# CONTENTS

Board Meeting Packet  
August 22, 2018

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<th>PAGE</th>
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<td>9</td>
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<td>25</td>
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<td>42</td>
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<td>60</td>
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<td></td>
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# AGENDA

**Board of Directors Meeting**
**August 22, 2018**
**6:00 p.m., Hanover Board Room, Hanover Store**

<table>
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<tr>
<th>Time</th>
<th>Agenda Topic</th>
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<tbody>
<tr>
<td>5:15</td>
<td>Dinner</td>
</tr>
<tr>
<td></td>
<td>Welcome New Board Member – Jessica Giordani</td>
</tr>
<tr>
<td>6:00</td>
<td>Consent Agenda</td>
</tr>
<tr>
<td></td>
<td>July 25, 2018 Minutes (App A) p. 48</td>
</tr>
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<td></td>
<td>Monthly Share Redemptions p. 7</td>
</tr>
<tr>
<td>6:10</td>
<td>Update &amp; Monitoring</td>
</tr>
<tr>
<td></td>
<td>General Manager Report p. 9</td>
</tr>
<tr>
<td></td>
<td>EL 3 – Asset Protection p. 25</td>
</tr>
<tr>
<td></td>
<td>EL 5 – Employee Satisfaction (carry-over from July) p. 42 and App B</td>
</tr>
<tr>
<td>7:00</td>
<td>Member Comments</td>
</tr>
<tr>
<td>7:10</td>
<td>Committee Updates</td>
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<tr>
<td></td>
<td>Filling Committee posts</td>
</tr>
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<td>Governance Committee (App C) p. 57</td>
</tr>
<tr>
<td>7:30</td>
<td>New Business/Action Items</td>
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<td>CDS Proposal (App D) p. 60</td>
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<td>Selection of Financial Auditors</td>
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<td>NCG Participation Report (App E)</td>
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<td></td>
<td>Double Up Food Bucks (App F)</td>
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<tr>
<td></td>
<td>Consider changing Nov mtg date (day before Thanksgiving)</td>
</tr>
<tr>
<td></td>
<td>Consider going back to packet one week in advance</td>
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</table>
Consider recording Board votes by name (see letter dated 6.23.18)

8:00  Executive Session
     HR & Related Topics

8:20  Adjournment
## 2018 BOARD MEETING CALENDAR

<table>
<thead>
<tr>
<th>Month</th>
<th>Event</th>
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<tbody>
<tr>
<td>August 22</td>
<td>Board of Directors Meeting, 6:00 p.m., Hanover Board Room</td>
</tr>
<tr>
<td>September 26</td>
<td>Board of Directors Meeting, 6:00 p.m., Hanover Board Room</td>
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<tr>
<td>October 24</td>
<td>Board of Directors Meeting, 6:00 p.m., Hanover Board Room</td>
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<tr>
<td>November 21</td>
<td>Board of Directors Meeting, 6:00 p.m., Hanover Board Room</td>
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<tr>
<td>December 19</td>
<td>Board of Directors Meeting, 6:00 p.m., Hanover Board Room</td>
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## BOARD of DIRECTORS ANNUAL CALENDAR

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<tr>
<th>Month</th>
<th>Committee/Department</th>
<th>Activities</th>
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<tbody>
<tr>
<td>January</td>
<td>Board</td>
<td>Annual Meeting Planning</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Details of Annual Meeting approved.</td>
</tr>
<tr>
<td></td>
<td>Election Committee</td>
<td>Final call for Board candidates</td>
</tr>
<tr>
<td></td>
<td>Outreach &amp; Member Services</td>
<td>Call for nominees for King Award on website and social media and in stores</td>
</tr>
<tr>
<td>February</td>
<td>Election Committee</td>
<td>Finalize slate of Board Candidates</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Candidate statements and photos to Member Services</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Director for inclusion in Election Mailing and online voting website</td>
</tr>
<tr>
<td></td>
<td>Board</td>
<td>Approve Auditor’s Report at meeting</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Approve Patronage Refund</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Choose recipient of King Award</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Designate recipients of HCCF Funds</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Finalize wording of ballot materials to be mailed and posted online</td>
</tr>
<tr>
<td></td>
<td>Board Administrator</td>
<td>Deadline for King Award Nominations (include in Board packet)</td>
</tr>
<tr>
<td></td>
<td>Outreach &amp; Member Services</td>
<td>Publish 30-day warning of voting, if applicable, through Election Mailing and website notice</td>
</tr>
<tr>
<td>March</td>
<td>Board President or designee</td>
<td>Board Annual Review of Year (Annual Report)</td>
</tr>
<tr>
<td></td>
<td>Board Treasurer or CFO</td>
<td>Treasurer’s Report (Annual Report)</td>
</tr>
<tr>
<td></td>
<td>Outreach &amp; Member Services</td>
<td>Publish 10-day warning of voting, if applicable, through Election Mailing and website notice</td>
</tr>
<tr>
<td>March-April</td>
<td>Board</td>
<td>Open voting period</td>
</tr>
<tr>
<td>April</td>
<td>Board</td>
<td>Annual Meeting within voting period</td>
</tr>
<tr>
<td>April-May</td>
<td>Board</td>
<td>Close voting period</td>
</tr>
<tr>
<td></td>
<td>Election Committee</td>
<td>Count ballots</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Schedule new Board member orientation before May meeting</td>
</tr>
<tr>
<td></td>
<td>Outreach &amp; Member Services</td>
<td>Announce new Board members</td>
</tr>
<tr>
<td>May</td>
<td>Board</td>
<td>New Board members attend meeting</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Elect officers</td>
</tr>
<tr>
<td>Month</td>
<td>Committee/Committee Chair</td>
<td>Task 1</td>
</tr>
<tr>
<td>--------</td>
<td>---------------------------</td>
<td>--------</td>
</tr>
<tr>
<td><strong>June</strong></td>
<td><strong>Board / Bylaws Committee</strong></td>
<td>Choose Election Committee Chair, suggest committee members</td>
</tr>
<tr>
<td><strong>June</strong></td>
<td><strong>Accounting</strong></td>
<td>Distribute Patronage Refund</td>
</tr>
<tr>
<td><strong>June</strong></td>
<td><strong>Outreach &amp; Member Services</strong></td>
<td>Begin drive for contribution of Patronage Refund to HCCF</td>
</tr>
<tr>
<td><strong>July</strong></td>
<td><strong>Election Committee</strong></td>
<td>Convene Election Committee</td>
</tr>
<tr>
<td><strong>August</strong></td>
<td><strong>Election Committee</strong></td>
<td>Review &amp; edit Board Candidate Information Packet</td>
</tr>
<tr>
<td><strong>August</strong></td>
<td><strong>Election Committee</strong></td>
<td>Solicit Board input for potential nominees; contact individuals re: interest</td>
</tr>
<tr>
<td><strong>September</strong></td>
<td><strong>Outreach &amp; Member Services</strong></td>
<td>Call for Board nominees on website and social media and on posters in stores</td>
</tr>
<tr>
<td><strong>October</strong></td>
<td><strong>Election Committee</strong></td>
<td>Invite potential candidates to attend Board meeting</td>
</tr>
<tr>
<td><strong>November</strong></td>
<td><strong>Board</strong></td>
<td>Assign Annual Meeting Planning duties</td>
</tr>
<tr>
<td><strong>November</strong></td>
<td><strong>Election Committee</strong></td>
<td>Invite potential candidates to attend Board meeting</td>
</tr>
<tr>
<td><strong>November</strong></td>
<td><strong>Outreach &amp; Member Services</strong></td>
<td>Second call for Board nominees on website and social media and on posters in stores</td>
</tr>
<tr>
<td><strong>December</strong></td>
<td><strong>Election Committee</strong></td>
<td>Invite potential candidates to attend Board meeting</td>
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SHARE REDEMPTION REQUESTS

August, 2018

For the period ending August 7th, 2018, 10 members have requested redemption of shares. This includes 167 A shares and 7 B shares held directly by the members, and $7.31 in A share and $7.97 in B share extra held by the Co-op on account. The total cost of redemption is $885.28. The reasons for member redemptions are reflected on the attached list. The Co-op policy is when a member terminates his/her membership by redeeming his/her A shares any B shares and B share extra will be redeemed at the same time.

For the period ending August 7th, 2018, 4 members have requested share transfers. This includes 61 A shares held directly by the members and $2.88 in A share extra held by the Co-op on account. The reasons for member transfers are reflected on the attached list.

For the period ending August 7th, 2018, 38 members have asked to exchange his/her old B share class for the new B share class. This includes 403 B shares held directly by the members and $8.81 in B share extra held by the Co-op on account.

To date ending August 7th, 2018, 1,022 members have asked to exchange his/her old B share class for the new B share class. This includes 8,230 B shares held directly by the members and $2,360.51 in B share extra held by the Co-op on account. This represents approximately 11.9% of originally issued B Shares.

Redemption of these shares ($885.28 in total) will not adversely affect the cash position or cash flow of the Co-op at this time.

