

Meeting Minutes for Weaver Street Market's Board of Directors

August 2012 Meeting

Monthly Board Meeting, Panzanella meeting room, Carrboro, NC on August 15, 2012, 6:15 pm to 9:30 pm

Directors present: Ruffin Slater (general manager), Curt Brinkmeyer (chair), David Bright (secretary), Audra Marotta (treasurer), Lisa Best, Zack Robertshaw, and Linda Stier.

Others attending: Andy Sachs (facilitator), Brenda Camp Orbell (owner services coordinator/notes).

1. Preliminaries

Agenda: Board Budget and Agenda Planning were moved to September.

Minutes: Minutes from the July meeting were approved.

New Owners: There were no exceptions to the owner lists for July 2012: 106 new consumer owner shares, 11 new worker owner shares, and 44 refunded shares.

Decision: The Board approved the July minutes.

Decision: The Board made no exceptions to new consumer and worker owners.

2. Patronage Dividend Preparations for August Decision

At the May and July meetings, the Board narrowed the dividend options for the FY 2012 dividend. The Board resumed its discussion and focused on two remaining issues that needed to be decided: 1) Whether to distribute 20% or 40% of the consumer owner dividend and 2) What interest rate to pay on worker owner internal accounts.

The discussion of the 20% versus 40% dividend distribution centered on the implications the two options would have for retained savings and on owner perception of value returned from their co-op ownership. With the 40% distribution, the greatest impact would be paying down less on loans. Not as much debt would be retired. However, with the larger distribution owners would be more likely to redeem the vouchers and spend more in the store while doing so. The GM observed that it would take a considerable amount of additional sales to equal the difference in the equity retained with the 20% distribution.

In the discussion that ensued, other issues identified by Directors included the need for the co-op to work on its high debt-to-equity ratio, the importance of making a decision that is sustainable for the near term not just the current year, and the importance of communicating how the retained funds are used.

The discussion about the interest rate on internal savings accounts focused on the long-term implications, particularly as the internal account balance continues to grow as the number of worker owners continues to increase. Three issues were discussed: 1) What are the future interest projections assuming consistent dividends and more worker owners joining? 2) How does paying interest impact the 50/50 balance of dividend distribution with consumer owners? 3) What is the purpose of the interest?

Much of the discussion focused on the issue of achieving fairness between consumer and worker owner distributions. The possibility of paying the interest from the worker owner distribution was eliminated because of tax constraints. The Chair pointed out that the inequity caused from paying out interest might be balanced by the savings consumers receive from weekly owner specials. That is, the amount

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consumer owners saved during the year on these sales items more than offset the interest paid on internal accounts.

Overall the Directors were in favor of rewarding longevity through a higher interest rate, but felt a need to explore further what would be an effective motivation for longevity. A Director observed that the proposed rate of CPI + 1 might be perceived as the co-op not looking after the workers' interests since they had previously earned 6% on their internal savings account. The Board agreed to take additional time to be deliberate and clear in the actions it takes to encourage longevity. Given the information available, the Board decided to approve a rate of CPI + 1 across the board.

Decision: The Board decided to distribute 20% of the declared consumer owner dividend and retain 80% for future needs and to build equity. The Board decided to set the interest on worker owners' internal accounts as CPI + 1, which equals 4 percent for this year.

3. Owner Communications

The Board Directors provided feedback on the draft 2012 annual report and discussed plans for the annual meeting. The Directors liked the new look of the annual report and expressed approval for the graphical design of the information. The Directors agreed to submit any additional feedback by 8/17, and they are to receive a final proof for review on 8/22. During the discussion of dividends, a Director suggested that the dividend communications include the amount an owner saved during the year through owner specials, percent-off coupons, Panzanella coupons, etc.

The Directors also discussed plans for the Annual Meeting and related events the week of. The Directors identified four goals for the meeting:

- Increase the possibilities for achieving the Coop's 2020 goals.
- Continue to organize stakeholders to achieve the goals.
- Get to know the Board candidates.
- Enjoy the company of fellow WSM cooperators.

Much of the discussion focused on the format for the segment usually devoted to a guest speaker or presentation. The Board expressed an interest in continuing the focus on the 2020 plan and vision and using the event to engage owners in the discussion. The Directors decided to use a World Café format with an invited host for each of the four areas in the vision. The hosts will make opening remarks about their area and lead small table discussions about their targeted goal. Additional tables will be hosted by the Board Directors and staff. The Board facilitator emphasized the importance of harvesting the insights and organizing the efforts to move forward with the next steps.

Task: Andy, Ruffin, Curt and Brenda will meet to develop the details of the meeting prior to the September Board meeting. Brenda will arrange the food and event details with Marketing and other WSM staff.

4. General Manager Reports

General Managers Report

The General Manager answered questions on his monthly General Report. *General Report* included a number of highlights:

- The new fiscal year started out continuing the strong sales trends of the last few months, with combined store sales up 12%.

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- We are in the process of updating the employee policy manual. The process involves sending the proposed changes to staff in order to collect comments and make revisions before the updated policies take effect.
- We are having staff meetings in each unit the week starting August 12 to review results for last year and plans for the coming year. The biggest agenda item is to discuss the four goals for 2020 and how each unit can be involved in accomplishing the goals.

Monitoring Report 2-6: Financial Condition

The GM presented his Financial Condition report. A Director asked if there was a plan to increase the reserve fund. The GM responded that the co-op had \$1.4 million in the bank.

Decision: The Board accepted Monitoring Report 2-6: Financial Condition.

Monitoring Report 2-4: Compensation and Benefits

The GM reported on the compensation and benefits to employees, consultants, contract workers, and volunteers.

Decision: The Board accepted the Monitoring Report 2-4: Compensation and Benefits.

5. Board Process

Report on Board Emails

The Board of Directors will meet in Executive Session to discuss emails received.

Board Monitoring: Policy 4-9 Committee Principles and Policy 4-10 Committee Structure

The Chair reported that the Board members were in agreement on both policies.

6. Open Board Time

A Director expressed great satisfaction that WSM invested in the TMS Design and would be producing the first North Carolina organic cotton t-shirts. The Directors discussed a number of communities, including Fuquay-Varina, that have initiated efforts to open a food co-op.

7. Closings

Tasks and Decisions: The Board reviewed and confirmed its tasks and decisions.

September Agenda Items:

- Conference Call with the Auditor
- Review Board Budget
- Update Plans for Annual Meeting
- Review of Agenda Planning Policy

8. Executive Session