1978, CEO Bryant reorganized his executive staff. He made Bob Satake assistant CEO, with Board approval. Satake had worked with Bryant at Berkeley, where he had experience with cooperative service stations and produce departments.

In August and September came further staff reorganization, with deep cuts in personnel and some resultant savings. Vice presidents for finance and administration, food operations, and personnel were terminated with 6 months' pay.

Money—or rather the lack of it due to continuing supermarket losses—colored nearly all considerations at staff meetings and Board sessions. Even the unions recognized the Cooperative's plight. In their 1978 contract negotiations, employees set aside wage increases for three years in an attempt to help the Cooperative reestablish its margins.

The deficit position of GCS in the spring of 1978 was made even worse by a new required accounting procedure, FASB-13, which specified that certain leases had to be capitalized. The effect was to increase GCS's deficit by $328,000. Vice President O'Keefe announced in July that GCS would have to report to the SEC that it had negative working capital.

Director Leonard Lineberry continued to urge that the entire supermarket division be closed out. At a September 18 meeting he pointed to food store losses for the last 7 years and to a loss of $769,448 for the current fiscal year. He also noted that less than 10 percent of food store patrons were members. In a long resolution he asked that management close stores responsible for the losses. The Board tabled the motion, 6-1.

Six weeks later the Peninsula area members presented the Board with a petition bearing 316 signatures requesting a special meeting of the entire membership to decide on closing the Cooperative's remaining food stores. Still smarting from the "hasty" closing of the food stores in Hampton and Newport News in 1976, the Peninsula Area Council felt that continuing to sustain losses in other supermarkets—which made dividend payments and membership share repurchase impossible—was negligent and irresponsible.

Even so, Board and management felt the cost of calling a special membership meeting was unrealistic in the face of the Cooperative's serious financial situation. The member relations staff convinced the petitioners to table the request until the annual membership meeting in June of 1979. Although the motion to close the remaining food stores was substantially defeated at this meeting, the Peninsula area's agitation prompted the Review and Evaluation Committee to begin an inquiry into supermarket losses, estimated at $2 million over 8 years.

Despite the grave losses in the supermarkets during most of 1978, GCS finished the fiscal year in the black by $228,000. The SCAN operations, cutbacks in administrative staff, and an income tax credit for carry-forward of prior years' losses were responsible for the improved showing. Supermarket sales and earnings did improve and the food division showed a profit in the last quarter. Working capital was recorded as a negative $52,000, but book value per $10 share of stock was up to $6.02.

The following year saw some encouraging gains. Sales were up by $2 million, although some of this was due to rising prices. Net income was $410,000. However, $210,000 of that came about from switching back from LIFO (last in, first out) to FIFO (first in, first out) furniture inventory, with permission from the Internal Revenue Service.

On February 1, 1979, Greenbelt Consumer Services, Inc., became Greenbelt Cooperative, Inc. This shift after four decades was made possible by the amendment to Maryland's incorporation law which the Cooperative had been able to win through its friends in the State Assembly. For the first time it was now possible to incorporate a consumer cooperative and legally use the "cooperative" identification which had been restricted to farmer production and marketing organizations. From here on, GCS became GCI.

By mid-year, the start of a transition from a stock corporation to a membership association was made possible by major changes in the certificate of incorporation and the bylaws. A campaign to call in the $10 A shares of stock in exchange for a non-stock voting membership was set in motion. There was no change in the non-voting B shares, and GCI was pleased to report that full equity value had been restored as a result of the improvement in operations.

The July 1979 issue of the CO-OP CONSUMER advised:

"1. Anyone not now a member may purchase a non-stock voting membership in Greenbelt Cooperative, Inc. for $10. Membership will be open and available at all times.

"2. Current members may continue as members by requesting that their Series A share of stock be converted to a non-stock voting membership. By doing this, they will continue to be entitled to vote, hold office, participate in affairs of the Cooperative, and have access to benefits designed for members. However, membership will not earn dividends, nor will it be transferrable.

"3. If a member no longer wishes to continue as a member, no action is needed because at the end of a six-month conversion period (December 3, 1979) the Series A share certificate held will automatically become evidence of ownership of one share of non-voting common stock. If you wish to continue as a member of the Cooperative, we remind you that you must sign and return the Request and Authorization form."

A legal notice also appeared in the paper. By the end of 1979, 9,063 members had converted the A share to the new $10 non-stock voting membership and 1,146 new members had joined. A hopeful indication for the future of GCI was the discovery that nearly half of the new members were in the 30-39 age bracket. The next largest age bracket was ages 20-29.

The Cooperative had gradually begun realizing that it was losing its pioneer generation of leaders at an increasingly rapid rate. In 1979, and into the 1980's, a special effort was made to bring new leaders into the organization. One way this was done was by stepping up membership drives. In 1979, for instance, membership cards were mailed out to all members, and Chairmen of area councils called or wrote to all new members in their areas, welcoming the newcomers and inviting them to area council meetings. The hope was that some of these new members would assume a leadership role in the future.

One of the major legislative efforts of GCI leaders came to fruition in 1979 when Congress passed an enabling act for the Consumer Cooperative Bank, and this new financing entity began setting up house. The Greenbelt Cooperative later borrowed from the new Co-op Bank.

There was one important expansion project in 1979 when GCI's tenth SCAN store opened on July 1 at Lakeforest Mall in Gaithersburg, Maryland.

At the close of a very successful year in operations, Bryant resigned. He explained that when he was hired, he had several goals which he hoped would help turn the Cooperative around. "The financial report for 1979 indicates that the turnaround has taken place and the goals are completed." The Board accept Bryant's resignation with "deep regret."

Bryant's assistant Satake was named president and CEO, a position he maintained until GCI filed for Chapter 11. This was GCI's last change in top management.

CHAPTER 17

With Satake and Mohn (1980-1983)

Fiscal year 1979 was so successful that the Board was able to set aside $50,000 for repurchasing shares of stock from people who wanted to get their original investments returned. A list of applicants for repurchase had been set up, and these shareholders were informed that GCI would buy back shares in request date order.

With past accumulated deficit wiped out, the Board was able to declare an 8 percent dividend on shares still being held — the first dividend since 1971.

Although the food markets and service stations gave no promise of net returns in 1980, furniture sales continued to be profitable enough to carry the total costs of GCI with some left over. The Board began to plan for a future patronage refund. When management bought new electronic cash registers for the Greenbelt supermarket and then other stores for $175,000, there was assurance that the new equipment could compute a patronage return.

However, there were reservations about the generally optimistic picture of operations. At mid-year, it was noted that sales increases lagged behind inflation, so GCI figures on gains were not a valid measurement.

Sales for the year were boosted by a complete renovation of the Greenbelt supermarket in August and the opening of a new one at Severna Park, Maryland, on December 3. Price tag for the Greenbelt remodeling was $485,000. Improvements included a lower ceiling and other features to save on heating, cooling, and lighting costs. The renovations, with suitable reopening publicity, provided a little bulwark against competition from new chain supermarkets in the area.

Severna Park was more worrisome. The area had no co-op membership and there was already supermarket competition nearby. The lease was for 5 years, at $3.10 per square foot for 15,477 square feet. Satake had estimated weekly sales at $100,000; the first week did $85,000.

The Board had talked about operating Severna Park as a "direct charge" store, for members only, with wholesale prices at a fixed weekly fee to cover costs. This concept, popular in Canada, was abandoned. Instead, a marketing strategy identified as "Co-op Cost Plus" was implemented at Severna Park at the end of 1981 when sales and margins did not respond to other merchandising efforts. After details were worked out with the union, this store paid a lower wage and closed for 2 days during a 40-hour week. All frills such as free bags, car loading, and a store hostess were eliminated. Card-carrying Co-op members were charged wholesale cost plus 15 percent for orders less than $20, 12 percent on orders up to $50, and 10 percent on orders over $50. Non-members paid cost plus 15 percent; senior citizens 10 percent. When this proved too complicated, a straight 12.5 percent markup was substituted. "Co-op Cost Plus," however, was not the hoped for panacea, and the store operated at a loss for 2 more years; it closed in 1984.

The early 1980s was a time of intense exploration for innovative ways to serve old members who were unhappy with cutbacks in facilities and services and to attract new members and additional capital. Numerous committees and ad hoc task forces were created, carefully crafted reports were prepared, numerous study retreats were held, trips were taken to see what other cooperatives were doing, and consultants were hired to analyze and advise on potential projects.

The majority of area council and Congress leaders were oriented toward supermarkets, service stations, and pharmacies. Several of the newer, younger members who had come into the Cooperative's leadership through SCAN purchases left. Several gave "the bickering and trivia dealt with at council meetings" as the reason for leaving. One disenchanted couple wrote to Chairman Mohn: "When a council meeting devotes almost an hour in discussing whether an annual area meeting buffet should be vegetarian or serve meat it is wasting our time. We believe that Greenbelt Consumer Services should be run like a business..."

One project that held promise was to use the experience of the Greenbelt Cooperative and its position in the market place, to help "new wave" co-ops and buying clubs get started and reach firm ground. Working alongside people in the anti-poverty program, the Cooperative League and the National Consumer Cooperative Bank, GCI offered wholesale grocery supplies geared to the specific needs of the small buying groups and training in skills required for organizing and operating cooperatives. Some of these new organizations took advantage of the offer, but there was not the response that was hoped for. In talking with some of the young leaders of the new co-ops, one could sense a reticence about accepting GCI as a partner in the cooperative movement. Was there some feeling that GCI was too big, too successful to understand the problems of a real "grass roots" co-op?

One of the biggest and most time-consuming projects of 1980 involved an unsuccessful foray into housing. Somewhat prior to 1980, GCI and Cooperative Services, Inc., of Detroit had explored a joint venture using Government loan money to build a low-cost apartment house for senior citizens in Essex, on the outskirts of Baltimore. When GCI found the venture impractical, the Detroit organization went ahead on their own. When Cooperative Services, Inc., ran out of cash, GCI was asked to buy the $6 million project for an up front investment of $250,000. Some directors and members of the Housing Committee pushed hard for this venture, not only to put GCI into housing for its older members, but also to bail out a sister cooperative. There were too many problems, however, and GCI gave up on the proposal for a second time. The Essex apartment house was offered for sale by the Detroit cooperative to the prospective residents, but then retained when that co-op's finances improved.

