

**HARVEST BOARD OF DIRECTORS
MEMBER MINUTES
5 JANUARY 2015**

Attending: Mike St. Clair (General Manager), R. Wayne Clark, Marc Cutler (Operations Manager), Ellen Dickenson, Hunter Gates, Lila Givens, Kashif Hoda, Arash Kani, Leah Madsen, Don Pierce (IT Manager), Diane Simpson (Board Administrator), Meghan Strauchon, and 50 members of Harvest Co-op.

Absent, Excused: Andrea Steele.
Meeting minutes taken by Diane Simpson
The meeting commenced at 6:06 p.m.

Vote Key

Votes are recorded in this order: For, Against, Abstaining.

Leah started the meeting by introducing herself and explaining the structure of the Harvest Board meeting. She explained that they extended the member comment section up to an hour. She went over the agenda:

- Review goals and guidelines
- Lila to give history of South Street store
- Hear from members
- Go over next steps

Leah reviewed the ground rules and thanked CAI for allowing us to meet here.

Lila introduced herself and explained that people might have to rotate out due to space limitations. Fire code allows 30 people and there are already 13 people from Harvest here in addition to the 25 members. She reviewed the history and background of the lease. Repairs and overhead were very costly five years ago but Harvest bit the bullet and signed on for another 5 years because there was nowhere else to go.

Last 3 years--South Street operating at a deficit. Discussions with the landlord have been ongoing. We were unsuccessful at lowering the rent but were successful in getting "tenant at will" status.

Next Steps: gathering questions and information from members and customers. Leah clarified that we do not foresee a long-term future for the store in this location.

Q & A

Q: How much of a yearly deficit is there?

Mike: We cannot release exact financial details because of competitive reasons but it is a significant number. Since the Whole Foods arrived, sales have declined nearly 40% from its peak before they opened. It is difficult to compete with a \$13 Billion company and all of their resources. Whole Foods has selected Boston as a high priority market with 10 stores already opened in the Boston market alone. It was tenuous 5 years ago but this made it much worse.

Q: What about the Arboretum store?

A: Arboretum is operating at a deficit but it is new store in a growth stage. It is on the right path.

Q: Have you run any numbers having to do with new sales at South Street due to thousands of new residents coming in to the area?

A: We do not know how to put this into exact dollar terms, but we are encouraged to see the additional residents in our markets.

Q: By what amount are they increasing rent?

A: It's not an increase, but we believe the costs are already too high for that space. If we could have negotiated a significant rent decrease on an annual renewal basis in concert with changing operations, layout, product, hours, etc. we then could have tried again to make the store profitable and review annually if it had worked.

Q: Landlord has to approve an operations change?

A: No--modifying operations was part of our strategy.

Q: Are we on a month-to-month lease right now?

A: No, not until after February.

Q: Can you expand on the Forest Hills location and how that relates to South Street?

A: Five years ago the conversation turned to eviction. For what that store can produce in revenue the space is too expensive. We were looking unsuccessfully in JP for other spaces. There was nothing available. Hi-Lo didn't want to talk to us and we looked everywhere in town for opportunities. The reasons that you all love being in JP makes it attractive for businesses to want to be here too, and that makes it hard to find available store locations that work and are affordable. SO...we swallowed hard and signed the lease...and after that the opportunity down here opened up...we reviewed all the pros and cons...and this is the reason we're here today. It's the closest location that we could put in a store and grow. We haven't mentioned the limitations of the South Street store along with the high costs of operation...limited in size, handicap accessibility, infrastructure, challenges with equipment...all these things added up so we had to look at another alternative.

Q: Do you own that space?

A: No we lease all spaces.

Q: Does the landlord have another tenant?

A: Not to my knowledge.

Mike added that this is not about speaking poorly about a landlord either...he's out for his best interests...he thinks his building is worth X amount...and that's what the free market is all about. JP is a great place and everyone wants to live here...and that drives rents up...on a per square foot basis it's the highest overhead that we have and the most challenging and most limited facility.

Q: Can you expand on what alternatives you've explored in terms of making more money at the

current location?

A: If we were able to negotiate a significant reduction in the rent and an annual renewal clause, we would have met as a team and continued to work on a strategy for reducing expenses. (E.g., changes in staffing, reduced store hours, remove slower-selling products; eliminate deli service and meat cutting, etc.) We did not get to the point where we could consider this.

Leah announced that we were running short on time.

Q: Could a capital campaign have made it a more attractive and efficient environment that would have drawn more sales?

