

**Middlebury Natural Foods Cooperative
Board of Directors Meeting
April 27, 2016**

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

Board Members Absent: Sheila McGrory-Klyza

Others present: Victoria DeWind (staff liaison), Glenn Lower (GM).

Board Monitor: Louise.

Call to Order: The meeting was called to order at 6:32 pm.

Member Business: Ilaria talked about English grocery stores that post recipes at 5 pm with ingredients listed as dinner suggestions for shoppers. Lynn shared a question from a member-owner about why the Co-op sells Driscoll berries when they had heard there is an issue of unfair labor practices. It was not clear if that is still the case. This stimulated a conversation about MNFC not being socially and politically active and should that be reconsidered or should unfair practices be added to buying criteria. R.J. supported taking stand if unanimously supported. Kate said they should match Ends.

Approval of Minutes: On a motion by R.J., seconded by Kate, the minutes of March 23, 2016 were approved as amended with all in favor.

GM Report: Glenn started the conversation telling about his participation in a store operations audit held by Hunger Mt. Co-op. They had 10 GMs come to review their operations in primarily cheese, bulk and produce. (While there, Glenn got a lot of feedback from their customers how wonderful MNFC is.) Hunger Mt. - approximately twice the size of MNFC in sales and member-owners but a larger population to draw from - is seeing declining sales growth. Glenn is very pleased that the 7% growth for MNFC in the last fiscal year was above budget and strong.

The Board discussed the net profit graph in the EI 3 report that shows a decrease over the last few years. The increasing cost of goods and labor are having a negative impact on net profits even with good sales growth. The bottom line is still strong and there is not necessarily a correlation between sales and member growth and the bottom line. The issue is how to keep the bottom line healthy with increased costs. The average basket size remains the same at approximately \$30 which is more than City Market.

Jay asked about the tone of the NCG conference. Glenn responded that GMs are very aware of the “new normal” of competition at stores and on the Internet that is eroding sales growth. The theme of the conference was Courageous Leadership with discussions of how to compete. The need for bold steps was recognized, such as merging co-ops, supporting other co-ops and opening more of them. Best practices done on a national level could save co-ops resources that can be used locally. The question came up, when does the effort of co-operating get in the way of an individual co-op’s business success and its autonomy.

Glenn talked about the tension between the mission to offer local and organic products and meeting the needs of all customers so they will not be lost to other stores. This means offering what he calls “good, better, best” so there are more options for more customers. MNFC is doing

very well with the Co-op Basics line but some other co-ops are slower to include this kind of broad choice to their customers.

Patronage Dividend: In preparation for next month's Board decision on the patronage dividend refund to member-owners, Glenn reviewed the decision process. There is a 20% minimum for refunds, non-refunded money is retained in the member-owners name. No taxes are paid by the Co-op or member-owners on these earnings; taxes are paid on non-member-owners sales only.

There are no final numbers available yet for last fiscal year but it is estimated that 76.8% of sales were to member-owners. Glenn estimates that a 20% refund would yield a check for approximately 1% of purchases. For some this could be less than the cost of a share purchase. A 40% refund would be close to 2% of purchases.

The Board discussed the need to not only get feedback from member-owners about their dividend but checks should come with an explanation for accountability for their decision. There should be a narrative including the decision process, how retain earnings will be used, show other savings for them in being a member-owner, explain tax savings, set a context of being part of a co-operative and, ideally, personalize the letter to their particular refund.

There will not be refunds for less than \$2 and checks will expire in 90 or 120 days. If they are not cashed the money will likely be donated to the food shelf. The Board agreed that this topic should be included in Annual Meeting presentations.

EL 3 – Business Planning and Financial Budgeting: Glenn said he shows EL compliance with the next Business Plan being in place. Ross noted that patronage dividend was not included in the Key Financial Assumptions. Glenn pointed out its inclusion in the previous section and in the net income note.

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

Name-Mission-Ends Team Report: R.J. reported there was in depth generative discussion by the committee that had met twice and would again on April 28th. Their considerations included the recommendation by Brandthropolgy to change the Co-op's name as well as a rewording of the mission statement. They felt the mission as written and posted on the wall of the Co-op serves fairly well in defining the Co-op but could be reframed. A fine tuning of the statement could lead to a name change for MNFC to better reflect the why and what of the Co-op. Glenn will work with the management team on this and bring back any proposals for rewording and names for Board consideration.

Executive Session: At 8:10, on a motion by Ross, seconded by R.J., the Board voted all in favor to go into Executive Session for expansion real estate. At 8:51, on a motion by Kevin, seconded by R.J., the Board voted all in favor to come out of Executive Session.

Note of Appreciation: Kevin received a gift of an engraved pewter lamp from Danforth Pewter in appreciation for his years of service on the Board.

Adjournment: On a motion by Nadine, seconded by R.J., the meeting was adjourned at 8:52 pm with all in favor.

Respectfully submitted by Victoria DeWind