Respectfully,

Mark S Langlois, CPA, CGMA
Director of Finance
Hanover Consumer Cooperative Society, Inc.
### Monthly Co-op Share Redemption Request

**August 22, 2018**

<table>
<thead>
<tr>
<th>Vendor ID</th>
<th>Date</th>
<th>Member #</th>
<th>Town</th>
<th>State</th>
<th>Zip Code</th>
<th>Joined</th>
<th>A Shares Tendered</th>
<th>B Shares Tendered</th>
<th>A Share Amount</th>
<th>B Share Amount</th>
<th>Check Total</th>
<th>Full / Partial</th>
<th>Reason</th>
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<td>PORTLAND</td>
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<td>97212</td>
<td>2016</td>
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<td>CAMBRIDGE</td>
<td>MA</td>
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<td>7/17/2018</td>
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<td>ATHENS</td>
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<td>753954</td>
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<td>7/21/2018</td>
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<td>HANOVER</td>
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**Reasons for redemption**

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<th>May</th>
<th>June</th>
<th>July</th>
<th>Aug</th>
<th>Sept</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>YTD</th>
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<td>4</td>
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<td>19</td>
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<td>Nursing Home</td>
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<td></td>
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<tr>
<td>Total</td>
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<td>13</td>
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<td>7</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>116</td>
<td>100%</td>
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**A Share Transfer**

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<th>Carryover</th>
<th>Re-issuing in different name</th>
<th>Transferring to new account</th>
<th>Transfer to different account</th>
<th>Name change</th>
<th>Change Spelling of name</th>
<th>Total</th>
<th>Exchange B shares</th>
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<tbody>
<tr>
<td>Jan</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>11</td>
<td>0</td>
<td>14</td>
<td>890</td>
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<tr>
<td>Feb</td>
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<td>0</td>
<td>3</td>
<td>11</td>
<td>0</td>
<td>14</td>
<td>23</td>
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<tr>
<td>March</td>
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<td>2</td>
<td>2</td>
<td>0</td>
<td>14</td>
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<td>0</td>
<td>14</td>
<td>9</td>
</tr>
<tr>
<td>June</td>
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<td>6</td>
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<td>Aug</td>
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**TOTALS**

167  7  $835.00  $35.00  $7.31  $7.97  $885.28
GM MONTHLY UPDATE
Communication and Counsel to the Board
Submitted by: Edward Fox August 13, 2018
Co-op Board Meeting: August 22, 2018
Reporting Period: YTD July 2018

No action is required in this report.

OVERVIEW

Today, a little food-industry history for you:

The modern predatory multinational food corporation, with its long reach and nefarious intentions, can be traced to early 20th-century Latin America and a company called United Fruit. We all know that company today as Chiquita.

Many of the bananas you see in supermarkets have the famous Chiquita label on the peel. Chiquita, when it was United Fruit, was a monolithic banana conglomerate known to generations of Latin Americans as The Octopus. It began around the turn of the 20th century, and within decades it had surpassed the power of virtually any government in Latin America.

United Fruit had tentacles everywhere, reaching deep into the corridors of power and propping up puppet governments to protect its investments. As Financial Times reporter Peter Chapman writes in Bananas: How the United Fruit Company Shaped the World, “United Fruit has possibly launched more exercises in ‘regime change’ on the banana’s behalf than has even been carried out in the name of oil.”

The claim is not hyperbolic. United Fruit was not to be trifled with. In Colombia in 1928, more than 30,000 United Fruit banana workers went on strike, demanding luxuries such as toilet facilities on the plantations where they toiled in the sun for long hours every day. United Fruit representatives characterized the strike as “communist” and “subversive” in telegraphs to U.S. government officials, who put pressure on the Colombians to crack down. In an event known as the Banana Massacre, later immortalized in literature by Gabriel García Márquez in One Hundred Years of Solitude, the military open fire on thousands of unarmed striking workers and their families. The families were gathered in the town square in Cienaga on a quiet afternoon, right after Sunday mass.

The Banana Massacre is but one event in a long history of violence, oppression, and corruption. Writes Katharine Mieszkowski, reporting for Salon:

In some countries, United Fruit blatantly paid no taxes at all for decades. In others, when troubled by local officials, it simply installed a more sympathetic government. In Honduras in 1911, the
banana men not only staged an invasion to depose the current regime and put in a new one, they had the audacity to demand the new government reimburse the costs incurred in the invasion!

Today, things have improved, but there is still a long way to go. The Octopus may be gone in name, but it lives on in spirit. Multinational food corporations continue to dominate the food industry, and long hours, low wages, intimidation and violence, and bleak futures are still the norm for many around the world1.

The Case for Advocacy

As I wrote last month, this is the business we’re in. The food industry has a dark side that goes way back, and this sad fact drives our cooperative to tirelessly advocate for social change.

Spearheaded by Director of Public Relations Allan Reetz, our cooperative is committed to systems advocacy, an effort to change policy and practice at the local, state, national, or international level. The overarching idea is to advocate for the needs of our communities within the broad framework of socioeconomic justice and human rights.

This level of advocacy is distinct from advocacy on behalf of an individual person. To quote UN Women, a branch of the United Nations committed to gender equality, “While systems advocacy works to improve the system to the benefit of individuals, it is a long-term approach to problem solving requiring sustained effort.”

Our sustained effort is this: Working together with other like-minded organizations, we are building relationships with local, state, and national leaders in order to keep progressive issues at the forefront of our conversations. To that end, we have narrowed our advocacy work to four issues: workforce housing, a $15/hour minimum wage, food security, and defining local.

We have chosen these issues because they are highly interrelated: People can’t find jobs without housing. People can’t afford housing without a decent wage. A decent wage is key to food security, or knowing where the next meal is coming from. And when that meal is sourced locally, which we believe is vital to the economy of a community, it’s important to define what local really means.

I encourage you to read the Public Relations section below in detail for more information about our advocacy work. Also, know that we regularly share this work with our peers—in the spirit of Cooperation Among Cooperatives, or the sixth Cooperative Principle. As a result, our cooperative has become a leader and a respected voice in the cooperative community for our advocacy efforts.

As you look through the rest of the functional reporting below, I also encourage you to think about how the cooperative model serves as a foundation for systems advocacy. The reporting below not only includes challenges and opportunities throughout our organization, but how our work is led by

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1 To learn more, see the July 2018 GM Update on Ripe for Change—a report from Oxfam about how a few large supermarket chains are responsible for widespread suffering throughout the world.
the vision of an ethical business working to build well-nourished communities, cultivated through cooperation.

Questions or feedback? Contact me anytime. My door is always open. And as always, my thanks to our management team and location managers for contributing to the following reports and updates.

—Ed Fox

STATUS UPDATE

Through the first half of the fiscal year, actual sales continue to remain greater than the forecasted budget. This is true across all locations:

**Food Stores**

FY2018: +$987,965 +2.56% growth in sales  
FY2017: -$704,259 -1.79% growth in sales

**Service Center**

FY2018: +$233,000 +10.97%  
FY2017: -$114,000 -5.41%


ECRS/Catapult continues to be phased in on schedule. We are also on track for the rollout of perpetual inventory, scheduled for later in the year.

Double Up Food Bucks has been widely shared on social media by our cooperative partners. The program is a community-focused initiative that provides a discount on produce for shoppers using SNAP benefits. Fair Food Network, a nonprofit that supports farmers, local economies, and access to healthy food in underserved communities, provided us with generous financial assistance to launch the initiative.

Staffing is still an issue throughout the organization. However, our HR teams have filled many positions in our most critical areas. Look for more detail below, and learn more about our Pathways program and work with other cooperatives.

Finally, the Co-op Learning Center (CLC) has enjoyed a busy summer, offering popular classes for children, teens, and adults. As always, we’d love for you to participate. For dates and times, please visit us online at http://coopfoodstore.coop/classes.
### SALES TRENDS

#### Week Ending Consolidated Stores

<table>
<thead>
<tr>
<th>Month Ending</th>
<th>Location</th>
<th>Actual Sales: % Change</th>
<th>% Change</th>
<th>% Change</th>
<th>% Change</th>
<th>% Change</th>
<th>% Change</th>
<th>% Change</th>
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</tr>
</thead>
<tbody>
<tr>
<td>7/28/18</td>
<td>Hanover</td>
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<td>$987,965</td>
<td>$317,561</td>
<td>0.1%</td>
<td>1,047,950</td>
<td>1,049,945</td>
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<tr>
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<td>$13,859,127</td>
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<td>$181,092</td>
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<tr>
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<td>WRJ</td>
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#### Week Ending Park Street

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<tr>
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<td>82,597</td>
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### Data Through July 2018

#### Consolidated

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<th>% Change</th>
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</thead>
<tbody>
<tr>
<td>7/28/18</td>
<td>Food Stores</td>
<td>2.47%</td>
<td>2.03%</td>
<td>1.60%</td>
<td>0.87%</td>
<td>5.27%</td>
<td>51.50%</td>
<td>56.48%</td>
<td>31.03%</td>
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<tr>
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<td>3.90%</td>
<td>2.48%</td>
<td>1.60%</td>
<td>1.33%</td>
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#### Service Center

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<tr>
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<td></td>
<td>WRJ</td>
<td>5.27%</td>
<td>5.27%</td>
<td>5.27%</td>
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#### Gas

<table>
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<th>% Change</th>
<th>% Change</th>
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<tr>
<td>7/28/18</td>
<td>Food Stores</td>
<td>2.47%</td>
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<tr>
<td></td>
<td>Hanover</td>
<td>3.89%</td>
<td>3.90%</td>
<td>2.48%</td>
<td>1.60%</td>
<td>1.33%</td>
<td>10.49%</td>
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#### Repairs

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<th>% Change</th>
<th>% Change</th>
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**Hanover Consumer Cooperative Society Inc.**

83rd Board of Directors
INFORMATION TECHNOLOGY AND FINANCE

FY 2018 is off to a good start through July. For all locations, sales for the month are higher than the same period in 2017. Year-to-date sales numbers also remain higher than last year and ahead of budget. While we have made it through most of the historically lean months, we still need to remain diligent on expenses and capital projects for the remainder of the year.