A: It would have made it more attractive; I am not convinced that it would have made it more efficient or have made sales go up.

Leah: We have time for 3 more questions.

Q: What are you anticipating as far as the South Street business moving to Arboretum?

A: We would like to get the whole town to come down but we understand the strong feelings around that and the hurdles presented by the Casey overpass.

Q: What about the possibility of raising dues?

A: We considered that; also a capital campaign and a loan campaign and the numbers did not reach the level that we needed to turn that store around.

Q: It's two buses to get to that store so I will not be shopping there.

A: You bring up a challenge that we face.

Q: If you had one thing what do you want us to leave this meeting understanding?

A: I'm presenting the facts as I see them as General Manager. I call the facts as I see them and I work in concert with the Board. Lila explained that they would use the surveys to decide what to do next. She would like to know what would make shopping at Arboretum feasible. We would like to stay connected.

Comment: A member thinks members will not go there due to Casey overpass construction.

Another member said we would miss the opportunity of the 1200 units that are coming to Washington street with residents who could walk to South Street.

Leah said she is on the Board because she loves Harvest and hopes people understand the difference of shopping at a co-op.

Q: Would you consider a shuttle?

A: Yes.

This section of the meeting ended at 6:34 p.m.

The second session started at 6:39 by going over the same process as in the first session.

Q: Have you seen an increase in membership at the South Street store?

A: We do member drives in May and October. Membership at Arboretum is much higher because it is new, and membership at South Street is small but steady. Membership dollars are not making up for the decrease in revenues since Whole Foods came in. They opened on Halloween 2011 and sales have declined nearly 40% since then. It is difficult for us to compete with Whole Foods when they have such enormous strength and buying power. We do the best we can but the need for overhead reduction came from the big box store up the road.

Q: We spend over 7 grand a year at the co-op. I feel disappointed. I wish membership had been mobilized a long time ago. This is such a supportive community. I feel we could have helped. Maybe we could have come up with some ideas.

A: One of the other ideas the other group came up with was member campaigns but none of them would have worked--the trajectory was too steep. We had tough negotiations five years ago and we looked everywhere for sites. Everyone wants to live here and everyone wants to do business here and that makes it hard to find affordable locations. We continued to look after signing the lease and found the closest and best space that we could. We pursued Hi-lo and the CVS; the hardware store, and many others--none of them worked. The builders were determined that this location (Arboretum) was going to be a market and we thought it was the best option to keep us from going out of business in Jamaica Plain.

Leah: we have been talking about this for a couple years now at Annual Meetings. Our hope going forward is that we can help generate a sense of community around the Arboretum store.

Comment: Opening the Arboretum store was even more of a disconnect from Harvest. I go in there weekday and weekends and I am usually the only person shopping. I think that store is draining South Street. That store is a nightmare to walk to now and will be worse when the construction starts.

Q: How is the revenue at Arboretum?

A: Higher in its first year and growing 6-8 percent as opposed to declining at a 12% rate at the South Street store.

Comment: It's encouraging that you can stay month-to-month because the construction at Casey overpass will make it much harder to get to the Arboretum store. Being able to keep South Street open during that process might be helpful.

A: Lila: I do not see month-to-month as a long-term option.

Q: The South Street store is important because it's right in the heart of JP. If we give up the lease on South Street will more improvements go into Arboretum? That store needs a lot of improvement.

A: Yes. We want to hear that, as hard as it is to hear, but if you don't tell us what we need to improve we can't make it better. Let us know if you find something that you didn't like. The people there want to do a good job.

Q: I shop at South Street three or four times a week and didn't see a notice about the meeting.

For this meeting to happen now the first day people are back from the holidays is not good. A decision has been made to close the store without engaging the membership in discussion. The disconnect between how the stores are run and the membership is astonishing. The South Street store has been very poorly maintained.

A: Leah: We hold our meetings at this time every month and we added extra time for member comments. Lila: A huge part of what we're talking about as a Board is member engagement. We hope to revamp and reinvigorate the MSCC. We welcome suggestions on how we can improve. Arash: There's good reasons the store is run the way it's run...it's a big piece to try to cover it now...

Q: I live on Carolina Ave. I'm a new member. I was excited to learn there was a co-op within walking distance of my house. I understand what Mike said about JP growing and that's the reason why it's more important for Harvest to be there. Have you considered having members have to work in the store a few hours a month?

A: There were member workers in the store several years ago...we went away from that for a number of reasons.

