



WHOLE FOODS
CO·OP

HERE WE

GROW!

WHOLE FOODS COMMUNITY CO·OP, INC.

ANNUAL REPORT *For Fiscal Year July 1, 2014 – June 30, 2015*

SINCE 1970





completely fresh

COOPERATIVE PRINCIPLES

The Cooperative Principles
(as defined by the International Cooperative Alliance in 1995)
are guidelines by which many cooperatives put their values into practice. They are:

- ▶ **Voluntary & Open Membership**
Cooperatives are voluntary organizations open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.
- ▶ **Democratic Member Control**
Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives,

members have equal voting rights (one member, one vote). Cooperatives at other levels are also organized in a democratic manner.

- ▶ **Member Economic Participation**
Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership.

Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least are indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.
- ▶ **Autonomy & Independence**
Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that

ensure democratic control by members and maintain the cooperative's autonomy.

- ▶ **Education, Training & Information**
Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of the cooperative. They inform the general public—particularly young people and opinion leaders—about the nature and benefits of cooperation.
- ▶ **Cooperation Among Cooperatives**
Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures.
- ▶ **Concern For Community**
Cooperatives work for the sustainable development of their communities through policies approved by their members. **WFC**

COOPERATIVE IDENTITY

The International Cooperative Alliance went through a multi-year process of revising its core statements on the cooperative identity, culminating in the following statements, as ratified by the ICA membership in 1995.

► Definition

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise.

► Values

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of co-op founders, cooperative members believe in the ethical values of honesty, openness, social responsibility, and caring for others. **WFC**

For more information, see: www.ica.coop/en/whats-co-op/co-operative-identity-values-principles



YOURS. TRULY.



ENDS POLICY

As established by the Board of Directors to assist the General Manager in the decision-making process—the following values reflect our vision:

“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.”

—WFC ENDS Statement

For whom:

1 The Community

- a. Local = Twin Ports
- b. **LOCAL** = The 15-county region of Northeastern Minnesota and Northwestern Wisconsin known as **The Superior Compact**
- c. The **REGIONAL** food system (300-mile radius)
- d. Cooperatives

At what cost:

- 1 This is a values cost rather than an economic cost/expense of doing business.
- 2 Investing in progress on **ENDS** cannot take away from pragmatic needs of the Co-op/cannot be to the detriment of efficient operations of the Co-op.
- 3 No negative effect on our core business; for example, would an **ENDS** expenditure divert suppliers or customers from the Co-op?
- 4 Cooperative Principles and Co-op Bylaws require allocation of resources to achieve progress on **ENDS** be derived from the percentage of profit from non-owner purchases; for example, if 30% of purchases are by non-owners, then up to 30% of net income is eligible for **ENDS** allocation and/or education and/or capital reserves.



discover local

ENDS PROGRESS REPORT

In Fiscal Year/FY 2015
(July 1, 2014–June 30, 2015),
management reported the
following progress on **ENDS**:

- RRR (Reduce, Reuse, Redeem for community) donations in FY 2015 were split between Second Harvest Northern Lakes Food Bank (July – December 2014) and CHUM (January – June 2015).
- \$0.10 from the sale of each garden seed packet goes to the Duluth Community Garden Program
- Cab Coupons are Yellow Cab vouchers good for \$3.00 on the day issued to shoppers who purchase a minimum \$30.00 of groceries.
- The Co-op Explorer Program, which began July 2014, is a benefit for the children of all of our shoppers; each child enrolled in this program can choose a free fruit or vegetable from a designated basket to enjoy each time they are accompanied by an adult shopping at the Co-op.

WFC-U ATTENDANCE

Following is a chart of
public class attendance
in WFC's classroom:

Year	Owners	Non-Owners	Total
2013	329	52	381
2014	300	42	342
2015 to date	339	51	390
TOTALS	968	145	1,113

