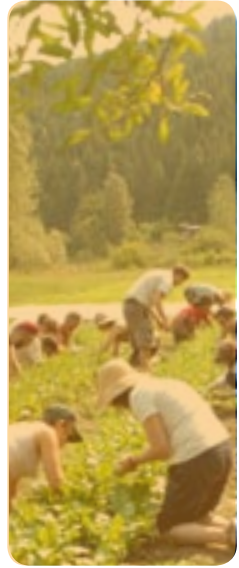
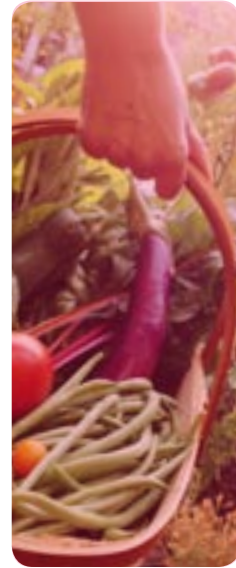


Annual Report 2015

June 1, 2014 - May 31, 2015.



Welcome to the 2015 Annual Report!

Read about how we have been working in alignment with our Mission Statement.

Kootenay Co-op Mission Statement

Our mission is to promote community involvement by cultivating a cooperative, sustainable, organic way of life through:

Providing the highest quality, affordable natural foods and products, and wherever possible organic, in a pleasant, comfortable environment

- Serving members effectively
- Encouraging a healthy local economy
- Community and member education
- Maintaining the financial health of the Cooperative
- Promoting community interchange of ideas
- Providing a workplace that reflects these values



*Honouring Our
Roots &
Celebrating
Our Growth!*

Kootenay
co-op

Friendly. Healthy. Community owned.

Serving Members Effectively



It was an exciting fiscal year for your cooperative, bursting at the seams of its present location after 40 years of operation. Retail sales grew at a healthy eight percent over the previous year, fuelled by members' passion to keep dollars, plus the jobs and benefits they create, in our community.

Answering demand for a better shopping experience, we broke ground for the new store in January after meeting financial targets and the condo pre-sales required for financing. While construction developments at the site are evident to onlookers, less apparent is the work being done within the organization to have the operation move-ready in 2016 and be able to respond to market challenges.

The first quarter of the fiscal year saw the difficult work of replacing an antiquated point of sale (POS) data management system with a new program and hardware better matched for an operation of our size and growth. With its successful

implementation, we are now better able to ensure that the price at the shelf is the price at the till and efficiently manage pricing, margins and signage demands.

Improving purchasing systems was the focus through the latter half of the year and continues to be. Our purchasers, already well respected in the industry and highly organized, have been given better tools to do their job: the improved POS data at their fingertips, and a newly established offsite warehouse where they can buy and store goods by the pallet to achieve better pricing on key commodities. As an added benefit, this strategy allowed us to buffer significant cost increases on organic food imports due to the weak Canadian dollar.

Fourth quarter results were also strong. Your team of more than 100 dedicated staff worked to serve the membership by keeping the store running smoothly, day after day while the board and management stayed at the table to negotiate through some challenging leadership and governance opportunities, emerging a stronger and more resilient team.

Today, a reinvigorated management team is continuing the operational improvements required to get the organization into top condition for the move. I am excited to participate in those developments in whatever capacity needed, and look forward to the member dialogue that will help us form the evolving look and feel of the Co-op.

Thank you for being a member-owner, and thank you for shopping at your co-op!

-Paul Kelly, Acting General Manager



Encouraging a Healthy Local Economy



True Local

In 2012, the Co-op established the True Local brand partly in order to redefine "local" in a way that makes sense for our bioregion. Our members have responded overwhelmingly in support of this initiative, and over the course of this fiscal year, the Co-op made payments of almost \$2.6 million to our local suppliers, including \$1.78 million to more than 100 local farmers and food producers.

We are intent on increasing our sales volume of True Local products over the next several years.

On April 23rd we hosted our third annual local supplier appreciation event, "Eat, Drink & Be Local," which allowed us to thank our True Local suppliers for their continued commitment to the Co-op and to discuss opportunities that lie ahead in our new location at Nelson Commons.

More than 125 people attended this event!



There are things money can't buy...

Sharing Expertise & Spending Time

We promote a healthy community and economy in a variety of ways. Our knowledgeable staff frequently lead workshops and provide keynote addresses throughout the region. We share resources like trainers, best practices and policies/procedures with other co-operatives, small businesses and our suppliers, offering informal mentoring when appropriate. And many of us sit on boards and committees that serve the greater Nelson community year-round.

Here is a sample of some of these efforts over the past 12 months:

June 26th - The Co-op celebrates its 40th birthday by serving free True Local, organic food to the community at MarketFest.

June 14th - The Campesino Movement educates us about Creating Alliances for Resilient Social Change.

June 3rd - Nelson At its Best Summit: A Poverty Reduction Initiative of the Social Planning Action Network

April 30th - Nelson Women's Centre Food Skills Project

November 20th - Kootenay Co-op's Annual Growers Meeting

October 23rd - Chew On This: A Nelson Food Cupboard initiative, challenge and dinner event.

October 25th - Eat Local, Support Local Gala Dinner, A fundraiser for Our Daily Bread.