In January 1981, Satake named Jim Nelson as vice president and director of operations. His organization chart also called for a vice president for finance and administration, but this position was vacant until the end of 1982.[1] Gowell had retired as vice president for the furniture division, but was brought back for a period as a part-time consultant.

Two new furniture stores were opened in 1981 and two old ones closed. Greenway SCAN, in Prince Georges County, Maryland, opened on July 12, in a highly visible location at the end of the building and was within a few hundred feet of the Capital Beltway (I-95), the Washington-Baltimore Parkway, and the busy road to NASA. Break even point for this store was determined to be $25,000 per week. First week sales totaled $101,000. Rental for the 13,000 square foot facility had been projected at $113,000 for the first year.

The second store opened on October 17, with 12,000 square feet of space on three levels in the heart of fashionable Georgetown. This new SCAN had neighbors such as Garfinkels and Abercrombie & Fitch, in a Victorian setting with fountains and gardens. Rental at this location was $18.50 per square foot (compared, for instance, to $7.34 at the Pikesville SCAN on the western outskirts of Baltimore). Opening week sales came to $106,000 and then settled down at around an $80,000 average.

SCAN stores in Takoma Park and Canal Square in Georgetown closed. Closeout sales brought in much needed cash. Several special events also boosted sales and income, including a warehouse sale which disposed of slow-moving inventory pieces.

Management reported that by the time the two new SCAN stores opened, the furniture division was exceeding sales and profit forecasts by about 11 percent. About 25 percent of furniture sales were cash and carry.

It had been obvious that a profitable operation like SCAN would attract

[1] The position had been eliminated during budget cuts in late 1978.

and build up to 60 groups of 20 families at each of several depots.

The idea made sense. It went back to the old buying club concept but it was much more sophisticated. Each month a printout of groceries and prices was made available to the group. Its leader then called a meeting where members went over the list and filled out order sheets. Individual orders were then adjusted so that the total order would be in case or carton amounts. The combined order was sent to the GCI offices, and on a designated date, delivery was made to a depot where the purchasers came to pick up their groceries. They all helped with the unloading and sorting, and the leader totaled each order on a calculator and collected payment. The total collected was then sent to the GCI office. An advance deposit provided security against failure to pick up orders.

POPS prices carried a 6 percent markup in the beginning, but it was soon obvious that this didn't cover costs. The markup was increased to 7.5 percent plus a 2 percent delivery charge. Satake assigned supervision of POPS to John Gauci, vice president of membership. Satake clearly regarded the project as a membership benefit rather than a business operation within the supermarket and petroleum division. By year's end it was obvious that part-time supervision of this operation, on top of Gauci's schedule of other assignments, was not working, but growth of the service was so much slower than predicted that a full-time supervisor could not be justified. Gauci proposed three options for the Board, none of which could cover the costs of the service.

By January 1983 POPS was serving 1,000 families, but at this current stage costs for administration and distribution amounted to $100 per family. A loss of $29,000 by the close of the year was forecast. In a determined effort to make the experiment work, a full-time manager was hired and a depot was rented. For the families using POPS there was an 18 percent savings compared to shopping at Giant, but only a 3-5 percent saving against prices at the Bonus stores. The POPS manager left in less than a year. The enterprise limped along until 1984 when the Greenbelt Cooperative got out of the food business completely.

Despite the anxieties about operations and the financial condition of GCI during the year, final figures as of January, 1983 showed $52,381,000 in sales with net earnings of $589,000. This was enough for a 4 percent dividend on outstanding shares of stock and a patronage return of 1.5 percent.

The 1983 budget was ambitious. For the first time, a $1 million goal was set for net income. Possible SCAN expansion into either Chicago or Philadelphia was discussed, with the latter city preferred. SCAN franchising was also discussed, but this involved recognized dangers.

After agreeing on a budget, the next step was to establish priorities. These included:

1. Capital structure.
2. Expansion of SCAN.
3. Food distribution alternatives.
4. A fourth earnings center (business).
5. Leadership identification and development.
6. Governance structure for the Cooperative's future.
7. Membership survey.
8. Other continuing programs (service stations, POPS, member benefits, member education, tri-partite committees including employees).

Several things happened to SCAN in 1983, some more encouraging than others. The encouraging things first. Reporting in February, Satake called the SCAN store in Loehmann's Plaza, Falls Church "an absolute gold mine and a main factor in the furniture division's profitability." The October issue of the membership newsletter carried a double-page spread on SCAN as "a 23 year old co-op success story." It reported that prices and merchandising policies were written from the customer's instead of the seller's point of view. The feature listed 15 practices that characterized SCAN. Long-time members saw this as a return to the Cooperative's early SCAN image.

The direction that SCAN should go was not entirely clear to the Board. At mid-year, Board and management struggled with a choice between maximizing profits by easing the gross margin up to 44 percent and introducing some lower priced furniture as a mix with SCAN's traditional lines, or emphasizing the earlier image of high quality and lower margins.

GCI was at this time managing two SCAN stores in Chicago owned by the Hyde Park Cooperative; the stores were losing money and the Chicago Board indicated a willingness to sell them. Rather than have the SCAN outpost go to some outside business, and because GCI had a good feel for the business after having managed it for some time, the Board decided by a split vote in September to buy the operation for $258,000, and incorporate it as a wholly owned subsidiary. The forecast for the Chicago operation was a loss of $145,000 in the first year, but a net profit of $50,000 in the second year. These hopes turned into a disappointment.

In Washington, meanwhile, the landlord of the Van Ness building wanted SCAN out so he could remodel for professional rather than commercial tenants. He offered $90,000 to buy back the remainder of the GCI lease, and the Board agreed, closing the store there in September 1983.

The bad news for the furniture division was more competition. A firm based in Boston, Scandinavian Design, was planning to open four or more furniture stores in the Washington area in an attempt to pick off some of SCAN's market. Satake told the Board that at best the new competition would force GCI to operate more efficiently, but at worst it could put SCAN into a loss position which would be ruinous for the Cooperative. GCI had already seen the effects competition could wreak in the supermarket division.

SCAN's warehousing space had once again gotten too small to serve the expanding organization, and temporary overflow space was being rented. A study of the warehouse operations and ways to improve efficiency carried a price tag was $32,000, and implementing the recommended changes cost $93,000.

Additionally, a contentious SCAN employee/management relations dispute, which resulted in a lawsuit and counter suit, took up much of the Board's time in 1983, without ever really resolving anything.

The Board had several studies underway throughout the year. A $12,250 membership survey turned up some interesting information. A questionnaire was mailed to every 26th family on the membership list in order to yield a profile of the Cooperative's members and show the extent to which they were using GCI facilities and member benefit programs. A total of 2,100 questionnaires were sent. There was a surprising 79 percent return, due largely to follow up by the member education department and Congress volunteers.

Here are some of the findings:

Sex and marital status- 55 percent women and 45 percent men. 67 percent married vs. 51 percent married in the general population.

Race- 88 percent white, 5 percent black, 7 percent other. (This was way out of line with area racial figures.)

Education- 70 percent of the Co-op members had college education vs. 33 percent in the general population.

Income- 80 percent of members had income over $25,000, while 56 percent of the general population had this level of income.

When asked why the member had joined the Cooperative, most newer members replied "a store employee asked me and it was only $1." Older members said they joined for patronage refunds or member benefits. Very few mentioned the idealistic reasons that had motivated most of the pioneer leaders of the original Greenbelt Co-op.

Sixty-six percent of those surveyed had made a purchase from SCAN, 28 percent within the previous year. Forty-five percent said they shopped the Co-op supermarkets occasionally, 17 percent regularly. Many more replied that they had shopped the supermarkets in the past before they closed. Co-op service stations were patronized by 18 percent of respondents. Lack of a station close to home or work was the main reason for not using one.

Only 15 percent had voted in a GCI election, and a mere 3 percent had ever attended a meeting. The GREENBELT COOPERATOR was read by 76 percent of the members; most popular articles were features on travel and food; least popular were articles on GCI operations, financial reports, and the calendar of events. Only 38 percent had ever taken advantage of a promotion or sale as a result of seeing an advertisement in the newsletter. Of member benefits, only 8 percent used the travel program, and 85 percent had never used any member benefit. **Very sobering findings!**

Another study authorized by the Board was a management survey by Peat, Marwick, Mitchell & Company. The price tag on this report was $90,000. In essence it recommended that GCI close down its loss operations. This was advice that had been heard before. Board members, expecting more options to have been explored in the survey, were understandably unhappy with this rather grim picture.

Finally, on December 17, 1983, the Board made a monumental decision: the Cooperative would divest itself of its remaining food stores and service station operations.

CHAPTER 18

Finishing 50 Years (1984-1989)

The decision to take GCI out of the food and service station operations marked the end of an era. It was a traumatic action for the Board and devastating for many members. Looking back, it can be seen as the inevitable end to a trend in decreasing member participation and increasing management problems going back a dozen years.

The vote on December 17, 1983 was unanimous, taken after an agonized and unsuccessful search for alternatives. The Board determined that the announcement would be made January 3, but with no implementation of the closures before March 31. It was further ordered that, where possible, the facilities should be sold to other cooperatives or to community, member, or employee groups.

Reaction to the announced divestiture came quickly and in some cases it was bitter. Protests came mainly from members who lived in the vicinity of the remaining food stores. In Greenbelt, a petition with more than 1,000 signatures asked the Board to reverse its decision or at least postpone closing for 6 months. A "Save Our Stores" group sprang up to try and delay the closing, or to form a local cooperative to buy it. Jim Cassells was chairman of this group. The Greenbelt City Council, the board of Greenbelt Homes, Inc., and the Greenbelt Area Council of GCI, headed by John Webb, all took an active interest in finding an alternative to losing the anchor business and only supermarket in the community's shopping center.

There were some members who felt like Albert K. Herling, former GCS director, that "Little if any consideration was given to the role of the Co-op in the social and economic fabric of the community....We are all made to feel like pieces on a chess board to be moved around, discarded or surrendered at someone else's decision — a far cry from our cooperative democracy concept.... We thought we had our own enterprise — and now it is suggested that we may be able to buy back what we believed we already owned...."

Others, especially members in the Peninsula area of Virginia who had lost their food stores several years earlier, believed that the sales would increase the possibilities for repurchasing shares of stock by improving cash flow.

