



WFCA BOARD OF DIRECTORS MEETING MINUTES

Friday, September 16, 2016

Loews Annapolis, Annapolis, MD

CALL TO ORDER

Walker called the meeting to order at 9:10 am eastern time.

ROLL CALL

Melissa Murphy performed the roll call (becomes a permanent part of the minutes).

GUESTS

Stacy Eickhoff, Willis Insurance Services

Craig Keller, Litman Gregory

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 06/03/2016

It was **M/S/C Fredreacea/Adams** to approve the minutes from the WFCA board of directors meeting that was held at the Broadmoor in Colorado Springs, CO on June 3, 2016.

APPROVAL OF THE MINUTES AND APPROVAL OF ACTIONS OF THE EXECUTIVE COMMITTEE

It was **M/S/C Bowler/Seifert** to approve the minutes from the Executive Committee meeting on June 02, 2016 at the Broadmoor in Colorado Springs, CO.

FINANCIAL REPORT

Abernathy reported WFCA had \$653,972 in total revenue through the second quarter of 2016 against a budgeted amount of \$1,192,817. He explained the short fall stemmed from the realization of the unrealized gains WFCA carried forward from 2015. There was \$1.4MM of losses carried forward. Abernathy stated that 2016 looked much better than 2015 in terms of financials. The YTD actual expenses are \$2,487,182 against a budgeted amount of \$2,597,761. WFCA is tracking according to plan thus far in 2016. There is \$1,716,337 of unrealized gains on the portfolio itself including dividends. The sale of the Anaheim facility will be reflected in third quarter. The sale of the property resulted in \$3,204,818 net proceeds and a gain on sales of assets of \$2.57MM. Abernathy said the WFCA portfolio had a profitable July with an approximate \$1MM gain.

INVESTMENT REPORT – Craig Keller, Litman Gregory

Keller began by stating the WFCA portfolio has done well in emerging markets currently performing up 15.1% as of August 31st. Litman Gregory made changes to the WFCA portfolio since inception. The number of accounts have been consolidated down to three total accounts. There is approximately \$2MM in a liquidity account called Global Balanced

Strategy. This strategy is necessary to meet long term goals of maintaining purchasing power of the principal while providing enough stability to fund the annual cash needs. The portfolio allocations were shifted to eliminate commodities, REITs and inflation managed bond positions and reduce the absolute-return and multi-sector bond exposure. There was an Aurora Offshore Fund II account that was closed. The closing of this fund resulted in WFCAs getting \$4MM in August and there is another \$1.7MM expected. Since inception, (with Litman Gregory), the WFCAs portfolio has increased its cash by 2.2% and equities are up 14.5%. Litman Gregory recently added Managed Futures under the Alternatives category to the WFCAs portfolio. When equity markets go down Managed Futures tend to perform well. The WFCAs portfolio asset allocation is as follows: 5.2% in cash, 31.3% in fixed income, 12.4% in alternative strategies, 18.9% in US equity (large-cap), 2.0% in US equity (small-cap), 4.0% in global equity, 10.2% in international developed equity, 3.8% in single region equity (Europe), and 12.2% in emerging market equity. The WFCAs portfolio was up 1.0% through June 30, 2016 and was up 4.3% through August 31, 2016. Litman Gregory estimates average annual returns over the next five years on a base case level to be:

<u>Equity Asset Classes</u>		<u>Fixed Income Asset Classes</u>	
US	4.0%	Investment Grade Bonds	0.8%
Europe	14.5%	High Yield Bonds	4.8%
Emerging Markets	11.8%	Floating Rate Loans	6.8%
REITS	2.9%	TIPS	-0.4%

The allocation of the WFCAs portfolio is 50% equities, 35% cash/fixed income and 15% in alternatives.

It was **M/S/C Campbell/Phillips** to accept the financials with ended date June 30, 2016 as presented.

CEO PRESENTATION

Humphrey began his CEO report by recognizing Melissa Murphy and presenting her with a plaque for three years of dedicated service to the WFCAs Board of Directors.

Humphrey wrote a poem based on a children’s book from Dr. Seuss. This poem was titled, “The Land of E”. Among other words that began with an E, Humphrey focused on three in particular.