July 7th - Farm Visits (Crooked Horn, Glade Valley)

Here's a partial list of community groups Co-op Managers & Board Directors contribute to:

Nelson & Area Economic Development Partnership Advisory Panel

Upper Columbia Cooperative Council Board of Directors

Nelson At Its Best Steering Committee, Social Planning Action Network

Kootenay Lake Agricultural Society Board of Directors

Nelson Business Association

Smart Funding for Food Systems



Community & Member Education, Promoting a Community Interchange of Ideas

This was a year that called for strong connection with our community, focusing on accessibility to healthy food and affordable housing, especially for those who are less fortunate.

Healthy Breakfast Campaign

Over four consecutive weeks in September, the Co-op offered free healthy breakfasts to the community, promoting the necessity of good nutrition for the first meal of the day. We served approximately 400 breakfasts, in the process educating people about the components of a good breakfast for optimal health and well-being.



Room To Live Campaign

The Co-op's mission to promote community involvement by cultivating a cooperative, sustainable, organic way of life was demonstrated strongly in our three-year commitment to partner with Nelson Cares on their Room to Live campaign. The Co-op not only sponsored the campaign's launch event at the Capitol Theatre last November, but has also committed \$15,000 over three years to complete the renovation on one of the affordable housing units in Ward Street Place. Finally, Co-op members donated \$1,000 to the Room To Live campaign through holiday donations collected in the store.

Nelson at its Best

The Co-op is also a proud sponsor of Nelson at its Best (N@IB), a community-driven approach to poverty reduction, comprised of a partnership between Nelson's Social Planning Action Network (SPAN), the Chamber of Commerce, School District 8, Interior Health, Upper Columbia Co-op Council, Kootenay Career Development Services and others. The Co-op supported the N@IB summit in May, in which residents, businesses and community leaders came together to develop a long-term strategy to reduce poverty and make our community the best place it can be. The Co-op assisted with the summit, sat on the steering committee and supported the development of the website at www.bestnelson.org.

Community Education

We offer very popular Cooking & Wellness classes and sponsor a wide variety of community education/awareness-raising events. Here's a small sample of events we have supported:

- Farm Food Fork Event
- Deconstructing Dinner Film Festival
- Nelson Food Cupboard Food Skills Class Series
- Kiss Off Cancer Event
- Selkirk College Get Connected Day



Whenever possible, we offer community groups the use of our covered area & offsite meeting room at no charge. We can't wait to have our own community room in the new store!

Scholarships & Bursaries:

Congratulations to Tennessee Andersen who was our 2015 Member's \$1,000 Scholarship recipient and to Kyle Stetsko-Kallin, who was our Yes! Camp \$675 Bursary recipient.

Community Giving

The Kootenay Co-op runs many community programs that provide a combination of material, financial and educational support to the larger community.

\$102,600!

That's the total amount that Kootenay Co-op donated to community groups and individuals through grants, sponsorships, gift cards, scholarships, bursaries, awards, free promotion, venues, expertise, food & supplement donations and more in the 2015 fiscal year. **How do we do it?**

1. It's part of our mission

Board, managers and staff all contribute time and expertise to help organize and support these initiatives, making us a pretty effective community group! Our Local Suppliers events (November & April), Healthy Breakfast Campaign (September) and Twelve Days of Giving (December) were all great examples of collaborative events put together by multiple departments and the Board.

2. Co-op Member Generosity

Our members are extremely generous and make donations via Co-op Outreach initiatives like our Till Donation program and annual Holiday Giving Tree. Members raised almost \$6,000 this year for organizations such as Kootenay Animal Assistance Program and the Nelson Food Cupboard.

3. Great suppliers

We are also very grateful to our many wonderful suppliers who donated \$10,000 worth of prizes for members and food for events such as the Selkirk Fair Trade Campus, War Child's Keep The Beat, Twelve Days of Giving and our Cooking Classes.

Vitamin Donations: A special thanks to Natural Factors, who generously donated \$2,000 of vitamins and supplements. ANKORS was our Wellness Week Vitamin Project recipient (\$1,000).

4. It takes a village... to raise a village

All this generosity is delivered to our community through the hard work of thousands of volunteers. We are grateful to all the groups who have invited the Kootenay Co-op to support their efforts! Thank you for your hard work and dedication to our community! Here's a very brief list of groups that benefited from Co-op Outreach assistance and initiatives this year:

Capitol Theatre Society, Room To Live, BC Food Systems Network, Nelson Leafs Hockey, Nelson Cycling Club, West Kootenay EcoSociety, Kootenay Christian Fellowship, Friends of Kootenay Lake, Oxygen Art Centre, Nelson Food Cupboard, Kootenay Organic Growers Society, AIDS Network Kootenay Outreach and Support Society (ANKORS), Nelson BC SPCA



Kootenay Co-op Board and Staff present a cheque to the Room to Live housing renewal