Four main groups sprang up to negotiate for the facilities to be divested. One of these incorporated in Maryland as Consumer Services Cooperative. They sought to buy the four service stations that would be spun off, but they could not raise enough cash for the asking price. This group reopened the Falls Church service station 2 weeks after GCI gave it up on expiration of the lease. The single station was not viable just on its own, and the group gave it up after about 6 months.

Disposal of the Kensington store was the most difficult part of the divestiture. Members of the Wheaton Area Council formed a New Consumer Co-op. In bidding for the store they found themselves in competition with three grocery firms. And all four bidders found themselves at odds with the landlord who preferred to have a drug store as a replacement on the lease. Extensions of time were given to the co-op group but it was not able to come within 10 percent of the top bid, which was the requirement set by Satake with approval of the Board. Wheaton members who had organized this new co-op were left bitter at not getting the store.

Former GCS Director Wilbur Wright led the Westminster Area Council in a successful drive to sign up members and raise enough capital to purchase that store — including assumption of the lease. Agreement with GCI was reached on March 30, and once again cooperators in this Howard County community were on their own. By June they had 2,500 members and $80,000. Most of the cash was in transfers of member equity from GCI. The owner of the shopping center bought the service station. Many members switched to a nearby station operated by Southern States Cooperative.

The Greenbelt Consumer Cooperative, Inc., formed to purchase the supermarket and pharmacy in the city where it all started. Members of this new organization raised $80,000 by June and closed a deal with GCI. The arrangement provided that the new cooperative would lease the building from GCI, pay $250,000 for store improvements and equipment, and another $250,000 for inventory. The required cash came mostly from three loans: 80 percent jointly from the National Consumer Cooperative Bank and Consumers United Insurance Company and 10 percent from an equity loan from the National Consumer Cooperative Development Corporation. The remaining 10 percent came from members. Most of the 4,500 GCI members in Greenbelt switched membership and equity to the new cooperative. In an interesting return to early cooperative principles, the bylaws of Greenbelt Consumer Cooperative, Inc., specify that the cooperative cannot expand outside the city limits of Greenbelt.

The last months for the supermarkets and service stations were painful for GCI. The personnel department arranged for terminal leave, severance pay, closeout of employee records, and in cooperation with the union found new positions for the men and women whose jobs were disappearing. At the stores and stations, operations worsened each day as key employees left for replacement jobs and inventory was purposely depleted. Not all the depletion was intentional. "Leakage" (stealing of merchandise and failure to ring up sales for friends) cut into gross margins toward the end.

Costs for closing the stores and stations was estimated at about $240,000, but receipts from the sale of the facilities totaled $566,000 included $200,000 for the Greenbelt service station in October, the $250,000 for Kensington, and $116,000 for the other units. Management and the Board figured there was enough net gain to put $150,000 into repurchase of stock from members and former members on the waiting list.

It was probably not too surprising that following the notice of the divestiture, there were nine candidates for the three Board positions in the 1984 elections. Two relatively new faces won places as directors. An examination of the minutes of Board meetings indicate that these new directors shook things up a bit for a short time.

Early in the year Satake presented the Board with three alternative plans for management's long-range organizational structure. He echoed a concern the Board had often voiced, about assurance that the CEO could be replaced in event of an emergency. He expressed confidence that there would be in place shortly a management team that would be "a good, cohesive unit working together...a group that could continue to run the organization." He proposed to bring in a highly qualified marketing specialist within the following 2 years, and he affirmed that a good furniture division manager would emerge from within the current staff. Nearly an entire Board meeting was occupied with exploration of an optimum organization and staffing pattern.

Improvements in inventory control, deliveries, and billings took effect as new data processing equipment and software came into use. The Board had approved a Univac 9030 system with a price tag of $438,154 for the complete installation.

An additional 25,424 square feet of warehouse space adjacent to the one already "bursting at the seams" was leased at $18,000 for the last third of the year. This had not been in the annual budget. Another cost increase outside the budget was about $106,000 annually in wage increases coming out of negotiations with the union. Legal fees (which had mounted to $270,000 in 1983) and payments for consultants and special reports continued to increase expenses as well.

High interest rates on GCI borrowings added difficulties in attaining net margins. A financial report in the spring showed a zero cash balance. Management had borrowed $500,000 at 11 percent to finance inventory purchases and was using a long-term loan amounting to $1,850,000 at 12.5 percent interest from the National Consumer Cooperative Bank. A short-term loan of from $300,000 to $500,000 was anticipated.

Satake informed the Board early in 1984 that using the currency futures market was expected to yield enough gain to offset operational losses. Later in the year when the matter of currency exchange rates was again discussed, Mohn observed that SCAN should be either losing or making net earnings based upon business performance and not upon vagaries of the money market.

Another SCAN was opened in February 1984 in the Galleria shopping center in Towson, Maryland. This location just north of Baltimore was selected after a lengthy market survey. Satake's presentation to the Board emphasized that this new shopping center had easy access to I-695 (Baltimore Beltway) and was in an area of young, upscale families. With more than 15,000 square feet of floor space, this 13th SCAN was the largest one yet. The capital budget provided $263,159 with a 10 percent contingency. At the pre-opening, the Danish ambassador was the guest of honor.

The two Chicago SCAN came up for frequent discussion. They were operated as a profit corporation with a Delaware charter, but it was not until October 1984 that the mechanics of the relationship were settled. In discussions with management, the Board resolved that 80 percent of any profits would be plowed back into the Chicago operation and that 20 percent would go to GCI. The CEO proposed that two of the three directors on the Chicago board would be from management and one from the GCI Board, with the CEO controlling the stock. The Board reversed this, so that control remained within the GCI Board.

After such a traumatic year, the financial report had some bright spots. Sales for continuing operations (SCAN, that is), had climbed to $39,442,000 for 1984. Net income at a healthy $618,000 allowed for a 1.6 percent patronage refund, but there was no dividend. The Board gave the repurchase of shares of stock more priority than a dividend and authorized $250,000 toward reducing the backlog of requests. With $2,066,000 in shares outstanding, requests for redemption stood at $634,000. The book value of each share was up to an all-time record of $16.83, but that was no comfort to those waiting stockholders who could not even recover the $10 par value.

Computer data showed that more than 50 percent of sales were to members, a compliance goal for the Cooperative's loan from the National Consumer Cooperative Bank and for making patronage refunds within IRS rulings.

All through these years, directors worried about the amount of debt the Cooperative carried; the question of total indebtedness and debt-to-equity ratio received much discussion.

The vice president for finance explored with the directors the more exotic internal hurdle rate. He explained that this is determined by taking the profit before interest and after taxes and dividing that by the amount of capitalization. He recommended an internal threshold hurdle rate of 19.1 percent to be used as a benchmark against which investments should be measured. It would also be used as a measure for deciding on new investments and opportunities.

In March of 1985 a new SCAN was opened in Herndon, Virginia. Satake described the store as "the beginning of an aggressive growth plan in the Baltimore-Washington area. Not only are the areas around our existing and potential sites exploding with new development, but we have an opportunity to capture new customers daily because of the transience of the area." The new store boasted 16,000 square feet of floor space with 50 room settings.

There was a change of leadership in 1985. Donald K. Hanes replaced Paul O. Mohn as chairman of the Board. Mohn had served as chairman 11 years, longer than anyone else in the Cooperative's 50 years.

The Board's budget for 1985 was set at $90,000, with some allowances for additional items. Approximately one third of this represented payments to CLUSA, other cooperatives, and consumer groups. The Board voted to drop membership in four of these, but during the year requests came in for $2,000 annually to train leaders in new co-ops, $1,000 for a testimonial dinner, $5,000 toward a reception to help pass a model consumer cooperative bill at Annapolis, and representation at several $100-a-plate dinners. "All good causes," one director observed. Travel by directors and members of the Congress and committees was criticized by several directors from time to time, but the number and cost of trips continued. The entire Board went to Denmark to familiarize the directors with the manufacture of SCAN's furniture and the people who were making it. On the other hand, compensation for a director had not been increased for several years, so there was some feeling that there was a monetary penalty for serving on the Board.

There must have been a ferment in the air, because in the latter part of 1985, GCI went through months of special task force studies, a complete rewrite of the bylaws, and critical structural changes.

Following 6 months of exploration and drafting by the Bylaws Committee, considerable Board discussion and an open hearing, Chairman of the Board Hanes appointed a Bylaws Finalization Committee chaired by Vice Chairman of the Board Carolyn Hillier. This committee labored through the first half of 1986 and finished its job with a stack of drafts, memoranda, and meeting records 6 inches thick.

The final draft was recommended by the Board for a special membership meeting on January 5, 1987. The vote (proxies counted and announced at the meeting attended by 34 members of the Congress) was 10,357 in favor and 1,278 against. While several of those opposed to the changes angrily charged that the entire re-write process was a railroading action to take the Cooperative away from the members, it is probably closer to the truth to say that an unfortunately miniscule portion of the membership paid any attention to what was happening.

Here are some of the changes brought about by the new bylaws:

• Three levels of association with GCI. (1) Pre-member, designated as a "subscriber", pays $1 and fills in an application form; is entitled to the newsletter for 1 year, participation in any patronage refund, use of member services; may not vote or hold office; will be dropped if has not become a voting member in 3 years. (2) Voting member must have built an equity account of at least $25; is entitled to vote, hold office, participate in all member benefits; will be dropped if no participation of any kind in 3-year period. (3) Fair-share member must have built an equity account of at least $100; is entitled to all member benefits for life and will receive 100 percent of any patronage refund in cash plus participation in special programs to be developed.

The need for some mechanism to relate membership to financial support through the building of equity as a demonstration of meaningful share of ownership was evident in a tabulation of how much each of the Cooperative's leaders had invested. Of nine directors, three had member ownership accounts of at least $100, qualifying them as "fair share" members. Five had between $25 and $99, and one had less than $10. Of 119 delegates and alternates in the Congress, 65 had less than the $25 required for full membership. Sixteen qualified as "fair share" members.

• Delegate Assembly will replace Congress and "shall represent and act on behalf of the membership...and shall elect the Board of Directors."

• The present area councils will be replaced by larger districts; number and boundaries would be proposed from time to time by the Delegate Assembly and approved by the Board of Directors. Districts were created for Western Maryland, Central Maryland, Southern Maryland, Federal (D.C.), Northern Virginia, and Southern Virginia.

• "Members in each District shall each year elect Delegates and Alternates who will comprise the District Council and who will represent the District Membership in the Delegate Assembly. Each District shall be entitled to have a number of Delegates in proportion of its membership to the total membership from all Districts, except that each District is entitled to a minimum of three Delegates."