- Envision:** It dares to see through the wisdom of ages what the future can be
- Embrace:** Where others are stopped this verb for engagement dares to adopt all
- Excel:** More than words from the lips this E calls for action

Humphrey stated to the attendees the number one challenge of every association is engagement from members. Humphrey informed everyone he’d like to see WFCAs create a new program which would involve the WFCAs Past Chairmen working as mentors for the new board members that are added every year. Humphrey said WFCAs must focus on its legacy adding the WFCAs Past Chairmen are a perfect example of what a legacy should be. Humphrey ended his presentation with a video he created from photos that were taken of Paul Pumphrey during a WFCAs sponsored, appreciation trip to Washington, DC.

MEMBERSHIP/MARKETING

Staten presented the board with a host of things WFCAs has done and is currently working on to create brand identity for WFCAs. This initiative includes a new Premier Flooring Retailer magazine, 25 plus press releases, 13 trade ads, 50 plus live interviews, monthly blogs, over 80 email communications, 6 new printed marketing materials and staff presence at many industry events.

Staten informed the board the Financial Benchmarking report was closed and copies of the report would be ready for download on September 15th. She continued by noting the participation was disappointing and explained how important participation was for the validity of the report. The data tends to be skewed as a result of fewer participants. There were only 35 participants that completed the report. Several attendees expressed the reporting process is difficult,

strenuous and time consuming. The general consensus was the report needs to be simplified in the future. Staten gave a sneak peek of the newly designed WFCM Member Lounge she is designing for Surfaces in Las Vegas. The board was pleased with the fresh look and creativity.

Staten gave a brief overview of the WFCM membership numbers. The current direct category is up to 655 versus 646 members for the same time last year. The affiliate category is trending upward as well with 523 members compared to 514 same time last year. The affinity category was down by 75 members due to the NWFA membership being re-structured. The associate category is up as well with 312 current members versus 302 same time last year. Staten expects to see the membership number grow even more leading up to Surfaces as manufacturers join at the last minute to secure booth space discounts. The fcB2B membership has grown to 60 from 48 members since Phil Zolan has taken ownership of the fcB2B program. There are currently 1,088 CFI members. Staten added there is a huge focus on growing WFCM membership which includes a major call campaign that will begin soon. The five year membership goal is to have 20% of total independent retailers on board. WFCM currently has 14.4% of independent retailers on board. Humphrey added according to the ASAE, a healthy association should have 10% of the prospective membership within their association.

Tony King of TK Fusion gave an update of the new WFCM website that will be launched at Surfaces in Las Vegas. He stated the wfca-pro.org and wfca.org website will be merging into one website. King presented a slide show to demonstrate the user flow of the website. The site will be password protected and WFCM members will have their own unique password. A suggestion was made to replace the stock photography images with actual WFCM members. King responded by saying there will be a dealer spotlight section added to the website that will give details and backgrounds on members to put a real face to the website.

LEGISLATIVE/REGULATORY REPORT- Brandon Farris, LobbyIT.com

Farris gave an overview of the current 2016 congress. The Republican Party is in control of both House and Senate. The senate is currently made up of 54 republicans, 44 democrats and 2 independents. The house is currently made up of 247 republicans and 188 democrats. Bipartisan cooperation is not likely.

Farris referred to the Online Sales Tax bill as a tale of two bills. There is the senate bill 698, (the Marketplace Fairness Act of 2015) and the Online Sales Tax Simplification Act of 2016. The draft of the 2016 bill was just released in early September. The Marketplace Fairness Act of 2015 is a bi-partisan bill with 22 co-sponsors. It authorizes states to require sellers to collect and remit sales and use taxes for remote sales. This is a destination based tax rather than an origin based tax. The Online Sales Tax Simplification Act of 2016 is an origin based tax.

The Department of Labor's Overtime Rule was finalized in May and December 1st is the deadline for compliance. Under the new law anyone earning up to \$47,476 (\$913 a week) is eligible for overtime pay which is a dramatic increase over the previous \$23,660. There is a bi-partisan bill in congress called the Overtime Reform and Enhancement Act. (OREA) The OREA doesn't overturn the overtime rule it takes it out four years to allow a gradual step up to the \$47,476 yearly amount. There is a veto threat from the administration.

