

Durham Coop Market Owner's Forum
January 12, 2016
Location: Emily K Center

Welcome and introductions provided by DCM Board President, Frank Stasio
Board members in attendance: Pam Campa, Brand Fortner, Amelia Freeman-Lynde,
Tyler Jenkins, Jodi Koviach, Drew Peng and Clarence Terry

Frank Stasio provided background on the repealed referendum to amend the Articles of Incorporation (AoI) and the discussion that took place with members and store employees at Annual Meeting in November:

- The board withdraw a ballot referendum to amend the Articles of Incorporation to remove the worker-owner share class and the 2 elected worker board seats that represent the worker-owner share class
- The board has entered into discussions with employees on options for worker investment and board representation moving forward. We have two options: 1) leave the AoI unchanged or 2) work with employees to develop and implement our own model

Next Steps:

- The board is moving forward with a facilitated conversation with employees.
- Andy Sachs of the Dispute Settlement Center (Carrboro) will be retained as the facilitator. Andy has worked with Weaver Street Market in the past.
- Employees are working to organize themselves on how they would like to be represented. They have approved Andy to be the facilitator.
- The goal is for three facilitated meetings to determine best model for worker investment and participation on the board. The outcome of the meetings will be presented to the member owners.
- Carolina Common Enterprise, an organization that supports co-op development, has provided additional resources to the board, including the multi-stakeholder co-op model. At least twenty co-ops in the country have adopted this model and at least two co-ops issue a worker-owner class of stock (ex. Weaver Street). There are complex issues to consider when implementing a multi-stakeholder model (ex. communication and conflict of interest).

Frank Stasio opened the floor for questions from members. The members asked the following questions:

Q: What necessitates the action that we are taking now?

A: The outcome of the annual meeting was to engage with workers to determine the appropriate next steps. The board and workers have agreed to move forward in collaboration to determine the best model for DCM.

Q: Can employees choose to be a worker owner or a consumer owner?

A: Currently we only have workers that are consumer owners. But our AoI allow for worker owners. One outcome of talks with workers could be to retain the AoI as

they currently stand. We currently have around ten employees who are consumer owners.

Q: Are the AoI changes approved by the current members? How do we work out the disproportionate representation of members versus workers on the board when representing two different share classes (worker vs. owner share classes)?

A: Any amendments to the AoI must be voted on by the membership. The actual structure of worker representation on the board has yet to be determined. This is one of the outcomes of the meetings we will have with employees.

Q: What about investors in preferred stock?

A: Investors in preferred stock are non-voting, unless they are also consumer members.

Q: Are there additional financial benefits to the employees in the success in the coop?

A: Currently the board has the discretion to determine how profits are returned to member owners, but no employee shares have been issued yet. The store is not yet profitable so no member dividends have been issued. The co-op may determine to reinvest profits in the store or community, or improve wages once we are profitable before we issue member dividends.

Q: How are preferred shares paid out versus member shares and employee shares?

A: Preferred share are payable as debt, once they mature, and are paid out prior to member shares.

Q: What was thought process behind the employee's decision to move forward with a dialogue?

A: Employees want all options on the table – they are not excluding the current option but want to explore all options.

Q: Is there some way to problem solve so we don't get into this situation again? Is the consultant still on retainer?

A: Our CDS consultant is still on retainer and continues to provide valuable support and training. The board takes responsibility for failing to engage members and employees prior to proposing changes to the AoI. The board continues to use CDS as a consultant, but recognizes the need for additional education by looking to other co-ops and more active questioning to ensure that all decisions are consistent with our core values, as expressed by the workers and owners.

Q: At what point was it decided that DCM would not be a worker owned coop?

A: This has not been decided and we are currently engaging workers in a process to determine the best model for DCM.

Q: How long will the process take?

A: The board expects the process to take 3-4 months

Q: Who is at the table during these facilitated talks? Who represents the consumer owners?

A: The employees are determining how best to organization themselves in terms of representation. The board represents the members.

Q: Will the outcome go before the consumers for vote and if so, when?

A: Yes, at some point we expect to present the outcome of the meetings to the members. Members will be asked to vote on any changes are required to the AoI.

Q: Were the workers involved in the selection of the facilitator?

A: Yes, the workers were asked to approve the facilitator.

Q: How do members provide feedback to the board on this process via email?

A: Members can email any of the board member (emails on the web site) or info@durham.coop and all feedback will be passed on to the board.

Q: Are there conversations on the table for paying a living wage to workers?

A: Yes, the board has discussed it is certainly a goal we want to include in our “Ends” policies. We delegate all operational decision making to the GM, based on broad policies defined in our policy register. The GM is taking steps toward livable wages. Wages will go up on March 18th for full time employees to a \$10/hour base rate with an additional \$1.15/hour after 90 days.

Q: How many consumer owners do we currently have?

A: 2500 owners. We had 2000 members on the day we opened. Sales for the first year have exceeded projections.

Q: What are our weekly revenues? Are our revenues increasing month to month? Can we share weekly revenues on the web site?

A: We are averaging \$81,000 in sales per week for the first year. Sales have been higher during the holidays. The break even is around \$100,000 in sales/week if we can bring margins down, which the GM is working on.

Q: Can people still purchase preferred shares?

A: Yes, shares are still available. There is a 2-share minimum (\$1000) with further purchases in increments of 1 share (\$500).

Q: Does the board have standing committees that include both board and non-board members?

A: We have in the past, but not currently.

Member Comments:

- Having the worker owner share class as optional may not be desirable to employees who buy into it when others do not because they may feel those workers are not invested in the success of the store.

- Worker representation on the board is important to consumers.
- There has been a long development time frame and discontinuity from the founding board and original vision. This contributed to the decision making of the current board.
- It would be helpful to have periodic email updates about board business.
- It would be in the interest of board to meet with owners on a regular basis.
- The whole voting process as outlined in the AoI needs revisiting.
- There is concern about changing the rules and how this may apply to current and future employees. There should be a clear structure that applies to all employees.
- Members value the perspective of the employees on the board since they are the people in the store day to day and have achieved a lot with our current store.

Board Action Items:

- Provide additional resources on co-op models on the board section of web site.
- Email members periodic updates on meetings and announcements when new information is available on the web site. All board meetings take place on the 2nd Wednesday of the month at the store (7pm).
- Provide a mechanism for members to provide direct feedback to all board members. Any member can send feedback to info@durham.coop

Announcements:

- Starting Thursday night dinners for \$3 (meal and vegan options)
- Oyster night on Jan 22nd – presale for tickets

Notes prepared by Jodi Koviach