

Meeting Minutes for Weaver Street Market's Board of Directors

June 11, 2014 Meeting

Monthly Board Meeting, Admin Conference room, Hillsborough, NC on June 11, 2014, 6:15 pm to 9:30 pm

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

Others attending: Andy Sachs (facilitator), Brenda Camp (notes), Alicia Altmueller (consumer owner), Hank Becker (consumer owner), Linda Camp (consumer owner), Bartow Culp (consumer owner), Christine Dove (consumer owner), Terrance Feravich (consumer owner), Geoff Gilson (worker owner), Adrienne Jimenez (worker owner), Tandy Jones (consumer owner), Barbara Keith (consumer owner), Ken Krebs (consumer owner), Lonnie Lempert (worker owner), Amy Lorang (worker owner), Tim Macri (consumer owner), Fran McCullough (consumer owner), Lynn Nash (worker owner), Michael Silverstone (consumer owner), Elizabeth Thurstone (worker owner), Charles Traitor (worker owner), Susanne Vergara (consumer owner), Mary Votta (worker owner), and Byron Wall (worker owner).

Candidate Orientation and Information Session

Prior to the Board meeting, prospectus Board candidates and co-op owners attended an educational session that focused on how the co-op works (including co-op governance and strategic goals) and new opportunities for participating in the co-op.

1. Preliminaries

Owner Input: Tim Macri proposed that the co-op open a juice bar that would feature the cold pressing of juices. He suggested that the juice bar would be an efficient way to use local crops no longer at their top selling quality. Amy Lorang noted that she enjoyed the information session that occurred prior to the meeting.

Agenda: There were no changes to agenda.

Minutes: Minutes from the May meeting were approved.

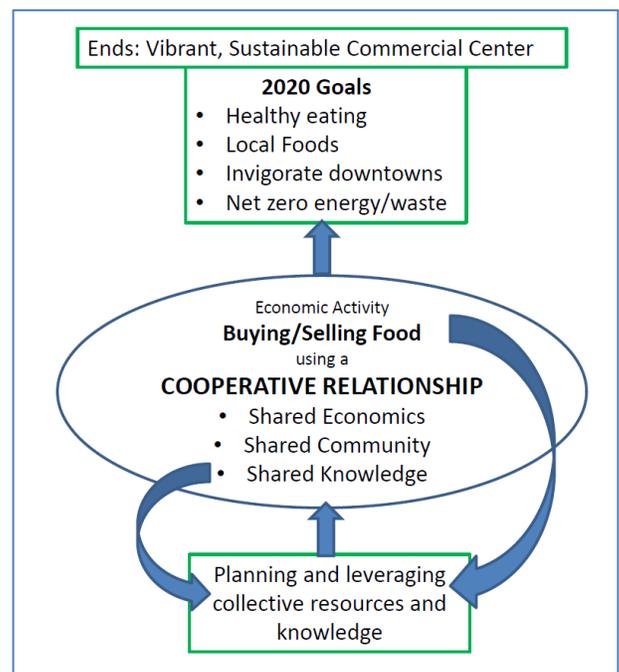
New Owners: There were no exceptions to the owner lists for April 2014: 72 new consumer owner shares and 11 refunded shares.

Decision: The Board approved the May minutes.

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

2. 2015 Plan and Budget Presentation

The General Manager presented the 2015 Plan and Budget and answered questions from the Board Directors. The presentation was organized around the elements in the Cooperative Relationship model presented previously. The model envisions the economic activity of WSM—buying and selling food—as a cooperative relationship based on three elements connecting the co-op with its owners and users:



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- Shared Economics
- Shared Community
- Shared Knowledge

The GM noted that resources need to be fed into these areas of the 2015 Plan in order to improve co-op relationships. He identified priorities for each of the relationships:

Priorities for Shared Economics

- Increase pay and improve benefits
- Improve training, systems and tools
- Conduct “buying agent” category experiments
- Employ a straightforward pricing strategy
- Customize our supply chain
- Expand our own production
- Analyze, understand and increase owner use of WSM
- Use specific product examples to generate excitement and increase understanding
- Use community investment in place of banks