• "To be a functioning representative body, a District Council must have a total of at least eight members...." and meet "at least quarterly".

• Bylaws amendments or new bylaws required "a two-thirds vote of those present and voting provided two-thirds of the Delegates are present" at the Assembly meeting. Excepted were certain Articles reserved for amendment only by "an affirmative vote of the Directors."

Note that members of GCI no longer voted for directors or on changes in the bylaws. Other changes provided for indemnification of directors, officers, employees, and agents of GCI. A Compensation Committee was specified to determine what payment should be made for directors and officers of the Board and Delegate Assembly.

Sales were down in 1986, and operations showed a net loss of $441,000. Satake explained the setback as the result of "a weakened economy prompting consumer reluctance to purchase large items such as furniture which prompted higher advertising costs." There was no patronage refund, no dividend on outstanding shares of stock, and no cash for further repurchase of shares from members anxious to unload at $10 par value shares that had a book value of $20.94 the previous year.

GCI was financially overextended, and a new SCAN just outside of Annapolis which had opened in December 1986 at a cost of $350,000, didn't help matters. As 1987 unfolded, GCI was in the midst of reorganizing its structure to fit the new bylaws, the U.S. dollar exchange rate was unfavorable and worsening, competition in the furniture business loomed as as a very real threat, and management was trying to trim expenses.

In this bleak financial climate, GCI ran into labor problems in May, when the existing contract with unionized SCAN employees ran out. The day after their contract expired, Local 400 of the United Food and Commercial Workers Union were picketing the SCAN stores, warehouse, and office building.

The strike lasted more than 7 months. Because Greenbelt Cooperative was so well known, the labor dispute hit the headlines in the Washington and Baltimore newspapers and even the WALL STREET JOURNAL. Labor and cooperative periodicals also followed the story as it developed.

A letter from Local 400's President Thomas R. McNutt set forth the Union's position just before the strike:

"Over the years Local 400 and the Cooperative, for the most part, have conducted contract negotiations with an eye toward fairness and stability. When the Cooperative Grocery Stores encountered economic difficulties, Local 400, at the request of the Cooperative, negotiated several concessionary labor agreements in an attempt to address those problems. Recently the membership of the Local, at the request of [GCI] management, voluntarily approved a four 10-hour day scheduling system at SCAN warehouse in an effort to reduce the Cooperative's costs, even though in some instances this resulted in a loss of income to some union members.

"While the Local and its members have continued this relationship, the Cooperative has resorted to using union-busting tactics. Recent developments in contract negotiations include...a 2-year wage freeze, underfunding essential benefits...reductions in seniority rights...elimination of daily overtime provisions and other union-busting proposals.

"The current atmosphere can only result in...a work stoppage....Any effort you might take to return normalcy to the relationship between the parties would be greatly appreciated."

In a letter to GCI leaders, Board Chairman Hanes outlined some of management's views on the strike situation:

"Sales Commission. SCAN has operated on a flat hourly rate, which ranges from $9.00 to $10.58 per hour for full-time, and $6.00 to $10.58 per hour for part-time, plus a 3 percent commission pool...shared equally in proportion to the number of hours worked by each salesperson." This caused "loss of high volume salespeople as they do not see a direct relationship between reward and performance [and] feel their own performance must carry low sales performers." Also "difficulty in staffing the stores with the senior and most experienced salespersons during peak business hours and on Sundays as their compensation is based on the number of hours worked rather than on their sales volume. Therefore, we have the most experienced salespersons working when business is lowest and the least experienced working when business is at the highest."

Satake proposed scrapping the pooled commissions and paying individual commissions on each sale made. "Under our proposal, a full-time salesperson working 40 hours, without any overtime, and selling an average of $9,600 per week, which is conservative, will earn $32,656 per year. With higher sales or overtime the average will be approximately $35,000, which is what it is currently. We are not proposing to pay less."

The health and welfare issue was complicated. "Management and employees not covered by the collective bargaining agreement pay 30 percent of the [medical insurance] premium and GCI pays the balance or 70 percent. Employees who are covered under the collective bargaining agreement participate in one of four different [union] plans....the Cooperative pays 100 percent of the premium...even though a number of employees are fully covered under their spouse's or parent's insurance. Under the [new plan] proposed by the Union, the cost to the Cooperative would increase from $162,821 in 1986 to $351,585 in 1989, a 115 percent increase or $1.67 per hour per employee....we were told that [this] was a non-negotiable issue."

Daily overtime was an issue in the warehouse operations. The Hanes memo said that a number of employees were working 4 days with overtime and then not showing up for the rest of the week. The CEO proposed that overtime be paid on a 40-hour weekly basis instead of on each individual day.

GCI management hired personnel to replace the strikers and even brought in people from Denmark to train the new workers how to assemble the furniture. The union responded by picketing the Danish Embassy in Washington, as well as the entrance to the building on 14th Street where the GCI Board held a meeting in the offices of the National Cooperative Business Association. Pickets also appeared at the Chicago SCAN stores where union employees already had signed a contract with that GCI subsidiary.

The controversy took a turn for the worse at GCI's annual meeting in June when hundreds of union members showed up to voice their complaints. No one challenged their right to attend the meeting, as all those within the room had presumedly paid their $1 membership fee; and many supported their cause. The problem arose from the continuous chanting by the union members which prevented the meeting from getting under way. Police were called and three of the union group were arrested for disturbing the peace. Following this brouhaha, the union filed suit for $5 million for false arrest against Satake, the GCI Board of Directors, the acting county police chief, two arresting officers, and the county solicitor.

The strike and suit were finally settled, with both Satake and Local 400 claiming victory; the terms were close to what GCI management had offered at the end of April 1987. Unfortunately, while all this had been going on, the more pressing problems of running the Cooperative were given short-shrift.

Following the strike settlement, Satake contracted the consulting firm of Morris Anderson and Associates to implement a recovery plan. The immediate priority was to obtain loan funds to alleviate the need for operating cash and pressure from creditors. The fee was estimated at between $35,000 and $50,000 plus 2 percent of loan funds obtained, less any payment of the base amount already paid.

A month later, Morris Anderson's Michael Starshak presented a plan for cash flow enhancement involving deferral of debt repayment to vendors and the National Consumer Cooperative Bank, plus selling off inventory. Directors were not all convinced that the proposals would work, but agreed there was little choice.

At the February 1988 meeting the Board directed Satake to close the Chicago warehouse when its lease expired at end of March and to sell the two Chicago SCAN stores as soon as possible. There seemed little hope of lifting operations in that city out of the red.

In March the Board unanimously agreed to establish a credit agreement with J. E. Ekornes A/S (a Norwegian corporation) and give a promissory note to Ekornes, as a means to avoid litigation with the Cooperative's foreign trade creditors. The note was in the amount of $810,049, at 10 percent interest. The Board also authorized termination of the foreign exchange line of credit with the First National Bank of Maryland in the aggregate amount of $6,500,000.

At the April 23 meeting, the Board acknowledged that fiscal year 1987 expenditures exceeded earnings and that there would be no dividends paid nor patronage refunds for that year's operations.

The Board gave a green light to three member benefit programs at this same April meeting: dental care, vision services, and home repairs through the American Homeservices Association.

Jeff Almen was elected Chairman of the Board at a very low key annual meeting in June. Soon afterwards, the reorganized Board had to grapple with the disintegrating financial situation. Inventories were low, insufficient cash was on hand for current operations, and creditors were pressing for payment. From mid-June to mid-October, the Board faced a crisis scenario that worsened week by week.

The Board authorized Satake and D. Harris, of Morris Anderson and Associates, to examine possible courses of action and report back as quickly as possible. A priority move was an attempt to extend the termination date set by the First National Bank of Maryland on its loan to GCI and to transfer maximum funds available to that Bank. On June 15, the Board unanimously voted to have Satake prepare a petition for Chapter 11 protection. He and Harris were also directed to explore other options: maintain the cooperative on a scaled-down version; trade a controlling share of equity for debt; equity infusion from Danish trade creditors; sell the business outright; or liquidate the company.

On July 8, after getting a 45-day extension on the First National Bank of Maryland loan, the Board engaged Robert Riesner to advise on "analysis of GCI's debt and capitalization restructuring." Riesner's firms known collectively as PBR were well known to the First National Bank of Maryland and had done work for it.

Liquidation of SCAN Chicago assets was ratified. The Cooperative Bank agreed to defer principal repayments under its loans for a period of 1 year, which provided some cash flow relief.

There seemed to be recognition that the end was near. Robert Satake resigned on July 29; John Gauci, vice president for membership, resigned on August 9.

The following weeks were occupied with the search for a replacement CEO, finding legal counsel for entering the Chapter 11 reorganization case, working out acceptable arrangements with creditors, fulfilling legal obligations, and keeping the SCAN operations together. Some furniture imports were continued on a tightly controlled basis from foreign vendors participating under Danish government guarantee programs.

At its August 27 meeting, the Board authorized continued retention of Morris Anderson and Associates as consultants, with Michael Starshak as temporary CEO, at $1,368 per diem. It also authorized closing six SCAN stores and the warehouse "with intention of paying $1.6 million over a period of 16 weeks to reduce the first secured debt and preserve the remaining value of the assets of the ongoing business of the company for the benefit of those other creditors, members and stockholders." It also authorized a filing for Chapter 11 bankruptcy protection.

On September 2, Kevin McGuinness was appointed president and CEO "until the transaction with master lien participants is consummated." One of his first actions was to fax to Holger Overgaard in Denmark an update on the condition of SCAN: "Now it is an organization in crisis." While stressing the need for immediate cash, the message gave recognition to the preferability of continuing to operate the profitable stores rather than closing them to raise cash.

The Chapter 11 bankruptcy filing was a process that would take weeks to prepare. Lawrence D. Coppel, of the firm of Gordon, Feinblatt, Rothman, Hoffberger and Hollander, served as legal counsel for the Chapter 11 proceedings. Daniel Nachtigal, of Sonnenschein, Carlin, Nath, and Rosenthal, continued as counsel for GCI. The Chapter 11 case commenced on November 4, 1988.

