

Draft Minutes
French Broad Food Coop
Annual Owners' Meeting
June 16, 2012

Board members present: Will Kaylor (President), Darcel Eddins (Treasurer), Howard Yarborough, Justina Prenatt, Stephen Smith, Bob LeRoy

Scot Quaranda served as **facilitator**. The meeting started at 2:44 pm. A **quorum** of owners was not present initially, but at 3:04, a quorum was present (38 required, a total of 44 owners attended).

Meeting Summary:

- **Robert's Rules suspended: use consensus instead**
- **Welcome comments from Board President Will Kaylor**
- **Review of proposed Bylaws revisions**
- **Minutes of 2011 Annual meeting approved**
- **Board candidates introduced**
- **Voting procedures approved**
- **General Manager's (GM) Report**
- **Owner Comments**

Motion to suspend Robert's Rules of Order was approved and attendees agreed to proceed using consensus for decision-making.

Agenda: The agenda was reviewed.

Welcome message from Board President Will Kaylor encouraged owners to apply for Board positions and recognized the Bylaws Committee for the tremendous amount of work they have done.

Review of proposed Bylaws revisions: Bob LeRoy reviewed highlights of the proposed bylaws revision. Lola LaFey reminded all that a 2/3 majority (of votes cast) is required for a bylaws change. There are three questions to be voted on. Voting is by ballot; ballots may be submitted no later than July 16, 2012. Owners in good standing as of June 5, 2012 are eligible to vote.

- Question 1: Proposal to replace the existing French Broad Trading Cooperative bylaws with a revision. Discussion points:
 - Section 3.7 does not eliminate the use of Robert's Rules of Order. Robert's Rules allows for other rules (such as consensus) to be used, which is what has been happening. Robert's Rules provides a clear process for voting. To conduct a vote in a procedural manner, we use Robert's Rules.
 - Consensus gives anyone the right to block a decision. Robert's Rules uses majority voting, so decisions can be moved along, if needed. Consensus "lives" within Robert's Rules.
 - For our purposes, the suspension of Robert's Rules is to make the meeting less formal.
 - In using consensus, questions should address whether or not an issue would keep you from voting in favor of the issue.
- Question 2: If Question 1 is approved, then section 4.2 would be further amended to read, "No employee of the Co-op may serve on the BOD." Discussion points:
 - The Board recommends that we not allow staff as Board members. The Board strongly supports the staff, union representation, and the use of the grievance process.
 - For a staff member to have 2 positions, one above the GM and one below, is a conflict of interest.
 - An employee on the Board may be tempted to represent employees rather than all owners.
 - The main information the Board receives is from the GM, not from staff. This revision makes the bylaws less flexible.
 - It is important to have separation between staff and the Board. Grievance procedures are in place.
 - Is there a way for staff to give feedback? Yes, there is an annual survey of staff. Additionally, there

is a policy regarding treatment of staff, which is reported on yearly. Concerns can be addressed to the union. If employees are co-op owners, they are welcome to address the Board during the owner comment period of each Board meeting.

- A former Board member stated that when she was on the Board, there were 2 employees also on the Board. They had to recuse themselves repeatedly, so we did not have a full complement of Board members to make major decisions.
- The Board represents the owners. The Board's only employee is the GM.
- The union contract states that employees' rights will not be denied. If this measure passes, it will come up in contract negotiations.
- Right now, we have “good politics” among the Board and staff.
- Question 3: Setting term limits for Board members. Owners are asked to rank 3 choices – A. no limits; B. 2 full consecutive terms and then a minimum 2-year break; and C. 7-year maximum on the total number of years a person may serve on the BOD. Discussion points:
 - Option B allows a person to serve a partial term in addition to two full terms.
 - The Bylaws Committee recommends option B.
 - Requiring the 2-year break would provide a healthy structure.
 - Clarification – each Board member has to be elected or re-elected every 3 years.
 - By putting Policy Governance (PG) in place, we developed a functioning structure. There has been a large learning curve. We need continuity on the Board. Don't impose term limits. Vote people off, if you don't want them!
 - We probably will not have many people hitting the limit. Owners ultimately decide by voting.