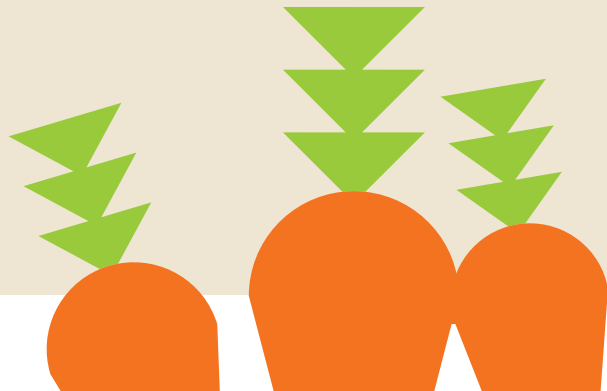
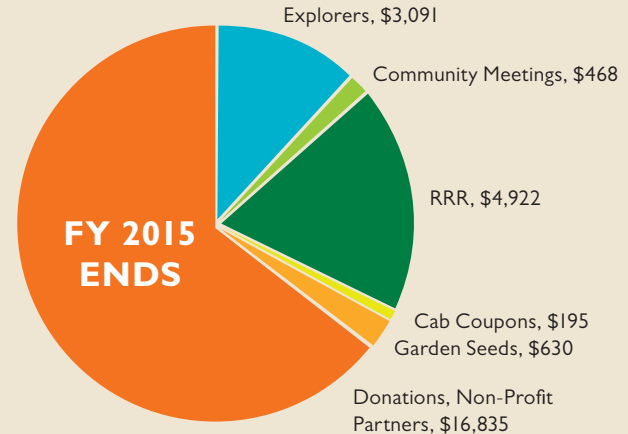
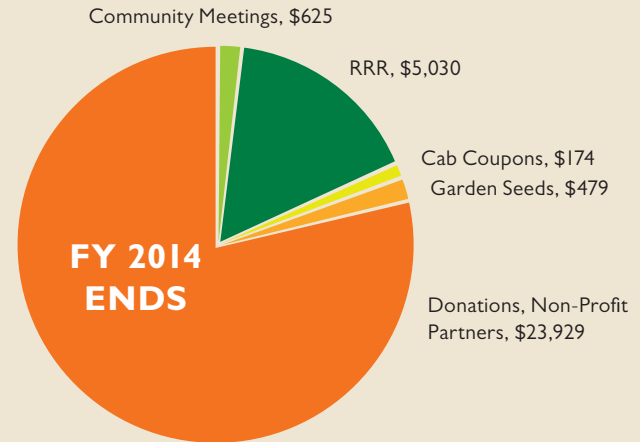
- Continued non-profit donations; specifics are reported monthly to the Board and are reported quarterly to Owners in the Garbanzo Gazette.

HEALTHY EXPENSES AT A GLANCE

Also having an impact on maintaining a thriving cooperative and healthy community are WFC's expenses for:

	FY 2014	FY 2015
WAGES + SALARIES	\$2,606,355	\$2,722,014
OWNER DISCOUNTS	\$83,516	\$138,354
PATRONAGE REBATES TO OWNERS	\$152,540	\$147,483
<i>(distributed from previous year)</i>		

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STRATEGIC PLAN REPORT

Management's Strategic Plan for the Growth of WFC is focused on increasing our capacity to help create a healthy regional food system by serving more customers at the Hillside location and in other areas of our community and by providing a larger year-round market for LOCAL producers. During the period of this report, we:

- Continued to accept Owner financing for the Denfeld Project resulting in \$1,472,500 in Owner Loans and \$116,000 in Class C investments = \$1,588,500.
- Tested the financial feasibility of building, equipping, staffing and operating a 12,500 sq. ft. grocery store with 7,500 sf of retail space and approximately 60 employees on the Denfeld site.
- Closed on conventional financing with Members Cooperative Credit Union for a \$6,825,000 loan for construction and equipment at 4426 Grand Avenue plus refinancing Hillside's mortgage and paying off our 2012 loan with the US Small Business Administration for flood relief.
- Began construction on the Denfeld Project on June 9, 2015, with estimated opening in March 2016.
- The Denfeld location will be more accessible than the Hillside location for many Duluthians as well as for customers and Owners from Superior, Cloquet, Proctor, Wrenshall, Hermantown, etc. To the extent they are willing and able to gear up production, the Denfeld store will provide a new market for our LOCAL growers and producers amounting to an estimated 9% (\$197,000) of projected inventory purchases in the first twelve (12) months of operation at Denfeld.
- All the planning time, organizational changes and investments to make the Denfeld store a reality reflect the Shared Vision of the Board and the Management Team for creating a healthy community.

