

BOARD REPORT

by David Helf, Board President

It's been another good year for Whole Foods Co-op, which means it's been a good year for all of us—the Board, staff, and you, our Owners.

We continued to search for opportunities to achieve our ENDS, which we wrote after consulting with many people, including our Owners:

In Duluth there is a thriving consumer-owned cooperative that supports, invests and partners to create a healthy community including, but not limited to, a healthy regional food system.

Among other efforts, WFC donated \$5,000 to the Duluth Community Garden Program, and to the Superior Grown Food Summit, a public conversation about our regional food system.

To honor our 40th anniversary, we've decided a big celebration is in order. Please sign up for the Annual Owner's meeting, on October 16th at the new Clyde Ironworks Banquet Center. There will be a great dinner, a chance to meet other Owners and, among other things, an announcement about the Board's decision on a 2010 patronage rebate. We'll keep the business meeting short plus, there will be music, childcare, and lots of door prizes. Come and celebrate with us. It's also the 5th anniversary of the opening of our new store so, when you shop in October, we'll be offering cake to shoppers to celebrate both anniversaries.

Last October, you elected two new people to the Board, Mary Dragich and Chris Edwardson. They brought deep and varied experiences, and quickly became active Board Members. I'd also like to thank the whole board for their dedication. From serving on committees, to attending retreats, special events, and monthly Board meetings, to reading and responding to endless emails, these folks work very hard for all Owners.

This year, the Board examined each of its policies, which are at the heart of how we do our work. It took about nine months and much hard work, but by this spring, we had finished the job. A periodic review of our policies ensures that they remain relevant and useful, and that helps keep our Co-op successful.

After the policy review, the recruitment committee updated Board application materials to make them consistent with policy changes. Notably, qualified candidates must have a minimum of 90 days' consecutive membership and must have attended two of the 12 most recent Board meetings prior to the submission deadline of August 1st. Our next election is in September of 2011. It's not too early to start preparing for that if you are interested in serving on the WFC Board of Directors.

I must thank two important groups. First, I applaud you, our Owners. You continued to show strong support for our business. This was reflected as we exceeded our annual sales goal. We saw an 8% sales increase in fiscal year 2010, compared with

about 6% the year before. I would like to thank all of you for the confidence you have shown in our business, despite rough economic times. Remember, it is YOUR Co-op, and we all succeed together. Thanks!

Thanks also to the nearly 800 new Owners who joined in fiscal year 2010. As of this writing, we now have over 5,600 Owners. It is clear that our satisfied and committed Owners are talking to their friends and neighbors. Welcome aboard!

The second group that deserves praise is our talented staff. In recognition of their success at meeting or exceeding their goals of operating the store efficiently, the Board voted to award a bonus to them after each of the four quarters. Thanks, staff, for all your hard work and for your great service to Owners and shoppers alike.

We look forward to another great year.

COMPARATIVE BALANCE SHEET		
	FY 2010	FY 2009
	6/30/10	6/30/09
Prior to tax/rebate adjustments		
ASSETS		
Current Assets	1,068,861	878,574
Property/Building/Equipment	4,486,503	4,644,443
Other Assets	260,816	241,350
TOTAL ASSETS	5,816,180	5,764,367
LIABILITIES		
Current Liabilities	570,492	702,519
Long-Term Liabilities	4,241,577	4,576,522
TOTAL LIABILITIES	4,812,069	5,279,041
EQUITY		
Member Equity	833,366	612,659
Donations	15,395	15,222
Retained Earnings	155,350	-142,555
TOTAL EQUITY	1,004,111	485,326
TOTAL LIABILITIES & EQUITY	5,816,180	5,764,367

COMPARATIVE INCOME STATEMENT		
	FY 2010	FY 2009
SALES	10,391,894	9,625,739
less cost of goods sold	-6,386,696	-5,958,611
NET SALES	4,005,198	3,667,127
OPERATING EXPENSES	-3,253,334	-3,134,953
GAIN FROM OPERATIONS	751,864	532,174
OTHER INCOME/EXPENSE	-235,655	-273,669



Chris Edwardson



David Helf



Heather Murphy



Theresa Koenig



Mary Dragich



Mark Friederichs



Alison Champeaux

annual report 2010



Snapshot 2006

Annual sales	\$7,112,930
Margin after paying suppliers	36.07%
Paid to local producers	\$650,450
Average new Owners/month	85
Purchases by Owners	60%
Number of active Owners	3,559
Average number of employees	118
Wages & salaries	\$2,741,146
Annualized staff turnover rate	65%

Snapshot 2007

Annual sales	\$8,370,730
Margin after paying suppliers	37.79%
Paid to local producers	\$989,390
Average new Owners/month	55
Purchases by Owners	62%
Number of active Owners	4,145
Average number of employees	100
Wages & salaries	\$1,928,536
Annualized staff turnover rate	56%

Snapshot 2008

Annual sales	\$9,119,563
Margin after paying suppliers	37.89%
Paid to local producers	\$1,103,007
Average new Owners/month	62
Purchases by Owners	65%
Number of active Owners	4,639
Average number of employees	96
Wages & salaries	\$1,789,132
Annualized staff turnover rate	42%

