

Draft Minutes
French Broad Food Coop
Annual Owners' Meeting
June 5, 2016

The meeting started at 2:05 pm and ended at 4:04 pm. The meeting began with welcome remarks and introductions by Board President Justina Prenatt.

Meeting Summary:

- **Owner Comments**
- **Reports:**
 - **Justina Prenatt - President's address**
 - **Bobby Sullivan - General Manager (GM) - report attached**
 - **Josh Littlejohn, chair Development Committee – expansion update**
 - **Clare Schwartz - Outreach Coordinator - summary**
- **Break out groups**
- **Discussion of proposed bylaws revisions**
- **Introduction to opportunities for owner investment in expansion**
- **Board candidates introduced**
- **Closing comments from owners**

Owner comments:

- Weogo Reed – Asheville tool library has opened. See Weogo for details
- Blair Miller – I saw the new coop in Hendersonville – it's functional and attractive
- Joyce Czarny – The coop is incredible – I moved here recently
- Curry First – I hope the restrooms here are marked as gender neutral!
- Anne Craig – Want to make my annual “thank you” to the Board. If anyone doesn't think the coop is democratically run, they should get more involved.

President's address: Justina Prenatt – Justina addressed the group with comments about the cohesiveness of the Board, good relationship between the Board and GM, work with DBL (Cooperative Board Leadership), and our focus on outreach.

GM Report: Bobby Sullivan (full report at the end of these minutes)

Development Committee – Josh Littlejohn – Regarding the expansion project, we now own the property next door at 76 Biltmore. The RFP (Request for Proposal) process ended June 1, 2016 and proposals received will be reviewed. We are looking forward to moving ahead with the project and will have an Expansion page on the website.

Q&A

- Paul Gallimore – Consider the Community Foundation of WNC as a funding partner.
- Ed ? – Can you share anything else? Some possibilities we are looking at are affordable housing, space for community events, a commercial kitchen, an educational garden and/or produce garden.
- Rachael Bliss – What are ways for individual owners to invest in the expansion? We will be talking more about that later in this meeting.
- Weogo Reed – What is the size of the current store? Approx. 3800 sq. ft.

Clare Schwartz – Outreach coordinator – Clare gave an overview of the co-op's outreach activities for the year. These include donations, mostly in the form of food, space, and time, to such as organizations as GO Kitchen Ready, Asheville Greenworks, Asheville Middle School, Asheville Arts Council, Our Voice, Hood Huggers, Asheville Grown, and many more.

For FBFC staff, we now have living wage status, have provided consultants for insurance enrollment, offer trades with other businesses as perks for staff, and offer trainings through NCG (National Cooperative Grocers).

In the area of education, FBFC is a sponsor of LEAF in Schools & Streets, the Organic Growers' School, and Living Web Farms. We also assisted with programs at Isaac Dickson School, Odyssey School, and Rainbow Mountain School.

In the community, we have participated in the Asheville Food Policy Council, food drive for Manna FoodBank, bake sale for Full Circle Farm, March against Monsanto, and the Merchant program for local businesses.

Break-out groups: Seven stations – one for each of the seven Principles of Cooperation. Owners were encouraged to find a topic of interest and join in the discussion: “What are we doing well to uphold this principle and how can we improve?”

Discussion:

- ? - Using less fossil fuels will help us all in many ways
- ? - It doesn't appear you have a lot of youth participation. This is their legacy; we need their perspective and their money.
- Joyce – There seem to be a lot of youthful customers.
- ? – They participate in politics; this is political
- ? – When I talk to younger folks, I encourage them to join & share wisdom. It's that easy to get them involved.
- Jack – We need to do more outreach to minority and low income communities.
- Bob – One potential resource is to work with people at Warren Wilson College and have students come to the coop and then go out into the community.

Discussion of proposed bylaws revisions: Josh O'Conner explained that the issue of using electronic means for communication of notices and for voting will be on the ballot this year. Our bylaws do not technically prohibit electronic voting, but this measure will clarify the issue.

- Q – Paul Gallimore – Is the system unhackable? There is no such thing. We are considering using Google, which will allow us to manage the relative risks.
- Q – Darcel Eddins – Will we be able to vote electronically this time? It will be a Board decision.

Introduction to opportunities for owner investment in expansion – Bob LeRoy gave some statistics about our growth and talked about the need to expand the store. an overview of options for owner investment.

- We are “bursting at the seams” in our current store.
- Whether it is owner loans or a different type of share, we will need owner investment.
- Among other coops I have researched, owner investment provides an average of 22% of the total expansion budget
- A lending institution would not lend without a substantial investment from owners
- We are working to design an approach to offer options for owner investment, however we must comply with a number of state and federal laws.
- We will be in touch with owners as soon as decisions are made.

