

positive changes

As you can see from the Snap Shots, WFC's support of local and regional growers and producers is developing at a pace ahead of our sales growth. LOCAL foods taste great, keep money and jobs in our economy, and help reduce our community's carbon footprint. My questions for the 2008 Locavore Challenge participants will be:

- What LOCAL foods do you enjoy that are not available at WFC?
- What would you like to see produced locally that is climatically feasible but not currently available? (Sorry, cocoa/chocolate, coffee, citrus, and bananas are not likely candidates.)

The answers to these questions will help WFC focus resources on cultivating more sustainable regional food production.

In the last year, WFC earned a U.S. Environmental Protection Agency Energy Star Award, was an early adopter of the City of Duluth FOG (Fats/Oils/ Grease) Recycling Program, and offered mileage reimbursement for employees who want to volunteer for our local growers. Our employees challenged themselves to sign an "A-Green-Ment" to abide by WFC's environmental commitments especially regarding recycling and waste reduction, and they established a ride-share board. And thousands of our Owners and customers have contributed to Second Harvest Northern Lakes Food Bank by donating the "punch" for bringing in their own shopping bags and have contributed to the Duluth Community Garden Program through the purchase of organic garden seed packets.

Every step we take has an impact on our community and our environment. All those thoughtful decisions, the extra efforts, the positive changes – they really do make a difference. Thank you for supporting WFC and for participating in positive changes.

MANAGEMENT REPORT

For Fiscal Year (FY) 2008 – July 1, 2007 through June 30, 2008

by Sharon Murphy, General Manager

| FISCAL YEAR SNAP SHOTS | 2008 | 2007 | 2006* | 2005 |
|---|-------------|-------------|-------------|-------------|
| Sales growth over previous year | 9% | 18% | 48% | 16% |
| Margin (% of sales retained after paying suppliers) | 37.89% | 37.79% | 36.07% | 36.47% |
| Paid to local/regional growers/producers | \$1,103,007 | \$989,390 | \$650,450 | \$359,964 |
| Average new Members/month | 62 | 55 | 85 | 43 |
| Purchases by Members | 65% | 62% | 60% | 64% |
| Number of active Members | 4,639 | 4,145 | 3,559 | 2,735 |
| Average number of employees | 96 | 100 | 118 | 45 |
| Wages & salaries | \$1,789,132 | \$1,928,536 | \$2,741,146 | \$1,287,444 |
| Annualized staff turnover rate | 42% | 56% | 65% | 58% |

*(mid-year move to 610)

| COMPARATIVE BALANCE SHEET | FY 2008 | FY 2007 |
|---------------------------|-------------------|---------|
| | 6/30/08 | 6/30/07 |
| | Audit in progress | Audited |

ASSETS

| | | |
|-----------------------------|------------------|------------------|
| Current Assets | 782,022 | 383,720 |
| Property/Building/Equipment | 4,832,005 | 5,036,389 |
| Other Assets | 228,464 | 228,464 |
| TOTAL ASSETS | 5,842,491 | 5,648,573 |

LIABILITIES

| | | |
|--------------------------|------------------|------------------|
| Current Liabilities | 495,984 | 381,419 |
| Long-Term Liabilities | 5,166,621 | 5,144,768 |
| TOTAL LIABILITIES | 5,662,605 | 5,526,187 |

EQUITY

| | | |
|---------------------------------------|------------------|------------------|
| Member Equity | 564,696 | 506,500 |
| Donations | 15,222 | 15,376 |
| Retained Earnings | -400,032 | -399,490 |
| TOTAL EQUITY | 179,886 | 122,386 |
| TOTAL LIABILITIES & EQUITY | 5,842,491 | 5,648,573 |

| COMPARATIVE INCOME STATEMENT | FY 2008 | FY 2007 |
|------------------------------|-------------------|---------|
| | Audit in progress | Audited |

| | | |
|-------------------------|------------------|------------------|
| SALES | 9,119,563 | 8,370,730 |
| less cost of goods sold | -5,663,788 | -5,207,365 |
| NET SALES | 3,455,775 | 3,163,365 |

| | | |
|-----------------------------|-------------------|-------------------|
| OPERATING EXPENSES | -3,154,430 | -3,234,859 |
| GAIN FROM OPERATIONS | 301,345 | -71,494 |
| OTHER INCOME/EXPENSE | -301,888 | -216,752 |
| NET INCOME* | -543 | -288,246 |

