



MEETING MINUTES
Whitewater Grocery Co
Board of Directors

Whitewater Grocery Co.'s mission is to support farm to table eating, to be a model of environmental sustainability, to stimulate the local economy, and to create a "third space" for the Whitewater community. To accomplish this mission, we will build a grocery store that sells local and organic foods and is as affordable and accessible as possible.

Date: April 17, 2018

Time: 7:00 p.m.

Location: Whitewater Innovation Center, 1221 Innovation Drive, Whitewater WI (Suite 118)

Board Members Present: Anne Hartwick, Jennifer Crone, Joanna Baker, Greg Majkrzak, Al Stanek, Lacey Reichwald, and Brienne Diebolt-Brown.

The meeting was called to order at 7:02 p.m. by President Lacey Reichwald. The mission and vision for the Whitewater Grocery Co. was read by Jen. The goals for this meeting are to provide updates on individual actions since the last meeting to the Board and owners, to engage in some strategic planning, and to increase board literacy in good governance practices. Agenda was amended to reflect the new intention for the meeting.

The Board allowed time for owner comment, although no owners were present.

Pro forma Update

Jen and Lacey spent 90 minutes with Don Moffitt of CDS Consulting reviewing the draft of the pro forma. At the suggestion of Don, they created a "master version" of the document in our Google Drive that will not be altered. The pro forma contains multiple tabs across the bottom. The pro forma is a self-calculating spreadsheet. When you change the numbers in one place, it adjusts the calculations in other places depending on the formula.

Desired outcomes are listed at the top of the pro forma. A positive cash flow appears after 2 years. Spreadsheet will need to be updated based on the variables, like our site location, ownership goals, etc.

We were forewarned that the first pass at the pro forma is very sobering and we are going to need to adjust it in order to make it work based on community's needs. Current, based on our desired outcomes and the assumption that we'll be leasing space, we will need \$4.18 to open the store.

One row in the spreadsheet calculates margins minus labor. Industry standard is to be above 15%. Costs of goods sold is 67%. Margins are extremely tight. A margin is the subtotal of sales less the cost of goods sold. A margin of 15% or higher is what it takes to run the store (keep the lights on, pay your rent, etc.).

In reviewing the pro forma, Lacey pointed out that it shows us that we start to make money in year two, but in year 5 we start paying back loans and again in year 7. Most co-ops engage in a capital campaign with owners for which the co-op pays no interest on those loans until they become due, which is a major funding source for the store. How we structure an ownership loan campaign is up to us. One tab in the spreadsheet includes all of your various loans sources and their payback schedule.



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CDS Consulting is willing to continue to work with us to answer any questions we have about the pro forma and to help us update it based on variables.

Lacey will be distribute a Doodle Poll to schedule a separate pro forma training meeting in order for us to take a deeper dive into this financial document together as a Board.

Market Study Confidentiality

Lacey requested that the Board take action on determining the confidentiality of our initial Market Study Results and Pro Forma and how to best share them. In our call today with Jacqueline Hannah of FCI, Lacey asked about confidentiality. Jacqueline said that co-op market studies are proprietary and that you should not share it with anyone else outside of the Board. She provided examples of co-ops that have shared their market studies freely with developers, governments, etc. and that they have unfortunately been used against them in a variety of ways.

Lacey did have a conversation with the Dave Carlson, CDA Director, who had asked for the results of the market study. She said that she would get back to him after our Board meeting regarding the Board's decision.

Al moved that we keep confidential within the Board the specifics of the market study and pro forma for competitive reasons. Second by Jo. Motion passed unanimously.

The next step is to create a board policy to enforce this board action.

Board Learning: Assessing Readiness for 2B

- Market Feasibility
- Financial Feasibility
- Organizational Capacity
- Ownership = 450 to 500

Lacey provided us with our Board literacy component of our meeting by reviewing the readiness assessment that was presented during our Peer Call with FCI on "2B or not 2B, that is the question."

We are currently in the feasibility stage right now, 2a, which means market feasibility (preliminary), financial (pro forma), and organizational capacity. Once all three of those areas proven and are at 45% to 50% of your ownership goal, then you are ready to move from 2a to 2b, which is when you start looking at site feasibility. Both of the food co-ops used in the example (Dorchester & Assabet) created an assessment tool and wrote a report based on their findings. One of the areas of assessment is board candidacy which is meant to gauge the health of your volunteer corps. If there is no succession plan for your board, you might not be ready to move on to 2B. The same is true for project management. Does your board have the internal capacity to manage this project or do we need to pay someone to do so?



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We decided that we certainly don't have to wait until we reach 45-50% of our ownership goal to start our assessment. If we do so now, it will help us identify our strengths and our opportunities.

Jo & Brienne went to a session at Up & Coming Food Co-op Conference presented by Dorchester who demonstrated the critical nature of the assessment. Dorchester identified those areas they needed to work on before they moved into Stage 2B. They hired a project manager, they created a board succession plan, etc.

The Board decided that the assessment feels like an activity we need to do in order to inform our next steps. Jo offered to draft the first version of the assessment for the Board to review for the June meeting. Jo will reach out to Jacqueline to see if there is a questionnaire that we can complete to help assess our readiness. We'll need to update it multiple times over the coming months as we determine if we are ready or not to move into 2B. We should review this document at every Board meeting to help us prepare for moving into 2B.