Snapshot 2010

Annual sales	\$10,391,894
Margin after paying suppliers	38.54%
Paid to local producers	\$1,691,203
Average new Owners/month	64
Purchases by Owners	65%
Number of active Owners	5,678
Average number of employees	88
Wages & salaries	\$1,759,125
Annualized staff turnover rate	42%

Snapshot 2009

Annual sales	\$9,625,739
Margin after paying suppliers	38.10%
Paid to local producers	\$1,268,919
Average new Owners/month	52
Purchases by Owners	66%
Number of active Owners	5,085
Average number of employees	89
Wages & salaries	\$1,729,948
Annualized staff turnover rate	40%

5th anniversary at 610 east 4th street

MANAGEMENT REPORT

For Fiscal Year (FY) 2010 —
July 1, 2009 through June 30, 2010

by Sharon Murphy, General Manager



164 years ago a group of factory workers in England had a dream of self-sufficiency and of changing the dynamics of “the rich get richer” ethos that was prevalent during the Industrial Revolution. It took these early cooperators two years to save enough money to open their store.

They started with five products, a classroom for adult education and a big vision. They believed that owning a store together, operated for their own benefit, could change their lives

Their vision led to a worldwide movement of people working together to meet their common needs. The cooperative business model is as valid, and as needed, today as it was then. For decades, food cooperatives in this country have been quietly leading a food revolution, providing honest information about food: what’s in it, where it comes from and what it means to you. Co-ops protect consumer rights and the integrity of our food. Co-ops support fair wages for staff and fair prices to producers locally and worldwide. Co-ops educate about the real cost of food and about the economic, environmental and personal benefits of food grown and produced sustainably.

At WFC, we’ve had our ups and downs over 40 years of learning how to be savvy AND ethical business people while pursuing our mission. Today, WFC is thriving. Nationally many food co-ops are experiencing steady growth, expanding and opening new stores, and welcoming brand new food co-ops that are sprouting up all over. Food co-ops are integral parts of their communities, providing jobs, stabilizing local economies and creating markets for local farmers and producers.

YOU own WFC — not some distant corporation that only wants to profit from you.

YOU control WFC – You elect people you know to provide guidance, oversight and leadership on your behalf.

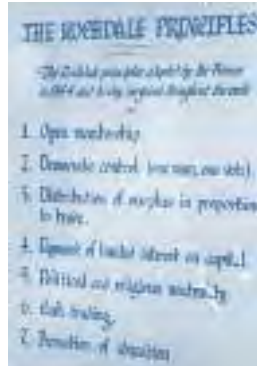
YOU benefit – Co-ops exist to serve their Owners’ needs. Let us know what you need and recognize that we have to balance your needs with those of thousands of other Owners. The economic benefits of cooperative ownership are returned to Owners, reinvested in the co-op, or used to provide services to Owners.

Our COMMUNITY benefits - WFC keeps capital in this community and in the cooperative community. WFC supports, invests and partners to create a healthy community including, but not limited to, a healthy regional food system.

With ownership comes responsibility. As Owners you need to watch out for this Co-op – support it, promote it and use it. Expect it to be awesome! As long as you take care of it, it will always be yours.

Sharon Murphy
General Manager

The Rochdale Society of Equitable Pioneers was formed in 1844 in Rochdale, England, to open their own store selling food items they could not otherwise afford. The Rochdale Pioneers were ordinary people who created an extraordinary concept...while others bombed, they built, and while others suppressed hope, they sought harmony. They knew that through cooperation they held the key to the future. A simple idea, a committed group. They began a Revolution that brought hope to millions and harm to none. The Pioneers gave birth to the idea of modern cooperation and the world is a better place for it. Though not the first retail cooperative, the Pioneers learned from the mistakes of others and their store became a model for cooperators around the world. The original Toad Lane Store is now a museum in Rochdale, and England is home to a diverse, integrated and successful cooperative economy, www.co-operative.coop



Original Rochdale Co-op Principles.



From the 1995 convention of the ICA (International Cooperative Association).

attend the annual owners meeting and select the 2010 abandoned equity recipient
Attendees at the October 16, 2010, Annual Owners Meeting at Clyde Iron Works Banquet Center (see Agenda in this report) will be asked to choose among five local, ENDS-related, non-profit agencies to be the recipient of the allocation (approximately \$3,000) of 2010 abandoned equity.

2009 DRAFT ANNUAL MEMBERSHIP MEETING MINUTES

October 10, 2009 • Reviewed by the Board of Directors on October 26, 2009

WFC's 2009 Annual Meeting was held in the cafeteria at Marshall School, 1215 Rice Lake Road, Duluth, MN. This meeting was attended by 105 Owners and their guests (total 141). Dinner, featuring locally grown foods, was catered by Ledge Rock Grille.

Welcome and Introductions:

The Business Meeting began at 6:20 PM. Board President Lynn Fena welcomed Members and their guests, saluted WFC's 39th

Anniversary as a consumer-owned food cooperative and introduced the Board of Directors. Board Secretary Theresa Koenig took Minutes.