*Depreciation, a non-cash expense, amounted to \$238,803 in FY 2008.

AGENDA for OWNERS ANNUAL MEETING

5 to 7:45 PM ☘ Saturday, October 11, 2008
The Marshall School Cafeteria ☘ 1215 Rice Lake Road, Duluth

DINNER (r.s.v.p. required*) and SOCIALIZING 5 – 6:15 PM

MENU

No charge for Members and children 5 and under; \$15/per household member or guest.
Beverage options include organic regional beer, organic wine and non-alcoholic selections.

Local foods Buffet Dinner by Grand Superior Lodge

Spinach salad with candied walnuts, grilled melon, raspberry vinaigrette
(GF/vegan/vegetarian friendly)

Grilled Vegetable Paella with a heirloom tomato essence
(GF/vegan/vegetarian friendly)

Chicken Breast stuffed with swiss chard, mozzarella cheese and served
with a smoked Heirloom tomato ragout (GF friendly)

White Russian Tiramisu & Fresh Fruit Cups

BUSINESS MEETING (child care available) 6:15 – 6:45 PM

Report on number of Owners present ☘ Proof of notice of meeting ☘ Determination of a quorum and right to vote by Members ☘ Reading and approval or waiver of Minutes of last meeting
Reports of officers and committees ☘ Unfinished business ☘ New business
Remarks for the good and welfare of the cooperative