SHARED VISION

More LOCAL

- ▶ Access to healthy food
- ▶ Jobs
- ▶ Support for Growers/Producers
- ▶ Everyone welcome

More CO-OP Difference

- ▶ Consumer-owned
- ▶ Concern for environment
- ▶ Economic participation
- ▶ Concern for community
- ▶ Education/training/information

In support of the Board's 2012 commitment to The Superior Compact, management defines LOCAL purchases as inventory 100% grown, raised, produced, processed or from an independently-owned business or resident of a 15-county area in Northwestern Wisconsin, Northeastern Minnesota or of three provinces in Canada as defined by The Superior Compact.

Within the period of this report, WFC evolved from tracking consumer purchases of LOCAL products to tracking the Co-op's purchases of LOCAL inventory. The percentage of the Co-op's LOCAL purchases from January 2015 through June 2015 was 8.6% = \$447,136. Updates on this percentage are tracked on the Co-op's website and on customer receipts. **WFC**

BRANCHING OUT

DENFELD


WHOLE FOODS CO-OP

LOCAL

is defined as:

100%

GROWN / RAISED / PRODUCED / PROCESSED

 OR
FROM
AN **independently-
owned business**

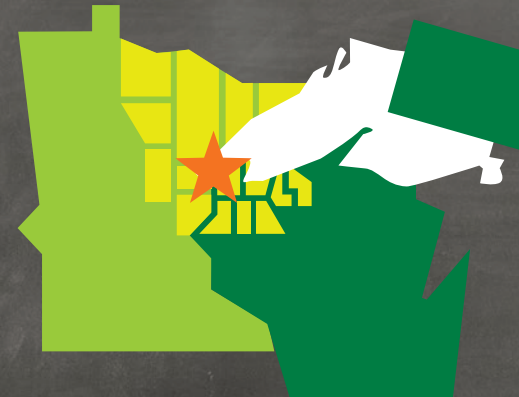
of a resident within a

15 COUNTY AREA

as defined by the

**(SUPERIOR
COMPACT)**

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BOARD REPORT

by Jean Sramek, WFC Board President



Board of Directors (July 2015) from left: MaryAnn Bernard, Wayne Pulford, Chris Edwardson, Jean Sramek, Mickey Pearson, Carol Andrews. Not present: Jamie Harvie.

What a decade this has been.

What a decade it's going to be.

I can still picture WFC's grand opening

in November 2005. Our shiny new (big!) store, the delicious appetizers, the music, the Owners and shoppers delighted to finally be at our expanded Hillside location. At the time, we had 2,500 Owners; we were proud of that. We'd just done a successful Owner loan campaign, with Owners investing \$900,000 in our new store; we were proud of that too.

Ten years later, our Owner count has grown to over 8,000 and we just passed the \$1.5 million mark for Owner financing,

this time with both loans and Class C shares. We've spent the last decade doing what we do best—not just selling healthy food, but contributing to the economic and social health of our community. We can all be proud of that. I'm also proud of our WFC Board of Directors, who have worked together to be the best servant/leaders we can be, always reaching

higher and searching for better ways to govern. It's good to know that co-ops all across the country are also doing well. At a recent co-op conference, I spotted a tote bag that proclaimed, "Cooperate and no one gets hurt." Words to live by.

Picture the year 2025. What does it look like for Whole Foods Co-op? What does it look like for WFC Owners, shoppers, and our community? I'm guessing your mental images look as good as mine. **WFC**



BREAKING GROUND!



INCOME STATEMENT FY 2015 FY 2014

SALES	16,707,657	15,685,127
<i>less cost of goods sold</i>	-10,393,985	-9,779,868
NET SALES	6,313,672	5,905,259
OPERATING EXPENSES	-5,133,184	-4,807,564
GAIN FROM OPERATIONS	1,180,488	1,097,695
OTHER INCOME/EXPENSE	-170,886	-93,278
NET INCOME	1,009,602	1,004,417
<i>prior to tax/rebate adjustments</i>		

OVER
\$16 Million
IN SALES!

BALANCE SHEET

FY 2015 FY 2014

prior to tax/rebate adjustments

6/30/2015
364 days open

6/30/2014
362 days open

ASSETS

Current Assets	1,822,256	2,021,046
Property/Building/Equipment	6,769,509	5,214,982
Other Assets	2,781,914	168,649

TOTAL ASSETS

11,373,679 7,404,677

LIABILITIES

Current Liabilities	1,155,241	1,207,569
Long-Term Liabilities	5,332,381	2,245,262

TOTAL LIABILITIES

6,487,622 3,452,831

EQUITY

Owner Equity	3,419,052	2,701,443
Donations	17,276	17,755
Retained Earnings	1,449,729	1,232,648

TOTAL EQUITY

4,886,057 3,951,846

TOTAL LIABILITIES & EQUITY

11,373,679 7,404,677

MANAGEMENT REPORT

by Sharon Murphy, General Manager
& WFC Owner



A long, long time ago...