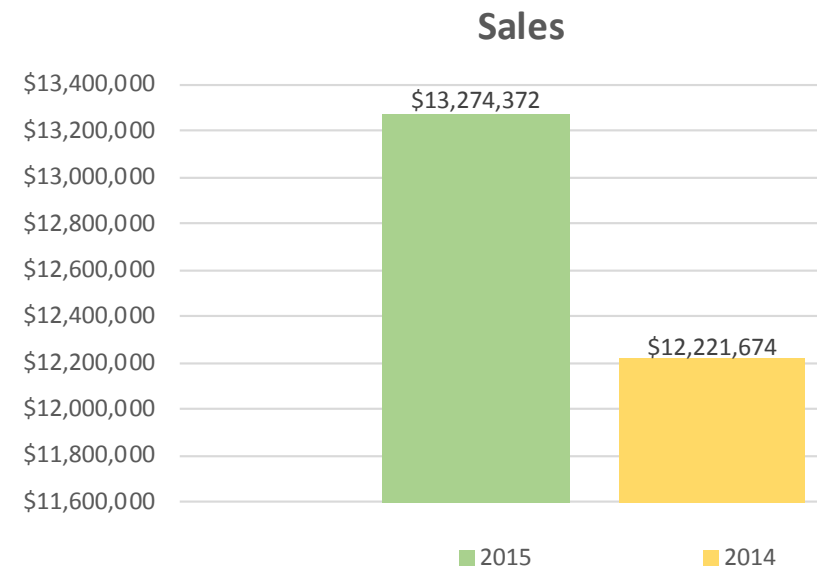
Maintaining the financial health of the Cooperative

Financial Report

Once again, the Co-op performed extremely well during fiscal 2015. Both balance sheet and income statement results were solid. We are in good financial condition and are financially well positioned with a strong foundation with which to move to our new location in the Nelson Commons in late 2016.

Sales

Sales growth over the previous year was a respectable 8.6 per cent resulting in total annual sales of well over \$13 million. This is a very healthy result given the state of the economy, the increased competition in the marketplace and the current store's limited floor space. Customer transaction numbers continue to climb and were approximately 6.0 per cent higher when compared with the prior year.



Expenses

Total expenses increased 9.3 per cent in 2015. Wages and benefits grew by 11.4 per cent as a result of employee raises and the addition of new employment positions to accommodate the increase in the number of customers and sales. General and administrative expenses increased a modest 4.2 per cent over the prior year, largely due to an increase in member loan interest charges. Total marketing and outreach costs rose a very substantial 46.6 per cent during fiscal 2015. While marketing and merchandising specific expenditures remained fairly consistent with last year, our outreach spending increased dramatically by 31.6 per cent, mainly due to expanded use of our Gift Card Fundraising Program by numerous community organizations.

Assets

Total assets increased 3.0 per cent over last year to \$6,153,256. The minor increase is primarily related to increased inventory which is being stored in our new offsite warehouse location.

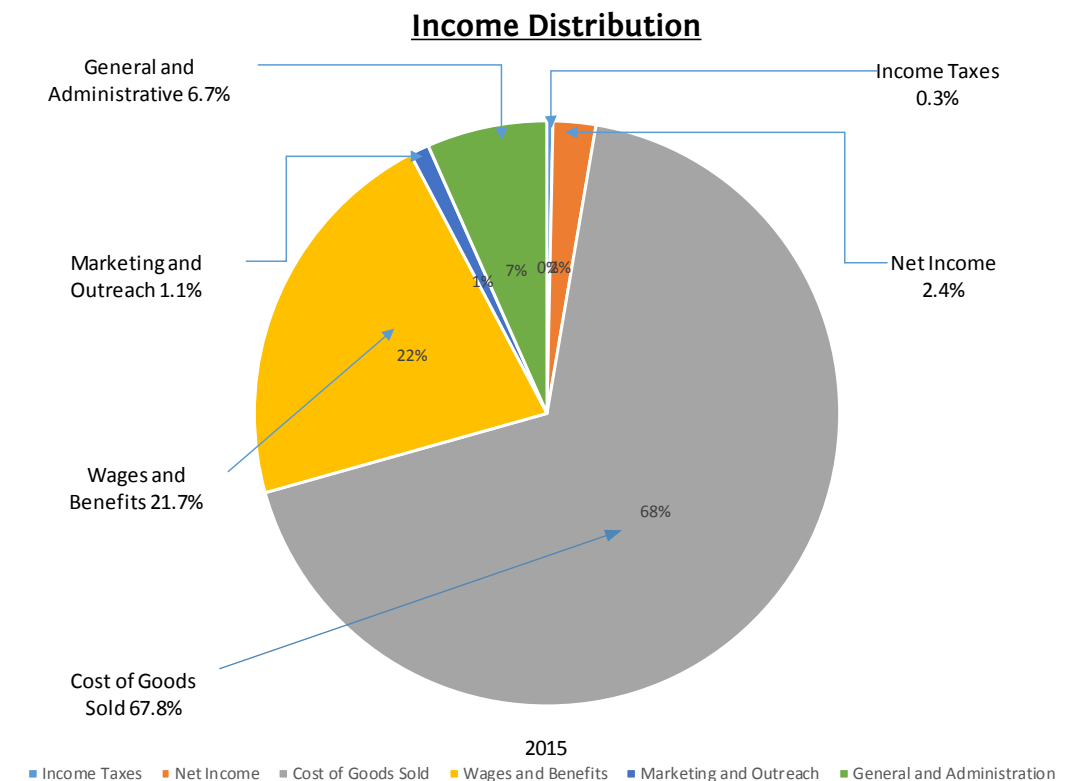
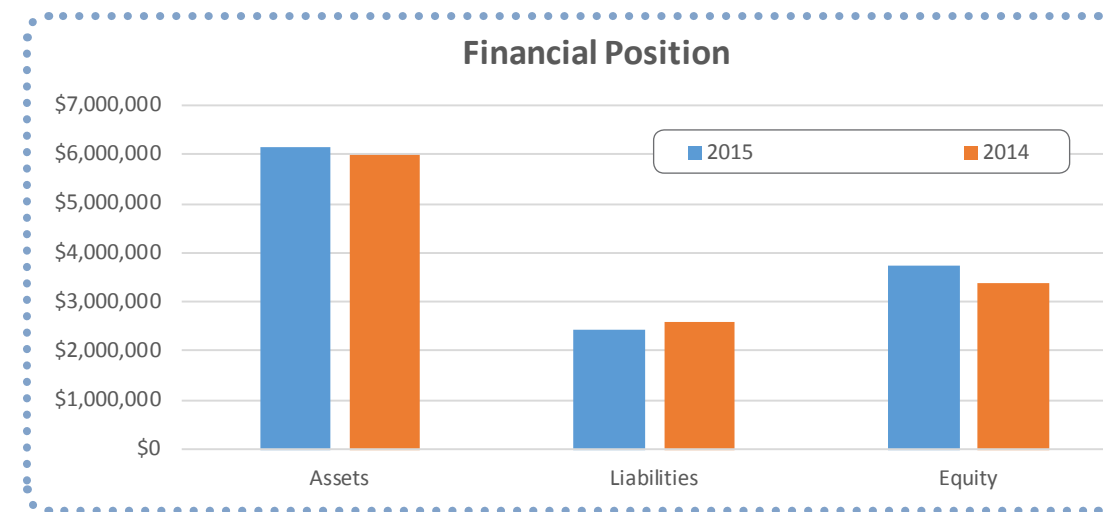
Liabilities