Minutes of the June 25, 2011 Annual Owners' Meeting were approved as presented.

Board of Directors candidates: We currently have 7 applicants, 4 of whom are present at today's meeting.

- Alanna Hibbard, present
- Jennifer Gustafson, present
- Dick Warren, present
- Rachel Bliss, present
- Farra Lomasney
- Kuumba Zuwena
- LaVerna DeBenigno

Three current Board members are up for re-election: Will Kaylor, Howard Yarborough, Bob LeRoy.

Discussion and questions:

- As we move ahead with plans to renovate, we are looking for specific skills – legal expertise, architects/builders, outreach/marketing, diversity.
- Will you have biographical info on the ballots? Yes, the full application will be on the website and in the store. A short bio, extracted from the application, will appear on the ballot.
- Will candidates be allowed to approve the bio before it is put on the ballot? Yes.
- Will the candidate's photo appear on the ballot? No.
- Nomination from the floor – Stephen M. Smith was nominated by Justina Prenatt.

NOTE: Additional candidates have the right, until June 30, to declare candidacy and submit an application.

Voting procedures: Two main motions were introduced and approved regarding voting procedures.

- Main Motion A: Justina Prenatt moved, Morna Childers seconded; motion carried. The owners approve using balloting-by-mail for election of directors in conjunction with this Annual Meeting, by the procedure described in the Annual Meeting notice, as follows:
**Ballots and voting instructions will be sent by e-mail to owners who have furnished e-mail addresses to the co-op, and also may be obtained at the Co-op by any owner upon request; and

**All such ballots must be submitted by the close of business at the Co-op on Monday, July 16th, in order to be counted.

- Main Motion B: Dave Jacobs moved, Julie Sherman seconded; motion carried.

The owners AMEND procedures being used for balloting-by-mail in conjunction with this Annual Meeting, as follows:

**Candidates to be elected as directors in conjunction with this Annual Meeting, must submit required application forms to the Nominating Committee in care of the Co-op, no later than the close of business on Monday, June 30th; and

**All ballots and voting instructions required to be provided to owners following this meeting date, whether dealing with director elections or bylaws amendments, will not be e-mailed, but instead will be sent by U.S. Mail, and this material will be delivered to a U.S. Postal Service facility on Tuesday, July 3rd.

GM Report: see attached

Discussion and questions:

- Bobby was asked his opinion about staff as Board members. He stated that his experience with this has been very negative.
- Regarding our profit increase, are our prices too high? Are our prices competitive with Earth Fare and Greenlife? Our gross profit percentage is good. We have a 38% profit pricing structure, which is in line with national prices.
- We need to find ways to make healthy food more accessible. We are looking at lower price points.
- We hope to increase the produce section and include photos and profiles of our farmers.
- We are looking to eventually double the size of the store.

Owner Comments:

- Anne Craig – Thanks to the Board. You have had lots of challenging work. Thanks to the staff and Bobby, as well.
- Dick Warren – The Board has an important responsibility. We have a good General Manager now.
- Ed Mayer – Regarding the Worker/Owner program, we averaged 80 hours/month for the first 5 months of 2012.
- Dave Jacobs – Over the last few years, the co-op is getting better and better. Thanks to all. We got a great co-op here! Regarding Question 2, vote no – let the decision be made by voting, not by the bylaws.
- Rachel Bliss – Will the Recyclery remain if we renovate? We want them to stay.
- Bobby Sullivan – Praise often comes to me. However, this is a team effort. Please let the staff know they are doing a great job!
- Justina Prenatt – A pot luck meal will follow the meeting. All are invited to stay for food, music, vendors, etc. Buy co-op T-shirts! We need more owner participation.

