

Board members in attendance:

Betsy Blake, Tia Cromartie, Stephen Johnson, Joel Landau, Yvonne Lee-Hawkins, Jonathan Maj, Dave Reed, Allen Sharpe

Board members remote: Alexandria Jonas

Board members absent:

Owners: 7 owners/staff present, Peg Nolan (NCG), Cindy Flowers, Matt Mikel

Meeting start time 6:10 pm

1. Review Minutes for November 28th

Proposed Joel, Seconded Jonathan. Accept minutes as written. Passed unanimously

2. Management Report

2.1. Interim GM discussion

2.1.1. Matt Mikel, Matt Davis and Cindy Flowers have worked together to structure roles required to operate

and manage the store. Peg and Mark from NCG have been working with the team to ensure that market

operates, Mark focusing on the Deli and Peg on the administration.

2.2. Sales and Operations (Matt)

2.2.1. Sales number – positive trend for last three weeks of increased sales. Soft week after Thanksgiving,

customer counts around 3500 to 3700. Definite drop compared to last year, approximately \$4-5000 down

from previous year. Cindy is working on marketing throughout the store to encourage sales. Trending

6-10% down from same time last year.

2.2.2. Seeing some positive results of the in-store sales. Weekend events mixed with discounts for particular

departments.

2.2.3. Summary, steady customer count but increase basket sales with positive impact of promotions.

2.2.4. In-store inventory sales scheduled for January 2nd. Open at 9am, with inventory count approximately 3-4

hours before.

2.2.5. Deli – Mark (NCG) has been working closely with Brittany in Deli. Working hard to create a menu and

increase kitchen production. Work towards a 96-ingredient menu to reduce complexity. Making fresh

sandwiches in-house, then reworking menu for the Deli.

2.2.6. Weaver Street will no longer be supplying DRM. Weaver Street has also stopped supplying Company

Shops. Does not make financial sense for them to supply DRM as DRM is the only client in the area. Last

official day to receive items from Weaver Street is January 14th

2.2.7. Working with Albert's Organics for some ready-made materials. Have some mixed reviews of Spring

Garden Bakery items, working with them and have seen some improvement. Looking for more alternatives

on baking side – obtain frozen from UNFI and others and cook in the kitchen. Deli change over will be

introduced over time and really focus on developing a consistent service using the kitchen.

2.3. Marketing and Administration (Cindy)

2.3.1. Marketing – had Jingle Mob and Craft Fair that helped sales. Currently a Selfie promotion

going on through

Downtown Greenway. Santa Con – downtown pub crawl – DRM will be a published stop for food on the map.

2.3.2. Downtown Greensboro Inc. (DGI) has provided funds for end of year event.

2.3.3. Will be doing a membership drive on December 28th from 7pm to 9pm.

2.3.4. Currently in process to look for Scan Coordinator and engaging in active in-store training.

2.3.5. Repairs on scales, dishwasher, and backdoor occurred this month.

2.3.6. Financial work ongoing – Sandra (NCG) will focus on concepts and direct Carmen (bookkeeper) to

update QuickBooks. Carmen, Cindy, Peg and Sandra have a list of areas they are focused on, but most seem

to be in the first quarter. Sandra thinks will be able to close out 2016 a lot easier than 2015 books.

2.3.7. Question from Joel on accounts payable – they are being maintained – still tight – we are working hard to scale back the amount.

2.3.8. Question from Joel about whether we are still ordering from Spartan Nash – yes we definitely are and

they are still happy to provide to us. When Spartan Nash receive copy of 2016 financials they will be

looking at changing terms and potentially refunding the \$27,000 we have with them. Of this \$15,000 will be

returned to the Board controlled contingency fund.

3. Update on Greenway construction issues

3.1. Greenway completion date is still sometime between March and May. Entrance set to be moved back sometime before end of the year – assuming weather cooperates.

