Well, so much has happened here at our Co-op during the past twelve months that it’s hard to know where to begin. But for starters, we all pulled together and successfully completed an ambitious and complex store expansion project, adding many new and important features and capacities that will serve us well for decades. As with most aspects of our Co-op, it was people who made the difference. For example, Andrea Murray and Ashar Nelson of Vermont Integrated Architecture designed and oversaw countless solutions and efficiencies that are already paying off. Our general contractor, Naylor & Breen, was terrific to work with; hard-working, resourceful and creative. Owner’s representative, Jeffry Glassberg, had the uncanny ability of being able to keep all phases of the project running on time and within budget. (When logistics seemed overwhelming, a few minutes with Jeff usually made things right with the world.)

Your Management team, including new Operations Manager, Greg Prescott, and all the store Staff were impressive in their focus, patience and good cheer throughout the months of racket and chaos. (To recognize the Staff’s hard work, Board members prepared a lunch each month throughout the project and served it in the break room. There were soups, salads, savory crockpots and tons of chocolate, and we all sat around the big table and ate together. It was such a blast that the Board is going to continue Staff appreciation events in some form or other for the foreseeable future.)

It also goes without saying that our General Manager, Glenn Lower, raised the bar yet again on his performance as leader, problem-solver, communicator and friend. True to form, Glenn often seemed to be everywhere at once; outside in a hard hat, working in the deli, running meetings, and bagging at check-out. The range of Co-op tasks that
give meaning to his job is inspiring, and we are lucky to have him at the helm.

For its part, the Co-op’s Board of Directors worked closely with the Management team throughout the project as your elected trustees and fiduciaries, providing yet another layer of oversight and support. Treasurer Lynn Dunton was especially helpful in contributing her professional financial expertise.

Now that the project is mostly behind us, and partly in response to current socio-economic and political conditions, the Board is working on strategies to extend our Co-op’s benefits further and more broadly into our greater community in order to engage and serve a more broadly diverse constituency. Everyone has the right to healthy food and a seat at the table, and we want all people within our reach to hear the message stated in our orientation handbook: Regardless of race, color, religion, age, sex, sexual orientation, gender identity, transgender status, national origin or ancestry, place of birth, disability, and genetic information, you are welcome at the Co-op. As this initiative rolls out, we will keep you closely informed because this is a perfect example of work that is stronger when done together.

I also want to express our special thanks to Jay Leshinsky, who will be stepping down from the Board after more than ten years of service. A master gardener by trade, Jay has been part of our Co-op since the train station days. He joined the Board in 2007 and worked as its president for five years. Having served as Jay’s vice-president before reluctantly becoming chair, I can say that he is an exceptionally skilled mentor and kind-hearted man who has been crucial to getting us to where we are today. (When he announced his intention to step down as president, I asked him to remain on the Board for another three years to ensure the best transition, and he
agreed. That’s really going the distance for us all, and we won’t forget it.)

Another MNFC icon who will be retiring from Co-op work is Reiner Winkler. Department manager, newsletter editor and dedicated, pony-tailed, beret-sporting cooperator for twenty-six years, it will be hard to not see him striding through the aisles radiating his inimitable sense of purpose. Thank you, Reiner.

Most importantly though, thank you, each and every member-owner. You stood by the Co-op for the past twelve months so faithfully that sales remained positive the entire time, which speaks volumes about the loyalty, trust and resilience we have here. It also points to a strong future in which we will continue to nourish our community in vital ways for many years to come. Hope to see you at the Annual Meeting. –Tam

![Member-Owner Count](image)

- Tam
Dear Member Owners,

Our expanded store was our major accomplishment over the past year. We began construction in the spring of 2017. Eight months later, we finished on time and within budget before the holiday season began. The culmination of three years of work, this expansion was a major effort from all our stakeholders, including YOU, the member-owners. We couldn’t have done it without you, our hard working staff, and the wonderful team of Naylor & Breen, and Vermont Integrated Architecture.