Transaction Count and Basket size

For July, year-to-date consolidated transaction count for the food stores was down 1,995 versus the same period in 2017, but basket size was higher by $1.04, for an average of $37.83. All stores are experiencing a decline in the number of transactions with the exception of White River Junction and the Co-op Market. However, basket size in each location has increased over the same period last year. Hanover bears the brunt of the transaction count decline, down 8,297 from the same period last year. However, Hanover’s basket size is up $1.67, for an average basket size of $44.11. White River Junction’s customer count is up 6,454 and its basket size is up $1.44, for an average of $29.21.

ECRS Update

The ECRS steering committee continues to refine a plan to move this project onto the next phase—perpetual inventory and auto ordering. This plan also includes enlisting assistance from ECRS in systematically moving us forward. Weekly meetings monitor our progress. While progress is being made, the large volume of products that need to be adjusted continues to move the project at a measured pace. The meetings will continue with ECRS until this project has been completed.

To implement perpetual inventory in Operations, we monitor several statistics to gauge our progress. This phase will take time to implement due to its complexity and the need to get it right. The final phase is to convert our Accounting records to perpetual inventory—accounting for and valuing the inventory. This is projected for the first quarter of 2019. As expected with a systems transition of this size, complexity, and magnitude, there have been some glitches. However, the teams from the stores and Buck Road have done an amazing job of remaining focused and working through the challenges.

STORE OVERVIEW

Lebanon Store Update

At the Lebanon store, we are working to: build sales and a stronger team environment, further ECRS, and prepare for summer selling going into the fall season. What follows is a list of specific projects.

- Prepare area 51 for final summer sales push.
- Continue to hire for needs of the store with emphasis still on PFD and Front End.
- Continued focus on ECRS, using daily and monthly reports to correct on-hand quantities and ensure proper shrink coding.
- View top and bottom 10 selling items in Meat/Seafood for new item implementation.
• Plan for employee appreciation days third week of each month.
• Continued focus on Lebanon store remodel, with an emphasis on a pleasurable shopping experience for customers and excellent working conditions for staff (staff involvement key). Hope to agree upon final layout plans soon.
• Await arrival of our new wine chiller based on multiple customer requests.
• Request an additional handicap electric cart.
• Continued focus on comp pool.
• Budgeting for 2019.

Hanover Store Update

Hanover store employees should be recognized for their hard work and dedication to the Co-op. They are running the business for the members with enthusiasm in spite of many staff shortages. They have to put forth a huge effort to cover vacations for their coworkers. We have a lot of long-term employees with many weeks of vacation to schedule. This benefit is provided by staff covering work for each other. They are always amazing!

• In August, we will be preparing for the implementation of more Catapult technology in our Perishable departments. Julie Thibodeau has been working with Meat and Seafood to train employees and organize order guides. Julie and Leon Valia are working with Ray Mitchell so Ray can provide support to the perishable departments as well.
• We will be transitioning leadership in the Center of Store departments with our new Manager, Josh Watson. Josh will be replacing Leon Valia, who will be moving to Merchandising.
• August will be challenging for our Food Service department. We were able to hire some temporary employees for the summer, but they have started to leave for school. We have not found replacements for four open positions.
• Members and shoppers seem to be on a steady cycle of vacations as we approach the beginning of the new school year. Sales are up and down following this cycle.
• The Center of Store group is working extremely hard with readying product for Dartmouth’s Freshman Trips. Preparation requires many hours in addition to our employees’ regular responsibilities. Other departments contribute employees to assist this effort.

White River Store Update

Winding down to the last month of summer, WRJ looks forward to the following:

• The Center for Cartoon Studies will be hosting the 9th International Comics and Medicine conference August 16-18. Prior locations for this event include Seattle, Chicago, Dundee (Scotland), Toronto, Baltimore, and Brighton (England). CCS is expecting over 150
conference attendees. We hope to welcome them to our Co-op, strategically utilizing our road sign. We look forward to increased foot traffic.

- Coffee with a Cop, which we hosted in the spring, was a huge success. Now we await a final date to host Ice Cream with a Cop.
- Our college students will be going back to school, and new faces will abound.
- As the heavy summer selling season winds down, new displays of Back-to-School themed items will become visible.
- We continue to look for qualified staff to join our Prepared Foods/Deli team.

Community Market Update

- The Community Market has had a bit of a slow summer in some areas, but the Sandwich Shop has been busy.
- You will continue to see all-day Friday steam table. A couple of the customer favorites have been the taco bar and pasta bar. The Kitchen team continues to work hard and put a lot of time into making great ideas happen.
- Ice cream machines are working hard. We have some sorbet coming up in our flavor line up. We are also taking another try with the maple soft serve.
- We are working on a bit of a reset of our dairy department with Randy Gage. He has worked hard to give us some new non-dairy beverage options. We will be seeing some cashew milk, some rice milk, and some oat milk in our store. We’re continually working to find the best mix of products for our customers.
- We are hoping to expand our kitchenware section. Brian Rozzi has already started the process of getting us set up to order some great products. We are hoping to carry some U Konserve items, more of the Chicobag items, and the Bees Wrap. Hydroflask has been a great success at our store, and we are hoping that our customers will respond positively to these new, reusable items as well.

Co-op Kitchen Update

Prep food. Produce food. Package food. Repeat, every day. That might sound boring to anyone not familiar with the Co-op Kitchen. However, there is never a dull moment here. Ingredients might be out of stock, sweet potatoes might burn, and salad packaging gets “lost in the mail.” Adapting and problem-solving are skills that one quickly develops in this setting. Working as a team gets it done.

- Garlic bread hits the shelves! This year’s Producer’s Fair provided the opportunity to sample loaves along with our muffaletta.
• Our new team approach to production is proving very effective. Each morning Chris makes the rounds to determine where help is needed. It is very rewarding to hear coworkers offer to help without being asked.
• The process our Prepared Foods teams use to order from the Kitchen has been streamlined. Our very busy in-store teams can now place one order, saving time. Not only have we cut down on the actual number of orders being placed from each location, we’ve drastically decreased the amount of paper we use each day.
• Our gourmet sandwich, green salad, and pizza recipe collections are getting ready for an overhaul. Be on the lookout for some great new grill-ready paninis and delightful salads.

Service Station Update

Actuals Verses Prior FY/YTD Reporting Period:

• Gasoline Sales + 12.83%
• Gallons – 2.34%
• Price/Gallon + 19.16%
• Repair Sales + 28.71%

The Service Center has worked hard to streamline scheduling and maximize shop bay space. Through last week, we are more than $100,000 ahead in sales over last year at the same time. Other updates:

• We hope to have our new paperless work order system in place.
• We are sending one of our techs to get NH inspection certified.
• We are gearing up for students who are starting to arrive back from summer break.
• We are painting poles around fuel dispensers.

Merchandising Update

• The Merchandising and Inventory Control departments have been busy preparing for the events and promotions of the second half of the year. These departments have also engaged the reporting capabilities of the ECRS Catapult system as part of our daily and weekly work.
• We have been testing and begun implementing the “Dynamic Promotion” and coupon capabilities that the Catapult system offers us. We look forward to the opportunities these will provide us to offer our customers additional benefits from shopping at the Co-op.
• Utilizing the powerful reporting capabilities offered to us by Catapult, we are refining how we track and maintain the margins that our teams are responsible for.
• We are excited to have hired a new member of our team to fill a vacant Category Merchandiser position. This individual is currently working in one of our store locations and will gradually transfer over to the administrative office in the coming month.
• We are currently working with our vendors and brokers to secure product and deals for the annual Case Lot sale in October. We are also working with ECRS to identify system capabilities for operating the ordering and customer transaction aspects of this event.
• In July, we finalized the planning of our annual Producer’s Fair event on Saturday, August 4th. We booked live music, additional children’s activities, and plenty of locally grown or processed foods.
• We’re currently working with 15 New Hampshire and Vermont produce growers and purchasing about 60 varieties of crops.
• Eight staff members from the Co-op, including two from the Merchandising team, recently attended the annual Convergence event in St. Paul, MN, hosted by National Co+op Grocers (NCG). This event is a significant networking and learning opportunity.

