



WFCA BOARD OF DIRECTORS MEETING MINUTES

Friday, March 24, 2017

Estancia, La Jolla, CA

GUESTS

Meredith Etherington, Litman Gregory
Craig Keller, Litman Gregory
Kathryn Baird, TK Fusion LLC
Tony King, TK Fusion LLC

CALL TO ORDER

Freadreacea called the meeting to order at 9:04 am PDT.

ROLL CALL

Kay Wiley performed the roll call (becomes a permanent part of the minutes).

Humphrey welcomed the new WFCA board members and gave brief introductions. The three new board members are: Tony Buckhardt, Carpet Cushions & Supplies of St. Joe, IN, Sam O' Krent, O'Krent's Abbey Flooring Center of San Antonio, TX and Don Roberts, Wheat's and Don's Carpet One of Tuscaloosa, AL. The new board members will serve on the WFCA board until December 31, 2019.

Humphrey honored Scott Walker and thanked him for his service as Chairman to the WFCA for 2016. Walker was presented with a plaque and a chairman's jacket.

ANTITRUST AND FIDUCIARY RESPONSIBILITIES

Legal Counsel, Jeff King, reviewed the fiduciary responsibilities of the board of directors with those present.

APPROVAL OF WFCA BOARD OF DIRECTORS MEETING MINUTES DATED 09/16/2016

It was **M/S/C Phillips/Lewis** to approve the minutes from the WFCA board of directors meeting that was held at the Loew's Annapolis, in Annapolis, MD on September 16, 2016.

APPROVAL OF THE MINUTES AND APPROVAL OF ACTIONS OF THE EXECUTIVE COMMITTEE DATED 09/15/16 AND 01/17/2017

It was **M/S/C Seifert/Degraaf** to approve the minutes from the executive committee meeting on September 15, 2016 and January 17, 2017.

fcB2B –

Zolan began by stating fcB2B is made up of manufacturers, distributors, software companies and several retailers that add helpful insights. The fcB2B membership has grown 33% since Zolan took ownership of the program. There are currently 64 members. Metric reporting indicates that only 40% of all purchase orders and only 16% of all invoices are being done online today. Those numbers prove there is a lot of opportunity for the fcB2B program to grow. The fcB2B is in the process of re-writing their standards. The product catalog is the most important standard that needs updating. The current operating standards were written in 1997. The fcB2B members were polled to determine the most popular pain points that needed to be addressed in the new standards. There are numerous new codes being added specific to the flooring industry. The new standards are set to be published in 2018. The standards committee met the week of March 13 in Atlanta to work on the project, with 14 people participating from all across the country. The fcB2B annual meeting will be held in August in conjunction with the CFI convention. The dates are August 15 – 17 at Rosen Shingle Creek in Orlando, FL. Web services is an area that is growing among manufacturers and distributors. Zolan mentioned there are small distributors that want to utilize the business to business process but they simply do not have the software to do it. Zolan developed a way to take distributors electronic catalogs and convert them to EDI. He is currently working with two distributors to get them on board. The distributor sector will be a new income stream for fcB2B. Order status, product reservation, product information and web payment services are currently being added to the fcB2B web services. Zolan is in communications with Australia to encourage the adoption of the US fcB2B standards. Australia currently does not utilize any B2B standards. The fcB2B could potentially pick up 15 manufacturing and distributor members through this venture. South America is also a market that does not currently have any B2B standards. This presents another opportunity to grow the program and add income.