Q & A

- Jack – What are investment shares? Currently, each owner has one share. Another option is to create a type of voluntary share; there would be a dividend return with this type share. (This is different from our patronage rebate.) Owner loans would be worked out with a particular interest rate. Shares would be part of the equity ownership structure of the coop
- Paul – If a person had, say, \$10,000 to invest, what would be the rate of return? That decision comes later. We want to make sure it's fair, attractive, and transparent. Facts about the rate of return, risk, etc. will be publicized when those decisions are made.
- Justina – We may need to hold a special meeting to change the bylaws and Articles of Incorporation to allow for shares.

Board candidates introduced: The following candidates introduced themselves and made a brief statement. Full application and résumés will be posted on the website. There are four Board seats open. Ballots for Board elections and bylaws changes will be sent via USPS later this month.

- Stephanie Swepson-Twitty
- Virginia Bower
- Paul Gallimore
- Becky Wright
- Brandee Boggs
- Justina Prenatt
- Bob LeRoy
- Kelly Fain

Closing questions/comments from owners:

- Weogo Reed – The work “growth” sticks in my throat. Will we limit our growth? Supporting coops will lower the carbon footprint; let’s grow and be conscious, ‘cause we’re a good thing.
- Darcel Eddins – I have been an owner for a number of years. I’d like to remind us that we have 2000 owners and did not make quorum today. We need to look at ownership values. Who is going to be involved? Will it be the most vocal at the table or will it be owners?
- Sage Turner – I’m an owner and an employee. This Board has gone over and above their duties. Please be sure to thank them.
- Marie ? – I’m new to the coop. It’s a blessing to be here and meet you. I appreciate the food and the environmental consciousness. My son has some issues and my concern is that the store is highly fragranced. I would ask you to find the source and separate that smell for those who are highly sensitive.
- Justina – I, too, am disappointed that we didn’t make quorum. This is our business and we all must work together. If you’re excited about anything we’re doing, talk about it, come to Board meetings, vote, come to the Owners’ Council meetings. Thanks to all for your time, energy, and investment. Thanks also to the staff and management.

Quorum was not present, so minutes of the 2015 annual meeting could not be approved.

The meeting was adjourned at 4:04 pm.

Jean Karpen, Board Assistant



INTO THE FUTURE

Annual Meeting 2016 - GM Report

by Bobby Sullivan

The Annual Owners Meeting is like New Year's Day or even a birthday, for this now 41-year-old organization. It's almost mid-way through the year, so it's also a good time to reflect on how well we've been accomplishing the goals we set out in our annual business plan, and how we can look to finish out the year successfully.

Many people forget that we are both an enterprise and an association. This makes us a very dynamic entity, and as it's been shown by our own history that co-ops are very sustainable - even through tough economic times. So, this is an organization you will continue to see stand the test of time and we can assure you, this is a good place to investment your energy.

So, are you ready to move this wily beast into the future?

We've been planning the upcoming expansion for years now - about 20 years in fact - and over time, we've been very successful in maximizing our sales in a somewhat limited space. Leading up to this massive change and primary among our current initiatives, is to improve our community's perception of our affordability and accessibility and also, to grow the skillset of our staff. We want our workforce to be able to easily make the transition to a bigger store. We would also like to continue to enhance our ability to provide superior customer service and product knowledge. In truth, we really want to be viewed as the friendliest and most trustworthy store in town.

Data from the market research I did for our *2016 Business Plan*, shows that more and more stores are adapting to the newly competitive retail market by doing things more like co-ops, or at least appearing to do so. We can see this as both threatening and vindicating. Trends are going our way, but we will have to do a better job broadcasting our story. We will be able to leverage our strengths as key reasons more and more consumers should come our way. One study, referring to the digital age we now live in, said "the 'transparency of everything' will require retailers to be truthful to the image they portray in all aspects of their business."¹

Historically, co-ops like ours have been massively successful in encouraging the proliferation of natural and organic food, and now this comes at some cost. Globally, a far broader and more informed consumer base is placing a greater tension on the base commodities needed to support the rising consumer expectations – this means some prices are going up – quinoa and almonds have been perfect examples of that. Nationally, as many co-ops are turning 40 years old, a pattern is emerging. Most if not all are experiencing "a downturn in sales, rising labor costs and an unplanned decrease in [profit] margins."² "Roughly one-third of co-ops in our national network have already experienced increased competition. We are a good example of a market where the competition came early and we were able to make the necessary, tough changes to prosper. We had our lowest sales ever in 2009, but have been growing rapidly ever since. In fact, we expect to essentially double 2009's sales this year! That said, because of the intensely competitive climate, we're going to have to stay on our toes. We embrace this challenge, because serving the public in this way is not only incredibly important, it is also rewarding in many, many ways.