MEMBERSHIP

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<th>New Members</th>
<th>Cancellations</th>
<th>Net Change in Memberships</th>
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<td>7</td>
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</tr>
<tr>
<td>February</td>
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<td>June</td>
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<tr>
<td>July</td>
<td>89</td>
<td>19</td>
<td>70</td>
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<tr>
<td><strong>YTD</strong></td>
<td><strong>516</strong></td>
<td><strong>100</strong></td>
<td><strong>416</strong></td>
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<td>2017 YTD</td>
<td>504</td>
<td>104</td>
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</table>
New Members 2016-2018

New Subscribers by Location
July

New Members by Location
July

Hanover Consumer Cooperative Society Inc. 83rd Board of Directors
PENNIES FOR CHANGE

Total Member Donations Since June 2016: $519,209.59
Total Collected July 2018: $17,708.01
Total Collected YTD 2018: $131,741.35

July Food Access Recipients

Listen: $3,541.60
Haven: $3,541.60
Willing Hands: $3,541.60

July Community Partners

COVER Home Repair: $5,312.40
Southeastern VT Community Action: $1,770.80

HUMAN RESOURCES

Pathways Program

We initially introduced the concept of the Pathways program in 2015. At that time, we told employees that this was a three- to five-year project. We are happy to report that Paul Lambe has been busy visiting all locations to roll out the Pathways program to employees.

The Pathways program is an integrated system of learning that is tied to job descriptions, which in turn will be the basis of meaningful performance evaluations. We still have a lot of work to do to update all of our job descriptions, but most of the background work has been done. The Employee Learning and Development Team will begin the final phase of this part of the project later this year.

Co-ops Reaching Out to Other Co-ops

The Harvest Co-op has experienced some new developments in their journey, which resulted in them asking us to postpone any further training. We stand ready to assist them when the time is right for us to do so.

Recruiting

We continue to utilize social media and transaction ads in the Valley News and other local outlets to strategically advertise our job openings. We have seen positive results from these efforts. In addition, we have designed a unique pilot program with a local employment agency under which they will refer applicants to us who are interested in food service for a flat fee. Food service is an
area for which the agency is not licensed. We have had four referrals from this agency and are about to welcome our first hire under this arrangement. The referral fee to the agency is equal to the referral fee we pay our employees.

PUBLIC RELATIONS

Once again, the dog days of summer have had no negative impact on the energy shown and work accomplished across our cooperative. Within our Co-op’s Public Relations department, the list of projects is varied and punctuated by a couple of fast-moving projects as well initiatives that “ripen” more slowly.

Updates and new work of Public Relations

Highly successful meeting held on July 11 with New Hampshire Commissioner of Agriculture Shawn Jasper (center) and the farm families of McNamara Dairy and Edgewater Farm. Regular readers of this PR report will recall that farmers from these local AG mainstays were unable to attend our May farmer meeting held with Commissioner Jasper. Hanover Co-op attendees included Ed Fox, Allan Reetz, Dot Benham and Randy Gage. The farm visits include brief tours of farm operations, and long conversations with the farmers. Commissioner Jasper commented that the conversations he had with the McNamara and Sprague families were of great value to him. He also gained a deeper understanding of the impact our consumer cooperative society has on the farms of this region.

Farm Bill remains high priority. Hanover Co-op release went to news organizations, partners and Co-op friends. Reetz continues to seek coverage for local elements of this legislation.

Vermont’s Main Street Alliance: Work of Advisory Committee (Allan is a member) held its second meeting of summer to consider vision and policies of advisory council, how to assist with fundraising in support of sustaining the organization, and ways to remain an uncommon voice for small businesses and their employees. The Alliance is planning a series of autumn roundtable meetings/mixers for business members and non-members. The first will be held September 26 at Piecemeal Pies in White River Junction. Allan has offered co-sponsorship support for this event.
Planning for Hanover Co-op’s participation in the Point to Point tour powered by VSECU is full-speed ahead. The event (August 11) is the biggest fundraiser of the year for the Vermont Foodbank [sic]. Budget of PR department purchased radio advertising in support of the event. The radio ads were written, voiced, and produced by Allan. A total of six different ads were created and aired on WRJT (The Point) and WGXL (XL-92). A sample of the final ad aired is found here.

As a follow-up to the meeting Ed Fox and Allan Reetz held with Lebanon City Manager Shaun Mulholland to discuss vision/needs of city, Allan has continued to seek bus service to Centerra Marketplace. These conversations continue with the City of Lebanon and Vital Communities.

As reported last month, Allan has joined the Advocacy Committee of New Hampshire Businesses for Social Responsibility. As part of the visioning work of the committee, Allan has teamed with Amy Papineau (Program Team Leader – Food & Agriculture, UNH Cooperative Extension) to explore our respective views of such work. On a side note: Allan will be introducing Amy to Peter Landre, the New York State Extension Specialist for Regional Ag Programs at Cornell (like UNH, Cornell is a land grant university and home to the Ney York’s cooperative extension service).

Ice Cream with a Cop was held on Wednesday, August 1, at our South Park Street store. Running from 3:30 to 4:00, this event was a big hit. More than 36 pints of local Walpole Ice Cream were served during this 90-minute event. Our next Ice Cream with a Cop is scheduled for Thursday, August 23.

**Double Up Food Bucks Launch**

Our work on Double Up Food Bucks garnered a nice letter from Rep. Ann Kuster. This letter was displayed at Producers Fair at the Double Up Food Bucks (DUFB) table, hosted by Emily Rogers and Liz Alpern and Kellie Boyd of Fair Food Network (DUFB sponsoring organization).

**Groundbreaking for Twin Pines Housing Trust**

Allan attended public event celebrating start-up phase of Tracy Community Housing project in West Lebanon. Established or renewed network relationships with New Hampshire Housing, Mascoma Bank, and state field team for Rep. Kuster.

**Facilities Tour for Vermont Secretary of Agriculture Anson Tebbetts**

As done with Shawn Jasper (New Hampshire), we are working to schedule a meeting and store tour with Secretary Tebbetts. Current plan is to tour Co-op Kitchens, White River Junction store, and have a meeting at our Co-op Learning Center. Agenda to be determined.
Planning for 2020 Cooperative Communicators Association Annual Institute

Allan to begin process of assembling team from cooperatives around the country to hold event in June of 2020. Location likely to be Baltimore, Maryland. Effort will include colleagues from National Co-op Bank, Cooperative Development Foundation, NCBA, and others.

I’m always open to questions and comments,

Allan Reetz

COMMUNITY SERVICE

<table>
<thead>
<tr>
<th>Community Service 2018 Participation &amp; Hours</th>
<th>Participation by Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>800 hours of Service</td>
<td>Staff</td>
</tr>
<tr>
<td>100 % Staff Participation</td>
<td></td>
</tr>
<tr>
<td>123.25 Total Cumulative Hours</td>
<td></td>
</tr>
<tr>
<td>4.56% % Staff Participation*</td>
<td></td>
</tr>
<tr>
<td>-676.75 Hours Surpassing Goal</td>
<td></td>
</tr>
<tr>
<td>* based on 373 employees</td>
<td></td>
</tr>
<tr>
<td>17 Totals for Year:</td>
<td></td>
</tr>
<tr>
<td>123.25 Yearly Hour Goal</td>
<td></td>
</tr>
</tbody>
</table>
OUTREACH AND MEMBER SERVICES

Summer has been a busy time for connecting with the community! There were several events that the Co-op participated in, hosted, or supported. The marketing and education teams are preparing for the fall with advertising, program building, and more event planning. Member services has been busy updating data and processes and will be reaching out to members over the next few months for information. The engagement project continues with value proposition work, building new personas, and testing messaging.

- Supported Opera North fundraiser with a donation of Riojana wine and cheese. We were able to provide promotional material on this product to highlight its unique value.
- Co-op Education Manager will be attending a trip to visit cocoa farmers in Peru in August
- Producers Fair was very successful with kids programming and opportunities for members to engage with the board! We were also able to capture video and photos for future promotion.
- Kid’s camps are still full and will run until mid-August
- The outreach team is helping with the Co-op’s support of Point to Point by running the kids zone. Marketing provided promotional materials and coupons to all participants as well as branding of Co-op spaces during the event.
- Marketing has been working with the beverage managers to prepare for the launch of Untapped – (social media for beer drinkers).
- Prouty attendance was successful (great promotional opportunity for the Co-op Market).
- Currently outreach is working on refining donations programs including new SOPs and practices.
- Member services is beginning the annual database clean up, including subscribers and abandoned accounts (NH statute defines these as inactive for five or more years).
GENERAL MANAGER

- Attended Service Station huddle: July 2nd
- Met with Lebanon City Manager, Shawn Mulholland, to discuss possible plans for the Lebanon Village Market and public transportation options for our Centerra/Lebanon store: July 5th
- Attended/participated in the HCCF board committee meeting: July 5th
- Met with board president to review July board meeting information: July 6th
- Attended new employee orientation lunch: July 9th
- Attended/participated in the Vital Communities Corporate Council meeting: July 11th
- Attended White River Store huddle: July 16th
- Attended new employee orientation lunch: July 23rd
- Attended/participated in board/employee working group “Value Proposition:” July 25th
MONITORING REPORT
EL 3 – Asset Protection
Submitted by Edward Fox

Introduction
In finance, an asset is anything of value that can be converted into cash. Businesses own assets, and these assets typically generate revenue.

At our cooperative, assets are viewed differently. For us, assets are not things people own, but rather, resources people share.