Total liabilities decreased 6.7 per cent to \$2,424,290 when compared to the previous year. The substantial reduction is predominantly due to a decrease in trade payables at year-end resulting from variations in the timing of the receipt of supplier invoices and subsequent payment issuance.

Equity

Total equity increased 10.4 per cent during the fiscal year to close at \$3,728,965. The year-over-year change is attributable to the current year's earnings and the increased number of issued member shares. Members purchased a net total of 7,890 additional shares during 2015 for a total of \$39,448. That's equivalent to roughly 789 new members added during 2015.

- Sean Silverson, Finance Manager



Providing a workplace that reflects these values

Once again we had a year of staff growth at the Co-op and at the end of our fiscal year we employed 100 staff, up from 90 at the same time last year. I am proud to say that the Co-op invested more than \$2.8 million back in to our community in the form of wages and benefits!

As we prepare to move into our new store, one of our main priorities is to improve our current systems and policies in order to bring only the best practices with us to our new location. We have seen a year of growing pains within the store in this regard, but with growth also comes progress! I feel confident that we will be fully prepared to continue to provide a workplace that reflects the mission and values of the Co-op in our new larger store and that our members will see this through the skills and actions of our amazing front line staff.

I would like to take this opportunity to thank all of the Kootenay Co-op staff for their hard work and dedication this year!

-Sarah Bedo, Human Resources Manager



As the Co-op continues to grow, we have been able to create more than 10 new jobs over the course of the fiscal year. A few of our new hires:

In the **Grocery Department**, Paul Kelly was hired as manager in November. Paul's experience and leadership in natural food retail made him a natural fit to guide the Co-op as its Acting General Manager when the senior management team was restructured in May 2015.

In the **Deli**, another new manager, Christoph Martens, has been working to expand the Co-op's selection of healthy food on the go. The deli is growing quickly with the support of Michelle Rentke, who is assisting with menu development, and will soon be selling even more nutritious and healthy prepared foods.

In the **Produce Department**, Scott Drew has been promoted to the new position of Produce Floor Lead. This position allows the Produce Department to be more responsive to members' inquiries about the provenance of the produce that graces our shelves.

In the **Wellness Department**, a successful first season of colour and makeup consultations were led by Hazel Mousley and Lacey McMillan in Fall 2014, helping members feel good by looking good – with natural and healthy esthetics.

In the **Finance Department**, the introduction of Sean Silverson as manager has helped the Co-op strengthen its financial and reporting systems, including an annual audit process that befits the scale of our operation.

President's Report



It's truly an honour to have served as the Board President over this past year and I'm grateful for the opportunity to have acted in this role at such a pivotal period in our Co-op's history and future.



This year began with an incredible milestone – it was the culmination of more than eight years of intensive work to find and develop a site for our new store. It came on November 28, 2014, when it was announced that we would be moving ahead with the Nelson Commons development. This was a watershed moment for our Co-op – a moment when every subsequent moment would look vastly different from what came before. At that moment began the preparations to say “hello” to our new store and to say “goodbye” to what will have been our home of 25 years. The human efforts leading up to that moment were monumental – efforts from senior Co-op and project management; from board directors who during the 2013 member loan campaign devoted more time in one month than most directors are expected to commit in an entire year - and that watershed moment came because of the efforts of the 170+ member-owners who made those financial investments into our Co-op.

At that moment, it also became clear that the Board's work of laying the groundwork for the physical space of our new store was about to dramatically shift into making sure that the organization itself – the people and processes which make the Co-op tick each day – were adequately prepared to make the move into an expanded store. This co-op is evolving into a more substantial organization with more member-owners, higher volumes of products and revenues, a notably larger staff, and an organization with an even greater impact on our community than it already has. Our co-op is changing.