As this Annual Report already includes many words and pictures about what we've been up to over the last year, let's think about what a community owned food co-op has brought to our community starting way back in October 1970.

There were not a lot of products to choose from but they were products you could not find in Duluth's conventional grocery stores in 1970: whole grains like brown rice and wheat berries, whole wheat flour, peanut butter without lard or sugar, and almost all products were available only in "bulk." That meant you could fill your own containers to the brim and not have a pile of packaging to trash or recycle when you needed a refill.

The Co-op had moved out of the basement of the Chester Creek House and tested several retail locations before settling into 631 East 8th Street (now Boreal Bike Shop) from 1974 until 1993. That location, an already well-used Mom & Pop style corner store with 800 square feet of retail space and no off-street parking and no loading dock, had a built in dairy cooler so milk (from cows only in those days), cream, cheeses and eggs were available. There were about 16 linear feet for produce—a lot of which we ordered from John and Jane Fisher-Merritt's first farm. There was a long wall of bulk herbs, spices, coffees

(Equal Exchange was an early supplier of bulk coffee) and teas (including Celestial Seasonings teas in bulk) with an "analog" scale for weighing out small amounts.

There was a one-door upright freezer where whole turkeys and chickens juggled for space during the holidays; and you could have fit the entire packaged food department on a four-foot section of grocery shelving, if there had been any grocery shelving.

I joined the Co-op in 1977 (\$5 equity investment) and was soon elected to the Board. Owners signed up for volunteer shifts to pick up food at the Common Health Warehouse or to staff the checkout (one lane, one ten-key adding machine) or to stock the bulk bins (new garbage cans and re-used peanut butter buckets) or to work on maintenance projects. The Co-op contracted with a management collective, Creative Energies, to have a "Coordinator" in the store to open, close, make and receive orders, coordinate and train Owner volunteers, answer questions, and fill in the

gaps when there were no volunteers. Sales in 1980, my first year in Creative Energies, were about \$350,000; I was a Coordinator, reported at Board meetings on behalf of the management collective and, eventually, also took on bookkeeping responsibilities.

I was at a Co-op Board meeting in early 1980 when a young man representing a buying club in the West End asked to speak to the Board. He made a passionate plea for cooperative solidarity and that Whole Foods Co-op just had to help out his buying club that couldn't make their lease payments on a storefront at 2020 West Superior Street. With no planning, no advertising, little capital and the confidence of a young and untested organization, the Board said, yes, we will open a second location there—next month. With the help of another management collective, Delta Enterprises, we opened and ran a second location at 2020 West Superior Street for about two years. During that time I worked in both locations, even spending the night once at the West End Co-op during a snowstorm.

Good intentions and lots of hard work were not enough to overcome doubling our expenses and not increasing sales. The West End Co-op closed in late 1982. However, that location provided our first on-site classroom space and we parlayed that experience into several decades of community ed classes and partnering with other community agencies, like the Duluth Food and Nutrition Council and the Duluth Community Garden Program, on public education efforts. Meanwhile, we re-grouped at 631 East 8th, raised the Owner equity requirement from \$5 to \$10, invested in building and equipment improvements, added an awesome mural to the 7th Avenue siding, and reached out to the rapidly growing regional and national food co-op networks for advice, training and peer support.

While sales and numbers of Owners increased throughout the 1980's, volunteering became a less dependable commodity. By 1986, the Co-op had hired several employees through a community job program and supervising those employees became the

responsibility of the management collective. By 1988, the remaining partners in Creative Energies acknowledged that being an employee was a better deal than being an independent contractor. Creative Energies was dissolved, and I was hired by the Board as General Manager.