Our goal is to use our assets wisely in order to create a better world for our communities and future generations. This approach has much to offer humanity, namely optimism, hope, meaningful and creative work, and a sustainable vision for building a network of local cooperative economies.

With this in mind, four categories of Co-op assets are:

1. Financial
2. Physical
3. Data
4. Credibility

Learn more about how we care for these assets in the functional reporting below.

Executive Limitation 3 states:

The GM shall not allow assets to be unprotected, unreasonably risked, or inadequately maintained.

Operational Definition/Interpretation:

I interpret this statement to mean we must nurture and protect the assets Co-op members have entrusted to us. Sub-policies below outline ways to meet this objective. For each sub-policy, I have provided data to show compliance.

To that end, the General Manager will not allow:

EL 3.1: Inadequate security of premises and property.
**Operational Definition/Interpretation:**

We have procedures in place to secure our cash-handling procedures, inventory, payables, payroll, fixed assets, and buildings. Management and outside professionals review these procedures. Any losses are at or below industry norms.

**Data:**

**Security Procedures**

All food stores have an access control security system in place and Tasco state-of-the-art security monitoring. Our security system is linked directly to local law enforcement. Management continually reviews best practices, especially in the areas concerning building security and inventory control.

Table 1. Summary of security protocols:

<table>
<thead>
<tr>
<th>Written procedures exist?</th>
<th>Review dates</th>
<th>Reviewed By</th>
<th>Date of most recent review by outside expert / who?</th>
<th>Does data support compliance?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash handling</td>
<td>yes</td>
<td>annual</td>
<td>Finance 2017 AUDIT Gallagher Flynn</td>
<td>yes</td>
</tr>
<tr>
<td>Inventory</td>
<td>yes</td>
<td>quarterly</td>
<td>Finance 2017 AUDIT Gallagher Flynn</td>
<td>yes</td>
</tr>
<tr>
<td>Payables</td>
<td>yes</td>
<td>monthly</td>
<td>Finance 2017 AUDIT Gallagher Flynn</td>
<td>yes</td>
</tr>
<tr>
<td>Payroll</td>
<td>yes</td>
<td>monthly</td>
<td>Human Resources 2017 AUDIT Gallagher Flynn</td>
<td>yes</td>
</tr>
</tbody>
</table>
Shrink

In retail, the word “shrink” refers to a reduction in inventory due to shoplifting, employee theft, paperwork errors, pricing errors, cashier error, receiving error, damages, non-saleable products, and vendor fraud. Managing shrink is key to protecting inventory and ensuring proper inventory control.

A 2017 report from the Food Marketing Institute (FMI) showed that retail food stores with a high share of perishables sales (which is similar to our food stores), ran overall shrinks in a range between 2.5% - 4.5%.

The Co-op falls well below the low end of the range, with an estimated shrink of 1.0%.

Why the Low Shrink?

The Co-op’s shrink numbers are relatively low due to a number of factors. These include:
- the high turnover ratios of perishable products when compared to industry averages,
- investments in new refrigeration equipment,
- monthly inventory counts in meat, seafood, prepared foods, deli and produce departments, and
- strong internal controls for receiving.

Learn more about shrink by browsing the FMI “Food Retailing Industry Speaks” reports here.

I report compliance.

EL 3.2: Uncontrolled purchasing or purchasing subject to conflicts of interest.

Operational Definition/Interpretation:

Co-op assets are protected through a set of purchasing controls. These controls are used for all aspects of purchasing, including:
- products for sale,
- services contracted for,
- supplies, and
- capital items.
Co-op policies prohibit purchasing on the basis of improper conduct. These policies provide measures to protect against vendor fraud and ensure compliance.

Compliance is also achieved when no material violations have occurred. Material violations are those that would require an employee to be suspended or terminated due to the violation.

Data:

**Purchasing Controls**

Purchasing controls are in place to allow for more than one million dollars in retail sales each week. The cost of goods and supplies is maintained with designated buyers, approved vendors, and strong and comprehensive receiving policies with Finance department oversight.

Purchasing is restricted to certain job duties and classifications and is monitored by the Operations Director and store managers. All purchases must be accepted at agreed-upon pricing through the receiving system and reconciled with a shipping document or invoice. All discrepancies are reported to our Inventory Control department for corrective action.

Purchases of capital items (valued at $1,000 or more) must have the consent of the Director of Finance, at a minimum, and be within limits set by the annual capital budget. The capital budget is submitted each December for the following year. Budgets are also reported to the Co-op Board of Directors quarterly per EL 1.

Policies also exist that prohibit improper conduct in purchasing. These include gift policies, solicitation, and conflict of interest (see next page, Table 2). Violations can result in disciplinary actions including termination. I have no material violations to report.

Finally, we now have anti-trust language in the Co-op Employee Handbook. All merchandisers, senior managers, Board members, and members of the Co-op management team must review and sign off on these anti-trust policies.
Table 2. Summary of review of purchasing controls. Detail available for inspection.

<table>
<thead>
<tr>
<th>Category</th>
<th>Written procedures Exist?</th>
<th>Review dates</th>
<th>Reviewed By</th>
<th>Date of most recent review by outside expert / who?</th>
<th>Does data support compliance?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchasing Controls</td>
<td>yes</td>
<td>monthly</td>
<td>Director of Finance Operations Director</td>
<td>Audit 2017 Gallagher Flynn</td>
<td>yes</td>
</tr>
<tr>
<td>Products for Sale</td>
<td>yes</td>
<td>monthly</td>
<td>Director of Finance Operations Director</td>
<td>Audit 2017 Gallagher Flynn</td>
<td>yes</td>
</tr>
<tr>
<td>Contracted Services</td>
<td>yes</td>
<td>Contract date</td>
<td>Director of Finance</td>
<td>Audit 2017 Gallagher Flynn</td>
<td>yes</td>
</tr>
<tr>
<td>Supplies</td>
<td>yes</td>
<td>monthly</td>
<td>Director of Finance Operations Director</td>
<td>Audit 2017 Gallagher Flynn</td>
<td>yes</td>
</tr>
<tr>
<td>Capital Items</td>
<td>yes</td>
<td>monthly</td>
<td>Director of Finance Operations Director</td>
<td>Audit 2017 Gallagher Flynn</td>
<td>yes</td>
</tr>
<tr>
<td>Conflict of Interest</td>
<td>yes</td>
<td>monthly</td>
<td>Management Team</td>
<td>Audit 2017 Gallagher Flynn</td>
<td>yes</td>
</tr>
<tr>
<td>Vendor Fraud</td>
<td>yes</td>
<td>daily</td>
<td>Receiving and Inventory Departments</td>
<td>none</td>
<td>yes</td>
</tr>
</tbody>
</table>

I report compliance.
EL 3.3. Lack of due diligence in contracts and real estate acquisitions.

Operational Definition/Interpretation:

The Co-op determines risk to assets when considering contracts and real estate acquisitions. The evaluation may include management team, legal counsel, industry experts, co-op peers, consultants, and others as necessary.

Data:

Contracts

The Co-op entered into and/or extended several contracts since the last EL 3 monitoring report. These are as follows:

Table 3. Contracts

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Service</th>
<th>Date Signed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Service Contracts:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>L&amp;M Service Contractors</td>
<td>Snow Removal</td>
<td>April, 2018</td>
</tr>
<tr>
<td>Hampshire Fire</td>
<td>Sprinklers, Fire Suppression</td>
<td>June, 2018</td>
</tr>
<tr>
<td>Dan Clay</td>
<td>Snow Removal</td>
<td>January, 2018</td>
</tr>
<tr>
<td>JP Pest Services</td>
<td>Pest Control</td>
<td>February, 2018</td>
</tr>
<tr>
<td>SR Max Cleaning</td>
<td>Floor Cleaning</td>
<td>February, 2018</td>
</tr>
<tr>
<td>Robert Sandberg</td>
<td>Composting</td>
<td>May, 2018</td>
</tr>
<tr>
<td><strong>Maintenance Contracts:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alliance Scale</td>
<td>Scale Hardware Maintenance</td>
<td>August, 2017</td>
</tr>
<tr>
<td>Brocade</td>
<td>Hardware/Software Maintenance</td>
<td>April, 2018</td>
</tr>
<tr>
<td>Corp DVS</td>
<td>Hardware/Software Maintenance</td>
<td>April, 2018</td>
</tr>
<tr>
<td>Citrix</td>
<td>Software Maintenance</td>
<td>March, 2018</td>
</tr>
<tr>
<td>Comcast</td>
<td>Service Agreement</td>
<td>June, 2018</td>
</tr>
<tr>
<td>State of NH</td>
<td>Scale Licenses</td>
<td>June, 2018</td>
</tr>
<tr>
<td>DynDNS</td>
<td>Domain Renewals and Hosting</td>
<td>January, 2018</td>
</tr>
<tr>
<td>Culinary Software Services</td>
<td>Software Support</td>
<td>March, 2018</td>
</tr>
<tr>
<td>Microsoft Software &amp; Services</td>
<td>SAAS, Maintenance</td>
<td>April, 2018</td>
</tr>
<tr>
<td>Verizon</td>
<td>Service Agreement</td>
<td>June, 2018</td>
</tr>
<tr>
<td>VMWare</td>
<td>Software Maintenance</td>
<td>March, 2018</td>
</tr>
<tr>
<td>Echostor</td>
<td>Netapp</td>
<td>February, 2018</td>
</tr>
<tr>
<td>Sophos</td>
<td>Support/Maintenance</td>
<td>July, 2018</td>
</tr>
</tbody>
</table>
C&S Operations | Support/Maintenance | October, 2017  
Code 42 | Support/Maintenance | November, 2017  
Holistic Solution | Website Hosting | July, 2018