The meeting was adjourned at 5:12 pm.

Respectfully submitted,
Jean Karpen

Management Report: 1st Quarter 2012 & Year End 2011

by Bobby Sullivan

June 16, 2012

FBFC Accomplishments

Ownership

- ∞ 2012 - 1st quarter's ownership growth was almost 25% more than 2011's 1st quarter. By the end of May 2012, ownership level was 1255.
- ∞ 2011 - ownership grew 15.2%, from 1041 to 1199 – an average of 40 new owners per quarter.
- ∞ 2010 - ownership grew 9% from 957 to 1041 - an average of 21 per quarter.

Staff

- ∞ It is our hope for staff to feel empowered enough to speak up in any way to help improve our operations. By the end of 2011, staff got the opportunity to evaluate their managers for the first time. In an effort to make work less frustrating, we continued upgrades to our equipment and added shelving in the warehouse for better organization. This year we are also planning to expand our back-stock freezer, which will make it much easier on Deli and Grocery staff.
- ∞ Increasing sales have made it possible to hire more people adding extra shifts.
- ∞ Union staff received 1% more than their contracted raise, across the board.
- ∞ This year's staff survey will be underway by the end of the month.

Financial

- ∞ Sales growth has been exceptional. A 3% increase is what our national organization deems necessary to keep the company viable.
 - 1st quarter of 2012 showed an increase of 12.4%
 - 2011 showed an increase of 7.7%
 - 2010 showed an increase of 3.2%
 - 2012 1st quarter's leading department in sales increases is Produce with 17.4% and the Deli in 2nd place with 15.9%
 - 2011's leading department in sales increases was Produce with 25.9% and Grocery & Wellness tied for 2nd place with 4.3%
- ∞ Net Income has also been on the increase. 0.5% of sales is the benchmark set by the NCGA.
 - 1st quarter 2012's net profit was 4.9% of sales.
 - 2011 was 2.3%.
 - 2010 was -.67%.
- ∞ Total company assets
 - 1st quarter 2012 total assets increased 6.7%.

- For the year, 2011 increased by 10.2%.

Farmers' Market

- ∞ In 2011 85% of the vendors decided to move to a different location giving us little time to react.
- ∞ We successfully filled most of the spots and our first “new” market went very well.
- ∞ Whereas previously we had a majority of vendors who were disinterested in the Coop, we now have a group who are truly community-oriented and dedicated to our success, as we are of theirs.
- ∞ Special thanks are due to Kelly Fain, Barry Rubenstein, Pat Battle and Michael Gentry for making the transformation possible.
- ∞ 2012 is showing an incredible boom in sales for the Farmers Market and the parking garage across the street has not even opened up yet.
- ∞ We hired a parking attendant for Wednesday's to make the traffic flow possible.

Operations

- ∞ In the middle of 2011, we ended a long-term consulting contract, which was in place since the end of 2010. It was deemed necessary by our national organization, the National Cooperative Grocers Association (NCGA), with whom we share a financial risk. It was set to cost the Coop a large amount of money over a 5-year period, garnishing a percentage of our annual sales. Our immediate results in the first quarter of 2011 made us confident to end the agreement, so the Coop could save this money and invest within – more and better paid staff with better equipment. In September of 2011 we were recognized at the NCGA's national meeting for our sales growth, scoring 4th place in the entire Eastern Corridor (out of 44 stores). By the end of 2011 the FBFC was deemed to be thriving, as we are now in compliance with all of the NCGA's key financial indicators. This was a main factor in considering doing our owner rebate. (Sage Turner, our Finance Manager did a great job getting this together)
- ∞ In July of 2011 we had the entire inside of the store painted, with eco-friendly supplies from Build It Naturally. We also got a new stereo system for our Movement & Learning Center and gave that room a new coat of paint.
- ∞ In September of 2011 we completed an entire reset of our grocery aisles with new promotional displays, making the shopping experience more fluid, de-emphasizing the alcohol – as per our Product Policy. This had a huge impact on sales and made it possible for us to do a deep cleaning of the shelves.
- ∞ In September 2011 we also got rid of the old bank machine and replaced it with an ATM from our local branch of the United Services Credit Union. (Thanks to Kelly Fain, our Marketing Director)
- ∞ Our buyers (Sunshine Squires & Theo Crouse-Mann) are continuing to work hard to increase the amount of local products available in the store. We are currently tracking the sales of local products, so we can truly measure our progress. Currently local product sales are significantly ahead of last year.
- ∞ 2012 has seen a lot of work on our computer systems. We upgraded the credit card machines, helping to speed up our check-out time and we now accept American Express. We purchased a new server, which will help every component of our computer system work smoother. We have new security measures in place and we were forced to invest in a new compressor for our freezer.
- ∞ We've partnered with the Firestorm Café and other local co-ops to put on an International Year of the Co-op event this Fall.