This has been new territory for your Board to enter into and I'm certain it has been one of the greatest opportunities for growth your Board has ever encountered. As a Board, it's our duty to all of you as owners of our Co-op to make sure that the lenses through which your Board understands and stewards this Co-op are appropriate to the size, scope and influence of the organization. It's further our responsibility to make sure that our mission, principles and values are maintained. Having served on this Board for nine years, I can say with confidence that, for much of that time, this Board has been operating within a framework and within a culture, which was, relatively speaking, suitable to the size and scope of the organization. That framework was a remnant of the early years of this organization and while there is much to preserve from this period in our history, there is much of this culture and framework which is no longer adequate moving forward. Comparatively, our co-op is still small potatoes when placed alongside the size and scope of a co-op like Mountain Equipment Co-op, but as we transform our co-op in the coming years, we can look at how boards of these larger co-ops operate and we can take cues from them. If future boards are to adequately lead this organization, a refreshed and evolved framework and culture is necessary - one which suits what our co-op is evolving to become. Operationally speaking, this work of adaptation has also begun at all levels of the organization.

In the last year, the Co-op saw Deirdrie Lang move into the role of Nelson Commons Co-Project Manager and saw Grocery Manager Paul Kelly placed into the position of Acting General Manager of the Co-op. The Board is very pleased with the work of these senior managers of the Commons and the Co-op and we've recently initiated a new Collaborative Management Committee which meets every two weeks to bring senior Co-op management, project management and Board Directors together to steward the Co-op through the ever-changing landscape within which it is operating. Other notable changes to our management team in the past 12 months include the welcoming of many new senior managers including Finance Manager, Sean Silverson; Marketing and Outreach Manager, Jaime Frederick; Grocery Manager, Tabitha Archer; and Deli Manager, Christoph Martens.

Fiscal Year 2015
at a glance

40+ Years of Community Ownership

13,000+ Member-Owners!

\$13.3 million Total Sales

8.6% Growth over 2014 Fiscal Year

92% sales to Member-Owners and Staff

100+ True Local suppliers!

\$2.59 million paid to True Local suppliers!

\$1.78 million paid to True Local food producers



103+ Total Employees

\$2.9 million Wages & Benefits

64 Full-Time Employees

18 Local Community Groups who received Co-op donations of \$250 or more:

Chamber of Commerce Gala, Slocan Youth Community Bus Project, Kootenay Spirit Festival, Seniors Economic & Environment Development Society (SEEDS), Farm Food Fork, Nelson BC SPCA, Feeding Ourselves WKPCA, St Saviours Food Pantry, Prevent Cancer Now Canada, Touchstones Nelson, Rotary Club / International Tasting Fair, Nelson Youth Soccer Team, Nelson Rotary Club, Kootenay Lake Hospital Foundation, Nelson Cycling Club, Elephant Mountain Literary Festival, Wild Voices for Kids (CBEEN), Nelson Food Cupboard Food Security Project

13 Local Community Groups who received Co-op donations of \$1,000 or more:

Capitol Theatre Society, Room To Live, BC Food Systems Network, Nelson Leafs Hockey, Nelson Cycling Club, West Kootenay EcoSociety, Kootenay Christian Fellowship, Friends of Kootenay Lake, Oxygen Art Centre, Nelson Food Cupboard, Kootenay Organic Growers Society, AIDS Network Kootenay Outreach and Support Society (ANKORS), Nelson BC SPCA

\$102,600 Outreach Grants, Sponsorships, Scholarships & Other Community Donations



Indeed, the Co-op is changing and how the Co-op manages this change is the most important question this Board and management have been exploring in recent months. It's both frightening and humbling to look around and recognize that there's not one person in this organization who has ever embarked on a food co-op development of this size and scope. Instead, we thankfully have a team of people who each bring unique wisdom and skills to the process – each of whom is absolutely vital to the organization at this time. This is truly a co-operative endeavour.



2014 - 2015 Board of Directors - From Left: Cathy-Ann Glockner, Jon Steinman, Paula Sobie, Andrew Jarrett, Susan Morrison, Elizabeth Babcock & Zoë Creighton.

40 Years Strong

Celebrating our co-op's 40th birthday was another major milestone this past year. For me, this milestone was another reminder that our co-op has been built upon the dedication and wisdom of many people. With 40 years behind us, I've found myself asking deeper questions about our co-op, such as:

“Where have we come from?”

“Where do we find ourselves right now?”

“Where are we going?”

Through asking these questions, I've begun to see the Co-op differently than I have before – as an organization with its own identity, its own soul and its own voice. With so many hands having held our co-op from its early days of 40 years ago and all of the care and dedication every member-owner, customer, staff member, supplier and director has invested, it's clear that the Co-op has become bigger than any one person, any one subset of the organization, or even all of us combined. Our co-op has a history, a present, and a future, and I see the Co-op's identity being comprised of all of these moments in time, not just this particular moment. This organization has come too far, is achieving so much, and possesses infinite possibilities, that to not see the Co-op in this way would risk missing something vital to its well-being. I now wonder what the Co-op itself would say if it was asked three similar questions to the ones I've been asking myself:

“Tell me about your 40 years as a co-op?”

“How are you doing right now?”

“How can we help you get to where you're going so you can be of service to future member-owners?”

This is what I see as the work of your Board in the coming year – asking these questions of our co-op. This work has already commenced by your current Board and accompanying this report is a summary of what each of our Board committees have achieved this past year.