### Other Contracts:

<table>
<thead>
<tr>
<th>Company</th>
<th>Service Description</th>
<th>Date</th>
</tr>
</thead>
</table>
| Tasco                        | Alarm Systems                        | October, 2017  
| Airgas                       | Cylinder rental                      | November, 2017  
| ECRS Software                | POS & Inventory Management software   | Jan, 2018   
| Binary Software              | Stock Management Software             | July, 2017   
| American Paper Recycling     | Cardboard Recycling                   | July, 2017   
| Casella Waste Management     | Trash Removal                        | June, 2018   
| Paul Guidone                 | Business Consulting                   | October, 2017  
| Beth Saunders Consulting     | Business Consulting                   | October, 2017  
| Double Up Bucks              | Member Benefit                        | May, 2018    
| Banwell Architects           | Architect services                    | July, 2018    
| First Data                   | Credit Card Account                  | September, 2017   
| Granite United Way           | Employee Program                      | March 2018   

All contracts above were subject to terms and conditions that could be covered by expected revenues. By experience, the contracts were judged not to be risks.

I report compliance.
EL 3.4: Uninsured, inadequately insured or otherwise irreplaceable equipment and facilities, considering potential damage or destruction.

Operational Definition/Interpretation:

The Co-op carries standard insurance for a retail grocery business of our size and in our region. Insurance for equipment, facilities, and business interruption is periodically reviewed by management (annually) and by the insurance provider (on renewal or before new coverage is initiated).

Data:

Insurance

The Co-op’s Director of Finance meets with our insurance broker each December to review coverage for property, inventory, and loss due to business interruption. The Director of Finance reviewed the cost of assets in December, 2017, and deemed insurance to be adequate.

Table 4: Summary of insurance review. Details available for inspection

<table>
<thead>
<tr>
<th>Coverage Amount</th>
<th>Adequate?</th>
<th>Does data support compliance?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial (Covers all business units)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>$9.64 million</td>
<td>Yes</td>
</tr>
<tr>
<td>Business Property</td>
<td>$8.64 million</td>
<td>Yes</td>
</tr>
<tr>
<td>Business Interruption</td>
<td>$4.150 million</td>
<td>Yes</td>
</tr>
<tr>
<td>IT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hardware &amp; Software</td>
<td>$455,000</td>
<td>Yes</td>
</tr>
<tr>
<td>Income/Extra Expense</td>
<td>$200,000</td>
<td>Yes</td>
</tr>
</tbody>
</table>

I report compliance.
EL 3.5: Unnecessary exposure to liability or lack of insurance protection from claims of liability.

Operational Definition/Interpretation:

The Co-op has policies and procedures in place to address the following areas:

- personnel, safety practices, and hazardous conditions;
- effective training for staff; and
- adequate liability insurance, including business liability and directors/officers liability.

Co-op management or a third party makes periodic reviews of all facilities. Compliance is determined by finding a lack of hazardous conditions or finding hazardous conditions that are corrected in a reasonable timeframe. Compliance is also determined when insurance coverage for business liability and directors/officers liability is deemed adequate.

Data:

Managers at all locations are expected to perform a daily walk around the facility to check on safety issues.

On a quarterly basis, a loss control expert from our insurance provider tours all facilities with members of the Co-op’s Joint Loss Management Committee and representatives of our Maintenance Department. The goal is to identify potentially hazardous conditions. This tour took place four times in the past year.

Joint Loss Management Committee members also make periodic checks on safety issues. Fire extinguisher checks are performed monthly. All hazardous conditions are rectified in a reasonable time frame, and ongoing discussions to address repeat issues occur in Operations meetings.

The Co-op carries liability insurance in the amount of $1 million dollars in general liability, with umbrella liability coverage of $10 million.

The Co-op carries an additional $500,000 in liability coverage on company vehicles.

To ensure adequate coverage for liability, the Director of Finance and Controller review insurance policies yearly with our insurance agent. Directors/officers liability insurance is carried in the amount of $2 million dollars and is also reviewed annually in December by the Director of Finance and insurance agent for adequacy.

See summary Tables 5 and 6, below.
Table 5. Summary of inspection for hazardous conditions. Detail available for inspection.

<table>
<thead>
<tr>
<th>EL 3.5 table 5</th>
<th>Did it happen? # of times since last report compared to 100% possible</th>
<th>Is there a record indicating either lack of hazardous conditions or that all hazardous conditions were rectified in a reasonable time frame?</th>
<th>Does data support compliance?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire extinguisher checks 100% possible = 12 times</td>
<td>Yes, 12 out of 12</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Fire Panel inspections Qrtly inspection 100% Possible = 4 times</td>
<td>Yes, 4 out of 4</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Hood Ventilation systems Bi-annual inspections 100% Possible = 2 times</td>
<td>Yes, 2 out of 2</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Fire sprinkler suppression Annual inspection 100% possible = 1 time</td>
<td>Yes, 1 of 1</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Emergency lights Qrtly 100% possible = 4 times</td>
<td>Yes, 4 of 4</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Insurance walk around audits Qrtly inspection 100% = 4 times</td>
<td>Yes, 4 of 4</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>
### Table 6: Summary of liability insurance review. Detail available for inspection

<table>
<thead>
<tr>
<th>Coverage (covers all business units)</th>
<th>Date of Review since last report</th>
<th>Reviewed by</th>
<th>Coverage Amount</th>
<th>Adequate?</th>
<th>Does data support compliance?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>Dec. 2017</td>
<td>Director of Finance</td>
<td>$500,000 per occurrence</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$1 million per year</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$500,000 per fire</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$5,000 per person</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Aggregate Limit</td>
<td></td>
<td></td>
<td>$10 million</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Fire Liability</td>
<td></td>
<td></td>
<td>$500,000 per fire</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Medical Payments</td>
<td></td>
<td></td>
<td>$5,000 per person</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Umbrella</strong></td>
<td><strong>Dec. 2017</strong></td>
<td><strong>Director of Finance</strong></td>
<td>$10 million</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>D&amp;O</strong></td>
<td><strong>Dec. 2017</strong></td>
<td><strong>Director of Finance</strong></td>
<td>$2 million</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

I report compliance.

**EL 3.6: Unprotected data, intellectual property, information, or files, considering potential loss, theft, or significant damage.**

*Operational Definition/Interpretation:*

The Co-op has strict procedures in place to protect electronic and paper-based records. Data and knowledge vital to the function and future prosperity of the Co-op is protected by adequate procedures to secure them from loss.

Procedures are regularly reviewed by members of management and outside parties and updated as necessary. Compliance is shown through the absence of material losses.

*Data:*

All paper-based records are secured at the Co-op in locked offices. Access to this information is on an as-needed basis only. Paper-based records are retained following publically accepted practices for length of time. The Co-op maintains secure storage of records older than one year. The Co-op experienced no loss of paper-based records since the last report.
The Co-op has no unprotected electronic data. Co-op electronic data that is created and stored within our network is protected from third-party access by firewalls, and use of usernames, passwords, and ACLs (Access Control Lists).

ACLs are established for each folder, file, and application in accordance to the principal of least privilege. This principal indicates that every user, process, and program must be assigned permissions to allow access to only the information and resources necessary to complete the tasks or function. Physical access to IT machine rooms is restricted by use of closed and locked doors. Automated backup systems, network deep packet inspection, web content filtering, and SPAM and virus protection systems are also in place. The Co-op experienced no material loss of electronic data since the last report.

Human Resources pays particular attention to the protection of electronic data and how it secures its paper files. The laptop computer used by the Director of Human Resources is encrypted for security purposes as it is frequently used outside of the administrative offices. We have a shared data drive and access is limited to the employees in the HR department. Central paper files are secured in locked fireproof cabinets in a file room and access is limited to HR employees only. Only the Director of Human Resources, the Human Resources Manager and the Human Resources Generalist have keys to the file cabinets. Files maintained in individual offices are locked when not in use and the offices are locked when not occupied. The Co-op experienced no loss of paper-based records since the last report.

I report compliance.

EL 3.7: Damage to the Co-op’s goodwill, its public image, its credibility, or its ability to accomplish Ends.

Operational Definition/Interpretation:

The Co-op fosters goodwill, a positive public image, credibility, and the ability to accomplish Ends by maintaining its authenticity. To put it another way, we operate in a transparent manner and “walk the talk.” In the process, we create programs that have genuine and lasting impact.
Data:

Human Resources

Training for our employees is ongoing with the goal of rolling out the first phase of the Pathways program to all employees by end of the second quarter of 2018. The Pathways program is a comprehensive program that will map out pathways for employees to follow as they develop their careers at the Co-op. Education begins at orientation for newly hired employees and continues through on the job training, online and in-person classes, and independent learning through visits to vendors to learn more about their products and how they are made. Knowledgeable Co-op employees can better serve our members and shoppers by providing a more enjoyable customer experience, which accomplishes our Ends and fosters a positive public image and goodwill.

