

**Middlebury Natural Foods Cooperative
Board of Directors Meeting
August 31, 2016**

Board Members Present: R.J. Adler, Nadine Barnicle, Ilaria Brancoli Busdraghi, Ross Conrad, Lynn Dunton, Kate Gridley, Ann LaFiandra, Jay Leshinsky, Tam Stewart, Louise Vojtisek, Amanda Warren.

Board Members Absent:

Others present: Victoria DeWind (staff liaison), Michael Healy (CDS consultant), Glenn Lower (GM).

Board Monitor: Tam.

Call to Order: The meeting was called to order at 6:40 pm.

Member Business: Michael thanked the Board for being a great group of leaders.

Approval of Minutes: On a motion by R.J., seconded by Nadine, the minutes of July 27, 2016 were approved with all in favor and Ilaria and Nadine abstaining.

GM Report: Glenn informed the Board that Greg Prescott will start in October as the new Store Operations Manager. His background includes 10 years working for Whole Foods in Boston as a butcher and in grocery and other departments as well as on a specialty team for regional stores. Prior to Whole Foods he worked for Harvest Co-op. He was one of two finalists out of 50 applicants. With this position, the management team will split in two. The floor managers will report to Greg and admin team will report to Glenn.

Glenn briefly described initial conversations with Hannah Sessions about the idea of locating the Farmer's Market in the MNFC parking lot. The market is looking for a year round location option and parking would be a challenge.

EL 12 – Information Technology and Digital Communications: Louise commented that the new blog is very good though Ilaria said it was hard to find from the home page. Glenn will check into this. He was urged to promote the blog and follow hit numbers to assess its success.

Ross asked about the newsletter for people who do not have access to the electronic version in light of the plan to move to a quarterly paper newsletter and bi-weekly e-newsletter. Glenn noted that the paper copy will include more information though published less frequently and the e-newsletter will go out more often. He feels there will be good opportunities for people to access co-op information and news.

The Board agreed that the EL 12 report was on time with reasonable interpretation of sufficient data and was in compliance.

GP 2 – Board Roles & GP 3 – Board Committees: Tam noted that the GP's have been updated using a combination of the current language and the CDS template. It was established at a previous meeting that there will be two standing committees (Board Development and Communications) with leads (currently Kate and Nadine) and others will help as needed. The

GPs will be amended to reflect this by Tam and Kate for the next meeting. Kate asked if “development” was the best term for the BDC work. It was agreed to leave it as is.

The Board agreed it was in compliance on both GPs except for the committee language in GP 3 to be approved next month.

Expansion: Glenn said he had two goals for this meeting. First he wanted the Board to approve the resolution that authorizes the issuance of up to \$1,000,000 in Member Loans. Second is to update the Board to help them be informed and aligned for upcoming decisions after which there is no turning back for the Board. Actual construction contracts will be signed later. He noted that the Town has approved a development permit which will have a 30 day appeal period upon issuance.

Glenn reviewed exterior changes on the current plan which anticipates a March-October 2017 phased construction period with minimal store closure. Parking spaces will remain at the current number and the law office will retain their spaces. Truck circulation is not final nor is the easement for the back corner of the property. The driveway entrance is 18” wider, the same as Shaw’s. The future of staff parking is unknown.

The interior changes are almost at a 50% retail increase. To stay within the \$4.2 million budget the second floor, back room on the west wall and side entry expansion were eliminated. Café seating, meat, cheese and dairy will double their space. Produce will gain 20%.

Glenn reviewed details in each department under consideration. There will be new refrigerated units, one for packaged produce and one for meat, behind glass doors. Worker member program will continue in a larger space. Produce pallets can be accommodated in the store. Deli redesign will be for increasing speed of service and more work space. There will be a new customer service desk.

Glenn felt that plans will be final enough in 2-3 months to apply for financing. The \$4.2 million budget will be met with:

\$1.57 million from Co-op funds

\$1 million from member-owner loans

\$1.57 million from a primary lender – the NCG Development Fund or the National Cooperative Bank will be considered as well as local banks.

The cost benefit of energy efficient equipment will be reviewed with the Board. Projections include Gross Profit of 34.5%, lower than the current 35.5%. With additional retail space, sales growth in year one is projected at 9.2%.