Shopper demographics are changing with the rise of millennials as a consumer class, and there is a widening gap between the haves and the have-nots in America. We have in fact become the most income-polarized developed economy in the world, according to a recent US Census Bureau. Our retail needs are changing dramatically and

¹ *Retailing 2020*, pg. 40

² *When the News Isn't Great*, by Gail Graham, in the National Co-op Grocers' LEADer, Fall 2015 Issue 29, pg. 3

rapidly, and this is why more and more retailers are looking to at least pretend to be worthy of our consumer support. But there's a difference here at a co-op. The ICA points out, "owned by local residents, food cooperatives are naturally community focused." We're built and maintained that way. And co-ops do more than generate sustainable wealth for our communities, we create social capital. This is why UN Secretary General Ban Ki-Moon said, "cooperatives are a reminder to the international community that it is possible to pursue both economic viability and social responsibility."

The French Broad Food Co-op is now in a great position to do this work on a larger scale. Surviving what was dubbed "Asheville's Grocery Invasion" by the local press in 2015, we finished that year with almost double-digit growth. Over the last 5 years we've transformed the store from what seemed to have morphed into a convenience store in bleak times, with little connection to the city, to a thriving community grocery. We made physical changes in the store, maximizing the little space we have, by reducing checkout space, adding a wall of drink coolers, a hot bar, more shelves in HBC, adding a Roots hummus case to make room for a bigger cheese display, and more. Our staff has truly done an amazing job, curating the best products for our limited space.

On the horizon now, is a massive change coming to this organization. Because of the forethought of our predecessors, we own this amazing property right here in what is a rapidly growing commercial climate. Downtown Asheville is now in many ways what Julian Price and many others of you were working towards – a thriving metropolis with a unique local flavor. As we step into the future, together we can preserve what we all love about Asheville in the form of a successful community owned enterprise, right at the top of the South Slope. We will be depending on you to bear with us during our transition - we'll need your patience and your continued support.

ENDS

Our Ends Policies are the Co-op's five bottom lines and they relate to Products, Education, Financial Health, Staff Environment & Community. There's a lot to be proud of here and I can only provide highlights, but it's thanks to you, our owners, for making this all possible.

GLOBAL ENDS POLICY:

To be a transformative force in our community and in our work, and to serve as a model of a sustainable business alternative that nurtures social and economic well-being in an environmentally sensitive manner.

1) Products:

To maximize the availability of healthful and organic foods and non-food products grown, manufactured, or produced locally with ecological and social responsibility for the community.

This is one of the more exciting policies. Nurturing local companies is one of the most rewarding aspects of what we do. Local companies are able to test market their products, even before they get a UPC code. This relieves them of prohibitive startup costs and helps all our wonderful local entrepreneurs generate stable incomes in the early life of their companies.

At this point we offer over 1,000 local products throughout the year, generating almost \$1/2 million in annual sales last year! Roughly 70% of that goes directly into the pockets of local suppliers!!!

I clearly can't mention all our great local companies here, but from Green Opportunities! Kitchen Ready Products on our hot bar, to being the only place to get Carolina Ground Flour – our work in this regard, makes our co-op the best place in town to explore our local food scene.

As far as our other products go, we were proud to reintroduce our classic *Back to Basics Program*, now called *Co+op Basics*. This program offers organic food staples at the same low price every day. This includes over 100 items, from organic beans & rice to Hickory Nut Gap Beef.

You should also know that we now offer gift cards, so if you want to spread the LOVE here, that's a great way to do it. And there's also the token program for our weekly farmers market. You can buy those in advance with credit, debit, cash and EBT at the co-op, and then go out and spend them with our local vendors, some of whom established the first organic farmers market here in Asheville. Over the course of the last 3 years, the amount of

tokens people purchased valued \$21,000! This is money going directly into the pockets of one of Asheville's most important assets, our local organic farmers.

Our focus on Non-GMO Verified products continues, as this was something that was very important to our owners and was widely expressed at a previous annual owners meeting. Our Co+op Basics program is mostly made up of these products and we will continue to support nationwide labeling to point out the products with GMOs, instead of the other way around.

In my capacity as a board member of the National Co+op Grocers, I was able to go on a trip lobbying Congress along these ends, with the likes of Jerry - from Ben & Jerry's, David Bronner, Annie - from Annie's Mac & Cheese and many other powerhouses in the advocacy wing of the Natural Food Movement. We were successful in helping the DARK Act fail.

2) Education:

To empower and inform our community with access to education and customer assistance.

This is a challenging policy to fulfill in some ways, because providing classes to the public requires a whole wing of operations that is hard for a small business to maintain. However, Melissa Fryar, our HBC Manager has done an amazing job building a following for classes that are both unique and valuable. We have also looked for strong local partners who can help us fulfill this mission. Living Web Farms, the Southeast Wise Women's Herbal Conference, Organic Growers School, LEAF in Schools & Streets, the American Herbalist Guild and the Mother Earth News Fair – these avenues help us do it.