Looking ahead, some of the other questions that committees will be asking themselves include:

- **How can we ensure strong board perpetuation which includes contested elections and more highly qualified candidates than there are available seats?**

- **How does the Board ensure it's receiving sufficient reports on the store's operations and what are the most important questions the Board should be asking of management?**
- **How does the Board continue to improve its engagement with member-owners?**
- **What rules and board policies are the most effective and appropriate to the Co-op at this time?**

Staying Ahead of the Curve

What's also needed at this time – both strategically at the Board level and operationally at the management level – is a strong awareness of the highly adaptive food retail sector. Ten years ago, it was unheard of to find organic or local foods on the shelves of conventional retailers. This is no longer the case. Whereas the 1970s-era food co-ops (of which we're a part) were leaders in modelling what a more responsible grocery store could look like, we have also acted as the unofficial research and development arm of the dominant food system. Our efforts have literally transformed sectors of our food system – agriculture & seafood, food processing and food retail – all of them having adapted to cater to the newly- and more-informed eater. Without the ability to be nimble and adaptable, food co-ops like ours could become victims of our own success. My experience attending the 2015 Consumer Co-operative Management Association conference (CCMA) confirmed that, sadly, this is already happening to many food co-ops across the United States who are watching competition from new and existing retailers result in negative sales growth figures for the first time in their histories.

To respond to this new landscape in the food system, three key strategies emerged for me out of that conference which I believe our co-op must pursue:

The Co-op Difference

Strengthen our community's understanding of what makes a co-op different. This is fundamental to our success and a characteristic of our grocery store which is not in any way replicable by non-co-op retailers.

Expanding Our Role in the Local Food Economy

We must continue to be a leader in our regional food economy by playing an active role in identifying and filling the gaps which cause our personal food expenditures to exit the region. Kootenay food culture and cuisine will never appear on the shelves of a grocery store as brilliantly as they will at a locally-owned retailer like ours. This is what will continue to set us apart.

“Dump the Frump!”

It sounds funny, yes, but the retail spaces of food co-ops are notorious for being dark, unorganized and tired. It was suggested at the CCMA conference – and supported by rousing applause – that food co-ops “dump the frump!” Our food deserves better – much better. Our food nourishes us, supports our local economy, brings us pleasure and joy, and is, by all accounts, sacred. The space in which we shop for our food and where we rub shoulders with our friends and neighbours should be a space which showcases and celebrates the role of good food in our lives. The good news is we're already carrying out these three strategies in a really big way.

As we enter into this final year of transition into our new store, I hope that we can come together as a cooperative stronger than we've ever been. In the spirit of the International Co-operative Alliance's statement of values, let's all walk the values of “self-help, self-responsibility, democracy, equality, equity and solidarity” and further strengthen our values of “honesty, openness, social responsibility and caring for others.” We're all in this together and I'm grateful for that. Thank you.

*Co-operatively yours,
Jon Steinman, Board President*

Development Report

Nelson Commons is a mixed-use project being developed by Nelson Commons Limited Partnership. It consists of 47,000 square feet of residential space (54 condominium units) and 28,000 square feet of retail/commercial space. The new Co-op store will occupy approximately 20,000 square feet along with four to eight additional commercial spaces. Total cost of the project is \$27.1 million. Completion and occupancy are planned for the late summer of 2016.

Equity Partners

The Kootenay Co-op, as the developer, is both the General Partner that manages the project and the largest equity investor. Other equity partners in the limited partnership group include:

- ITC (general contractor)
- Vancity (Greater Vancouver Community Foundation)
- Vancity Community Capital
- Nelson & District Credit Union
- Kootenay Savings Credit Union

Project Team

- Project Managers: Deirdrie Lang & Russell Precious
- Lead Architect: Ray Letkeman Architects Inc.
- Local Architect & Planning: Steven Kaup, Studio 9 Architecture + Planning
- Interior Design: David Dobie Design
- General Contractor: ITC Construction Group
- Finance: Mary Lou Anctil and Sean Silversen, CA, Kootenay Co-op Finance Department; Ron Little, CA
- Marketing: Marnie Christoffersen, Jam Creative; Andrew Creighton, Abaca Marketing Solutions; Lisa McGeady, Sales
- Legal: Rob Brown, McLachlin Brown Anderson
- Advisors: Harold Kalke, Kalico Development; Ivan Campbell, Polygon; Heather Tremain, Urban Fabric

Financials: Total Funding \$27,135,000

Total Debt:	\$17,020,000	Total Equity:	\$9,650,000
Citizens Bank (Vancity)	\$16,000,000	Restricted Resale Contribution:	\$240,000
Canadian Forward Foundation	\$1,020,000	KCSC (Co-op) Interco Loan:	\$225,000

Since our original budget in the fall of 2013, we have encountered some price increases due to the availability of certain trades and the Canadian/US dollar exchange rate.

Our biggest surprise came from the discovery of substantial contaminated soil on the site that was not revealed in our environmental assessment. The contractors hired to complete the assessment were so focused on the “needle” that they missed the haystack. Their initial site investigation revealed only a small amount of contamination but in the end about 80% of the excavated soil was in fact contaminated and required remediation. RDCK tipping fees plus trucking to the Ootischenia landfill amounted to costs of nearly \$300,000. Additionally, during demolition, it was discovered that the cinder blocks were filled with asbestos-containing vermiculite, adding another rather daunting, unforeseen environmental expense.

Although expensive and frustrating to deal with, all of those contaminants have been safely removed and will not be part of our new Co-op. The consultants who conducted the final testing and remediation are now in the process of applying for our Certificate of Compliance from the Ministry of Environment.

All of that being said, a combination of good contingencies, additional equity from ITC and the Co-op taking on several elements of the project that were specifically to our benefit have us well positioned to complete the project in a solid financial position.