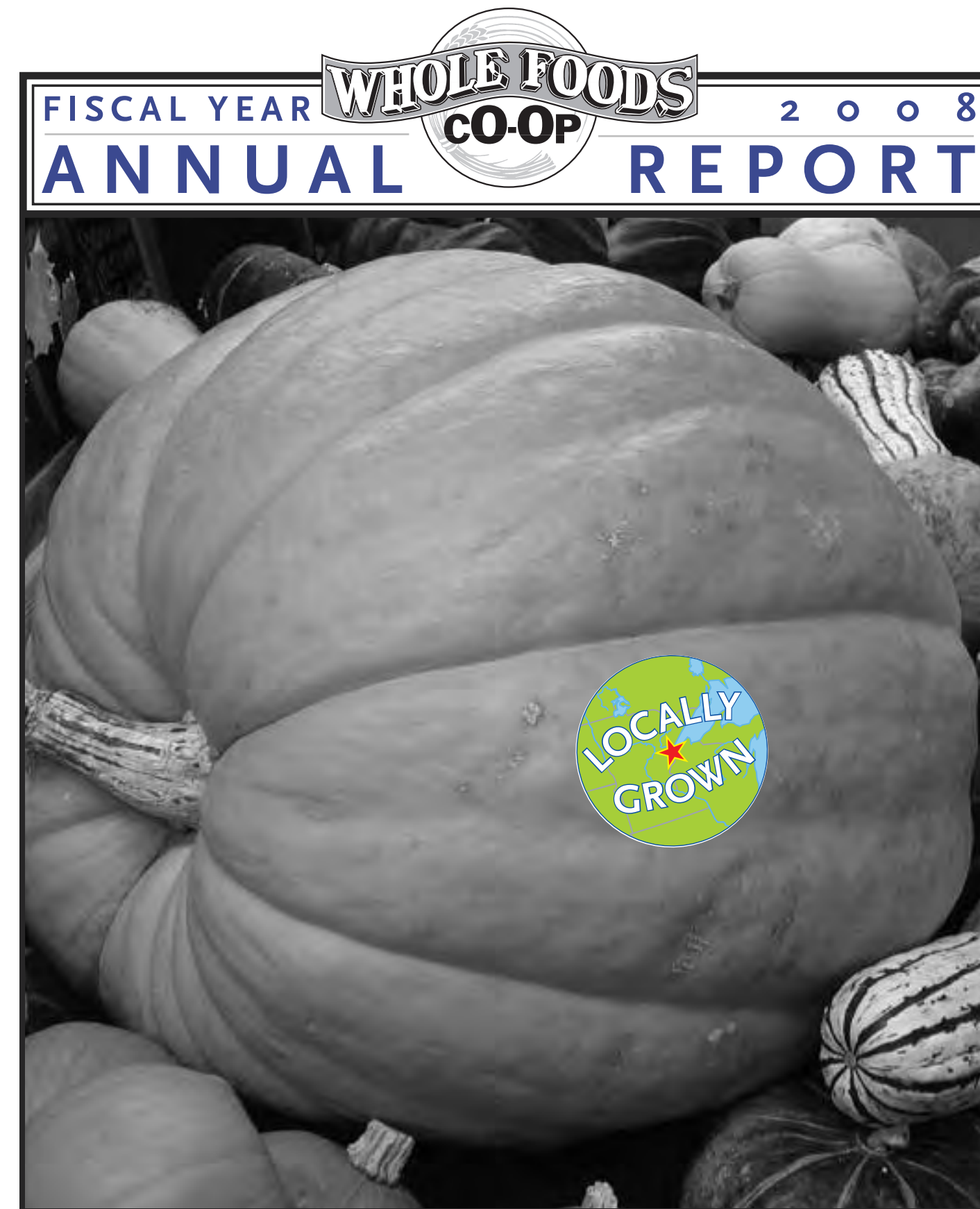
WORLD CAFÉ SESSION 6:45 – 7:30 PM

Discussions by table on topics related to regional food sustainability and the future needs of Owners

DOOR PRIZE DRAWINGS 7:30 – 7:45 PM

Must be present to win

*Please r.s.v.p. for dinner no later than October 3, 2008 by phone (728-0884 to Customer Service) or by returning/mailling the card in the September Gazette.



WFC's

2007 Annual Meeting was held in a tent in our staff parking lot at 610 East 4th Street, Duluth, MN. This meeting was attended by 61 members and their guests and was preceded by a Member-Only Tasting Fair staffed by WFC's Fog City Deli, Last Chance Liquor, and our local suppliers: Alakef Coffee, Alotti Biscotti, Angie's Kettle Corn, Dahl's Sunrise Dairy, Green Pastures Cheese, Restore the Earth, Spring Creek Farm and Thousand Hills Cattle Company.

Welcome and Introductions:

The Business Meeting began at 2:30 PM.

Board President Jean Sramek welcomed Members and their guests, thanked suppliers for participating in the Tasting Fair, and introduced the Board of Directors.

General Manager Sharon Murphy introduced the Management Team and thanked Marketing Manager Shannon Szymkowiak and Member Services Coordinator Anni Friesen for coordinating this event.

Board Secretary Erik Hahn took Minutes.

Proof of Notice and Quorum:

Sharon produced proof of timely mailing of the notice of this Meeting, confirmed that there was a quorum of active Members present at this meeting, and announced that the ballot return for the Board election, at nearly 10% of over 4,200 Members, represented the highest percentage of Members participating in a Board election in WFC's history.

Approval of Meeting Minutes and Reports in the 2007 Annual Report:

Lynn Fena made a motion to waive the reading of the Annual Meeting Minutes of July 28, 2006, and to accept those Minutes as submitted in the 2007 Annual Report. Christof von Rabenau seconded that motion. Motion carried.