Members and customers continue to tell us how much they are enjoying the new store with all the new offerings and the added space. We’ve been experiencing double digit sales growth for many of the fresh departments: produce, dairy, cheese, meat, bread and deli … also wellness. These areas received the greatest increase in space and new equipment.

Our Deli team is excited with the start of our new hot bar program, which they’ve rolled out slowly at first, open Mon-Fri for lunch. We hope to expand the hot bar to more hours and days of the week sometime this year. Great job to the deli team for managing all the changes and challenges of relocating to a much bigger department.

Dairy gained five additional doors in an expanded walk-in cooler. That team has been working hard to keep up with demand and bringing in requested new products.

Bread - thank you customers for your patience as we worked to find the right home for our bread. Since moving bread to the back corner, customers have stopped asking, “where’s the bread?” We take that as a good sign that we got it right this time.
Meat has been a new adventure. Brian is our first meat coordinator, cutting meat and seafood in the new prep room. In just a few months, he has re-developed this department producing a 25-30% sales increase.

Bulk is bucking the national trend of declining sales of bulk in co-ops all across the country. We are seeing a positive growth of 6%. Last month, we celebrated Reiner Winkler, our beloved manager of Bulk/Cheese/Dairy departments, who is retiring May 1st after 26 years. Reiner was also editor of the newsletter for most of that time. We look forward to serving him as a customer for years to come, especially if he brings his grandchildren with him!

The packaged Grocery footprint stayed the same from the old store to the new store. Frozen has the same 15 doors we had before. We actually shrunk the footprint of Beer/Wine, but made them easier to shop (all in one place). Making each aisle one-foot wider and other changes in the layout have dramatically helped us meet customer needs.

Produce gained more open space making it easier to shop. Staff are working hard to keep up with the growing demand for fresh local and organic fruits and veggies.

Wellness is happy with their new layout and attractive new shelving, and wider isles.

The Cashier Team has grown by two more checkout lanes and a customer service desk that is still a work in progress. Stay tuned.

The Board - I was privileged to spend an entire day in March with your Board of Directors as we thought about the future. I came away totally in awe of these elected leaders who have devoted so much of their time to represent the almost 4,924 households, mostly in Addison County that own this community store. Their question is what more can the Co-op be doing to better serve our community?
Jay Leshinsky is retiring this June from the Board after serving for 11 years, five of those years as board president. Thank you Jay for your outstanding leadership and hard work to make the Co-op as great as it is today.

Total store sale have grown to almost $15 million, or 5% over last year. Sales of LOCAL continue to grow from almost 250 Vermont producers who deliver to us directly from their farms or production facilities. Staff are proud that LOCAL sales have hit a new high of 36% of total sales, up from 34% last year. During this year we’ve focused on providing better value through our sales programs: the Weekly Sale of six products advertised in the Addy Indy, the Member Deals where each week members get 20% off products from a producer that embraces our Co-op values; Co+op Basics … look for the purple signs to find everyday low prices.

Each quarter we’ve sponsored a Rally for Change that allows customers to round-up their purchase to the nearest dollar, with all proceeds going to programs in Addison County that serve “at-risk” populations.

You are invited to our 42nd Annual Meeting at American Flatbread on Wednesday, June 6th at 5:30pm. I look forward to talking to you about the Co-op’s past, present and future.

Thank you,
**2018 Patronage Refund Update**

Patronage refunds are the cooperative way of sharing our profits with member-owners. Because we had some big expenses related to expansion this year, our financial plan predicted that there would be no profit for the fiscal year ending March 31, 2018. If there is no profit, there can’t be any profits to share, and thus no patronage refund checks mailed out this July.

We are working hard in our newly expanded Co-op and expect to be back to making a profit in the new fiscal year April 2018 – March 2019. Profitability is healthy for the business, so we want to get back there as soon as possible.

