

WHOLE FOODS COMMUNITY CO-OP, INC.
Minutes of February 24, 2014, Meeting of Board of Directors

Approved by Board of Directors on March 24, 2014

DATE: February 24, 2014
TIME: 5:30 PM
LOCATION: Whole Foods Co-op, 610 East 4th Street, Duluth, MN

Attended by Board members: Mary Ann Bernard, Chris Edwardson, David Helf, Heather Murphy, Mickey Pearson, and Jean Sramek. John Westlund was absent. Also present: Frank Worrell and PJ Hoffman from the National Cooperative Grocers Association-Development Cooperative/NCGA-DC, Store Manager Sarah Hannigan (arrived at 5:40 PM), and General Manager Sharon Murphy.

Motion, seconded and carried is abbreviated as MSC, followed by the names of the maker, second and vote tally. U = unanimous vote.

OPEN SESSION

President Chris Edwardson called the meeting to order at 5:29 PM. Board members were prepared; one possible conflict of interest was reported and determined to be not applicable.

Sharon introduced Frank Worrell and PJ Hoffman from the NCGA-DC. Frank and PJ discussed their experience supporting co-ops and cooperative expansions and responded to questions from the Board on the terms of the proposed Development Agreement between WFC and the NCGA-DC. Then Frank and PJ left the meeting.

Chris appointed David as timekeeper. The Board skipped check-ins and Mickey reported on Owner linkage with respect to Board recruitment.

CONSENT AGENDA

The Board approved/accepted (MSU, David, Heather) the following items on the February 2014 Consent Agenda:

- Important Dates
- Minutes of the January 27, 2014, Board Meeting/open session

REVIEW

February 2014 Owners Report:

The Board approved (MSU, Heather, David) 99 Owner applications.

The Board approved (MSU, David, Jean) redemption of \$4,070 Class A and Class B shares of Owners have requested termination of ownership from February 21, 2013, through February 20, 2014.

The Board approved one Matching Fund request (Owner #13443) for the eligible amount of \$50.00.

January Income Statement

The Board reviewed and accepted the January Income Statement. Sharon advised that February sales growth to date is 15% with a goal of 8.75%.

Compliance Reports

Barring objections, the Board accepted the following Compliance Reports:

- Policy B5 Asset Protection

- Policy B6 Communication and Counsel to the Board

Management Report

The Board approved (MSU, Jean, Mickey) authorizing General Manager Sharon Murphy to sign the NCGA-DC Development Agreement for consultant services related to design, development, financing and staffing of the WFC/Denfeld location (4426 Grand Avenue, Duluth, MN 55807).

The Board approved (MSU, David, Mickey) acceptance of the Dakota World Wide Site-Specific Survey dated February 20, 2014, as satisfying WFC's contingency set forth in the Purchase Agreement for the property owned by J&S Partnership and designated as 4426 Grand Avenue.

The Board approved (MSU, Heather, David) authorization for General Manager Sharon Murphy and Vice President Jean Sramek to, on behalf of WFC, sign any and all document related to the financing and closing of purchase on 4426 Grand Avenue.

Sharon reviewed management's plan to release information to Owners, staff and the media related to the purchase of 4426 Grand Avenue as the location for WFC's second site.

The Board approved (MSU, Heather, David) authorization for General Manager Sharon Murphy to enter into agreement on a production of a preliminary site design and estimate of development costs with, as included in the contingencies of the Purchase Agreement, Johnson Wilson Construction in order to develop an initial pro forma with NCGA-DC.

The Board agreed to carry over their discussion of LEED certification and also requested research on Green Globe certification.

The Board approved (MSU, Mary Ann, Mickey), as amended at this meeting, the following criteria for the Owner Loan Program to support purchase and development of the 4426 Grand Avenue location.

PERIOD

Offering to Owners (in good standing with completed investment of required Class A and Class B shares and Minnesota residents only) as soon as prospectus can be developed outlining location, estimated project costs (NCGA-DC), sales potential (Dakota World Wide site specific report) and risks of investment; offering open up to nine (9) months. If purchase does not go through, Owner loans may be returned.

DOLLAR GOAL

Minimum \$1,000,000 up to one-half of estimated project cost.