Mary B. Newcomb expressed her appreciation for Board President Jean Sramek's years of service on the Board and outstanding written communications to the Members in issues of the Garbanzo Gazette and in Annual Reports.

Geiger Yount made a motion to accept the reports of officers and committees in the 2007 Annual Report. Vicky Zimmerman seconded that motion. Motion carried.

The Real Cost of Cheap Food, a play in one act, by Sharon Murphy and Jean Sramek

You had to be there ...

Unfinished Business

2007 draft annual membership meeting minutes

September 16, 2007 • Reviewed by the Board of Directors on Oct. 22, 2007

Jean announced that, as WFC did not produce a profit in FY 2007, the Board would not be able to declare a patronage rebate for the fiscal year ended June 30, 2007.

New Business

Sharon reported on status of WFC's exterior art project awarded to Ron Benson of Benson Glass Art in Duluth, congratulated WFC employees for achieving first place in the professional division at the United Way Chili Cook-off earlier this month, and congratulated Members on the Co-op's 2007 Energy Star Award from Minnesota Power.

Board Member and Membership Committee Chair Lynn Fena introduced the proposal recommended by a WFC employee that Members create a Co-op Quilt that reflects WFC's values. Lynn displayed a sample quilt piece she created and collected names of Members interested in participating on the Co-op Quilt Committee. The Co-op Quilt Committee will define the standards and time line for this project, but all Members are welcome to participate in creation of the quilt.

Jean reminded Members to participate in the Co-op's 2007 Owner Survey by completing the form mailed with the 2007 Annual Report or by completing the Survey on-line by following the link on WFC's web site. The final date for submitting surveys, Owner or Non-Owner, is November 30, 2007. Information from these surveys will be included in the Board's planning process, and a summary of responses from these surveys will be included in an issue of the Garbanzo Gazette

in 2008.

Sharon introduced the Members of WFC's Articles and Bylaws Committee (Erik Hahn, David Helf, Theresa Koenig, Debbie Manhart, Sharon Murphy, and Jean Sramek) and outlined the Committee's process to achieve its assignment from the Board to review and recommend changes, deletions and additions to WFC's Articles of Incorporation (last revised in 1998) and Bylaws (last revised in 1990). Proposed revisions to the Articles of Incorporation were included in the September/Oc-

tober Garbanzo Gazette. An Owner Forum to discuss the proposed Articles is scheduled for Monday, October 15, 2007, at 6 PM at WFC. Proposed revisions to the Bylaws will be published in two parts in future issues of the Gazette followed by Owner Forums to discuss those revisions. Summaries of discussions from Owner Forums, along with all proposed revisions to the Articles and Bylaws, will be available on WFC's web site. This process will culminate with an opportunity for Members to vote by mail for approval of the final version of revised Articles and Bylaws.

Election of Board Members:

After completing a count of ballots received prior to the beginning of the Business Meeting, Board Member David Helf reported that 390 valid ballots were received and all of the candidates on the ballot were duly elected:



Candidates

| | |
|-----------------------|---------------------------------|
| Lynn Fena | 2 years |
| Erik Hahn | 2 years |
| Theresa Koenig | 2 years |
| Heather Murphy | 1 year (filling a partial term) |

As Jean has reached the end of six years of consecutive service, the Board will continue its recruitment efforts and, when successful, will appoint a Member to serve in her Board position until the 2008 Board election.

Remarks for the Good & Welfare of the Association

Sharon asked the Board Members to join her for a presentation on Jean's history on the Board of Directors and to show our appreciation for her commitment to the Co-op.

Sharon noted that on Friday, September 21, 2007, WFC will contribute 1% of sales to the **Sow the Seeds Flood Relief Fund** for the farmers in southwestern Wisconsin and southeastern Minnesota who lost product and suffered damage to their farms and homes in the flooding at the end of August. WFC is accepting individual contributions to the Sow the Seeds Flood Relief Fund through the end of September at our Customer Service Counter.