Member Services

The Outreach and Member Services department has worked to shift our organization. The goals is to be better listeners for our members. The engagement project is a significant piece of how we better understand member interests and what they would like our Co-op to support for goodwill initiatives and how to maintain credibility. We maintain goodwill by supporting the community in genuine ways that align with our members’ interest and our business plan.

Examples of programs that help do good in our community:

- **Food Access Support.** Free kids fruit program, Food for All, Double Up Food Bucks, Haven order program.

- **Community Impact Engaging Members.** Pennies for Change, Stuff a Truck, shred events, Earth Day events.

Examples of programs that foster credibility:

- **Transparent Information and Education.** Our Co-op is a trusted source in the market for information that is transparent about products and services. Examples of ways we maintain trust: education for customers and employees on CBD, Driscolls, plastics, and authentic fair trade.

- **Transparent Business Practices.** Examples include: GM updates, business plan posted online, and plain writing principles to make complex information more accessible.
Ability to accomplish Ends:

- **Engagement.** Through the engagement project, our Co-op is able to make the Ends even more accessible to people, which helps us all to understand how to better meet them.

**Public Relations**

An online report [here](#) provides extensive details about the Co-op brand and sheds light on our public image, credibility, and goodwill. Note that the current report (2017/18) shows 0% negative coverage and 71% positive coverage. This is a dramatic improvement in public image since the 2014/15 report.

Why such a strong and positive public image? Advocacy.

Our Public Relations work naturally fosters goodwill, credibility, and a positive public image by advocating for the needs of our communities within the broad framework of socioeconomic justice and human rights. Our cooperative is committed to systems advocacy, an effort to change policy and practice at the local, state, national, or international level.

To that end, we have narrowed our advocacy work to four issues:

- workforce housing,
- a $15/hour minimum wage,
- food security, and
- defining local.

We have chosen these issues because they are highly interrelated:

- People can’t find jobs without housing.
- People can’t afford housing without a decent wage.
- A decent wage is key to food security, or knowing where the next meal is coming from.
- When that meal is sourced locally, which we believe is vital to the economy of a community, it’s important to define what local really means.

To learn more about the impact of the Co-op’s advocacy work, review the columns below. These two columns, written by Shawn N. Jasper, New Hampshire Commissioner of Agriculture, appeared in the NH Department of Agriculture newsletter, the *Weekly Market Bulletin*. (Note: These columns have been formatted for greater reading ease; otherwise, they are unedited so as to preserve the wording and intent of the original author.)
Food Co-op, Sheep and Wool
May 16, 2018

Last Saturday afternoon, I spent a few hours at the Hanover Food Co-op store in Lebanon. It was an eye opening experience for me. The store was nothing like I had envisioned – it was more like a chain supermarket than a store which promotes locally sourced produce and meats.

The beauty of the model that the co-op uses, is that customers are not limited to certain brands or types of products. Customers can find locally produced products alongside national brands. They know the local growing seasons and they buy locally when they can, but they have sources for those products when they can’t get them from locally. They have meats from NH and VT, right alongside brands found in the larger chains. Raw milk and whole milk from a NH dairy were sold along with Hood milk. The co-op has its own kitchen in Norwich VT, which produces a wide variety of prepared foods, but they also sell prepared foods produced by others. They have a large selection of breads made just over the border in Vermont. I was impressed to see that the co-op puts the place or origin on all of their fresh produce and fish. I really wish that we had a store like this near Hudson.

The real purpose of my visit was to meet with a group of people who grow food in NH, along with others who are part of the broader agricultural network in the Lebanon area. We meet in a room with a kitchen, which the coop calls their culinary learning center. At a break during the discussion, we were treated to snacks prepared using locally grown meats and vegetables. During this meeting, we discussed opportunities and roadblocks to being successful in agriculture in NH.

Not surprisingly, high property taxes and labor shortages were two of the problems highlighted. We also talked about the opportunity we have to promote our brand and the fact that we have plenty of room for growth in NH agriculture.

The Hanover Co-op was founded in 1936 and today they have over 20,000 members and gross sales of about 70 million dollars. They have a Co-op market, three grocery stores, a convenience store and a service center. Through three charitable giving programs, the co-op gave back over $270,000 dollars to people in the region, with most of that money being given by customers donating the change from their purchases. While the members of the co-op do not receive dividends in the traditional sense, twice a month the members receive a 10% discount on their purchases at the grocery stores. It is easy to see what a bargain the one-time membership fee of $50 is.

On Sunday, my wife, daughter and I, went to the Sheep and Wool Festival located on the Deerfield Fairgrounds. The last time I had been to the festival, was when I was an FFA member and it was held on the New Boston Fairgrounds, back then the Alvirne FFA Chapter manned the food concession stand. A lot has changed from those days, and from what I could see, it was all for the
better. I have never seen so much yarn in my life. There was yarn under tents and yarn in buildings; there was yarn everywhere I looked. There were also plenty of others things to buy; we brought too much fudge home with us. My wife wanted to bring an Alpaca home with us, but luckily we didn’t have room in the van (I will find out if she reads my column or not), actually she did buy a little handmade one. Thankfully, she didn’t seem to want an Angora rabbit, as we did have room for one. Of course we saw plenty of sheep and a few goats and llamas as well. It was nice way to spend part of Mother’s Day.

**Eagles, Cows and More**

*July 18, 2018*

Last week saw a historic event take place at the State House; the toast to the eagle perched on the dome was recreated. It was 200 years ago that the eagle was placed upon the original dome of the State House and 13 toasts were made, so last Saturday those same toasts were made once again. I was honored to deliver the toast to the Agricultural Societies of New Hampshire. Before I made the toast, I noted that Socrates had stated that when agriculture succeeds all other arts flourish, but when agriculture fails all other arts cease. That statement was true over 2000 years ago and it is still true today. The toast I gave was a simple one, “May the blessings of providence smile upon that art which supports all arts”. Not only did I enjoy the toasts, the beer which was brewed for the event by Henniker Brewing Company, was good as well.

Earlier in the week I made a trip to Plainfield, to visit two farms which sell products to the Co-op Food Stores. Allan Reetz, Director of Public Relations, set up the visit for me. We met at Mac’s Happy Acres Farm, better known as McNamara Dairy. I have to say that the reputation of agriculture is well served by farms such as Happy Acres and neighboring Edgewater Farm.

The McNamara family was as welcoming as I could have hoped for; we had a nice couple of hours touring the farm and talking about agricultural issues. I was pleased to meet Hazel McNamara who along with her late husband purchased the farm in 1950. I learned that they are milking about 200 cows, with about 90% of their production, on average, going into products they make on the farm. Most of the milk is bottled, but they also make ice-cream and butter. It was interesting to find out that they are able to keep their market to about a 45-mile radius. They bottle in glass and plastic twice a week, but in my mind milk tastes best in glass. Their milk is also sold at the Hanover Co-op Foods Stores. They have two delivery trucks on the road five days a week, and of course you can buy milk right on the farm.

Another part of the operation is Mac’s Maple. The family taps about 20,000 trees, if memory serves me, they produce a lot of sugar products, including maple ice-cream. They have also built a trailer that looks like a sugar house, which they bring to various events in the area.
The store, is attached to the real sugar house, which also has a large selection of items, most of which are made locally. The farm is nestled along the edge of the Connecticut River, with only the road between the farm and the banks of the river. There are bald eagles nesting in the trees on river bank and while I didn’t see them, I could hear them clearly.

The second visit was to Edgewater Farm, which is on the same road as the Mac’s Happy Acres and is owned by the Sprague family; Anne Sprague is a daughter of Hazel McNamara. They purchased the property in 1974 and now have over 85 acres in cultivation, including about 70,000 square feet of plastic covered green houses. They just built a new vegetable packing and storage facility, which is 94’ x 50’ and 14’ in height. They have a very nice vegetable stand on the main road just around the corner from the main farm, but the stand is also surrounded by working fields. Their business model also includes Community Supported Agriculture (CSA) along with selling to the Co-op Food Stores, and some wholesaling.

The Spragues could not have been more welcoming we enjoyed a pleasant walk around the farm, cold glasses of ice tea and conversation at their kitchen table.

I report compliance.
Monitoring Report
EL 5 – Employee Experience
Submitted by Edward W. Fox
July 2018

The Board’s Executive Limitation Policy 5 states, “The General Manager shall not treat staff in any way that is unfair, unsafe, unclear or inconsistent with the Cooperative Values and Principles.”

Interpretation: I interpret this policy to mean the Co-op shall treat all employees in a manner that is fair in that all employees shall be notified of all policies in place at the time of hire and throughout employment in a clear manner, provide a safe workplace both physically and emotionally, and do so in a manner that is consistent with Cooperative Values and Principles.

As such, the GM will not fail to:

**EL 5.1 Operate with written personnel policies that:**

a. Clarify rules and employment expectations for staff.

Interpretation: The meaning of this policy is clear and needs no further definition.

This is achieved via a comprehensive employee handbook that was first shared with all staff in July 2015. The handbook is periodically updated and re-issued to staff upon the date of publication. HR is often contacted by managers and employees for clarification of policies outlined in the employee handbook.

b. Provide for fair and thorough handling of grievances in a way that does not include the board as a participant in the grievance process.