The Department of Labor, Independent Contractor-

The DOL feels that employers are misclassifying statutory employees as independent contractors more often than not. Thirty four states, including Oklahoma, are joining DOL's efforts to reduce misclassification of independent contractors. WFCM is working with the House Education and Workforce Committee on potential Independent Contractor legislation.

The WFCM board meeting was temporarily adjourned at 1:45 pm.

The WFCM board meeting resumed at 1:50 pm.

TIERED MEMBERSHIP STRUCTURE

Staten distributed a flyer with details on the new tiered membership structure. After lengthy research WFCFA has chosen to move their membership program to five levels. The five tiers are: Supporting (\$295 annually), Sustaining (\$395 annually), Leader (\$495), Advocate (\$795) and Executive (\$5,000 annually). The Executive tier will be by invitation only. This change in membership gives WFCFA members more control over their membership allowing them to choose the dues and benefit level that best suits their business needs. Humphrey interjected saying WFCFA will lose members once this change takes place. The loss will come from the WFCFA members that utilize the trade scholarship benefit and no other benefits. Humphrey said the ultimate decision that needs to be made regarding membership is whether the WFCFA is willing to keep losing money on the current membership structure. Murfin stated WFCFA should be focused on the right members that see the value of WFCFA and that are truly concerned with the state of the industry, and quit putting so much focus on numbers, as he feels many retailers will not survive the current environment.

It was **M/S/C Phillips/Cartmell** to accept moving forward with the new membership structure levels 1-4 as presented and permission given to tweak level 5.

WFCFA SERVICES, INC.

Jennings began by giving a brief overview of the Services Inc. program. He reported that WFCFA has made a profit of \$2MM since the inception of the original captive. However, this time the market has changed resulting in less participation. The Services Inc. board made the decision to end the captive program effective December 31, 2016. The rates did not perform as projected and there is not enough participation to warrant the risk involved offering a workers compensation program at this time.

WFCFA TRAINING/EDUCATION

The WFCFA Online University has officially been launched. Jennings supplied a list of the initial 40 online classes. There are a variety of financial, merchandising, organizational, sales management and process improvement courses available. Several of the courses seem basic but still prove to be beneficial. Jennings stressed the need to re-vamp the WFCFA certification program. The online portal is where the certification tests could be housed. The online courses are \$99 per month for unlimited access up to 10 users and \$149 per month for unlimited access and unlimited users. There are discounts available under the newly proposed membership levels. Jennings made a plea to the board to support the online training offerings. He added that the participation is low even among board members. There were 49 training camps planned for 2016 and 23 of them have been cancelled thus far due to lack of participation. WFCFA earns 10% of the revenue generated from the training camps and 45% of the online university profits. Jennings offered to travel to board members locations to conduct specialized training sessions. Adams suggested the educational committee be involved in the future for determining the topics offered via the WFCFA online university. Murfin suggested WFCFA training for associate members. Jacobi requested training material on how to bring independent installers in house.

Advertising will begin soon for the WFCFA Gold Standard award. There has been a change to the program this year. In the past WFCFA awarded \$5,000 cash. This year a \$5,000 training credit will be issued. The change is to encourage dealers to utilize training and also allow the money to stay within the WFCFA. Jennings asked the board members to submit nominations.

CFI UPDATE

Varden began by saying the industry today is operating in reactive mode. Retailers have no choice but to send installers out that aren't fully trained because their jobs are backed up. The CFI membership is directly tied to certification. There are approximately 1,100 CFI members. The attendance was up 15% during the 2016 CFI convention. There were numerous first time attendees. The 2017 convention will be held at the Rosen Shingle Creek in Orlando, FL. CFI has become the go to place for technical questions. These services have been free in the past. CFI recently put a technical services program together to generate additional revenue. This level of service is available for \$500 per year. The CCA group recently bought into the CFI technical services program to allow their members access to this support benefit

Varden expressed the need to get people to attend training classes. Retailers are simply too busy to allow installers to take time away from the business to attend training classes. Varden has been approached by large work rooms including Home Depot and Lowe's requesting installation training. CFI has joined forces with the NICFI association to train inspectors and make them CFI Certified Inspectors. Humphrey noted that there is a risk of not impacting the flooring industry if CFI refuses to train installers based on their employers. The board stated they would be agreeable to CFI training all installers under a private labeled program. Varden said that is a viable option. There will be further discussion surrounding CFI training work rooms that service Big Box stores.