Operating figures for fiscal year 1988 arrived in August 1989. Assets had dropped from \$12,135,000 to \$6,568,000, while liabilities went from \$12,128,000 to \$11,350,000, leaving an equity deficit of \$4,782,000 at the end of the year. Net sales were \$31,442,000 for 1988 compared with \$34,510,000 in 1987, with gross margin at \$8,199,000 compared with \$10,370,000. Net loss for 1988 was \$4,744,000, slightly above the previous year, and the accumulated deficit as of January 28, 1989 stood at \$7,672,000.

With a limit of \$25,000 placed on membership activities it was not possible to send any communication to the approximately 125,000 members. The Delegate Assembly, however, continued to meet, and the Board did its best to keep the delegates informed about what was happening to GCI and the remaining eight SCAN stores.

In February, the Board contracted with the National Cooperative Business Association to keep the membership and stock records, send out notices for the Delegate Assembly, and handle what was left of the member benefits programs. John Gauci, who was now on the staff of the National Cooperative Business Association, picked up coordination and clearing house responsibilities at NCBA for the Cooperative.

How to handle the annual meeting and elections was an unusual problem. The bylaws required that these be held, but no money was available for the postage and notices. GCI Attorney Nachtigal advised that "there is some support for not allowing shareholders to elect new directors when the company is clearly insolvent....Thus, if the Board wishes to postpone the election, there is a legal basis for doing so....Don't say you are suspending the elections; say they will be held as soon as possible." Both CEO Riesner and Lawrence D. Coppel, attorney for the SCAN bankruptcy case, cautioned that a change of directors at this stage in the Chapter 11 proceedings could have a negative effect on the attitude of the Credit Committee which had to approve the settlement plan. The Board, therefore, filled the two vacancies and simply let the annual meeting and election slide. Since there was really no alternative, this action won the approval of the Delegate Assembly.

By April, the directors were able to get some feel for the identity of the creditors and their objectives and the kind of settlement plan that might emerge from the negotiations. Quoting from the minutes of April 4: "In the Danish groups there are both secured and unsecured creditors, with differing concerns and objectives. Many of the domestic creditors accept bankruptcy proceedings as a normal part of doing business and would prefer to settle for as much cash as possible as soon as possible. Danish creditors aim to be fully repaid even if that requires a long period of years, and some are willing to trade debt for equity. Riesner is trying to create a buffer between the several groups of creditors, in realization that there has to be a consensual plan in the end. The plan submitted must be an intelligent one and have feasibility for the court and debtors to agree....GCI's membership is at the bottom of the heap."

Chairman Almen emphasized that the Board must agree on a settlement decision which would fulfill its fiduciary responsibility.

The Equitable Bank in Baltimore agreed to a line of credit up to $1,250,000 at prime rate plus 2.5 percent, provided its repayment was top priority, and this was acceptable to the other creditors.

However, the bank required that SCAN, Inc., as a subsidiary of GCI must have a set of bylaws. Riesner and Coppel brought in a draft which the Board accepted after some debate. Adoption of these bylaws was a formality inasmuch as SCAN, Inc., would go out of existence in a few months.

The first hard information the directors received about the identity of creditors, the amount owed to each, and what settlement terms might be expected was brought before the Board on April 17. The total owed was more than $10 million, mostly to the Danish Export Credit Council and foreign suppliers. The preliminary settlement plan proposed a spinoff of the entire SCAN operation to NEWCO, a new corporation with a board of seven directors giving control to the Danes but with GCI having representation and a minority interest. Other creditors would have to settle for a small percentage of what was owed them.

It was recognized that there was no possibility of any repayment to stockholders or members of Greenbelt Cooperative, as there was a negative equity of millions of dollars. But the Board had Nachtigal work out a proposal which would permit equity holders to write off their losses as income tax deduction and accept a $5 membership and equity in GCI. This was adopted by unanimous vote in a meeting on August 31, but there was no way to inform stockholders and members.

The final draft of the Plan for Reorganization, accepted by all the creditors, enabled the remaining eight SCAN stores, inventory and all remaining assets to be assumed by SCAN International, Inc. with the Danish Export Credit Council and major Scandinavian creditors in control. GCI was allowed two seats on the board, given a 28 percent share in the business, a small operating budget, and a partial buy-back provision after 10 years if certain obligations would be met.

On October 2 the U.S. bankruptcy court's judge approved the proposed Plan of Reorganization, and the Plan was sent to all creditors for acceptance or rejection. It was accepted; and on December 1, 1989, the bankruptcy court hearing in Baltimore activated the Plan.

In 1991 the Board of Greenbelt Cooperative, Inc., dissolved the corporation and relinquished its charter.

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ACKNOWLEDGEMENT

Tugwell Room, Greenbelt Library, Crescent Road, Greenbelt, Maryland 20770.

THE GREENBELT COOPERATOR (now NEWS-REVIEW), Greenbelt, Maryland 20770. Published weekly by the Greenbelt Cooperative Publishing Association, Inc., for more than 50 years without missing an issue.

List of Directors on GCS/GCI Board of Directors

Directors	Elected or Appointed	From	To
Howard C. Custer	E	1-2-40	10-9-41
Sherrod East	E	1-2-40	5-21-40
Carnie Harper	E	1-3-40	8-6-41
	E	8-23-44	3-7-51
Joseph Loftus	E	1-2-40	8-7-40
Bertha Maryn	E	1-2-40	8-7-40
	A	8-3-45	6-14-46
Joe W. Still	E	1-2-40	10-9-40
Earl J. Swailes	E	1-2-40	8-7-40
Walter R. Volckhausen	E	1-2-40	8-12-40
	E	12-24-43	11-8-46
Fred L. Wilde	E	1-2-40	2-5-41
Donald H. Wagstaff	A	5-21-40	2-5-41
Lindsey Thomas	E	8-7-40	2-5-41
Denzil Wood	E	8-7-40	8-5-42
George Treiman	E	8-7-40	8-6-41
Milton Thurber	A	11-20-40	2-5-41
Charles Fitch	E	2-5-41	8-12-41
Ella Roller	E	2-5-41	2-4-42
Lloyd MacEwen	E	2-5-41	2-4-42
G. Edward Timmons	A	2-27-41	8-6-41
Clifford A. Moyer	E	8-6-41	6-3-43
Charles W. Adams	E	8-6-41	10-9-41
Francis J. Lastner	E	8-6-41	11-24-43
	E	2-27-46	9-23-49
W. Earl Thomas	A	8-12-41	2-4-42
Tessim Zorach	A	8-12-41	

Directors	Elected or Appointed	From	To
	E	2-4-41	12-3-42
Harry B. Hyman	A	10-9-41	8-5-42
Lincoln H. Clark	A	10-9-41	
	E	2-4-42	2-3-43
Fred A. DeJaeger	E	2-4-42	2-3-43
Carl W. Hintz	E	2-4-42	2-16-44
Mary M. Dodson	E	2-4-42	2-16-44
Paul Dunbard	E	8-5-42	8-23-44
Dayton W. Hull	E	8-5-42	11-24-43
	E	2-28-45	1-9-48
Paul Barnhart	A	12-4-42	
	E	2-3-43	2-16-44
John Dombeck	E	2-3-43	2-16-44
Benjamin Goldfadden	A	6-10-43	11-24-43
Donald H. Cooper	E	11-24-43	9-26-45
	E	6-3-58	5-17-68
George M. Eshbaugh	E	11-24-43	9-27-46
Allen A. Bryan	E	2-16-48	2-28-45
James A. Flynn	E	2-16-45	2-28-45
Clarke M. George	E	2-16-44	9-30-44
Yates F. Smith	E	2-16-44	2-28-45
Allen D. Morrison	A	10-13-44	
	E	2-28-45	2-27-46
Herman Ramrus	E	2-28-45	9-13-46
Maj. Adelbert C. Long	E	2-28-45	7-17-45
Edward C. Kaign	E	2-28-45	2-27-46
Thomas B. Ritchie	E	2-28-45	6-22-45
	E	12-2-46	9-15-48
Frank E. Watson	A	7-13-45	9-21-45
Fordyce H. Merian	E	9-26-45	9-18-46
William Nicholas	A	9-21-45	2-27-46
	A	6-28-46	2-26-47
	E	8-27-47	9-15-48
Phillips M. Taylor	E	2-27-46	2-26-47
Bruce Bowman	A	9-27-46	7-1-47
	E	6-1-74	6-13-85
David Granahan	A	11-8-46	
	E	12-2-46	10-10-47
James Walsh	A	11-8-46	12-2-46

Directors	Elected or Appointed	From	To
Robert F. Dove	E	12-2-46	8-27-47
Elisa East	E	2-26-47	11-28-47
Cyrilla O'Conner	E	2-26-47	2-25-48
Delbert Mesner	A	7-25-47	
	E	2-25-48	10-1-48
William A. Moore	A	11-14-47	2-15-48
Paul R. Kasco	A	1—48	2-25-48
	A	2-27-48	
	E	9-15-48	12-1-50
Benjamin Rosenzweig	A	1-9-48	
	E	2-25-48	2-15-50
	A	9-22-50	3-7-51
	E	4-1-53	6-3-58
	E	16-24-60	5-28-69
	E	9-7-72	6-7-75
Walter J. Bierwagen	E	2-25-48	5-4-58
Richard W. Cooper	E	2-25-48	8-27-48
James N. Wolfe	E	9-15-48	2-23-49
Henry R. Walter	E	9-15-48	4-1-53
T. George Davidson	A	10-1-48	
	E	2-23-49	6-12-57
Chester H. Tucker	A	10-8-48	2-23-49
	A	7-22-49	10-14-49
Charlotte M. Walsh	E	2-23-49	7-22-49
Edward W. Meredith	E	2-23-49	6-10-49
Robert T. Mitchell	A	9-23-49	
	E	11-2-49	3-5-52
Carolyn R. Miller	A	10-14-49	
	E	11-2-49	3-7-51
	E	5-26-55	6-19-59
John W. S. Littleton	E	11-2-49	9-22-50
Eleanor H. Ritchie	E	2-15-50	3-5-52
	A	6-6-52	7-18-52
Martin Bickford	A	12-1-50	3-5-52
Milton Kramer	E	3-7-51	3-5-52
Calman R. Winegarten	E	3-7-51	4-1-53
Opie Stage	E	3-7-51	3-5-52
Morris J. Solomon	E	3-5-52	4-1-53
William C. Arntz	E	3-5-52	4-1-53