Strategic Planning

The Board explored alliances and opportunities by first talking about the City of Whitewater's efforts to create Enterprise Opportunity Zones (EOZ). This new EOZ program allows for private investments to be made, with significant tax benefits. The two approved EOZs include the portion of the City located in Walworth County, east of Franklin Street and the portion of the City located in Walworth County west of Franklin Street and north of Main Street. Al stated that if Whitewater is able to attract some new developers and investors because of this designation, they are going to be looking to invest in shovel ready projects first, which could increase the likelihood of a competitor building another grocery option in Whitewater.

Al also said we need to start exploring the potential of finding a sweetheart investor. He knows there are people that are looking to invest. This includes arranging meetings with Jim Caldwell, Dave Carlson, the Walworth Economic Development Alliance, the Kachels, the Coburns, etc. A question was raised during this discussion as to whether this type of investor cultivation activity would be more appropriate for when we have determined the amount we need to raise from ownership loans and preferred stock options.

The discussion turned to the incentives the CDA is using to attract corporate grocers. They've visited three different corporate grocers and presented a package that includes 4-5 incentives. There is a strong sentiment within the Board that those incentives should also be offered to the co-op. Some of the incentives include city-owned land at the eastside roundabout, TIF financing (only available in 2021), new market tax credits, WHEDA financing (low interest loans), etc. The package include a map of Whitewater with traffic counts, and vacant parcels and utilities owned by the City. Lacey was supplied with the package by Dave Carlson and she will load it into our Google Drive so that we will all have access to it.



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Other alliances and opportunities include the Fort Healthcare Family & Patient Outreach Committee who has some interest in helping us with marketing. Their goals align with ours. To create a healthy and active community. Lacey talked about a co-op in Ohio who received a \$400,000 grant from a health care provider.

We also talked about cultivating our relationship with the University, in many different ways, including class projects to help with marketing plans or research studies, land that the University owns, financing, etc.

Another potential alliance that we can explore is the public library. The library has been wanting to expand for years and in Madison, we've seen that there is a great synergy between a public library and a food co-op being side-by-side.

Greg said he would like to explore developing a partnership with a local car dealership - perhaps even having the dealerships offer their customers an ownership share with the purchase of a car.

Goal Setting

The pro forma indicates an opening date of April of 2020, based on industry standards, and that we will see an increase of at least 500 owners a year after we open.

The pro forma will also help us identify the goals of our ownership loan campaign and our stock program. It calculates the percentage of your total membership who will need to contribute and how much. We may need to increase our ownership goal to great than 1,000 members based on our pro forma.

Once we have our pro forma training session, we'll be able to dig into our goal setting in earnest, matching ownership goals with activities and assigning those tasks to dates.

Review and Update Ownership Goals

The Board asked that the Ownership & Outreach Committee present at the next meeting on their plan to reach 500 owners by the end of August.

Site Selection Committee

The Board decided that this would be a good time for us to start forming and chartering a Site Selection Committee. Al has been tasked with forming the committee and drafting a charter to present at the next board meeting. Lacey will serve on this committee. Anne will send a template of a committee charter to Al to get him started.

Board Training Opportunities

Lacey asked that the Board review and approve travel/lodging expenses for two conferences from the board training budget. It is at one of these conferences where we might meet our future general manager!



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The first conference is Consumer Cooperative Management Association (CCMA), May 31-June 2 in Portland, OR. Lacey requested scholarships from the Ralph K. Morris Foundation Cooperative Leadership Fund and the Howard Bowers Fund. These scholarships would pay the \$800 registration fee. She's looking at spending up to \$500 in travel expenses. She will only attend if she is awarded one of the grants. She will provide an update to the Board at the next meeting.

The second conference is the National Rural Grocers Conference, June 25-26 in Manhattan, Kansas. She was asked to sit on panel. As a result, the conference will be paid for by sponsors and in addition, FCI and Shared Capital are covering up to \$600 of travel expenses.

There was some discussion as to whether or not the Board needed to approve funds since money has been allocated by the budget to cover training for the Board. No action was taken at this time.

Needs Assessment Review

Lacey reported on information she learned regarding the hiring of an Outreach Coordinator. Most co-ops hire a project manager or outreach coordinator between Stages 2A & 2B. Their job is to be the face of the co-op and do the heavy lifting - building relationships, recruiting, onboarding and coordinating volunteers, promoting and facilitating the capital campaign, etc. The industry standard salary for a part-time Outreach Coordinator is approximately \$400 a week.

Katie Novack has helped other co-ops onboard employees, which often includes training an outreach coordinator on how to recruit, manage, recognize and retain volunteers, creating timelines and HR policies for the Board so that they can be a good employer, etc. The whole process usually takes up to 90 days. Her fees are negotiable at \$100 per hour for 2-3 hours per week.

Concern was expressed about hiring an external consultant to onboard a local employee -- but that the reason to do so would be based on the quality of the person we hire for the Outreach Coordinator. Per Lacey, Katie did say it would be easier for us to hire someone with a lot of experience with our co-op and get them trained in outreach activities and volunteer management skills versus the other way around.

Review of Meeting

Lacey considers our Board to be highly functioning and she appreciates how hard we are working at turning our vision of a community-owned grocery store into reality. Jen also stated at this time that the tax returns were mailed yesterday. And she will be paying \$550 to the Wegner CPA for their services.

No requests were made by Board members for future agenda items.

The Board President adjourned the meeting at 8:34 p.m. Minutes respectfully submitted on May 8 by Board Secretary, Anne Hartwick.