Q: What level of confidence does the Board have that if the South Street store is closed that Harvest will be successful? Is there a marketing strategy?

A: We're at Arboretum because we wanted to maintain a presence in JP...if we were a corporation I am not sure the decision would have been made that way...the JP store would probably have closed 5 years ago. But we wanted to stay here because of the loyal members. We did not want to close the store. These are hard realities of the business...I'm presenting the facts and the Board will take it from there. We stayed nearby in Cambridge but also but moved to a smaller location.

Q: Do you think you would be at this point now if you hadn't opened the other store?

A: Yes, we thought of that. That's what made it so difficult five years ago.

Comment: I don't find the other store attractive at all.

A: The South Street store is cozy and has a neighborhood feel but it is not an attractive place to do business. Cost of equipment repair is high; loud receiving and trash noise close to neighbors and ADA limitations, among others.

Q: I think the South Street store is great. This is being presented as a decision that is final and Arboretum was presented as an expansion. I find it difficult to accept that the expansion plan is going to work...I would give the lease a time period where you can mobilize the membership. What is the operating deficit?

A: It's not anywhere near break even...I hesitate to make it public because it's a competitive issue. It's an upside-down business and has been since Whole Foods moved in.

Comment: You could run one of the stores at a small deficit and still keep the combined stores profitable.

A: The overall deficit will be 3 years for the entire co-op this coming year. Multiple 6-figure losses cannot last--then we're talking not just about South Street closing but all of Harvest closing.

Leah reminded people that Harvest presents the financial picture of the co-op every year at the annual meeting.

Q: What does the next 6 months look like?

A: We wanted to talk to you about what the next 6 months will look like and we welcome your ideas for what going month-to-month looks like.

Q: Are we still having a couple of Board meetings in Jamaica Plain?

A: Yes.

Q: Why was money put into Arboretum and not South Street? Is that a feasible thing given the rough shape the building is in?

A: When we signed the lease 5 years ago the building was in bad shape.

A: Mike: 5 years ago we did not have another location.

Q: Could you have put the money from Arboretum into South Street?

A: No, not with the sales at South Street in free-fall.

Q: Is there a sense of how long you would want to go month-to-month? Is there any scenario that would allow the South Street store to remain open?

A: Lila: we've discussed having it open through spring.

A: Leah: We've asked the landlord to lower the rent and give us a year-to-year lease but he did not go along with that. We will hopefully be making a decision soon.

Q: The landlord can go month to month also?

A: We asked for 60 days notice.

Q: Did he agree to that?

A: We're waiting to hear back.

Q: I live in Mission Hill and shop at South Street. The stairs at the cheese section annoy me...I think the problem is there is not a real sense of community at this co-op. Even the public board meetings do not seem open to me. I do not want to bag raisins ever again but if there could be more of a sense of community I don't think people would mind going to Arboretum. I don't want to see Harvest go down altogether. I think it needs to feel like a member co-op like it did 30 years ago.

A: We would love to hear your ideas.

Q: I know there are all kinds of labor laws but there are ways to work around that...maybe a couple of annual meetings...a picnic social once a year...there are many ways to do it.

Q: Loss of the South Street store will be really sad for the community. We didn't know about this until recently. Is there anything that we could do to keep the store going?

A: Lila: Based on the fact of the situation we need to transition to the Arboretum store.

Lila went over the things the Board is thinking of doing going forward:

- Ways to make getting to Arboretum easier
- Engaging with and being informed by Board activities
- Having more of a presence in the store
- Trying to rejuvenate MSCC

Leah pointed out that we have another 15 minutes of the public Board meeting if anyone wanted to stay for that.

This section of the meeting ended at 7:23 p.m.

At 7:34 the remainder of the public session started.

December minutes.

Leah reviewed the action items.

- Lila has not heard back from Stephanie on MSCC.
- Rose-Marie's availability for retreat--in process.
- Global Ends--postponed because of the member comment period. Tabled until February.
- Meeting dates were approved but they are still in flux because of retreat scheduling.

Motion: Approve December public minutes.

The motion was moved and seconded. Approved 8-0-0.

Board January Monitoring

Scores were all high so the report does not need to be discussed but there was not a great response rate. The goal is to get 100% response. Lila and Leah explained the various monitoring reports and GM Question document. Lila explained how the rating system works.

Motion: Approve the Board monitoring report C: Global Governance and D: Global BoD management. The motion was moved and seconded. Approved 5-0-3.

The Member Meeting closed at 7:43 p.m.