LEGAL/LEGISLATIVE REPORT

King began his presentation informing the board of all the current projects he has been working on for WFCFA. The projects are: Golconda joint venture, Anaheim office sale, The S600 Carpet Installation Standard, legislation and regulatory issues, speaking to affiliates and other groups and multiple administrative issues.

Installation standards are still a hot issue in the industry. The S600 standard was upheld by ANSI. On August 4th Shaw Industries appealed to the ANSI appeal board. There were no new issues raised and the appeal it is currently being evaluated. The appeal board must determine if it will accept the appeal. If the appeal board accepts the appeal, WFCFA will have an opportunity to respond.

Internet Sales Tax- Colorado enacted a statute that the remote seller must send a transactional notice to purchasers, send an annual purchase summary to purchasers of more than \$500 and send an annual customer information report to the state. The federal appeals court upheld that statute. King asked if WFCFA wanted to incur any additional expense to submit a supporting amicus brief. King's recommendation was to not spend additional funds on fancy documentation. King will submit a small amicus on behalf of WFCFA members.

Independent Contractor- The DOL is of the opinion there are very few true independent contractors and that most workers are employees. King said the WFCFA will need to be thinking about supporting any litigation challenging the DOL's interpretation.

IRS- Higher Taxes for Family-Owned Businesses- The IRS department issued proposed final regulations regarding family-owned businesses. The new law would eliminate the provision that effectively allows people to greatly discount the values of interests in many family-controlled entities for estate, gift and generation-skipping transfers for tax purposes. This rule could impact the sale or inheritance of family owned businesses. WFCFA must file comments by November 2, 2016 and the hearing is on December 1, 2016. King recommended members to contact their tax advisor immediately regarding this rule if they had plans on passing their business down to family members.

Crystalline Silica: There is challenging litigation regarding the current status of the Crystalline Silica rule. There is also legislation to overturn or defund the enforcement of the rule. WFCFA has not actively supported the rule either way. King stated WFCFA needs to determine whether to participate in an objective data study.

Formaldehyde in Composite Wood Products: The EPA issued a new rule regarding formaldehyde in wood products. WFCFA opposed the rule because most members only install these products rather than fabricate them. WFCFA got an exception for flooring installation. King is working with the EPA to clarify the language as the verbiage is not clear.

King reported WFCFA has no current legal claims and the association is well run and taking proper precautions.

IICRC UPDATE

Blake stated he was the WFCFA representative for IICRC. He noted that he has attended numerous meetings thus far this year. The IICRC has over 70,000 members. The IICRC is a national certifying body within the flooring industry. They are

still working on the S600. The attorney for the S600 feels like this issue will be resolved within 4-6- weeks. Blake suggested we utilize IICRC for any further certification whenever possible.

HISTORICAL COMMITTEE REPORT

Blake informed the board that the historical museum has been moved to Dalton, GA after the sale of the Anaheim facility. Blake mentioned that WFCA is coming up on their 60th anniversary which will happen in 2019. He suggested WFCA begin planning that event now. He said the reunion committee will begin planning the event by getting with staff to determine a date for the reunion.

PAST CHAIRMAN'S COUNCIL

Clifton gave the past chairman's report on behalf of Paul Johnson. She said one of the big discussion points was the 60th reunion Blake mentioned. The past chairman also requested a list of attendees to each board meeting two weeks in advance of the meeting. The past chairmen would like to see the finance committee review the ROI percentage of the investments being used for budget purposes.

Walker asked the board to review the current committee list to make sure they are still able to serve on their respective committees. And likewise if there is a committee they'd like to serve on to let Humphrey and or Walker know.

CONTINUING BUSINESS

No continuing business to discuss.

NEW BUSINESS

No new business to discuss.

ADJOURNMENT

There being no further business. It was **M/S/C Biggs/Appel** to adjourn the WFCA Board of Directors meeting at 5:30 pm eastern time.

Respectfully submitted,
Melissa Murphy, Secretary
By Kay Wiley
Recording Secretary

<p style="text-align: center;">NEXT WFCA BOARD OF DIRECTORS MEETING March 24, 2017, Estancia La Jolla, La Jolla, CA</p>