3.2. Bill and Vernon are hard at working with the city on the impact of the Greenway on DRM.

3.2.1. Concerned about allowing the concrete for new driveway to really cure – which will take about 3 weeks.

3.3. DGI provided \$5000 for end of year event.

3.4. Meeting with Zack and Julia about impact on sales of Greenway construction. Definitely making a strong weekly

impact, averaging out to 8.5% weekly loss with a potential loss of \$200K in revenue (\$70K in gross profit loss) in

the five months of construction. No forewarning of construction start so took a bigger hit as had ordered

material based on standard sales – so DRM took more product loss than expected. DGI informed DRM folks

that this was an unprecedented ask from the City Council.

3.5. DRM is the only grocery store in downtown area – so there is political clout available to DRM to push for support around the loss of sales.

4. Committee reports

4.1. Finance Committee (Jonathan)

4.1.1. Shared Capital- who is expecting a narrative from the continuing Board. Jonathan has documents on drive

for the continuing Board. Balloon payment is due in September. Need narrative by February

4.1.2. Weaver Street – paying down is a priority but have time.

4.1.3. Greensboro Community Development Fund has asked for renegotiation. Their debt is subordinate to

owner loans. Providing unfavorable terms (8.5%, origination fee, and other terms). Ongoing Board must work with Shared Capital to have language to reject the proposal.

4.2. Outreach Committee (Besty)

4.2.1.No report – unable to meet.

5. Update on Board transition plans

5.1. Yvonne, Betsy and Joel have met. Plan to appoint two seats to run through Spring. Plan to then have 6 seats up for election in Spring annual election.

5.2. Meeting scheduled Dec 20th to discuss with folks under consideration – mostly to focus on Officers.

5.3. Tentative schedule Jan 10th to have administrative meeting to make appointments and elect Officers.

6. Statements from outgoing Board members (Alexandria, Stephen, Dave, Allen & Jonathan)

6.1. Notes from Dave that highlight the major pieces of work achieved by the Board (see attached)

Note that the following addendum is a personal note, not an official Board statement.

Some notes on accomplishments, things that could have been better and recommendations for the continuing Board of Directors -

a personal statement from Dave Reed, December 19, 2016

Accomplishments of the Board over the last few years

- Brought a shared focus on the importance of building, strengthening and following Board process.
- Cut Board expenditures by a significant amount.
- Began to revise the existing Board policy documents.
- Dealt with the issue of the Owner loans, contacting around 100 Owners and explaining the financial situation to them. There were only a couple of folks that were unhappy with the situation or the communication.
- Brought in \$70,000 in patient capital to help cover key expenses and maintain a small cash reserve fund.
- Reconfigured the Board election process with the goal of increasing Owner participation. This was successful with the past two elections breaking recent attendance and voter engagement.
- Crafted a more comprehensive governance vision, which was unanimously agreed upon by the Board members.
- Conducted significant Board education of the grocery industry, leading to a deeper understanding of national, regional and local grocery trends.
- Based on this understanding the Board worked with the management to bring on a secondary distributor to diversify our product mix. On this front, Deep Roots is one of the early

adopters of a trend that many co-ops are starting to join.

Deltas – Things that could have been done better

- Better communication with Owners, led by the Board.
- Conducted a deeply flawed employee survey that yielded mixed results and did not lead to effective changes with staff management.

Issues for the next Board to grapple with

- DRM needs to continue to diversify the product mix in order to be inclusive of a broader customer base. This will be difficult for people who have very strongly held beliefs around food quality issues. Can this co-op chart a path that respects each individual's consumer choices? Can DRM be a place that truly welcomes all comers and offers them a space to make their own decisions? I believe this co-op, and many others like it across the country, have to make a commitment to offering judgment free choice to consumers. I sincerely hope that the continuing and incoming Board members reflect deeply on the current state of our industry and on the unique position this store occupies both in this specific geographical location, and in the local food distribution and retail landscape.
- The fragile financial position requires the ongoing Board to grapple with the need to expand the customer base. I believe firmly that continuing to expand the product mix is the key to this and I hope the ongoing Board looks at this issue objectively with the long term sustainability of the business in mind.
- The co-op also needs to refocus on the democratic nature of the enterprise. The Boards over the past three years have not had the time or luxury to do this adequately. The new Owners that are forming our new core shopper need to be properly engaged and welcomed into the co-op.

Meeting adjourned: 8:30 pm
Deep Roots Board Minutes
Monday December 19, 2016