Construction

We are fortunate that our general contractor, ITC (www.itc-group.com), is one of the most reputable builders in Western Canada, with years of experience to tackle a building like ours. That being said, there have been many challenges here in the Kootenays, where resources are limited compared to larger centres such as Vancouver or Calgary. Backup resources that were available a year earlier have since been absorbed by frenetic building demands elsewhere. So while ITC is not quite as far ahead as they would have liked to be, they have built-in time contingencies to allow for unexpected delays.

As of September 2015, concrete forming is nearly complete. We have removed half of the power poles in the alleyway while upgrading drainage for Natural Choice Pharmacy and the Hospital Employees Union office. Electrical transformers that will supply the entire building are now installed on the upper parking lot. At the west end of the project, the second-floor concrete slab, which is also the ceiling of the Co-op, has been poured and the residential framing is well underway. Concurrently, there is steady progress on the electrical and mechanical infrastructure that permeates the entire building. And of course the crane, as the hardest worker on site, continues to draw attention as it works tirelessly to supply the tradespeople with the supplies they require.

Timeline

June 2012

Residential units sales grow

construction begins spring 2015!

Fall 2013

Winter 2014

Crane goes up April 2015

Second level going up!



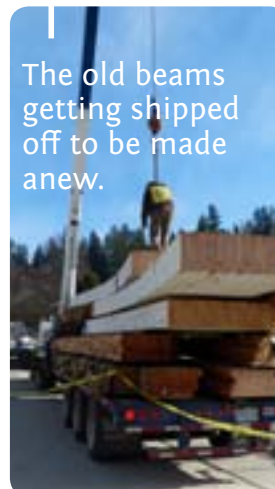
Residential occupancy! Late summer 2016



Pouring the concrete floor of the Co-op's new store.



The crainbow!



The old beams getting shipped off to be made anew.

Local Trades

Our general contractor (ITC) has strong roots in the Kootenays. The founder, Peter Rezansoff, was born in Nelson. ITC's familiarity with the region and the local trades have made it much easier to meet our mutual agreement to use local trades wherever possible.



Welcoming the community to the new home of Kootenay Co-op

The following list identifies many of the local trades and consultants involved in the project:

Excavation: McNally Excavation
Concrete Placement: 3D Concrete
Concrete Pumping: Priority Pumping
Wood Framing: RCI Construction
Storefront: Competition Glass
Painting: A&A Painting
Misc. Metals: Zap Welding/Forge

Mechanical: Venture Mechanical
Electrical: Martech
Concrete Material: Nelson Ready Mix
Insulation: Morris Insulation
Roofing: Heritage Roofing
Landscaping: New Lease Design (David Fisher)

Consultants:
Studio 9 Architecture + Planning
Ward Engineering
Rocky Point Engineering
David Dobie Design
Effistruc Consulting Inc.
Abaca Marketing Solutions
Iridium Consulting

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Sales

Our consultants let us know from the start that the biggest challenge for the project would be to sell an adequate number of units prior to construction to satisfy the bank's funding requirement – a bit of a catch-22. Unless you are in an explosive housing market, such as in Vancouver where scarcity rules, pre-sales will always be difficult. That being said we crossed that pre-sale threshold of 36 units in November 2014. We believe that the investment we made in creating a full and finished kitchen and bathroom display suite in our original sales office was one key to achieving this goal. In the spring and summer of 2015, with the building on its way out of the ground, we saw a steady flow of people through our new sales office, which is now located on the building site. We moved out of our full display suite at the corner of Vernon & Hall at the end of June which worked out nicely to avoid much of the commotion resulting from the Hall Street revitalization project this summer.

As of mid-September 2015, we have sold or have pending sales of 44 of our 54 residential units. The top floor is completely sold out and the first floor/terrace level has one unit remaining. ITC is fast-tracking the completion of one unit so that in early 2016 we will have a display unit in the project fully completed and furnished.

We have one commercial sale pending and one under consideration. Given that Nelson Commons is the only uptown location with a strong anchor tenant and parking, we are confident that the other spaces will be sold.

The Other Black Swan (Besides contaminated soil, that is)

From a point early in the initial development phases for the Commons project, we were very excited to have the BC Wineguys planning to lease and move in to the space right next door to the Co-op. We couldn't imagine a better fit and promoted our alliance both as a selling feature for our residential units and in our marketing initiatives. In summer 2015, when BC Wineguys decided to sell their business and VQA license, the Co-op assessed the feasibility to purchase the business and we were in the process of negotiating our funding when one of the Co-op's main competitors swept the rug out from beneath our feet. A representative from the Jim Pattison Group (which also owns Save On Foods) made an offer to purchase that the owners of Wine Guys couldn't refuse, unfortunately leaving the Co-op with no opportunity to meet that offer. The BC Wineguys store on Kootenay Street is now closed and it is not clear where their coveted VQA license is destined.

The New Co-op Store

Sometimes our Nelson Commons project seems like a rather long detour to fulfill our core aim and intention—the construction of our new Co-op store. After considering all the variables, we determined that the mixed-use development would allow for a much better, state of the art store than the alternative of refurbishing the old (and contaminated) Extra Foods building—even though it meant it would take longer. It was also clear that for this option to be viable it was necessary to share the cost of the land with the residential component.