Sales were approaching half a million a year out of a space smaller than our current classroom. By 1990, we had an electronic cash register and an electronic scale plus 12 employees trying to figure out how to meet the ever-growing product needs of our Owners and shoppers. This time, with the help of food co-op consultants, we made an expansion plan, got Board approval and then, in April 1990, presented a plan for organizational changes to our Owners. A quorum of Owners approved an equity increase from \$10 to \$100 with the goal of moving to a larger location within two years. Once we settled on a new location, Owners invested \$88,000 toward the cost of that \$500,000 project.

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MANAGEMENT REPORT

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There were 250 “active” Owners on the books when we made the first move to 4th Street. In March 1993, we opened at 1332 East 4th Street (now the Burrito Union), another Mom & Pop style corner store. We went from 12 to 24 employees, 1 to 2 checkouts plus scanners, had computers and electronic ordering devices, a real produce department with refrigerated cases, gravity feed bulk bins, a body-care/supplements department and a grab & go vegetarian deli. On opening day our first deli customer requested a pastrami on rye sandwich!

We reached \$1 million in sales the first year at 1332 East 4th Street with 2,000 square feet of retail space, 12 off-street parking spaces and no loading dock—orders were unloaded by hand off the back of semis parked on 4th Street. In 1998 when we began the search for a larger location, we were renting off-site for offices, meeting and classroom space.

To prepare for this expansion, we worked closely with our peers in the National Co-op Grocers Association and with a growing group of consultants, Cooperative Development Services. By the time we moved in 2005, sales were at \$4.7 million with 48 employees and over 2,500 Owners.

The 2005 move to 610 East 4th Street, our “Hillside” store, was a big stretch for our Co-op as we were

just beginning to experience some natural, organic and LOCAL foods competition from conventional grocery stores. Owners invested \$888,000 toward the \$5.1 million Hillside project to purchase, remodel to LEED standards, and equip an existing two-story building of 18,600 square feet (6,734 retail square feet). Hillside has a loading dock, a beautiful classroom, a 24-seat inside eating area (12 seats outside) and 96 off-street parking spaces between the upper and lower lots. Our long-awaited back-up generator has come to the rescue at least twice in the last six months, and the recent inside and outside remodeling and re-branding project has brought a new sense of light and openness plus energy savings. Although every grocery store and convenience store plus

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10
YEARS AT
HILLSIDE!



Target and Walmart now offer some of the same products as the Co-op, this year, our 10th anniversary at Hillside, sales topped \$16.7 million and we have 118 employees and over 8,500 Owners.

And now the next great adventure, a second location at 4426 Grand Avenue, is becoming very real.

Again, our Owners have provided significant financing—over \$1.5 million so far toward a \$6.8 million cost—for the Denfeld Project to reclaim a brownfield and build a single level (12,500 square feet) building to LEED standards with 7,500 square feet of retail space, a loading dock, a back-up generator and 60 off-street parking spaces. Construction began on June 9 and we anticipate a March 2016 opening. You can follow construction progress online at:



Whole Foods Co-op



wholefoodscoop



@WFCduluth

Thank you for reading this longer than usual Management Report. So many changes, so many people, so much time and what a wonderful ride! Included in this Annual Report is your invitation to join us at the Annual Owners Meeting on Friday, October 23, 2015, in the Harbor Side Room at the DECC for a chance to meet, eat and ponder the past and future of your Co-op. 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

WFC

Community Owned
SINCE 1970
(That's 45 Years!)

GOALS ACHIEVED

**6.5%
GROWTH!**

FY 2015 GOALS ACHIEVED

	Goal	Actual
New Owners	1,000	938
Net New Equity	\$72,000	\$71,160
Sales Growth	6.9%	6.5%
Profitability	5.6%	6.0%
<i>before taxes/rebate</i>		

\$71,160 NEW EQUITY!

938 NEW OWNERS!

**6%
PROFIT!**



2014 Annual Owners Meeting

ANNUAL MEETING

Friday
October 23, 2015
5:00 PM – 8:00 PM

Harbor Side Room

Duluth Entertainment &
Convention Center (DECC)

PREPAYMENT REQUIRED



HARBOR SIDE ROOM

AGENDA

Social Time 5:00 PM – 5:30 PM

- Owner opportunity to vote for 2016 RRR recipient

Dinner Served at 5:30 PM

A plated dinner including locally sourced foods with vegan, vegetarian and gluten-free options catered by the DECC. Beverage options include milk, water, local beer by Bent Paddle Brewing Co. and organic and/or Fair Trade wine.

