

Annual Ownership Meeting
Monday, October 28, 2019
7:03pm | 8:04pm adjourn

Directors: Present: George Langford, Ally Young, Sindy Soto, Sean Shatto, Celeste Levitz Jones, Brian Perea, Suzanne Keers. Absent: Rebecca Reynolds.

Owners: estimated 95 in attendance.

6:00 Socializing: Doors open for check-in, socializing with tacos & open bar.

7:03 Opening Remarks (GL, President)

- Thanks everyone for being here, thanks to deli department for providing dinner.
- 200 people have voted in board election, historic participation!
- Reviewed Ends statement.

7:05 Operations Report (AY, IGM Team)

- Reviewed what defines a co-op. Challenging year, but have made progress toward Ends:
- Thriving community: 245 new owners, 2746 total; just 65% owners have shopped in past year. Average 775 customer purchases daily; 40% staff turnover, 40% staff are owners.
- Equitable economic relationships: Fair wages to farmers, fair prices/dividends to consumers, fair wages to employees. Addressed some challenges and some solutions. Policy advocacy needed.
- Positive environmental impact: Increase in local and organic products sold; increase in food rescued; looking to reduce packaging and install new rainwater catchment.
- Inclusive practices: 70% of staff from local neighborhood; 45% POC, 24% bilingual; SNAP/EBT sales increased; will be running large-scale customer survey this upcoming year.

7:17 Treasurer's Report (SSh, Treasurer)

- FY 2018-2019 Profit and Loss: \$6.9 million worth of sales; sourcing work is monumental. Labor costs up & down, EOY costs in line with other expectations. Depreciation of materials and irregular accounting to explain gap. Ahead of target for net income, producing enough to continue running.
- Looking back and looking ahead: Challenges are that store has not met sales goals, equity growth is below plan. Successes are 38% sales growth, beat net income.
- 2019-2020: Big debt payment coming due; need to increase sales and equity; goal to raise \$84,000 in owner loans
- 3 Year Projection: Increasing projected baseline sales. 2022: loan term with CCLF expires, looking to renegotiate. Co-op thrives on patient capital!
- Farewell to board after 6 years of service, expression of gratitude.

7:28 President's Report (GL, President)

- Recognizes Kathleen Duffy's organizing vision and Douglas Marx, newest owner of the co-op.
- Grateful to be part of board, lots of progress as evidenced by Sean and Ally's reports.
- Setbacks: accounting irregularities resulted in \$100K+ cash loss, suspected fraud by two former employees, now working through legal process in partnership with State Attorney's office. This was uncovered within 2mo, IGM team has implemented new internal controls in response.
- Mentioned new capital campaign to be launched in new year.
- Thanked staff and directors.
- Introduced new General Manager, l'Talia McCarthy.

7:34 General Manager's Report (IM, General Manager)

- Happy to be in Chicago!
- Family history in co-ops, 10 years at Davis Food Co-op in CA and then worked for a B-corp as a store manager. Loves co-op focus on community.
- Hoping to blow sales goals out of the water. Excited to work with staff members to make them great grocers, with AY to strengthen community ties, with board.

7:38 Q&A Session

Q: What are IM's ideas for improving sales?

A (IM): Working with POS admin to categorize margins; merchandising to make sure price points are placed throughout store; working on price image in community.

Q: How much of accounting irregularities were based on 2 employees? Is there insurance coverage?

A (GL): Yes on insurance, working with investigators and insurance company.

Nancy: Everything is suspected - figure is \$113,000 for last year.

Q: What about other \$300,000?

A (SSH, Nancy): Mostly depreciation - planned depreciation and amortization. \$167,000 is interest expense.

Q: Ideas on strategies for re-engaging members and engaging non-owner shoppers?

A (IM): Ownership drive; owner survey to gather more data; working with AY and RC to update owner benefits. Keep in mind part of ownership is transitory.

Q: What kind of communication will there be around criminal investigation?

A (GL): Sharing today. Have been advised to limit remarks. Will share as much as possible when investigation is concluded.

Q: Noted irregularities in other places. What are the margins on pricing?

A (IM): Was at 35%; goal is 37.5%. Audit will be finished by the end of December 2019.

Q: What about sales growth? Pro-rated, is it apples to apples?

A (SSh, Nancy): Does include July, August, first week of September 2017. Comparing with original plan - did take into account difference between smaller and bigger store.

Q: What do we owe on construction? Mortgage? How does outstanding debt impact future income?

A (SSh): Positive net on bottom line. Do expect to refinance in 2022 on biggest loan. Have taken out ~\$3M in loans, 1.7M from CCLF. Overall we need to do really well. People investing want the co-op to do well. CCLF interest rate is 6.75%.

Q: Strategies for changing pricing image in community?

A (IM): Categorized margins - in the past buyers priced according to department, will now be aligned. Conventional items will not be priced the same as local/organic. Strengthening basics program, promotional materials. Used these strategies in Davis when Whole Foods came in; they didn't last.

Q: Do projected sales take into account future incoming residential units?

A (SSh): Part of plan overall, but conservative outcome projected. Did not split it out.

Q: Are projections realistic?

A (SSh): Cash crunch in early 2021, will be a problem if we don't have a great year. Basics are covered.

Q: What about high rate of staff turnover? How will IM address it?

A (IM): Likes to invest in staff, train, give resources. In former store, most staff members spent 6-7 years with her. Will be working on retention. Lack of secured leadership led to turnover this year. Will be doing a lot more training.

8:02 Closing Remarks (GL, President)

Meeting adjourned 8:04pm.