As the anchor tenant for Nelson Commons, our basic store requirements helped determine the overall building design. Lately we have been focused on design elements that are required to keep pace with the building as it is built. Our basic layouts have been complete for some time and this allows for electrical, mechanical and IT ties to be addressed now while it is much more efficient. With our layouts determined we have identified most of the key equipment and fixtures that will be required. We are working closely with Steven Kaup of Studio 9 Architects to create the comprehensive plans that will allow for us to choose our local tradespeople. It is expected that we will take possession of our space late next spring to start our interior build-out. Concurrently there is a plethora of detailed planning in progress at the current store on Baker and Kootenay Streets to make the transition to our new store as seamless as possible.

Including the exterior landscaping, parking lot and outdoor park adjacent to the store we are projecting an additional cost of between \$4.5 and \$5 million dollars for our co-op. This reflects the cost of receiving the vacant space and includes expenses for moving and installing the retail fixtures necessary to turn it into our new store (plus parking and a greenspace which will also belong to the Co-op).

Active Board Committee Updates 2014-2015



Check out this overview of what your Board of Directors and Committee Members have been up to this year!

Board Development Committee

Purpose:

To ensure a full roster of Board Members, with a complementary set of skills and abilities that ensures the Board functions optimally.

To attract potential candidates who meet the desired criteria as determined by the Board.

To ensure a fair and transparent Board election process.

To ensure each Board member has the training and knowledge to fulfill their duties.

To ensure ongoing Director professional development opportunities and events.

2014-2015 Highlights

- Contacted about 30 member-owners whom the Board identified as optimal candidates for the 2015 election.
- Conducted interviews with potential candidates.
- Successfully filled all vacant seats for the 2015-2016 year with highly qualified candidates.
- Directors who were not continuing on in 2015-2016 carried out a review of Director compensation and developed a proposal to bring to the AGM.
- Identified areas for improvement in the Board election process and initiated a review to be completed for the 2016 election.
- Initiated the acquisition of Director Liability Insurance.
- Committee Chair and Board President, Jon Steinman, attended the 2015 Consumer Co-operative Management Association (CCMA) conference and delivered a thorough report to the Board with board development proposals for the coming year.
- Amended the committee's mandate to include management of the Board Manual.
- Initiated strategic visioning workshop for the Fall of 2015 for management and board.
- Initiated a review of the Board's orientation of new directors.

Policy Committee

Purpose: To ensure current, useful policies which provide direction for and delimit purview of Board activities.

2014-2015 Highlights

- Initiated a review of the Co-op's Rules of Association and subsequent review of Board Policies.
- Developed job descriptions for the Nelson Commons co-project managers.
- Revised job description for the Acting General Manager and revised the emergency succession policy.
- Initiated development of an Executive Limitations Policy, Staff Supervision Policy and Staff Accountability Policy.

Finance Committee

Purpose: To bring perspective, expertise and stewardship and ensure the ongoing financial stability of the co-operative.

2014-2015 Highlights

- Reviewed quarterly financial reports and the 2015-2016 store budget.
- Reviewed Nelson Commons financial statements and pro-formas.
- Reviewed financing agreements with Nelson Commons equity partners and lenders.
- Reviewed ITC construction contract for Nelson Commons.
- Reviewed 2015 patronage return and developed recommendation to the Board.
- Increased the 2015-2016 Board budget to account for increased training, conference attendance, and third-party support when necessary.
- Initiated a review of financial reporting processes for the Board. Intent to develop more standardized financial reporting and forecasting.

GM Evaluation Committee

Purpose: To coordinate the evaluation of the General Manager.

2014-2015 Highlights

- Conducted a General Manager evaluation with the support of Western Management Consultants (WMC) and mediator John Cathro.
- Placed Grocery Manager Paul Kelly as Acting General Manager as of May 7, 2015.
- Initiated 3-month review of Acting GM.



Member Outreach Committee

Purpose: To develop membership outreach strategies related to governance issues such as redevelopment, member-benefits and the AGM, while looking to increase the significance and impact of regular board & member-owner interactions.

2014-2015 Highlights

- Managed the Board Blog and other member-owner communications.
- Coordinated Director Days at the store and at MarketFest.
- Supported the Co-op's 40th birthday celebrations.
- Fielded member-owner email inquiries and requests to attend Board meetings. Met one-on-one with member-owners when requested.
- Gathered data on the \$300 member-owner benefit to support a review of this benefit.
- Participated in the post-secondary scholarship selection committee.
- Participated in the Eat, Drink and Be Local supplier appreciation event.
- Participated in outreach activities at the Nelson Commons show suite.
- Supported AGM / Gala Dinner planning.

Collaborative Management Committee (formed out of Change Management Committee)

Purpose: To provide an interim structure to coordinate the operations of the Co-op pending the development and adoption of a new permanent structure that reflects the requirements of the new store and its new location.

2014-2015 Highlights

- Ad-hoc Change Management Committee formed to steward the management changes at the Co-op in May 2015.
- Provided Board with educational resources on Change Management.
- Developed mandate for the formation of the Collaborative Management Committee.
- Composition of committee made up of President, Vice-President, Treasurer, Acting GM, Finance Manager, Co-Project Manager and other managers when necessary.
- Initiated supervision of Acting General Manager and two Co-Project Managers.
- Began meeting every two weeks.
- Developed one-on-one supervisory links between Directors and General Manager and two Co-Project Managers.
- Initiated collaborative strategy session between senior managers, board and project management.
- Initiated planning for establishing a permanent General Manager.
- Took on supervisory role of store readiness planning.
- Review and assess strategic issues emerging at store and project levels.



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*Honouring Our
Roots &
Celebrating
Our Growth!*
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