Priorities for Shared Community

- Improve our outdoor spaces to make them more inviting and easier to maintain
- Make WSM even more friendly and fun
- Host more events (such as beer and cheese festivals)
- Increase the impact of the Co-operative Community Fund
- Participate in Hillsborough’s River Walk opening
- Identify new types of engagement (for example, the Food House garden project)

Priorities for Shared Knowledge

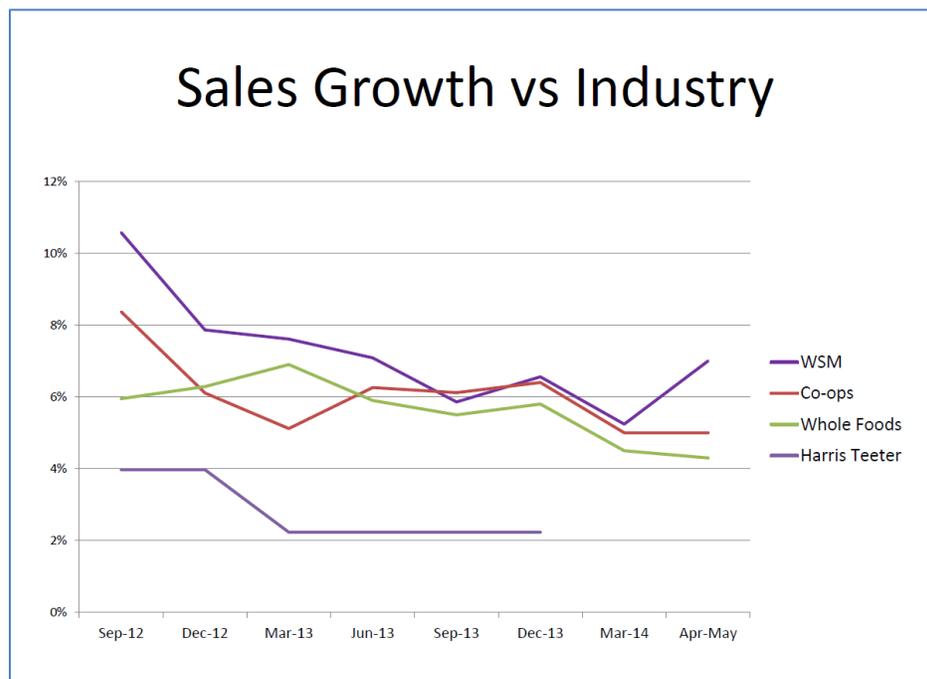
- Employee communication and input systems
- Employee Wiki, SMS, HR self-service, 401-k advisory group
- Tours and outreach
- Advisory groups
- New website and e-communications
- In-store signage and displays
- Co-op Fair
- Co-op Café at the Annual Meeting

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2015 Budget

The General Manager presented the 2015 Budget, which takes into account the identified priorities. The GM described the Budget as being based on a “sustainable financial model.” (He noted that in the budget 1% represents about \$400,000.) The model includes six long-term strategies for the next five years:

1. **Maintain Sales Growth.** The GM shared with the Directors a depiction of the changing trends in sales growth for WSM, other co-ops, and our competitors in the industry. Unlike the others, which are experiencing flat or declining sales growth, WSM is experiencing steady growth. The challenge identified by the GM is, “How do we maintain the growth within this environment?”