Proof of Notice and Quorum:

General Manager Sharon Murphy presented proof of timely mailing of the notice of this meeting. Lynn reported that 105 Owners were present. The quorum requirement is 100 active Owners.

Minutes, continued

Approval of Meeting Minutes and Reports in the 2008 Annual Report:

Jamie Harvie made a motion to waive reading of the Annual Meeting Minutes of October 11, 2008, and Katie Neff Dawson seconded that motion. Motion carried.

Colleen Kelly made a motion to accept those Minutes as submitted in the 2009 Annual Report. Ann McKie seconded that motion. Motion carried.

Follow-up on 2009 Annual Report

Lynn reported on the results of the 2009 Board election and survey:

Candidates elected in the 2009 Board election:

Mary Dragrich/new	3-year term
Chris Edwardson/new	3-year term
Mark Friederichs/incumbent	3-year term
Theresa Koenig/incumbent	3-year term

The local, mission-related non-profit agency chosen to receive a cash donation from WFC for the balance of unclaimed abandoned equity that will be allocated later in 2009:

Lake Superior Sustainable Farming Association

The top three social/environmental issues that participating Owners think WFC should champion:

- 1) Support local sustainable agriculture (136)
- 2) Address local hunger problems (77)
- 3) Support efforts to improve the environment (66)

Lynn noted that this election survey result closely paralleled the results of the written survey mailed to a random selection of 1,100 Owners in May 2009 as well as the results of the Board's listening sessions with Owners and community members in 2008 and 2009 that led the Board to create a new ENDS (what are we here for) statement:

In Duluth there is a thriving consumer-owned cooperative that supports, invests and partners to create a healthy community including, but not limited to, a healthy regional food system.

Lynn advised that the Board will continue to review our progress on this ENDS statement and we look forward to our next member and community linkage opportunity through the Co-op's co-sponsorship of the discussions at the Superior Grown Food Summit all day on Saturday, November 14, in Kirby Ballroom at UM-D.

Patronage Rebate

Lynn reported that the Board approved a patronage rebate based on the percentage of Fiscal Year 2009 profit from purchases by Owners (about 66% of the profit). The total amount of that patronage rebate will be \$207,807 dollars. Pursuant to the Minnesota Cooperative Statute, 20% of that amount (\$41,561) will be refunded by check to Owners in proportion to their net purchases in Fiscal Year 2009 (July 1, 2008 through June 30, 2009). This represents a 3.23% return on your purchases during that period.

This is the first patronage rebate since moving to the current location in 2005. Over 4,800 checks will be issued in the first week of December. Checks will range from one cent to \$112.83. The non-cash portion of the patronage rebate will be

recorded as retained equity under each eligible member's account. Retained equity may only be dispensed at the discretion of the Board in a fair and equitable manner (all or none) and, of course, subject to the financial position of the co-op.

As an incentive to get rebate checks cashed as soon as possible, eligible Owners will receive an additional 5% off one purchase at WFC when tendering payment with a rebate check prior to January 15, 2010. A rebate check is NOT taxable income for an Owner, and WFC does not pay income tax on the portion of profit allocated as a patronage rebate – UNLESS you forget to cash your check!

Lynn asked if there were any questions on the Annual Report. There were none.

Management Report

Sharon recognized all the staff people in the room and especially the Management Team members for achieving our first profitable year at a new location in the midst of a nationwide economic recession, while repaying member loans, and not resorting to layoffs.

Sharon reported that the recently completed quarter (July-September 2009) continues the trend of sluggish sales growth but, due to operational economies, the Co-op continues to be financially strong.

Sharon thanked departing Board members Linda Magni (1 year) and Lynn Fena (6 years) for their service on the Board and thanked staff from the Ledge Rock Grille for catering this meeting.

Sharon asked if there were any questions on the Management Report. Owner Wayne Pulford asked if the current location has appreciated in value since 2005.

Business Meeting Adjourned

Wayne Pulford made a motion to adjourn the business meeting at 6:45 PM. Sandy Johnson seconded that motion. Motion carried.

Guest Speaker

Sharon introduced WFC Owner Jamie Harvie who is the Director of the Institute for a Sustainable Future and is a founding member of Health Care Without Harm, a campaign to support food's role in reducing health problems. Jamie spoke about successes around the country of the Health Care Without Harm project and of the need to continue to work for a great transformation in the environment, food systems and health care to re-create a healthy planet.

Table Talk

Following Jamie's presentation, Owners continued discussion of food system issues by table for about 10 minutes. Written comments were collected and will be tabulated for the Board.

In closing

Sharon reminded everyone of the Halloween Party at WFC on Saturday, October 31, 2009, from 4 to 7 PM. Promotions & Education Manager Shannon Szymkowiak thanked staff from Last Chance Liquor for providing beer and wine at this meeting and then distributed door prizes.

Respectfully submitted,

*Board Member Theresa Koenig and
General Manager Sharon Murphy*