*Your support is critical to that success.*

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**Here is a representation of how each $1.00 you spend at the Co-op is typically used**

*Estimated data. As of writing this report, our accountants have not yet completed closing our year end financial tally. Absolute financial information will be available by the annual meeting in May.*
When planning our most recent expansion, one of our biggest considerations was how to expand and still increase energy efficiency. In February, we got some great news from Efficiency Vermont about the effectiveness of that planning - and some cash back, too! We thought we'd share their letter with you:

February 12, 2018

Glenn Lower
Middlebury Natural Foods Coop
9 Washington St
Middlebury VT 05753

Re: Middlebury Natural Foods Coop - Renovation and Addition, Efficiency Vermont Project # 6014-BL54

Dear Mr. Lower:

We commend Middlebury Natural Foods Coop's focus on improving the energy efficiency with your building expansion project. Based on the information you provided, we estimate that the Efficiency Improvements at your Facility will save you approximately $15,100 per year at current energy rates (see table below). In addition, we estimate the Efficiency Improvements will reduce statewide energy consumption, and improve our environment by saving an estimated 105,000 kWh of electricity, and 117,000 pounds of carbon emissions per year.

Efficiency Vermont is pleased to provide a cash incentive of $22,531 for completion of Middlebury Natural Foods Coop's efficiency improvements as further described in the attached "Scope of Efficiency Improvements."

<table>
<thead>
<tr>
<th>Project Economics</th>
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<tbody>
<tr>
<td>Estimated Cost of Efficiency Improvements</td>
<td>$66,355</td>
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<tr>
<td>Efficiency Vermont Incentive</td>
<td>$22,531</td>
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<tr>
<td>Your Net Cost After Incentives</td>
<td>$43,824</td>
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<tr>
<td>Estimated First-Year Energy Savings</td>
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<tr>
<td>Estimated Simple Payback Period</td>
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<tr>
<td>Estimated Average Lifetime of Efficiency Improvements</td>
<td>12 years</td>
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<tr>
<td>Estimated Rate of Return on Your Investment (pretax)</td>
<td>34 %</td>
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</tbody>
</table>

Please review and sign the enclosed Incentive Agreement, Scope of Efficiency Improvements and Terms and Conditions of the Efficiency Vermont Incentive Agreement. This Incentive Agreement must be signed by you and returned to Efficiency Vermont within thirty (30) days from Efficiency Vermont's signature below and will only become effective when signed by both parties. It's been a pleasure working with you and your business. If you have any questions about the Incentive Agreement, or want to discuss any aspect of this project, please contact me at 802-540-7607.

Sincerely,

Charlie Carpenter
Energy Consultant

Efficiency Vermont, 128 Lakeside Avenue, Suite 401 Burlington, VT 05401-5907
The MNFC Board of Directors
The Middlebury Natural Foods Co-op is governed by an eleven-member Board of Directors that is elected by its member-owners. The Board is directly accountable to member-owners for all of the activities and accomplishments of the Co-op, including the store. However, the Board does not “micro-manage” the Co-op or its General Manager, but sets policies by which the Co-op (and the Board) are run.

The MNFC Board is responsible for:
Developing, monitoring, and revising policies that guide the store to achieve outcomes that are consistent with the members’ values and vision.
Ensuring (through consistent monitoring) that management achieves goals set by the Board and that the Board operates according to its established processes. Acting as a representative for all of the Co-op’s member-owners.

Board members hold their positions for three-year terms, and elections are held every Spring.

How Do I Bring An Issue Before the Board?
We encourage members to be active in their participation.

Contact the Board: board@middlebury.coop
Join us, All are welcome

CO-OP ANNUAL MEETING

WEDNESDAY JUNE 6TH
@AMERICAN FLATBREAD, MIDDLEBURY
5:30 - 7:30

We’ll talk about the past year, meeting our ENDS, and what the future may hold.

enjoy complementary flatbread, salad, soft-drinks, & dessert
Thank you Reiner!
Thank you Jay!