INVESTMENT REPORT – Craig Keller and Meredith Etherington, Litman Gregory

Etherington stated that 2016 was a year of transition from Ronald Blue to Litman Gregory. The WFCF account was taken over by Litman Gregory the end of 2015. The WFCF portfolio is based on a Global Balanced strategy. Etherington reported the strategic investment allocation for the Global Balanced strategy is 40% in fixed income and 60% in equities. The investment objective is to maximize long-term total return while minimizing the magnitude of a 12-month decline in portfolio value in excess of 10%. The ending value of the WFCF portfolio was \$36,929,400 which was up 4.5% after fees. The Aurora position had a significant impact on the portfolio, due to its large weighting in the portfolio during the year, and made up most of the losses in the Alternatives category. There were two asset classes that performed very well comparatively to their category. The Emerging Market Equity ended up 15.0% versus 12.2% for the index and the Fixed Income class ended up 6.4% versus 2.5% for the index. The portfolio is up 7.3% from inception through March 2017. The 7.3% equates to \$3,044,938. Managed futures were added to the portfolio in September 2016 to provide diversification and protection in down equity markets. Litman Gregory estimates a 3.2% increase in the U.S. Larger Cap asset class over the next five years, and low double-digit increases in international equities. Rates are expected to continue to rise, causing low estimated returns for investment grade bonds. Litman Gregory has tilted the portfolio towards international equities and higher-yielding bonds in expectation of higher returns in these asset classes.

FINANCIAL REPORT

Abernathy began with the Q3 financial summary which indicated a total revenue of \$4,236,649 against a budget of \$1,143,119 for 3rd quarter 2016. The total expenses were \$1,214,475 which is slightly lower than the budgeted amount of \$1,238,030. Abernathy reported a net income of \$3,022,174. The primary reason for the net income gain is due to the sale of the Anaheim facility which was booked in Q3. The total revenue for the 4th quarter was \$172,046 and the total expenses for the same time period was \$1,189,727 which resulted in a net loss of \$1,017,681. For year ended 2016 the total revenue was \$5,645,256 and total expense was \$4,892,404 for a net income of \$752,852. The difference in the budgeted amount and the actual amount was a result of the 2016 portfolio performance. The portfolio performance had improved but still missed budget at 4.7% vs 7%. The year- end expenses came in under budget at \$4,892,404 against a budgeted amount of \$5,034,357. The Aurora position had a significant impact on the portfolio. The WFCF portfolio has redeemed approximately 90% of the funds from the Aurora Offshore Fund, which announced in June that the fund would be shut down and liquidated. Litman Gregory expects WFCF to receive 94% of the funds by year end 2017. The remaining 6% of investment funds are illiquid and could take longer to receive. Abernathy presented the group with

graphs that represent monthly changes in the WFCA portfolio. Abernathy ended his presentation stating that 2017 was off to a great start.

MEMBERSHIP/MARKETING

Staten began the communications and membership report presentation by stating there have been numerous projects taking place in the past six months. Many of the projects were fully executed and some of the accomplishments were: WFCA.org, WFCA University, PFR Magazine, Membership Structure, Membership Management System, Marketing Materials, TISE Booth and the Hall of Fame booth. There have been numerous press releases, PFR Magazine, trade ads, emails, blogs, social media and various marketing materials distributed.

WFCA completely transformed their booth at TISE. The newly created booth will be utilized for three years. The Hall of Fame booth was also re-vamped for 2017.

WFCA has sent out eleven press releases thus far in 2017. Staten budgeted for 36 more to go out through the remainder of the year as needed. The press releases will incorporate all entities of WFCA. There were four trade ads placed prior to surfaces to encourage traffic to the WFCA booth. The budget will allow for 15 more trade ads to launch new benefits and programs. Weekly emails are being sent out to drive utilization for the online university. WFCA is also producing monthly blogs. WFCA is communicating with their members in more ways than ever before.

Staten clarified the primary membership category by stating that level includes the Sustaining, Leader, Advocate and Executive members. WFCA currently has 65 members signed up at the Advocate level at the price of \$695. Avalon Flooring and Mannington are the only two members signed up at the Executive level thus far. The Executive level fee is \$5,000. There are 211 members signed up at the Leader level and 376 at the Sustaining level. Staten mentioned the membership team is currently reaching out directly to the affiliate and affinity members that have not renewed their membership. Abernathy added that over 43% of new sign-ups are signing up at the higher level of membership.