Financial Performance

Consolidated Income Statement: Year Ended:

	1 st Q 2012	2011	2010	2009	2008
Sales	\$714,867	\$2,678,902	\$2,487,636	\$2,410,952	\$2,480,269
Cost of Goods	\$442,781	\$1,660,224	\$1,539,537	\$1,482,335	\$1,604,080
Gross Profit	\$272,086	\$1,018,678	\$948,099	\$928,623	\$876,189
Staff Wage, Benefits, Tax	\$171,554	\$661,694	\$648,712	\$628,806	\$642,530
Total Expenses	\$23,205	\$971,507	\$967,430	\$918,474	\$972,486
Additional Income	\$14,947	\$57,090	\$54,309	\$51,067	\$31,787
Member Discounts	\$1,957	\$37,667	\$33,814	\$38,992	\$14,355
Net Income	\$35,345	\$65,715	(\$16,840)	\$8,466	(\$78,865)

Consolidated Balance Sheet: Year Ended:

	1 st Q 2012	12-31-2011	12-31-2010	12-31-2009	12-31-2008
Current Assets	\$354,994	\$307,762	\$236,252	\$218,642	\$182,036
Property & Equipment	\$405,551	\$410,951	\$413,099	\$435,599	\$452,080
Other Assets	\$61,080	\$21,821	\$22,509	\$37,287	\$14,702
Total Assets:	\$821,624	\$740,534	\$671,860	\$691,527	\$648,818
Current Liabilities	\$165,822	\$109,328	\$219,497	\$125,522	\$112,946
Long Term Liabilities	\$72,072	\$92,468	\$4,635	\$122,917	\$126,353
Total Liabilities:	\$237,894	\$201,796	\$224,132	\$248,439	\$239,299
Owner Equity:	\$524,250	\$517,270	\$447,728	\$443,089	\$409,520
Total Liabilities & Equity	\$821,624	\$740,534	\$671,860	\$691,527	\$648,818

Ratio Analysis:

NCGA Benchmarks	1 st Quarter 2012 Results	2011 Results
Sales Growth > 3%	Sales Growth = 12.3%	Sales Growth = 7.7%
Net Income > 0.5%	Net Income = 4.9%	Net Income = 2.3
Current Ratio > 1.25	Current Ratio = 2.14	Current Ratio = 2.74
Debt to Equity < 3.0	Debt to Equity = .13	Debt to Equity = .2
Days of Cash on Hand > 10	Days of Cash on Hand = 12.47	Days of Cash on Hand = 9.53

Current Ratio: An indication of a company's ability to meet short-term debt obligations; the higher the ratio, the more liquid the company is. Current ratio is equal to current assets divided by current liabilities.

Debt to Equity: A measure of a company's financial leverage. Debt/equity ratio is equal to long-term debt divided by common shareholders' equity. Investing in (loaning to) a company with a higher debt/equity ratio may be riskier, especially in times of rising interest rates, due to the additional interest that has to be paid out for the debt.