Directors	Elected or Appointed	From	To
	E	5-26-55	6-14-62
Harry Zubkoff	E	3-5-52	4-14-54
Sam Schwimer	E	3-5-52	5-26-55
Charles A. Bicking	E	3-5-52	6-6-52
Frank W. Lewis	A	8-14-52	
	E	4-1-53	5-26-55
	E	6-20-65	1-1-70
Bryan K. Gamble	E	4-1-53	4-14-54
Max F. Fisher	E	4-1-53	4-14-54
Larry Oosterhous	E	4-1-53	6-24-60
Robert T. Bonham	E	4-14-54	4-7-62
Robert C. Hull	E	4-14-54	6-24-60
Jack T. Jennings	E	5-12-54	5-26-55
Al Herling	E	5-26-55	6-12-57
Richard W. Barrett	E	6-12-57	1-26-62
Ruth R. Rinehart	E	6-12-57	10-10-58
Edward Wineberg	E	6-3-58	4-7-62
Solomon L. Hoke	A	10-24-58	
	E	6-19-59	6-21-61
	A	4-7-62	
	E	6-14-62	5-26-71
W. Gifford Hoag	E	6-19-59	6-21-61
	A	4-7-62	
	E	6-14-62	5-26-71
	E	6-6-81	6-9-84
George Weber	E	6-24-60	6-21-64
Aileen Newman	E	6021-61	6-20-65
Henry Redkey	E	6-21-61	6-12-63
Jack Besansky	A	4-7-62	
	E	6-14-62	6-21-64
Rev. James C. Fahl	A	7-7-62	6-20-65
Robert J. Dressel	E	6-12-63	10-11-73
Dorothy S. Wheeler	E	6-21-64	6-1-74
David H. Scull	E	6-21-64	6-12-66
John Staehle	E	6-20-65	10-11-73
Darwin E. Bremer	E	6-12-66	1-1-67
Robert W. Norton	A	3-17-67	
	E	5-25-67	9-7-72
Oscar Meier	E	5-17-68	9-7-72

Directors	Elected or Appointed	From	To
Lewis F. Norwood	E	5-28-69	3-18-72
Stanley Yarkin	A	2-13-70	5-27-70
	E	5-26-71	6-1-74
	E	6-7-75	6-3-78
	A	1-3-79	
	E	6-2-79	6-6-81
Doris Behre	E	5-27-70	6-12-76
Paul O. Mohn	E	5-26-71	6-10-86
Leonard C. Lineberry	A	4-3-72	
	E	6-9-72	8-17-79
Joseph Brown	E	9-7-72	6-7-75
J. Gordon Steele	E	10-11-73	6-2-79
Wilbur Wright	E	10-11-73	4-1-77
Bruce Patner	E	6-1-74	6-4-77
Dorothy Jacobson	E	6-7-75	6-6-81
L. Glen Whipple	E	6-12-76	6-13-85
Tom Martin	A	4-16-77	
	E	6-4-77	12-11-82
Eben Jenkins	E	6-4-77	6-7-80
Earl D. Beard	E	6-3-78	1-3-79
Anne Rollin	E	6-2-79	6-13-85
Malcomb Maclay	A	8-17-79	
	E	6-7-80	6-9-84
Donald K. Hanes	E	6-7-80	6-?-87
	A	4-4-89	10-23-89
Eleanor Thompson	E	6-6-81	6-9-84
David S. Cohen	E	6-11-83	6-10-86
Lovena W. Cooper	E	6-11-83	6-10-86
David Freed	E	6-9-84	6-6-87
Carolyn Hillier	E	6-9-84	6-6-87
Martin Block	E	6-13-85	6-4-88
Arthur Danforth	E	6-13-85	5-7-87
Shekar Narasimhan	E	6-13-85	6-4-88
Floyd Agonstinelli	E	6-10-86	8-20-88
Jeff Almen	E	6-10-86	
Fred Schmidt	E	6-10-86	
Mariana Burt	E	6-6-87	6-4-88
Nathaniel K. Smith	E	6-6-87	
Joseph Cohn	E	6-6-87	

Directors	Elected or Appointed	From	To
Charles Hix	E	6-4-88	
Gene Ingalsbe	E	6-4-88	
Carol James	E	6-4-88	11-20-89
John M. Wetmore	A	4-4-89	11-30-89

Some Accomplishments in 50 Years

Greenbelt Consumer Serices, Inc. / Greenbelt Cooperative, Inc. survived and served and grew for 50 years, during which it:

Operated 23 supermarkets
13 SCAN furniture stores
10 auto service stations
7 pharmacies
2 drugstores
2 fresh produce stores
variety store
motion picture theater (only co-op one in the U.S.)
garage
valet shop
shoe store
barber shop
beauty parlor
bakery (Ladiesburg, MD)
radio and appliance repair shop
food warehouse
furniture warehouse
bus line
vacation apartments at Merritt Island, Florida
mail order, non-profit, direct-drug service with support from Farmers Union and National Council of Senior Citizens.

Provided travel service and charter flights which saved $100,000 for 8,000 members in reduced air fares in first 10 years.
Paid patronage refunds totalling $823,000 on purchases in first 20 years.
Paid 5% dividend on shares of stock for 30 years uninterrupted.
Built membership up to 137,000.
Employed a staff of 1,060 at one point.
Pioneered as first food store in area to sign a union contract.
Pioneered in race relations by hiring a Japanese-American in the Greenbelt food store during World War II and by breaking hotel segregation against Afro-Americans in Frederick, MD.
Introduced see-through, prepackaged meat, and glass window meat cutting room in this area.
Introduced unit pricing in this area (Giant and Safeway followed 6 months later).
Introduced Cornell formula bread (only supplier in this area).
Introduced bulk sale of dry products (beans, coffee, rice, etc.) outside of the health food stores.
Introduced gasohol to area during oil shortage years (first station in MD and D.C., second in northern Virginia).
Wrote and secured passage of MD meat inspection law to conform to USDA standards.
Wrote and secured passage of a MD incorporation law for consumer co-ops.
Secured passage of a MD law to put a cap on consumer credit interest charges.
Helped secure passage of a MD law to terminate so-called "Fair Trade" Act which set a monopoly minimum price on a wide variety of appliances and other goods.
Secured passage of a MD law to permit a pharmacy to operate under same roof with a food store.
Secured creation of the first consumer counsel office in MD and appointment of a friend to cooperatives to head it.
Some of our members, with financial support from the Co-op started the consumer advisory councils in MD, D.C. and Virginia (now a function of the county and D.C. government).
Helped organize and finance the Consumer Federation of America.
Helped passage of the Consumer Co-op Bank bill in Congress.
Helped adoption of milk standards for dairies in Prince Georges County.
Helped modify IATA rules against charter flights by affiliated membership groups.
Strongly supported promotion of CO-OP label products which were the first to have content labeling and grades—and supported nutritional labeling, more realistic (less fat) meat grading by USDA, labeling of watered hams, milk grading, etc.

Largely responsible for developing and maintaining the Potomac Cooperative Federation, which arranged joint purchasing and services, as well as a legislative voice, training programs, promotional activities, recreation, and a communications forum for all kinds of cooperatives in the area.

Largely responsible for the Cooperative Institute Association by providing staffing, funding, and planning of training programs for cooperatives in the northeastern states.

Created and developed the Congress system to govern the Greenbelt Cooperative (Greenbelt Consumer Services) widespread, multi-store organization (copied by Cooperative Services in Detroit, the Berkeley co-op and others).

Experimented with the idea of using a management firm (Checci & Co.) instead of one person as general manager (CEO).

APPENDIX D

Historical Highlights—The Greenbelt Cooperative

Compiled by Donald H. Cooper

1937 Certificate of Incorporation issued September 1, in State of Maryland to Consumer Distribution Corp., a foundation funded by Edward A. Filene, Boston department store merchant and philanthropist.

1937 October 5. Temporary Co-op food store opened for business, with first-day sales of $11.45 to 24 shoppers.

1937 December 15. First Co-op food market opened in Greenbelt shopping center, with Robert E. Jacobsen as manager. An auto service station opened a few days earlier.

1938 April. Some of the first residents of Greenbelt had experience from cooperatives in the farm areas of the Midwest, from campus co-ops at universities, from self-help groups during the Great Depression, and from neighborhood buying clubs. They formed a Cooperative Organizing Committee, with the whole town voting for leaders in the drive to form a consumer cooperative.

1938 All stores in Greenbelt Shopping Center operated by C.D.C. for the Co-op: food store, service station/garage, dry cleaners, pharmacy, lunch counter, news/tobacco shop, hair dressers, barber shop, variety store, shoe repair, theater.

1938 November. Sale of stock began with the understanding that the Co-op would take over the stores when half of the town's families became members. Initial capital was a loan of $50,000 from the Filene Foundation.

1939 March. Sulo Laakso became General Manager.

1940 January 2. First membership meeting of the new Cooperative was held, and first Board of Directors elected.

1940 February. Walter Volckhausen elected first President.

1940 February 15. First shares of stock were delivered to Greenbelt residents.

1940 September. George Hodsden became General Manager.

1941 August. Francis Lastner elected second President.

1941–1943 Additional "defense homes" were built in Greenbelt but no additional commercial facilities were opened except a house converted to a Co-op food store in north end of town.

1942 March. Thomas Ricker became General Manager.

1943 August. Carl W. Hertz elected President.

1944 February. Fred DeJager elected President.

1944 April. GCS supported creation of the Potomac Cooperative Federation.

1944 November. When it was learned that the General Manager was conducting substantial business interests outside of GCS, the Board terminated his services. Sam Ahselman was hired in November as General Manager.

1945 February. Dayton W. Hull elected President.

1945 April 18. The Co-op launched a stock drive to build a new supermarket in Greenbelt. As a result of raising $53,000, it was possible to buy out Consumer Distribution Corporation thereby becoming wholly owned by local residents as a consumer co-op.

1946 GCS purchased a bus and ran a local transportation service in Greenbelt for residents.

1947 GCS converted a bus into a traveling store to tour the courts in Greenbelt until a new supermarket could be built.

1948 January. Francis Lastner elected President again.

1948 A new modern supermarket was built with the first self-service meat department in the Washington area and a bakery in the store. The Co-op pharmacy was moved to the supermarket building.

1948 Summer. Eastern Cooperative Wholesale was decentralized and a warehouse was opened in Baltimore, MD to serve GCS, Rochdale Cooperative in northern Virginia, Peninsula Cooperative Association (Hampton, VA), and Westminster Cooperative (MD). Potomac Cooperators, Inc. was its identity but that later became the wholesale owned by GCS at Beltsville, MD.