The Associate membership level makes up for 341 WFCA members with 117 being distributors, 155 being manufacturers and 69 being suppliers. The Associate membership renewal will take place in May. These members will be billed for 18 months to ensure all WFCA members will be on a calendar membership/billing cycle by January 2019.

Staten informed the board of a membership campaign her team is currently implementing. Communication has been sent directly to all previous members that did not re-join. There were packets mailed, emails sent and calls being placed personally by the team. The call campaign resulted in 16 new members the first day.

Freadreacea commented on the new look and feel of the website and new advertising materials. He added that the new look encourages recipients to open the material and learn more about what's inside. The board agreed with a round of applause for Staten.

Tony King of TK Fusion LLC came forward and gave a complete walk through presentation of the new WFCA.org website. All the benefits are built into the respective membership levels. King explained that the website will also serve as a marketing tool for perspective members that visit the site. WFCA members will be granted access after entering their password. There is also a feedback tab that King would love to see the members utilize. Voices of our Industry is a place on the website that members can visit to read all the latest industry news and upcoming events.

LEGAL/LEGISLATIVE REPORT

King began by giving an overview of all the primary matters he has been involved in on behalf of the WFCA.

King stated Republicans control two branches of Government, Congress and The Presidency. The Senate is made up of 52 Republicans, 46 Democrats and 2 Independents. The House currently only has 237 and 194 Democrat members.

Tax Reform

Tax Reform is another big issue and is complicated for the WFCA. The new administration has proposed to lower corporate tax from 35% to 15%, lower the top tax bracket, eliminate estate tax except for appreciation, eliminate many deductions, cap itemized deductions, capital investments will be immediately deductible and eliminate business interest payments.

Anti-Trade Pacts

Lightizer, Reagan's Deputy US trade Representative helped stem imports from Japan with threats of quotas and punitive tariffs. Many of the people being appointed are advocating for steep tariffs on imports from China. This will impact flooring and other products from China and other nations. Unfair import practices will likely be more unfavorable concerning anti-dumping and countervailing duty claims.

Online Sales Tax

The Internet Sales Tax is still a focus that will be mentioned in the meetings, but no action or legislation is anticipated until the latter half of 2017.

Independent Contractor

It is expected that enforcement efforts will likely become more lenient. At the state level the Independent Contractor misclassification issue is viewed as a non-partisan priority. There are many class actions targeted towards independent contractor claims. A proposal has been sent in but the new secretary of labor has pushed back on the labor department interpretation. WFCA is asking for a uniform standard to identify a true independent contractor versus an employee.

Immigration Reform

There are significant changes on the way regarding Immigration. There will be mandatory e-verifications of paperwork nationwide. Illegal immigration will be targeted with an increase in raids. Additional auditing of I-9's are expected also including new Visa procedures. King informed the board of an article on immigration compliance that was published in the latest PFR magazine. WFCA is working to put together a coalition of industries that need immigrant labor. The plan would be to allow the industries to show "paper deportation" but also give the immigrants work Visas to ensure the jobs still get done. The industries would be required to meet all other criteria to participate. It is unclear if this will pass congress because there is a lot of resistance surrounding this subject.

Affordable Care Act

The bill was taken off the House floor and will not be re-introduced. Only 17% of the Senate supports the American Health Care Act while 80% of Americans support keeping most of it.

The Congressional Review Act

Congress has 60 "congressional days" to pass regulations or overturn regulations. The House passed to allow single resolutions for multiple regulations.

DOL Overtime Rule

The management overtime rule is subject to a court injunction. A hearing is scheduled for April. It is not expected that the current administration will support the \$48,000 threshold. The current Secretary of Labor appointee has suggested using a cost of living increase, which would raise the threshold to \$33,000.