As a larger entity, we will have much more of an opportunity to enhance our ability as an educator. Already, our staff does an amazing job learning about the products, and imparting their food wisdom on to the customers. They help the customers find exactly what they are looking for, instead of making them endure a sales pitch for what a company might like them to buy. And believe me, we learn a lot from you – our customers - too!

As part of a national co-op, there are many opportunities for internal education. The CDS Consulting Co-op keeps our board informed and brings Cooperative Café events to Asheville, where cooperators from around the region gather to discuss priorities and visions for the future. As our virtual chain of co-ops grows, the focus on store support is increasing. The National Co+op Grocers just opened up a regional office in Raleigh and it's increased our ability to attend regular trainings and download sessions on retail trends. All this is to say that our capacity is increasing and we are committed to constantly looking at ways to get better at what we do.

3) Financial Health:

To have a financially viable, transparent, ethical cooperative with equity growth, patronage refund, and community investment.

When it comes to equity, we passed the million-mark last year and we've now done patronage refunds for our 4th year in a row!

As I said, we are poised this year to essentially double the amount of the sales we did in 2009. This kind of growth is how we were able to enter 2016 completely debt free, owning the land the store is on and the corner lot across from the Orange Peel. This gives us a strong footing for our plan of expansion. We also have exceptional buying power for a store our size, because our primary supply contracts are negotiated by our national co-op. This means we have better buying power than many of our competitors, including the whole chain of Earth Fare.

One of the primary financial indicators we monitor is sales growth and the bar is set at 3%, as a level that needs to be maintained to keep the enterprise healthy. 2010 saw our first growth in sales since 2004.

Year	Sales	Sales Growth	Net Income
2015	\$4,301,267	9.3%	\$110,145
2014	\$3,937,958	5.5%	\$79,507
2013	\$3,732,823	18.5%	\$140,106
2012	\$3,155,435	17.8%	\$150,738

2011	\$2,678,902	7.7%	\$65,715
2010	\$2,487,636	3.2%	-\$6,279

Department Sales Growth in 2015

Last 2 Years

1st Place	DELI	16%	#1, #4
2nd Place	HBC	6%	#2, #3
3rd Place	GROCERY	3%	#3, #2
4th Place	PRODUCE	1%	#4, #1

Sub-Department Sales Growth in 2015

1. Special Orders	141%	#10, #6	9. Body Care	9%	#7, #8
2. General Merch.	28%	#1, #3	10. Freezer	5%	#13, #4
3. Meat	24%	#4, #11	11. Produce	1%	#8, #1
4. Bulk Herbs	22%	#2, #14	12. Vitamins	.33%	#11, #12
5. Cooler	15%	#3, #2	13. Grocery Dry Goods	-.4%	#9, #9
6. Bread	15%	#12, #15	14. Bulk	-.8%	#6, #5
7. Cheese	15%	#14, #13	15. Beer & Wine	-.9%	#15, #7
8. Deli	13%	#5, #10			

4) Staff Environment:

To be a respectful, responsive, and safe work environment in which a fairly compensated management, bargaining unit, and worker owner team has a strong sense of ownership in the success of the co-op.

We were very happy this year to be certified for our 2nd 2-year stint, as a Living Wage employer. This is verified by Just Economics WNC. This means most staff members got a \$3/hour raise two years ago, and all got a 65-cent increase this year. That makes our entry level wage \$12.50, much higher than any other grocery store. Staff members are also represented and protected by the Teamsters Union. This means with the board monitoring our policies from their vantage point, and the union representing staff, we have an effective system of checks and balances. This has been tested on a few occasions. And I believe we now provide one of the best jobs in Asheville for folks entering the retail trade. Staff members also get their staff discount on Co+op Basics items, so we're essentially offering over 100 organic products to them at cost.

The *Good Jobs Strategy* is a book our management team has studied, along with the principles of stewardship and servant leadership, which are so well elaborated in in the Zingerman's guide books. There has also been an uptick in the amount of training information available in the form of a free webinar service, called Co-op University. Our staff is our greatest asset and one of the most important stakeholders, so next time you're in the store, I encourage you to reach out to a staff member and thank them for the amazing service they provide, day after day.

And before I finish with this policy, I have to acknowledge a great loss we had last year in the passing of our longtime employee and friend Roz Marlowe. I really want to give thanks to the co-op community for providing her a platform from which to share her acquired wisdom with so many people, over a span of almost 3 decades! We were lucky to be a part of the life of someone like Roz, and we continue to make this a place where someone can speak their mind, just like Roz always did, and where even dissent is honored - this is thankfully required by board policy and it makes us stronger every day.

5) Community:

Within cooperative values, to have an ever-widening circle of community members with healthier and more environmentally restorative lives.

*Covered by Clare Schwartz, our Outreach Coordinator