1949 October. Walter Bierwagen elected President.

1951 August. GCS opened a new supermarket in Takoma Park, MD on north side of New Hampshire Ave. at Ethan Allen Ave., plus a combination variety/drug store, service station, and later a shoe store. Nationwide Insurance Co. helped get this Co-op Shopping Center started with a $100,000 loan, and opened an agent's office there.

1954 December. GCS opened an even larger Co-op Shopping Center on Georgia Ave. in Wheaton, MD for members and consumers in that area. New concept was to have produce, grocery, meats, non-food items, lunch counter, bakery, and pharmacy under one roof, with adjacent service station. Opening day drew largest crowd ever for a store opening in the Washington area as of that date, and sales were a record $127,000 opening week.

1955 January. Board created the GCS Co-op Congress to represent members in all store areas; an idea adopted from Swedish co-ops. Henry Redkey was first Speaker.

1956 September. The Co-op at Westminster, MD merged with GCS. Three years later this resulted in a whole new shopping center for Westminster, featuring Co-op as the community's largest modern supermarket, plus a service station.

1957 May. GCS opened a supermarket at Rockville, MD to serve members and customers in that area of Montgomery County.

1957 September. GCS opened a supermarket, pharmacy, and service station in a new Co-op Shopping Center in Piney Branch, MD.

1958 GCS bought controlling interest in Smith's Bakery, Ladiesburg, MD to secure Co-op label bread and other baked goods for its supermarkets.

1958 June. Robert Bonham elected President.

1959 February 1. Merger of GCS with Rochdale (VA) Cooperative with its food store in Fairlington and its supermarket and service station in Falls Church.

1959 August. New Co-op supermarket and service station opened in Westminster, MD.

1959 Fall. Beltsville, MD warehouse and office building opened at 10501 Rhode Island Ave. This new warehouse replaced an older one in Baltimore, MD and the office staff was transferred from Greenbelt.

1960 March. GCS opened Penn-mar supermarket in a new regional shopping center at Forestville, MD.

1960 May. GCS opened a new Co-op Shopping center in Penn Daw, south of Alexandria, VA, with supermarket, pharmacy, watch repair, service station, and first SCAN furniture outlet.

1960 Jack Besansky elected second Speaker of GCS Co-op Congress.

1960 August. The N&W independent supermarket at 2825 Old North Point Road, Dundalk, MD was sold to GCS. After one year of operation, it was converted by GCS to a Consumer (Co-op) Supermarket and became the base for a Baltimore delegation to the GCS Co-op Congress.

1960 September. GCS opened a new, large Takoma Park Shopping Center on the south side of New Hampshire Ave. with a supermarket, variety and SCAN furniture departments, pharmacy, watch repair, and Co-op service station. The older premises were subleased, in part to Group Health Association of DC with GCS operating its pharmacy.

1961 January. An auto club was formed for GCS members.

1961 June 24. The first charter flight for GCS members took off to Europe.

1962 February 5. Checchi and Company assumed management of GCS. Robert E. Morrow was appointed by Checchi as Acting Resident General Manager.

1962 April. The Greenbelt supermarket and pharmacy were gutted by fire during the night. Members were bussed to Takoma Park for Co-op shopping until a temporary basement store was opened.

1962 April. Benjamin Rosenzweig elected President. Robert J. Dressel elected third Speaker of the GCS Co-op Congress.

1962 April 18. The first separate SCAN furniture store opened in the Takoma Park Co-op Shopping Center.

1962 November 12. A completely rebuilt Co-op supermarket and pharmacy was opened in Greenbelt.

1963 February 19. The Fairlington store moved across the street to larger quarters with more parking space.

1963 John F. Staehle elected fourth Speaker of the GCS Co-op Congress.

1963 June. GCS opened its second SCAN furniture store on West Broad St. in Falls Church, VA in a new building. The smaller SCAN department in the Penn Daw supermarket closed.

1963 July. Penn Daw Co-op supermarket converted to "Consumer Discount" supermarket. In November, the remaining seven supermarkets were converted to this identity.

1964 September. GCS opened its 12th supermarket, in Glen Burnie, MD. The store was formerly operated by Safeway.

1964 October. The third SCAN store opened on Connecticut Ave. in Washington, DC.

1965 March. GCS opened a mail order direct drug service, jointly sponsored by Farmers Union and a retired citizens group.

1965 Spring. A fourth SCAN store opened in Baltimore at 404 Reistertown Road, Pikesville, MD.

1965 Irving J. Rotkin elected fifth Speaker of the Congress.

1965 Summer. GCS opened its largest pharmacy to date at 3012 Annandale Road, Falls Church, VA.

1966 May. A group of "street people" attempted a takeover of GCS. They were defeated by a vote of more than 9,000 to 17.

1966 Summer. SCAN opened a new warehouse-office building at 11310 Frederick Ave.., Beltsville, MD.

1966 December. GCS opened its eighth service station, on King St. in Fairlington, VA.

1967 May 1. Kroger Company sold its Washington division to GCS. Nine new stores were added, giving the Co-op a total of 21 supermarkets.

1967 Paul O. Mohn elected the sixth Speaker of the Congress.

1967 October. Another pharmacy was opened in Oxon Hill, MD.

1967 Winter. GCS acquired an Acme supermarket in Arlandria, VA.

1968 February. Peninsula Cooperative Association, Inc. affiliated with GCS. Peninsula operated Hampton and Newport News supermarkets, a Scandia furniture store, and a book store in Newport News, VA.

1968 March. Largest SCAN to date opened in Van Ness Center on Connecticut Ave., Washington, DC.

1968 June. Robert J. Dressel elected President.

1968 December. GCS sold its Beltsville grocery warehouse and moved its offices to Piney Branch shopping center.

1968 Closed one supermarket in Fairfax, VA acquired from Kroger. Closed Oxon Hill, Wheaton, and Piney Branch pharmacies. (Leaving 22 supermarkets, 6 SCAN stores, 8 service stations, 6 pharmacies).

1969 April. GCS acquired Skinker Tires, including a Sinclair station near Van Ness SCAN, in Washington, DC, and a headquarters and warehouse on Butler Road in Bethesda, MD.

1970 Spring. Opening of Suitland (MD) Gasoline Center, 4626 Silver Hill Road as 10th GCS service station.

1970 Spring. Canal Square SCAN opened in Georgetown, 1054 31st St. NW, Washington, DC.

1970 Spring. Robert E. Morrow, President of GCS, left to become Senior Vice President of Checchi and Co. Paul C.. Nelson, assistant to Morrow, was prompted by Checchi to become Acting Chief Executive Officer of the Co-op.

1970 Fall. Lowemann's Plaza SCAN opened on Arlington Boulevard, Falls Church, VA, replacing the store on Broad Street.

1970 August. GCS introduced unit pricing to the Washington area.

1970 December. The GCS Board determined not to renew the Checchi & Co. management contract and hired Eric Waldbaum as President and CEO. (22 supermarkets, 10 service stations, 5 pharmacies, 1 direct drug service, and 7 SCAN furniture stores at this point).

1971 Bernard Easterson elected seventh Speaker of the Congress.

1971 June. Doris Behre elected Chairman of the Board.

1971 June 9. Board suspended sale of GCS stock as a result of operating losses.

1971 August. A SCAN store was opened in Columbia, MD.

1971 November. Annandale (VA) supermarket on Little River Turnpike closed.

1972 June. Arlandria (VA) supermarket was flooded by Hurricane Agnes, resulting in loss of virtually all merchandise and equipment. Closed.

1972 June. Dundalk and Glen Burnie supermarkets near Baltimore closed. Piney Branch closed in July.

1972 September. Fred Schmidt, Deputy Speaker, assumed office as the eighth Congress Speaker due to the untimely death of Speaker Bernard Easterson.

1972 October. Penn Daw (VA) supermarket closed, as was the pharmacy a month later.

1973 April. Wheaton (MD) supermarket closed.

1973 May. Wilbur Wright, Deputy Speaker, assumed office as ninth Congress Speaker due to resignation of speaker Fred Schmidt.

1973 June. Penn-mar supermarket and Suitland service station (both in MD) closed.

1973 June. Thomas J. Martin elected the 10th Speaker of the Congress.

1973 July. Falls Church (VA) supermarket closed.

1973 August. Fairlington (VA) and Connecticut Ave. (DC) service stations closed.

1973 Arlington Boulevard (VA) supermarket closed. (Leaving 12 supermarkets, 7 service stations, 4 pharmacies, 1 direct drug service, 8 SCAN furniture stores).

1974 June. Paul O. Mohn elected Chairman of the Board.

1974 November. GCS opens Straight from the Crate, a perishables food store, at Penn Daw (VA) shopping center.

1975 April. Falls Church (VA) pharmacy and Takoma Park (MD) clinic closed.

1975 October. Co-op Federal Credit Union (formerly Wheaton) merged with Greenbelt Credit Union to provide service to all GCS employees and members.

1975 November. Janas SCAN opened in Norfolk, VA.

1976 February. Capital Plaza supermarket (MD) closed.

1976 March 16. Board appointed Rowland Burnstan CEO, replacing Eric Waldbaum who had served as CEO from January 1971.

1976 May. Sherwood supermarket, Newport News, VA, closed.

1976 July. Southampton supermarket, Hampton, VA, closed.

1976 July. Aspen Hill supermarket (MD) closed to remodel for SCAN furniture store which opened in November.

1976 August. Pimmit Hills supermarket, Falls Church, VA, closed.

1976 November. Roy L. Bryant replaced Rowland Burnstan as CEO.

1977 Eleanor Thompson elected 11th Speaker of Congress.

1977 Spring. Legal services added as benefit for GCS members.

1977 April. GCS leased three apartments in Merritt Island, FL. from Cooperative Services, Inc. of Detroit for rental to members and employees.

1977 May. GCS contracted to manage Hyde Park Cooperative's furniture stores in Chicago. These two SCAN stores were later purchased by GCS.

1977 August 15. GCS consolidated its corporate office, SCAN office and two SCAN warehouses into a new warehouse facility in the Corridor Industrial Park at Savage, MD.

1977 August. Co-op Green Grocer, a second convenience and perishables store, opened in Penn-mar shopping center, Forestville, MD.