It was agreed the plans and numbers reflect past conversations and Board work. The \$1 million in member-owner loans meets the bench mark for Co-ops. To date, \$83,000 has been pledged. The minimum loan will be \$2,000 (\$1,000 for staff) due to the cost and work of processing loans.

R.J. moved, seconded by Kate, to approve the Resolution of the Board of Directors to Authorize the Issuance of up to \$1,000,000 in Member Loans (see below). Glenn noted that a second drive can be done in six months. Money will be held in escrow and returned with interest if it is not used. All voted in favor.

Next Meeting: September 28

GP 3 revision and Committee charters

EL 1, 2, 5, 6, 7, 8, 9, 10

GP 4

Growth discussion
Expansion and Member-owner loan updates

Adjournment: On a motion by Ann, seconded by R.J., the meeting was adjourned at 8:42 pm with all in favor.

Respectfully submitted by Victoria DeWind

**RESOLUTION OF THE BOARD OF DIRECTORS
OF
MIDDLEBURY NATURAL FOODS COOPERATIVE**

Authorizing the Issuance of up to \$1,000,000 in Member Loans

WHEREAS, the board of directors (the “*Board*”) of Middlebury Natural Foods Cooperative (the “*Co-op*”) deems it to be advisable and in the best interests of the Co-op to offer up to \$1,000,000 in member loans evidenced by promissory notes (the “*Promissory Notes*”) to its Eligible Members (as defined below).

NOW THEREFORE LET IT BE:

RESOLVED, that pursuant to the authority vested in the Board, by the Articles of Incorporation and Bylaws of the Co-op, the Board hereby authorizes the offering of the Promissory Notes to its Eligible Members, pursuant to the terms and conditions of an offering memorandum in substantially the form as made available to the Board (the “*Offering Memorandum*”) having the following rights, preferences, privileges and limitations (this Resolved clause being called herein the “*Resolution*”):

1. Eligible Members. In accordance with applicable securities laws, the Promissory Notes shall be sold only to existing members who are bona fide residents of the State of Vermont (each an “*Eligible Member*” and collectively, “*Eligible Members*”).

2. Minimum Investments. The minimum loan amount is \$2,000, *provided, however*, that the minimum loan amount for employees of the Co-op is \$1,000. The maximum loan amount is \$10,000, *provided, however*, that (a) if a lender qualifies as a “Vermont Certified Investor” pursuant to Vermont Rule No. S-2015-01(a)(3), the maximum loan amount is \$25,000 and (b) if a lender qualifies as an “Accredited Investor” pursuant to 17 C.F.R. § 230.501(a), there is no maximum loan amount.

3. Terms of the Loans. Loans will bear simple interest (not compounded) between zero and three percent, as selected by the lender. Accrued interest will be paid annually within thirty days after the end of each calendar year. Loans will mature in 4, 5, 6, 7 or 8 years, as selected by the lender.

FURTHER RESOLVED, that the Board hereby authorizes the offering of the Promissory Notes pursuant to the terms and conditions of the Resolution, the Offering Memorandum and the subscription agreement attached thereto (the “*Subscription Agreement*”).

FURTHER RESOLVED, that Glenn Lower, General Manager (the “*Authorized Officer*”), is authorized to execute and deliver the Subscription Agreements by which certain Eligible Members would agree to purchase the Promissory Notes subject to the terms and conditions of the Offering Memorandum.

FURTHER RESOLVED, that, the Authorized Officer is authorized to cause to be issued and sold to eligible investors the Promissory Notes pursuant to the Offering Memorandum, and upon acceptance of a Subscription Agreement and receipt of the consideration for the Promissory Notes in accordance with the terms of the Offering Memorandum, to execute and deliver the Promissory Notes in substantially the form attached to the Offering Memorandum, with such changes to such form as are approved by the Authorized Officer executing the same.

FURTHER RESOLVED, that all actions by the officers, employees and agents of the Co-op in connection with the transactions contemplated by these resolutions are ratified, approved and confirmed.

FURTHER RESOLVED, that any officer of the Co-op is authorized to take all those actions, execute other documents and pay those expenses that are in the judgment of such officer necessary, proper or advisable to complete and carry out the intent of these resolutions.

Adopted by the Board of Middlebury Natural Foods Cooperative on August 31, 2016, at a meeting duly called and noticed.

ATTEST:

**[Name], **[Secretary]