TERMS

Minimum \$1,000 and \$1,000 minimum increments
0%-3.00% annual compound interest on loans of \$1,000 to \$9,000
0%-5.00% annual compound interest on loans of \$10,000 and above¹

4-7 year term options

4-year term available up to approximately 25% of total Owner loans
5-year term available up to approximately 25% of total Owner loans
6-year term available up to approximately 25% of total Owner loans
7-year term available up to approximately 25% of total Owner loans

The Board approved (MSU, Jean, David) the following resolutions with respect to a Series 01 offering of Class C preferred shares to support purchase and development of the 4426 Grand Avenue location and to support debt reduction:

¹ MCCU Loan Officer advises that conventional mortgage interest is "simple," not compound so, e.g., 4% compound interest is about 7% simple interest; and current conventional mortgage interest is at 5% (simple interest) or less.

**RESOLUTIONS OF THE BOARD OF DIRECTORS
OF
WHOLE FOODS COMMUNITY CO-OP, INC.**

At a meeting of the Board of Directors of WHOLE FOODS COMMUNITY CO-OP, INC. (the “Cooperative”), held on February 24, 2014, the following resolutions were duly adopted.

RECITAL:

WHEREAS, the Board of Directors and management of the Cooperative have authorized and are planning debt reduction and/or capital improvements and have determined that a portion of the expected capital required to finance these plans will be raised through the sale of equity interests in the Cooperative in the form of Class C stock;

NOW, THEREFORE, the Board of Directors hereby adopts the following resolutions:

I. CREATION OF CLASS C SHARES, SERIES 01

WHEREAS, the Board of Directors believes it to be in the best interests of the Cooperative and its members to finance up to \$2,000,000 of the cost of these plans through the creation and issuance of a series of Class C stock (Series 01) without voting rights, and having only an economic right to receive an annual dividend in the sole discretion of the Board of Directors (“Shares”). The Shares will also have a preference in dissolution over the payment of Class A and Class B shares;

RESOLVED, that the issuance of one series of Class C stock totaling up to 4,000 shares having the terms and conditions set forth herein be, and hereby is, authorized and approved. The series of the Shares shall be as follows:

| Class C Series | Number of Shares Authorized | Price per Share | Minimum Required Purchase | Anticipated Dividend |
|-----------------------|------------------------------------|------------------------|----------------------------------|---------------------------------|
| 01 | 4,000 | \$500.00 | 1 share | 0.00% (no dividend) up to 5.00% |

II. OFFER AND SALE OF CLASS C SHARES

WHEREAS, the Shares are to be issued and sold, only to members of the Cooperative who are Minnesota residents; and the offering document and share receipt (the “Offering Documents”) will be in substantially the form set forth on Exhibit A attached hereto;

RESOLVED, that the offering, issuance and sale by the Cooperative of up to 4,000 shares of the Cooperative’s Class C stock, Series 01, upon the terms set forth above, is hereby approved.

RESOLVED FURTHER, that the form, terms and provisions of the Offering Documents as set forth in Exhibit A attached hereto are hereby approved, with such changes as an officer of the Cooperative, acting pursuant to these resolutions, may approve.

RESOLVED FURTHER, that the appropriate officers of the Cooperative are hereby authorized and directed, for and on behalf of the Cooperative, to execute, deliver and cause the performance of, or to cause the execution, delivery and performance of, the Offering Documents in accordance with their respective terms.

RESOLVED FURTHER, that upon the issuance of the Shares against receipt by the Cooperative of the consideration therefore as contemplated in the Offering Documents, such Shares shall be deemed validly issued and fully paid.

RESOLVED FURTHER, that the appropriate officers of the Cooperative are hereby authorized and directed, for and on behalf of the Cooperative, to perform any and all such acts as any such officer may deem necessary or advisable in order to qualify the Shares for an exemption from registration under the federal securities laws or any applicable state securities or Blue Sky laws, and in connection therewith, to execute and file all requisite documents and instruments and to make any and all payments of filing, or other fees, costs and expenses, and to take any and

all further action in connection with the foregoing which any one or more of them shall deem necessary or advisable, and that the execution by an officer of any such documents and instruments, or the doing by any one or more of them or any act in connection with the foregoing, shall conclusively establish their authority from the Cooperative for the documents and instruments so executed and the action so taken.