Business Meeting 6:30 PM – 8:00 PM

(child care available)

- Welcome and introductions of staff and Board
- Proof of notice of meeting
- Report on number of Owners present
- Reading or waiver of reading of Minutes of 2014 meeting/approval of 2014 Minutes
- State of the Co-op reports from Management and Board

Co-op Café

- What will it be like to shop for food in 2060?
- What will our food Co-op look like in 2060?
- Comments/questions from Owners
- Remarks for the good and welfare of our cooperative

Door Prize Drawings

- **Must be present to win!**

MENU

Roast New York Strip Sirloin

served with Cabernet demi-glace, white cheddar mashed potatoes and grilled vegetables over field greens with sweet and sour dressing

GLUTEN-FREE

• VEGAN OPTION •

Tempeh Vegetable Stir Fry

served over saffron rice.

GLUTEN-FREE

• CHILDREN'S PLATE •

Pasta with Meatless Marinara Sauce

served with garden vegetables. Gluten free noodles available upon request (*ages 12 and under, please*)

—
All entrées will come with gourmet green salads, locally baked dinner rolls and slice of anniversary cake (*vegan dessert option will be available*)

Soda, organic and/or Fair Trade wine and local beer by Bent Paddle Brewing Co. will be available at the bar.
(*two drink tickets come with the meal*)

REGISTRATION

PREPAYMENT IS REQUIRED BY OCTOBER 9, 2015 FOR ALL ATTENDEES! \$20 per adult; \$5 per child (12 and under).

Confirmation of prepayment includes a DECC parking pass for free parking at this event. Owners will be reimbursed at meeting registration (*one gift card per Owner number*). Registration and payment accepted online at www.wholefoods.coop/annualmeeting, at the Customer Service Counter or by calling 218.728.0884 press "1" (*have credit or debit card ready*).



HERE WE GROW!

WHOLE FOODS
COMMUNITY CO-OP, INC.

MINUTES OF ANNUAL OWNERS MEETING

October 17, 2014

As reviewed by Board of Directors on October 27, 2014

WFC's 2014 Annual Owner's Meeting was held in the Harbor Side Room at the Duluth Entertainment & Convention Center (DECC), 350 Harbor Drive, Duluth, MN 55802. 180 Owners and their guests (total 272) attended this meeting. A plated dinner was served.

Welcome & Introductions

The Business Meeting began at 6:30 PM. Board President Chris Edwardson welcomed Owners and guests, expressed appreciation to General Manager Sharon Murphy and her staff of 122 employees for another successful year, and introduced Board members.

Proof of Notice & Quorum

General Manager Sharon Murphy presented proof of timely mailing of the notice of this meeting and advised more than a quorum of Owners were present. The quorum requirement is 100 Owners.

Approval of Meeting Minutes

Owner Bob Franseen moved to waive reading of the Minutes of the 2013 Owners Annual Meeting as submitted in the 2014 Annual Report. Owner Joel Sipress seconded that motion. Motion carried.

Owner Wayne Pulford moved to approve the Minutes of the 2013 Owners Annual Meeting as submitted in the 2014 Annual Report. Owner Paul Fish seconded that motion. Motion carried.

Board Report

by President Chris Edwardson

Chris expressed appreciation for the service of three Board members retiring this year: David Helf, Heather Murphy and John Westlund. Despite a lot of interest from Owners and the tireless efforts of the Recruitment Committee, the 2014 Board election was not contested. All of our candidates, MaryAnn Bernard, Jamie Harvie and Wayne Pulford, were elected to the Board. Former Board member Carol Andrews attended the September Board meeting and advised the Board that she would be willing to fill the vacant seat until the 2015 election. The Board will act on her appointment at their next meeting.

Chris advised that the choice of the 259 Owners participating in the Board election for the balance of 2014 unclaimed abandoned equity was Second Harvest Northern Lakes Food Bank.

Chris reported on the Board's decision on a cash patronage rebate for the year ended June 30, 2014, in the amount of \$139,804.

That amount will be distributed to eligible Owners in proportion to their purchases

in that period by December 31, 2014. Because of this patronage distribution, the Co-op will NOT pay \$251,000 in federal tax. As we did last year, all rebate checks will be distributed accompanied by an offer of \$5.00 off when tendered at the Co-op toward a minimum \$50 purchase by December 31, 2014.

Management Report

by General Manager Sharon Murphy

Sharon asked WFC employees, past and present, to stand and be recognized.