In memory of Fran Skinner, Lynn Fena offered a toast to the health and well-being of Whole Foods Co-op.

Anni distributed raffle prizes contributed by WFC and its suppliers.

At 3:25 PM, Sue Sojourner made a motion to adjourn the 2007 Annual Meeting. Dianna von Rabenau seconded that motion. Motion carried.

Respectfully submitted,
Board Member Erik Hahn and General Manager Sharon Murphy

Board members, from left:
Jeri Brysch, Alison Champeaux, Lynn Fena, Mark Friederichs, Heather Murphy, Theresa Koenig, David Helf

committee reports

FOOD POLICY COMMITTEE (Chair Heather Murphy)

The purpose of the Food Policy Committee (FPC) is to make recommendations to the Board on WFC Food Policies. The FPC is open to Member participation and notice of meetings is included on the calendar of the monthly in-store flyer and on WFC's website (www.wholefoods.coop). The FPC met in April 2008 to review management's Food Policies Compliance Report and to recommend changes in the Food Policies to the Board.

MEMBER-OWNER COMMITTEE (Chair Lynn Fena)

The purpose of the Member-Owner Committee (MOC) is to provide a communication link between the Board and the Owners. The MOC is open to Member participation and notice of meetings is included on the calendar of the monthly in-store flyer and on WFC's website (www.wholefoods.coop). The MOC met in August 2007 to develop proposals to increase Member involvement. The MOC introduced a Co-op Quilt Project at the September 2007 Annual Owners Meeting and has worked with management to promote the 2008 Locavore Challenge.

GENERAL MANAGER EVALUATION COMMITTEE (Chair Lynn Fena)

The General Manager Evaluation Committee (GMEC) is tasked with monitoring the GM's compliance with Board Policies, coordinating the GM's evaluation, and negotiating the GM's compensation and benefits. GMEC meetings are held at least quarterly and are not open to Member participation.

AD HOC ARTICLES AND BYLAWS COMMITTEE (Chair Jean Sramek/Lynn Fena)

This committee was tasked with researching, securing legal review, and then recommending amendments to WFC's Articles and Bylaws. This committee of Board and Management Team members last met in June 2007 when they agreed to forward legally reviewed amendments of the Articles and Bylaws for the Board's consideration. The Board approved the work of this committee and asked them to coordinate the presentation of this material to the Members through publication on WFC's web site, articles in the Gazette, and a series of Owner Forums. In May 2008, Members voted to approve amendments to the Articles and Bylaws.

AD HOC COMMITTEE TO PLAN THE ANNUAL MEETING (Chair Lynn Fena)

This committee was tasked with improving attendance at the Annual Owners Meeting. Participating Board members met in March 2008 to review the history of attendance at WFC's annual meetings as well as best practices from other food co-ops to increase attendance at annual meetings. The committee presented its recommendations to the Board and the Board directed management to develop a budget and implement those recommendations for the 2008 Annual Owners Meeting.

FINANCE COMMITTEE (Chair Jeri Brysch)

The purpose of the Finance Committee is to at least annually review management's fiscal year budget proposal and report its recommendations to the Board. Participating Board members met in May 2008 and recommended to the Board approval of a draft budget including debt service projections, updated goals for membership and equity growth, and allocations for capital equipment and building improvements in Fiscal Year (FY) 2009 (July 1, 2008 through June 30, 2009).

The Board is optimistic about the performance of our store. We have spent the last year watching the business side of the cooperative pull out of an industry slump. On the cusp of our expansion, we faced less than optimal conditions as gas prices went sky high, dragging food prices right along. But under the expert guidance of our General Manager, Sharon Murphy, and our staff, we have been able to cut operating expenses and increase sales to a healthy level. Although we started the last fiscal year feeling vulnerable, we have emerged stronger as Sharon established stable and sustainable growth.