S600

King made the executive and finance committees aware that all the manufacturers have submitted applications to withdraw the S600. Humphrey stated that WFCAs needs to make a decision how far they are willing to go to uphold the standards. CFI is getting pushback from certain manufacturers as a result of WFCAs involvement. WFCAs owns the standards and has been threatened with a law suit if they continue to support and publish the standards. King expressed concern about WFCAs giving in to the manufacturers by abandoning the standards. WFCAs has an estimated \$175,000 in hard money invested in creating the standards. Humphrey requested a deadline be set to determine the value to WFCAs and cost of moving forward and/or an exit strategy if WFCAs decides to abandon the standards. The board agreed unanimously to move forward with upholding the standards. The final decision was for WFCAs to go through the next round of appeals and then go back to CRI to try to come to a common ground solution.

CFI UPDATE

Jennings covered the CFI presentation in lieu of Robert Varden who couldn't attend the WFCAs executive committee meeting due to sickness. Jennings reported things are looking up for CFI with training scheduled in Brazil and additional opportunities in the future for South Africa. CFI has been invited to do training on the showroom floor in China also. Karastan has scheduled training with CFI and is planning additional training in the future. That is a big win for CFI because Karastan requires their installers to be properly trained. CARE has offered to pay \$50 to offset the cost of training to any person that participates in CFI training in California. CFI is also conducting training classes for Goodwill. Jennings reported that CFI continues to receive sponsorships from large supporters. The CFI annual convention will be held at Rosen Shingle Creek in Orlando, Florida, August 16-18th.

PROFESSIONAL DEVELOPMENT UPDATE

Jennings began his presentation by stating the online university got off to a slow start. There was no response immediately after the program officially launched. There are currently four paying members utilizing the program. Humphrey interjected saying associations do not make money by offering training but it is imperative that training is offered. Reasons given for not utilizing were members are too busy, the material is basic, pricing and multiple entities are offering competitive training programs.

PAST CHAIRMAN'S COUNCIL

Clifton reported on behalf of the past chairmen's council. WFCAs 60th anniversary will take place in 2019. The past chairmen requested early planning to make sure this event will be successful. The first step would be to create a budget and begin discussing locations. Blake suggested inviting all past chairmen and hall of fame members to attend. The press would also be invited.

It was requested that active past chairmen be automatically upgraded to the Advocate membership level at no charge. This would allow the utilization of the Trade Scholarship.

HISTORICAL COMMITTEE REPORT

Blake reminded the board members to keep and share any historical items they have with the WFCAs to be displayed in the museum that will be housed in Dalton, GA. Blake also suggested a photo be taken at the beginning of each board meeting to be published in the trade magazines.

CONTINUING BUSINESS

No continuing business to discuss.

NEW BUSINESS

Humphrey told the WFCB board of directors about an opportunity with a potential vendor partner. The company name is Just-In Floors and the owner is launching an e-commerce site that is geared towards driving consumers to independent retailers. The consumer would shop online and then be referred to independent retailers to pick up the product within their geography. Statistical research proves millennials and younger shoppers do not shop retail stores unless they already have a relationship established. According to e-commerce statistics 44% of consumers aged 25-34 purchased flooring online in 2016. For that same age group, 20% shopped in store then purchased online and 24% purchased online without going to a store. The board of directors were very interested in learning more about the e-commerce opportunity. A webinar will be scheduled after the board meeting to give the WFCB board of directors a formal presentation.

ADJOURNMENT

There being no further business to discuss. It was **M/S/C Frederick/Lewis** to adjourn the WFCB board of director's meeting at 4:52 pm PDT.

Respectfully submitted,
Nick Freadreacea, Chairman
By Kay Wiley
Recording Secretary

<p style="text-align: center;">NEXT WFCB BOARD OF DIRECTORS MEETING October 27, 2017, Chicago Marriott Suites O'Hare</p>
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