Following up on Chris' report on the patronage rebate for FY 2014, Sharon noted as the cost of food is a big concern for each of us, management and the Board consistently look for ways to sustain our business, serve our community, fairly compensate our employees and reward our Owners without raising prices. Since 2009 at Hillside, our sales growth has been higher than anticipated and expenses were less than anticipated resulting in an operating profit. When Owners support the Co-op, the Co-op can dedicate resources to supporting local, ENDS-related non-profits—over \$30,000 donated in FY 2014

as reported in the Annual Report and quarterly in the Garbanzo Gazette.

We are expanding the cooperative community in our region and that increases the Co-op's ability to "support, invest and partner to create a healthy community." As a result of voting at tonight's meeting, Owners chose the CHUM Food Shelf as the recipient of calendar 2015 donations from the Co-op's RRR (Reuse/Reduce/Redeem) Program that donates a dime per transaction when customers bring in their own shopping bags.

Sharon reported that, with appreciation to our friends at SWIM CREATIVE, the Co-op unveiled a new look for our web site (www.wholefoods.coop) this week. Sharon also reminded Owners of new programs introduced in 2014:

- Owner's Virtual Discount (5% off on a purchase of your choice to a maximum of \$2.50) is now monthly instead of quarterly.
- The ACCESS Discount for Owners who provide proof of participation in one of eight low-income support programs offers a 10% off one purchase each month as designated by that Owner; to date 65 Owners have qualified for an ACCESS Discount.

- A new Owner who is eligible for the ACCESS Discount is also eligible for up to \$80 towards the purchase of Owner equity through the Fran Skinner Memorial Matching Fund; the Matching Fund has been available since the 1990's to ensure cooperative ownership is accessible regardless of income and eligibility for the Matching Fund is now aligned with eligibility for the ACCESS Discount.
- The Co-op Explorers Club is a benefit for the children of all of our shoppers; from July 1 thru September 30, 348 children have been enrolled in the Co-op Explorers Club and 2,047 pieces of fruit and vegetables were distributed to them at no cost.
- Coming in 2015, OWNER ONLY coupons will be sent directly to your email address twice a month so it is important that Owners keep the Co-op informed of their current email address.

Although it has only been nine years since we opened at 610 East 4th Street, in 2014 we introduced a new logo, color scheme, signage, and floor, counter and wall coverings to the Hillside store. All of the materials used in the re-brand are

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OWNER'S MEETING MINUTES

— continued...

compliant with LEED (Leadership in Energy & Environmental Design, a program of the US Green Building Council) in accordance with our LEED certification. Sharon expressed appreciation for the work of staff, designer Jill Johnson of Isola Design Group and General Contractor Builders Commonwealth on the re-brand project. Sharon noted that a natural-gas powered back-up generator was also installed and tested in 2014.

For the second year in a row, our health care premiums did not increase, so we celebrated by increasing the entry level wage from \$9.25 to \$10.00/hour and increasing paid time off for all employees. Effective in 2014, the Co-op is open on Labor Day and on New Year's Day with time and a half for hourly staff working those days plus holiday pay for all employees on those days. Storewide performance bonuses paid to eligible employees in FY 2014 totaled \$73,921.

Sharon reviewed the progress made on developing a second site since the skit at the

2013 Owners Annual Meeting introducing the “seven intersections” in Duluth that showed up as good prospects on our (June 2013) market study:

- Management worked with Realtor Beth Wentzlaff of CMRA to assess available commercial properties at or near those seven intersections and,
- By January, management presented the Board with two options, both on the west side of Duluth, and then the Board approved a site-specific market study to compare those options,
- The Board assessed the site-specific survey results, the recommendations from the 2013 Owners Meeting, the 2013 Owners Survey, the 2014 Owner Forums and from management and authorized an offer on the property at 4426 Grand Avenue
- That offer was accepted and our second site, the Denfeld store, was announced to Owners on February 25, 2014
- Following the March Owner Forum on options for an Owner Finance Program, the Board approved a two-part program: Owner loans with a \$1,000 minimum investment, set interest rate and set term OR Class C equity purchase with a \$500 minimum investment