Structurally, newly Board-crafted and Owner-approved By-laws went into effect July 1, bringing about the 3-year term for Board Members. Beginning with this election, the three candidates with the most votes will be elected to 3-year terms. Next year, four candidates will be elected to three-year terms. It is a measure that brings more continuity to the Board's work. Because it was necessary to replace two Board Members during the past year due to unforeseen transitions, we will have two candidates elected for 1-year terms and they will appear on the ballot again next year.

I want to thank the great people who make the Board work so well. Jeri Brysch will not be running this year, but has been an excellent Treasurer and financial advisor for the past four

board report

Lynn Fena, Board President

years. David Helf and Heather Murphy are up for re-election. Alison Champeaux and Mark Friedrichs were willing to accept Board appointments mid-year and are candidates on the ballot this year as well. They have all dedicated themselves to the study, inquiry and debate that builds good board leadership and it has been a pleasure to work with them.

Significantly, the Board was involved in more preparation and training during the past year than usual. We had opportunities to attend day-long trainings in January and April, the national CCMA conference in Portland, OR, a Board/Management Team retreat in August, plus, we have been able to access webinars sponsored by Cooperative Board Leadership Development throughout the year. The training is for a reason.

Whole Foods Co-op is an important part of the worldwide cooperative movement to improve the connection between values and community. We are determined to be a purpose-driven Board, representing the concerns and interests of our community—WFC Member-Owners. Board Members talk often about preparing ourselves to lead, to bring about something that encompasses and goes beyond our store. We have not determined what that is, but during the coming year, we are counting on 5,000 Owners to help us figure it out!

Special Membership Meeting Minutes

May 19, 2008 • Reviewed by the Board of Directors on June 23, 2008

A Special Membership Meeting was called by the Board of Directors for Monday, May 19, 2008, from 5 to 5:15 PM, at WFC, to announce the results of the Member vote to approve Amended Articles of Incorporation and Amended By-laws by mail ballot.

This meeting was called to order by Board President Lynn Fena at 5 PM. Four Members were in attendance and two other Members joined the meeting in progress. The required quorum (50 Members) was established, in the manner prescribed by the Bylaws, based on the total number of valid ballots received.

Proof of Mailing the Notice of Special Meeting, in the manner required by the Bylaws, was submitted by General Manager Sharon Murphy.

Lynn announced the ballot count as submitted by Board Secretary Theresa Koenig:

Total valid ballots received: 233
Votes in favor of approval of amended Articles & Bylaws: 225
Votes against approval of amended Articles & Bylaws: 8
Invalid ballots received: 12

The amended and restated Articles of Incorporation and By-laws submitted to Members with the ballot were approved by a majority vote of the Members voting and are effective immediately. Lynn directed the General Manager to complete the filing of these documents with the State of Minnesota and to update the Articles and Bylaws provided to Members and posted on WFC's web site.

There being no other matters on the agenda of this meeting, Lynn adjourned this meeting at 5:15 PM.

Respectfully submitted,
Sharon Murphy, General Manager

board election & survey process

The Board of Directors obtains its authority from and represents WFC's Member-Owners. The Board is responsible for linkage with Owners and reporting to the Owners on the Board's activities and decisions. 🐼 Please respond to the four survey questions on the 2008 Board of Directors election ballot. You can vote and respond to these questions on-line (use the link at www.wholefoods.coop OR pick up a paper ballot and the required envelopes at WFC's Customer Service Counter OR request a ballot and envelopes by mail in advance of the submission deadline of 9 PM on Sunday, September 21, 2008). 🐼 This year's survey questions include an opportunity for Member-Owners to select a local, mission-related non-profit agency to receive a cash donation from WFC for the balance of unclaimed abandoned equity that will be allocated later this year. 🐼 In the cooperative structure, every Member has one vote and every vote matters. Please participate in the Board election and survey process.