III. GENERAL

RESOLVED, that all actions previously taken by the Board of Directors and officers of the Cooperative in connection with the transactions contemplated by the foregoing resolutions are hereby ratified and adopted.

RESOLVED FURTHER, that the Board of Directors and officers of the Cooperative are hereby authorized and directed to do or cause to be done all such acts or things and to sign and deliver, or cause to be signed and delivered, and to accept delivery of, all such agreements, documents, instruments, and certificates as the Board or an officer, in his or her discretion, may deem necessary, advisable, or appropriate to effectuate or carry out the purposes and intent of the foregoing resolutions and to perform the obligations of the Cooperative under all such agreements, documents, instruments, and certificates.

EXHIBIT A to Board Resolutions Regarding Issuing Class C Stock, Series 01

Exhibit A will include, but not be limited to, the following:

1. Purpose of Class C Shares

2. Subscription Agreement

3. Risk Factors

- 3.1.** A return on this investment is subject to the profitability of the Cooperative and allocation of a dividend is at the sole discretion of the Board of Directors.
- 3.2.** This investment is high risk and unsecured.
- 3.3.** In the event of dissolution of the Cooperative, this investment will have a preference over the payment of Class A and Class B shares but not over payment of all other debts and obligations of the Cooperative.

4. Description of eligibility to invest in Class C Shares

- 4.1.** Owner is in good standing with completed investment of required Class A and Class B shares and
- 4.2.** Owner is a Minnesota resident and
- 4.3.** Owner may not possess more than 100 outstanding shares of Class C stock.

5. Minimum investment

- 5.1.** Series 01 = \$500/per share

6. Anticipated annual dividend in the sole discretion of the Board of Directors; paid or retained but not compounded

- 6.1.** Payment of a dividend is at the sole discretion of the Board of Directors and subject to profitability of the Cooperative.
- 6.2.** Payment of a dividend will follow within 120 days of the end of the Co-op's fiscal year (June 30).
- 6.3.** Series 01 = 0.00% (no dividend) up to 5.00%; pro-rated if owned for less than one fiscal year.

7. Length of offering

- 7.1.** Series 01 will be offered for two (2) years from March 17, 2014, **OR** until the number of authorized shares (4,000) is purchased, whichever occurs first.

8. Termination/Redemption of Class C shares is at the sole discretion of the Board of Directors

- 8.1.** Beginning in four (4) years from March 17, 2014, the Board may authorize redemption of the oldest Series 01 Class C shares up to the amount of \$75,000/month; an Owner whose Class C investment has been redeemed by the Board will be eligible for any dividend allocated by the Board for Class C shares owned during part of that fiscal year.
- 8.2.** The Board will consider Owner requests for redemption of Series 01 Class C Shares prior to the 15th of the month at that month's Board meeting; if approved for redemption, Series 01 Class C shares will be

redeemed by the 15th of the following month. Class C investments redeemed at the Owner's request will not be eligible for any dividend allocated by the Board for Class C shares owned during part of that fiscal year.

- 8.3.** If, for any reason, an Owner of a Class C share/s is no longer in good standing with the Cooperative, that Owner's Class C investment will not be eligible for any dividend allocated by the Board for Class C shares until such time as the Owner returns to good standing.

Heather Murphy, Board Secretary, signed and attested to the above resolutions relating to the Series 01 Offering of Class C shares.

The Board accepted (MSU, Jean, David) management's proposed time line to communicate Owner Financing opportunities.

The Board discussed management's update of Ownership benefits and incentives, as well as services available for non-Owners; the Board agreed to discuss at their April 26, 2014, retreat the proposal to change the eligibility criteria for the Fran Skinner Memorial Matching Fund.

Sharon reported that she and David conducted a Board orientation session for Mary Ann and for Sarah on February 19, and reminded Board members to consider their attendance at the 2014 Consumer Cooperative Management Association/CCMA Conference in Madison in June.

The Board agreed that the topic for the March 22 Owner Forum at 2 PM at Hartley Nature Center will be "WFC/Denfeld!" Information on Owner financing opportunities will be available at that event. Chris and Mickey will be unable to attend the March 22 Owner Forum.

Following a written evaluation on process, Chris adjourned this meeting at 7:55 PM.

Respectfully submitted,
Sharon Murphy, General Manager