with no guaranteed rate of return and an approximately four-year term

- Since the first of three mailings to Owners in March 2014, plus three Owner Financing information sessions in April and May, there have been 149 investments in either Owner Loans or Class C equity though some Owners have chosen to invest in both (\$936,000 Owner Loans/\$80,500 Class C equity investments)
- Both investment opportunities are still open and we encourage you to consider them (email: finance@wholefoods.coop or call 728-0884, ext. 1, to speak to someone in the Finance Department)
- Meanwhile, management put together a team of project partners: LHB Architects & Engineers, Johnson Wilson Constructors general contractor, environmental assessments and soil testing by Braun Intertec, external financing by Members Cooperative Credit Union and store layout support from National Cooperative Grocers Association-Development Co-op
- Interior design elements will align with the new colors, materials and signage elements at the Hillside store
- We broke the ice with our new neighbors in

the Denfeld area by participating in a number of community events throughout the summer

- The site survey was completed; the appraisal of the land exceeded our offer; the appraisal on the Hillside store reflected a significant increase in collateral from the 2010 appraisal
- The environmental reports on the Denfeld property, a registered brown field, were not inspiring but they did put some limits on the problems we would need to budget for to properly reclaim and develop this site
- Our staff Denfeld Design Team/DDT (*Shannon Szymkowiak, Michael Olker, Sarah Hannigan, Andy Theuninck, Sharon Murphy and Jesse Hoheisel*) worked diligently with the architects and store planners on design
- We closed on purchase of 4426 Grand Avenue on August 7
- The Planning Commission approved the site design and foundation plan on August 12
- The architects issued Bid Package #1 (*site design and foundation plan*) on August 29
- A ceremonial ground-breaking occurred on September 24, 2014
- Competitive bidding on site design and foundation work was conducted and a construction contract was signed on September 29

- A building permit was issued for site design and foundation work on October 3

And, just as the window for good weather for outside construction began to close, the “as will be appraisal”—the last piece needed to close on our financing with MCC—came in \$1.3 million short of the construction budget. We have a Plan B to make the project work for everyone, however, the Co-op will not be closing on outside financing until December or January. That means construction work will start on the Denfeld site in April or May with an opening date in late 2015. The delayed start date means there will be savings on weather-related construction costs and we will have more time to help our employees develop the systems and skills needed in a multi-store operation.

Recruitment Committee Report

by Co-Vice President Mickey Pearson

Mickey outlined the Board’s process to ensure leadership succession and develop strong candidates as well as changes in that process effective since the 2014 Board election. The Board requests that interested candidates attend one Board

meeting within twelve months of August 1, then be interviewed by the Recruitment Committee and submit a completed application by August 1, 2015, for the next Board election.

Remarks for the Good & Welfare of Our Co-op

Following appreciations to staff, Board members and the DECC for coordination, visuals, food and logistics of this meeting and, as there were no comments/questions/remarks from the floor, Chris adjourned the 2014 Owners Annual Meeting at 7:10 PM on October 17, 2014.

The meeting concluded with distribution of a slew of door prizes and a reminder about the Co-op’s Annual Halloween Party in the Dungeon of Doom on Friday, October 31, 2014, from 4:00 to 7:00 PM.

Respectfully submitted,

Board Vice Chair Jean Sramek
& General Manager Sharon Murphy

WFC



2015 BALLOT ISSUE AND ELECTION OF OWNERS TO THE BOARD OF DIRECTORS

Voting is a connection between our Owners and the strategic direction of our Co-op. By participating, you are helping to ensure our Board is made up of people who share your perspective and ensure that resources are allocated and policies developed that meet your approval. At the same time you will direct resources to organizations creating jobs and bringing fresh food production to the Denfeld neighborhood – for each verifiable vote received (electronic or paper ballot), WFC will donate \$1.00 to Let It Grow (youtu.be/G9NgYpP3i0M) in support of the deep-winter greenhouse project of the Junior League and Community Action/Seeds of Success Program and \$1.00 to the Duluth Community Garden Program's food forest and garden plot project on Grand Avenue.

Candidate profiles and ballot issue information are posted at WFC and online at www.wholefoods.coop. On-line voting and paper ballots will be available by September 1, 2015; votes must be submitted by 9 PM on Monday, September 21, 2015. Owners will receive a postcard by September 2nd with login and password information for online voting. A designated computer will be available at WFC to cast your online ballot.

Candidate profiles and packets for paper ballots will be available at the Customer Service Counter or can be mailed to you with advance notice (218-728-0884, ext. 1). **WFC**