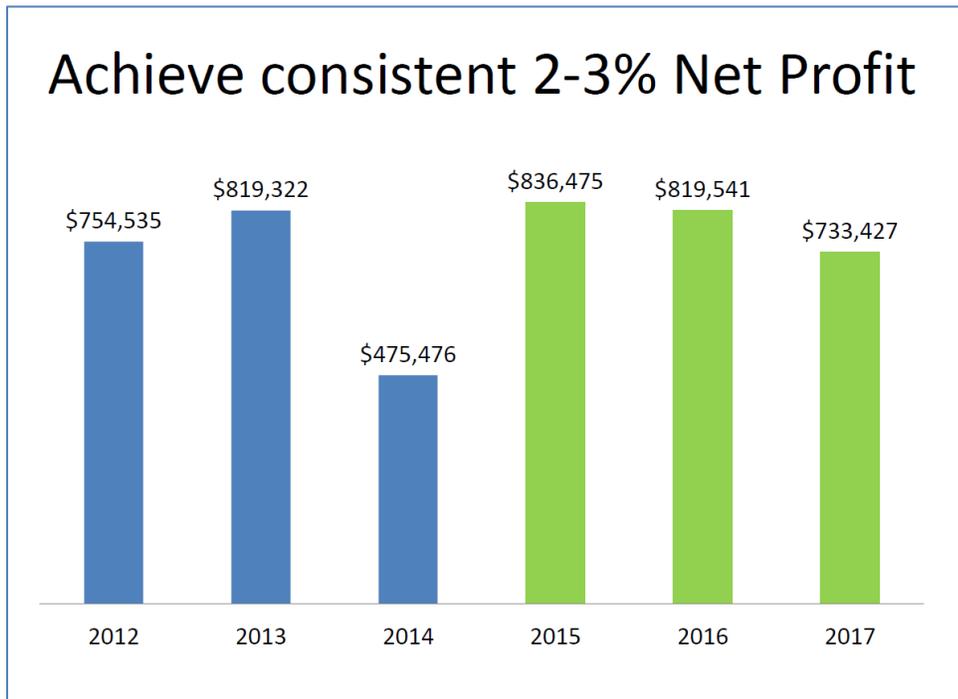


The GM told the Board that the co-op would maintain its sales growth by using the shared economics strategies. He forecast sales growth for next three years to remain at the current pace of 7%. The 2015 Budget uses a conservative 5%.

2. **Lower Gross Margin.** The GM reported that if WSM wants to make its food more accessible, then it has to respond to industry trends (which are lower margins). The budget reduces the gross margin from 34% to 28% by 2020.
3. **Invest in Pay and Benefits.** The GM related that as part of the goal to “create the best possible jobs,” the budget accounts for an increase in average pay from \$12.50 to \$15 an hour over three years and increased benefits in the 401k retirement program (improving participation from 30 to 90%). He also noted that employees can reduce what they pay for insurance through the new wellness program.
4. **Reduce Unit Expense (besides pay and benefits).** The GM identified a number of ways in which unit expenses will be reduced, including minimizing debt and interest costs, purchasing locations (stores and Food House), investing in energy efficiency, and reducing swipe fees for credit and debit cards. The budget reduces unit expenses from 8.6% to 7.5% by 2017.

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5. **Reduce Central Overhead Expenses.** The GM identified three strategies for reducing central overhead expenses related to the Food House and administrative functions: spread out fixed costs over more sales in the next couple of years, spread out costs over additional stores by 2020, and reduce overhead expenses from 8% of sales to 4% of sales by 2020.
6. **Achieve Consistent 2% to 3% Profits.** The GM noted that the budget is based on the co-op achieving consistent profits of 2% to 3% over the next three years:



The GM concluded with the financial model forecasted as a percent of sales for the next three years. He pointed out that expenses are going down, except for pay and benefits, while net profit stays about the same. “What changes is how we achieve it.”

Financial Model (as % of sales)

	2012	2013	2014	2015	2016	2017	2020 Goal
Gross Margin	33.8%	33.3%	33.1%	33%	32%	31%	28%
Pay & benefits	14.2%	14.0%	14.2%	14.5%	14.5%	14.5%	14.5%
Unit Expenses	8.6%	8.1%	8.3%	8.1%	7.8%	7.5%	7.5%
Stores Unit Profit	11.0%	11.3%	10.6%	10.5%	9.8%	9.1%	6%
Central Expense	8.1%	8.3%	8.8%	7.8%	7.3%	6.9%	4%
NET PROFIT	2.9%	2.9%	1.4%	2.4%	2.2%	2.2%	2%

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The Directors expressed approval of the budget, the strategies underlying it, and the overall direction of the plan. In the discussion that ensued subsequent to the presentation, the Directors asked questions and provided feedback. Highlights from the discussion include:

- A Director acknowledged the value of preplanning and taking a proactive stance to sales growth.
- A Director noted that achieving the plan is dependent on additional stores and that reducing gross margins will make achieving sales growth more likely.
- A Director noted interest in more specificity on how we might meet some of the energy goals. The GM observed that owning the buildings would make some of the energy goals easier to achieve, such as the installation of solar panels.
- A Director asked about the new capital loan program for owners. The GM reported that the loans will be structured as the existing ones are now: \$10,000 increments at 5% with a term of 5 years, paid annually. He noted that with more owners participating, the process is more involved and has more regulations.
- A Director acknowledged the uncertainty of sales growth and suggested that we could build support with owners through shared knowledge about actions that could make a real difference, such as awareness of swipe fees and their impact on profits.
- The GM acknowledged the need to reinvent how we approach communications so that we build meaningful communications with owners. He noted that the co-op is geared to communicate what's on sale, but not really what our goal is.
- In response to a Director's question about employee compensation and performance, the GM reported that a process is being worked out and tested with one store department and those results would be used to check assumptions.
- A Director expressed interest knowing more about the ownership of the existing properties and the plans for opening new stores.

3. General Manager Reports

General Manager's Report

The General Manager reported that sales growth in May was right on budget, keeping up a positive trend for the quarter.

Monitoring Report 2-9: Emergency Management Transition

The General Manager presented Monitoring Report 2-9: Emergency Management Transition. He reported that the two people listed in the report for emergency management succession are the same individuals named in the previous report.

Decision: The Board accepted the Monitoring Report 2-9: Emergency Management Transition.

Monitoring Report 2-10: Treatment of Consumers

The General Manager presented Monitoring Report 2-10: Treatment of Consumers.

Decision: The Board accepted the Monitoring Report 2-10: Treatment of Consumers.

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4. Board Process

Annual Report Overview

The Owner Services Coordinator presented an overview of the Annual Report, which will be the co-op's first digital report. Postcards announcing the online annual report will be sent to owners who do not have emails on file.

Proposed Bylaw Change to Allow Email Notification

The Board of Directors discussed a change to the bylaws that would allow the Board to communicate to owners about the annual meeting through email notification..

Decision: *The Board approved a revision that adds email as an allowable form of communication to owners about meetings, including the Annual Meeting.*

Article VI: Member Meetings, Section 4. Notice of Meetings: Written or printed notice of every regular and special meeting of owners shall be given to all owners, as appropriate, personally, or by mail, or by email at their last known address at least ten (10) days, and not more than thirty (30) days, prior to the date of the meeting.

Retreat Plan

The Board discussed the proposed plan for an all-day retreat to be held July 1. The retreat replaces the July meeting. The retreat agenda will include revising the next set of policies, Management Limitations. A Director questioned whether policy revisions were the highest and best use of the Board's time. In the ensuing conversation, the Directors discussed the process being used and the following observations were noted:

- Writing good policies is the Board's job.
- The review process offers many benefits to the Board: Director gain an in-depth knowledge of the policies; a simplification of the policies makes them easier to interpret; and clearer language clarifies the Board's accountability and what the Board holds others accountable for.
- An important part of the process is to identify where the policies shift in value and then to ask what is the trade off—what is gained and what is lost?
- The timing for policy revisions is good. It makes sense to optimize policy governance and operations before expanding the co-op.

Task: *Directors will acquire a gmail account to use with google docs and send it to Brenda.*

Co-op Fair

The Owner Services Coordinator presented an overview of the activities planned for the Co-op Fair on August 30. The Co-op Fair will be a fun and informative event for the community. The focus of the event is "Celebrating co-ops and sustainable local food systems." Activities planned include live music, local food, beer and wine samplings, as well as opportunities for the community to meet and talk with co-op members, Board members and candidates, representatives from community groups, including credit unions and nonprofit organizations, and the folks producing and sourcing artisanal food and spirits.

The Elections Committee will host a "Meet the Candidates" booth, and the Board of Directors will host a "2020 Goals" Booth.

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5. Closings

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

August Agenda Items:

- Monitoring Report 2-5: Planning and Budgeting
- Dividend Decision
- Annual Report Review

Meeting Evaluation:

The Directors identified a number of ways in which the meeting moved the Board forward on one or more areas:

- Really, really happy about the Co-op Fair!
- Dedication of the owners who are remaining here (for the official meeting). Awesome to see this many owners excited about our work.
- Excited about the information sessions and how it expanded. Building it into the calendar!

Director Headlines:

We do have dedicated owners!

Participation model that we talked about last year is starting to show up everywhere.

We are community!

Planning for the future and shoring up the foundation.