1978 February. Another new SCAN opened in Newmarket North mall, Hampton, VA.

1978 April. Eastover supermarket, just southeast of Washington, DC, closed.

1978 The Co-op's two convenience/produce stores, Straight from the Crate and Green Grocer, closed.

1979 January. GCS membership reached 40,000.

1979 April. GCS introduced gasohol at the Falls Church (VA) station as an innovation in energy conservation. A month later Wheaton was first station in Maryland to retail gasohol.

1979 June 2. At annual membership meeting, members voted amendments to certificate of incorporation and bylaws converting Greenbelt Consumer Services, Inc. to Greenbelt Cooperative, Inc., with membership no longer based on stock purchase. Largest vote in Co-op's history.

1979 June. Tenth SCAN furniture store opened in Lakeforest Mall, Gaithersburg, MD.

1979 October. Takoma park (MD) supermarket closed.

1979 December. At end of 6-month option period, 9,000 members converted their "A" share of stock to a membership, in accord with the June reorganization.

1980 March. Robert F. Satake, Assistant CEO since May 1978, appointed by Board to be President and CEO.

1980 June. Board declared 8 percent dividend on stock ("B" shares) and authorized repurchase of $50,000 worth of shares in the order that requests for repurchase were received. Due to financial problems this was first dividend and repurchase of shares since June 1971.

1980 August. Complete Renovation of Greenbelt, MD supermarket.

1980 December. GCI opened supermarket in Severna Park, MD.

1981 March. Special membership meeting approved bylaws change giving Board authority to reduce membership fee (which was then set at $1). Intensive membership drive followed, with total reaching 25,000 by August.

1981 June Milton Johnson elected as 12th Congress Speaker.

1981 July. Greenway SCAN furniture store in Greenbelt, MD opens to replace the closed store in Takoma Park, MD.

1981 October. Georgetown Park SCAN furniture store opened, replacing Canal Square store, Washington, DC.

1981 Spring. Rockville, MD, supermarket closed. Piney Branch (MD) and Penn Daw (VA) service stations closed.

1982 October. SCAN furniture store opened in Springfield, VA.

1982 October. Preorder purchasing service (POPS) launched and ultimately served about 1,000 families with groceries.

1983 September. Van Ness SCAN furniture store in DC closed.

1983 September. Benjamin Rosenzweig selected as Congress Speaker.

1984 February. Another SCAN furniture store opened in Towsend, MD at Galleria shopping center.

1984 Spring. Remaining food stores and service stations closed. In following months, Co-op members in Greenbelt and in Westminster, MD organized their own local cooperatives and purchased the GCS supermarkets and service stations.

1984 December. GCS membership topped 100,000 (at $1 each), and 52 percent of SCAN purchases were made by these members.

1985 March. Herndon, VA, SCAN furniture store opened.

1985 June. Donald K. Hanes elected Chairman of the Board, replacing Paul Mohn, longest serving head of Board.

1985 June. George Jones elected Congress Speaker.

1986 GCI bylaws completely rewritten and approved in January 1987. Delegate Assembly replaced Congress; Districts replaced Area Councils; Assembly elects Board.

1986 December. A SCAN furniture store opened in Annapolis, MD.

1987 May. SCAN employees go on strike.

1987 June. Carolyn Hillier elected Chairperson of the Board.

1987 June. Basil McKinley elected Speaker of new Delegate Assembly.

1988 June. Jeff Almen elected Chairman of the Board.

1988 July. Robert F. Satake resigns as President and CEO.

1988 August 27. Board authorized filing of Chapter 11 bankruptcy.

1988 November 4. Chapter 11 case commenced.

1989 January. Robert Riesner appointed President and CEO

1989 December 1. Bankruptcy Court approved Plan of Reorganization which left GCI without assets except for a minority interest in a new corporation controlled by the Danish furniture makers and with a minority representation on the Board of the new corporation which took over the SCAN furniture stores.

1991 The Board of Greenbelt Cooperative, Inc. dissolved the corporation and relinquished its charter.

Excerpts From the Report of the Executive Committee of the Operating Management to the Joint Long-Range Planning Committee and the Board of Directors of Greenbelt Consumer Services, Inc., December 17, 1975

[An analysis of GCS supermarkets, prepared to assist the Board in determing whether the Co-op should continue in food marketing.]

Planning. "...Estimates of the investment required to support projected expansion [of supermarkets] were unrealistic and vague...While considering new ventures, the Co-op made no plans for, nor allocated funds to, remodeling or purchase of new equipment for supermarkets then operating.

Locations. "...Co-op facilities are, as a group, older and less attractive. The oldest was built in 1947. The newest in 1965...No first-class stores in first-class locations [at present].

<u>Membership Patronage:</u> "...those persons who became members in the 1940s to late-1950s became Co-op's most stalwart members...Members have aged. Some have moved to other sections of the Washington metropolitan area where there is no Co-op supermarket. [For] others...needs have changed...many are couples living alone. Their children married and moved away...The heritage of Co-op philosophy is not now reflected in membership...[Of the 10 present supermarkets] Takoma Park and Rockville are stores where the surrounding areas have changed based on upward mobility of original residents and neighborhood decline. Greenbelt, Westminster, Fairlington, and Pimmit Hills are stores where members are older now with different needs. Capital Plaza, Eastover, Kensington, and Aspen Hill were Kroger stores with no customer base/members to begin with.

"...there is a small group of believers who are still committed and still shop Co-op, but they are far fewer than the number of customers needed to keep the supermarkets viable. There appears to be less than 3,000 members purchasing less than $2,500,000 worth of goods annually.

"...disaffection of members began the last year in which patronage refunds were given...the elimination of dividends in 1971, the suspension of redemption of common stock in 1972, and the closing of key membership stores, like Wheaton were also critical.

Membership Investment: "...52 percent of the member accounts of the Co-op own only one share [$10]. In fact, 84 percent of total member accounts consist of less than 10 shares. Expenses have escalated, thus the costs of maintaining membership have become even more expensive.

Cash Limitations: "...Supermarkets suffered as a consequence of lack of funds stemming from diversion of assets, poor investments, and a failure/inability to cut losses...dividends were continuously declared and paid, despite the absence of earnings to support them...capital stock owned by members actually declined..l.less than 15 percent of proceeds from debentures paid to members at maturity has been reinvested in the current offering as of December 9, 1975...At the same time these ventures [supermarkets] were causing shortages of cash for the Co-op, SCAN was growing at a rapid rate — requiring large amounts of cash.

Physical Plant: "Store equipment is vintage...mean age of heating, ventilation, and air conditioning is some 15 years; refrigeration...12 years...breakdowns frequent, repairs expensive, parts often no longer available...The energy crisis and sky-rocketing utility rates have triggered substantial redesign of store equipment, which Co-op has not been able to replace.

Collective Bargaining: "Because of the diminutive size of its bargaining unit, compared with competitors', the Co-op has not been in a position to set policy or be a major influence on the industry or unions regarding wage scales or contract conditions...It has lacked the economic power to absorb higher wage rates, while, at the same time, lacking the bargaining power to negotiate lower rates...When a food store is operating at a high volume, for its size, people working in the store are more productive. The effect is to lower the cost of labor as a percentage of sales...Since the cost of store labor represents some two-thirds of the direct cost of operating a supermarket, small differences in labor costs have great impact on earnings (losses)...With long-term employees, higher labor costs stem from higher wage rates plus additional costs for vacations and other benefits. Full-time employee benefits are costlier than those of part-time employees. Co-op, as a result of store closings with employee retention based on seniority and other contractual reasons, has more full-time than part-time employees...Without expansion, supermarkets have not been hiring new people at the lower wage rates to give comparable average wage rates to competition.

Erratic Program Impact: "Because of many shifts in supermarket merchandising programs, members have frequently been turned off by Co-op stores...Sometimes the emphasis has been on unit-pricing, consumer information, member volunteerism, and pride in the concept of cooperation. Other times, the supermarkets have de-emphasized 'Co-op' private label, consumerism, member involvement, and pride in the concept of cooperation (even to the point of changing store names).

"...Inconsistent programming does not elicit vendor confidence...Vendors have received no review, sometimes for years; suddenly, management changes and there is tough insistence on standards of performance. The frequency of management changes clearly points out to vendors that there is no consistent way to deal with the Co-op...M. Loeb, Fox Grocery Company, and Richfoods have supplied Co-op in the 12 years since Co-op ceased its own warehousing.

"...Employees, too, have suffered from erratic programs. They have been barraged by pep talk after pep talk by successive management groups with different agenda...Supermarkets have been managed [in recent years] by people with little knowledge of cooperatives.

"...In the last decade, the Co-op has not had a training program.

Technological Shortcomings: Co-op has not been able to move to electronic cash registers because of lack of capital...Scanners to read the Universal Product Code symbols, which are anticipated to facilitate labor savings of up to 40 percent at the front end of the supermarket, will also be beyond reach...limited use of order entry devices which can shorten delivery lead time, lack of computer supported store ordering or shelf layout programs, etc.

Advertising: The cost of advertising for a small chain with wide geographic dispersion and low sales volume is prohibitively expensive as compared with major chains.

Lack of Vendor Confidence: Vendors have watched the comings and goings at eh Co-op, and many of them have simply stopped calling: insufficient volume to provide payback on their time; central warehousing purchasing outside the Washington market; poor follow-up on deals and promotions offered; lack of knowledge of who makes decisions; concern for credit risk, following substantial losses in 1970, 1971, and 1972.

Cost of Consumer Programs: "...an expense the Co-op cannot afford. While product information, recipes, consumer alerts, unit pricing, and shopping guides are important, they are not substitutes for basic shopping needs. Consumer programs are not cost-effective by themselves.

Profitability: "...Between 1971 and 1973, ten stores (half of the division) were closed. The underlying problem is best illustrated by the net loss for the remaining stores for those years, $706,654 in 1972 and $834,279 in 1973...$373,465 in 1974, $679,817 for 44 weeks ended November 29, 1975.

Member Disappointment: "...the organization does not fulfill their sense of what the Co-op should be. They want clean, beautiful supermarkets. Co-op has old stores with mediocre equipment. They want supermarkets close to where they live. Co-op has stores in areas where members lived 10-30 years ago. They want the supermarkets to make substantial savings, so they can receive patronage refunds. Co-op has a hard time keeping the stores operating at all, much less at a profit. This is hard for members to comprehend. Understandably they are angry."