Interpretation: The meaning of this policy is clear and needs no further definition.

Grievances are handled initially by the department manager and generally involve the location manager as well. Many times, HR is consulted early in the process as the primary goal of HR’s involvement is to recognize if there are any underlying reasons for the grievance and to resolve those issues in a fair manner which is consistently applied across the various Co-op locations using the Employee Handbook/Co-op policies as a guide in conjunction with state and federal employment law.

c. Are accessible to all staff.

Interpretation: The meaning of this policy is clear and needs no further definition.
Copies of the Employee Handbook are issued to all employees upon publication. All new employees are issued a current employee handbook which is reviewed with new staff as part of the new hire orientation that is held at the administrative offices on a regular schedule. Employee Handbooks are available in every location as well as on the shared network drive which is accessible from any Co-op computer.

d. Inform staff that employment is neither permanent nor guaranteed.

Interpretation: The meaning of this policy is clear and needs no further definition.

In 2017, all references to At-Will employment were removed from our Employee Handbook and other materials. The new language states: I understand that, while my employment at the Co-op is neither permanent nor guaranteed, the Co-op is committed to providing me, in most circumstances, with fair notice of performance or behavioral problems I may experience, and to working with me in good faith to correct these problems before any termination decision is made. I also understand, however, that there may be circumstances where termination decisions must be made immediately due to the severity of a particular infraction, as noted in section 5.7 and other areas of this handbook, and that management has the absolute discretion to make that decision.

I report compliance.

**EL 5.2: Apply personnel policies in a consistent fashion.**

Interpretation: Employees need to perceive a degree of fairness in regard to the application of personnel policies.

Our HR Director has brought consistency to this area with the development and launch of a new employee handbook in 2015 with subsequent updates as needed, generally re-published yearly. Together with our Employee Learning and Development Manager, our HR Director has developed and launched manager training for all managers and supervisors on the role of managers and the role of HR. This training is ongoing.

I report compliance.

**EL 5.3: Permit employees to participate meaningfully in achieving business success for their departments, their stores, and the cooperative as a whole, in part through appropriate training programs for new employees and employees new to their positions.**

Interpretation: I interpret meaningful participation to mean employees have mechanisms to help them make a contribution to the business success of the organization at multiple levels.
Open Book Management gives all employees a window into the financial side of the business. Retail locations, the Service Center and the Kitchen have weekly huddles at which managers and interested staff gather and report out on their weekly sales and compare them to forecasts.

A decision was made last fall to eliminate the quarterly listening sessions held at each location and replacing them with members of management team attending weekly huddles in each location on a rotating basis. This has resulted in more direct conversation between employees and management team and gives management team a better understanding of what is happening in each location. It also gives management team an immediate opportunity to show its appreciation to our employees for the hard work they do every day.

I report compliance.

**EL 5.4: Maintain objective, quantifiable measures of employee opinion and to report the results to the Board at least every three years.**

Interpretation: There needs to be a survey of employee opinion performed by a reputable outside third party, on a regular basis, the results of which are shared with the Board.

An Employee Satisfaction Survey was conducted in May 2018.

I report compliance.

**EL 5.5: Provide for adequate documentation, security and centralized retention of personnel records and all personnel related decisions.**

Interpretation: The meaning of this policy is clear and needs no further definition.

Employee files are kept in a locked file room in the HR offices at Buck Road. Each cabinet is locked and is fire-proof. Access to this room is limited to HR staff who have a business reason to get into the files. We employ the circle of reasonability as a visual aid for employees to understand the expectations of being a good employee. We have trained our managers on this concept and have trained them on coaching techniques.

I report compliance.
**EL 5.6:** Provide a thorough training program for all management/supervisory personnel concerning the effective handling of performance and discipline issues.

Interpretation: The meaning of this policy is clear and needs no further definition.

We offer ongoing manager training on a quarterly basis for new and experienced managers. These trainings cover such topics as partnering with HR, coaching employees, the ins and outs of employment law and how to navigate our performance improvement policy.

I report compliance.

**EL 5.7:** Provide for a progressive corrective disciplinary system applicable to employees who have completed their respective probationary periods that:

a. allows employees the opportunity to correct behavior reasonably amenable to corrective discipline without infringing on the General Manager’s right to suspend or to discharge employees immediately for serious violations of law or policy.

Interpretation: The meaning of this policy is clear and needs no further definition.

Employees who are struggling or not meeting standard are given an opportunity to improve by their manager first and then in conjunction with HR. A Performance Improvement Plan is developed by the employee and his/her manager in a first effort to effectuate improvement. If that is not successful, the manager will contact the HR Director for further input on how corrections to performance may be made. A Corrective Action Notice would be the next step in the process, if needed, and HR would work with the manager to craft such a notice. The employee would be given a stated timeframe by which improvement is to be made. Failure to improve may result in additional time being granted or termination depending on the circumstances involved.

b. advises employees of the reason(s) for any disciplinary actions taken, including discharge, and

Interpretation: The meaning of this policy is clear and needs no further definition.

Employee actions have a written document to support the action as noted above, either in the form of a performance improvement plan or corrective action notice, or in a termination letter that clearly states the reason for the action being taken.


c. reserves to the General Manager the sole right to determine what constitutes proper cause for disciplinary action, including discharge.

Interpretation: The meaning of this policy is clear and needs no further definition.

The General Manager is always consulted on employee relations issues. GM approval is always obtained before any disciplinary action is taken, especially when termination of employment is a possible outcome.

I report compliance.

**EL 5.8: Authorize compensation and benefits that are internally and externally equitable.**

Interpretation: The meaning of this policy is clear and needs no further definition.

The General Manager is apprised of all changes to compensation and benefits packages that are being considered. The approval of the General Manager is obtained before any changes are made to the compensation and benefits offerings of the Co-op.

I report compliance.

**EL 5.9: Advise the Board prior to paying any employee bonus, establishing or modifying any incentive plan for employee compensation, or providing for any program of employee discount.**

Interpretation: The meaning of this policy is clear and needs no further definition.

The General Manager advises the board prior to any incentive plan or any program of employee discount being put into play.

I report compliance.

**EL 5.10: Refrain from changing the General Manager’s own compensation and benefits, except as his or her benefits are consistent with a package for all other employees.**
Interpretation: The meaning of this policy is clear and needs no further definition.

No changes are made to the General Manager’s compensation without direct written communication from the Board of Directors to the HR Director instructing him/her to implement such a change.

I report compliance.
APPENDIX A
DRAFT MEETING MINUTES, July 25, 2018

Present:  William Craig, Elizabeth Blum, Kevin Birdsey, Benoit Roisin, Victoria Fullerton, Thomas Battles, Ann Shriver Sargent, Rosemary Fifield, Jessica Saturley-Hall, Dana Cook Grossman, Ed Howes (remote participation by phone)

Absent:

Staff:  Ed Fox (General Manager), Mark Langlois (Director of Finance), April Harkness (Board Administrator), Lori Hildbrand (Director of Human Resources), Amanda Charland (Director of Member Services & Outreach)

Guest:  Charlie Bauer (lawyer)

Members:

Bill Craig called the meeting to order at 6:03 p.m. in the Hanover Board Room of the Hanover, NH, store.

Participation by Phone

MOTION:  Tom Battles made a motion to allow Ed Howes to participate in the meeting by phone, as well as to vote and to participate in any Executive Session, given the significance of several issues before the Board at this meeting.

Ann Shriver Sargent seconded the motion.

VOTED:  10 in favor, 0 opposed. The motion passed.

Consent Agenda:  June 27, 2018, Meeting Minutes (Appendix A) and June 2018 Share Redemption Requests

MOTION:  Benoit Roisin made a motion to accept to the Consent Agenda, including the June 27, 2018, meeting minutes and June 2018 Share Redemption Requests.

Liz Blum seconded the motion.

VOTED:  10 in favor, 0 opposed. The motion passed.
General Manager Report

Ed Fox began by thanking the members of the Board for their committee and liaison work, such as recent initiatives by the Waste Reduction Committee and the Member Engagement project; he noted that such work by Board members and members of the Co-op spills over into the work of the General Manager and the entire Co-op team.

Ed clarified that the EL 11 – Tobacco policy was reported on earlier in the year and that in the most recent policy revision, EL 11 was dropped as a stand-alone policy and its substance was instead addressed in sub-policies of EL 4 – Member/Shopper Experience and EL 5 – Employee Experience. It was also noted that these sub-policies currently address tobacco products, but that the Co-op should consider adding clarifying language that also encompasses vaping products. The General Manager offered to provide guidance to the Board on appropriate language.

(Ed Howes joined the meeting by phone at 6:13 p.m.)

Policy Monitoring

Monitoring Report: EL 2 – Financial Condition & Performance

MOTION: Tom Battles moved to accept the General Manager’s EL 2 – Financial Condition & Performance report with acknowledgement that we are not in compliance with EL 2.5 but that the trend is upward.

   Dana Grossman seconded the motion.

VOTED: 9 in favor, 0 opposed, 2 abstained. The motion passed.

Monitoring Report: EL 4 – Member/Shopper Experience

MOTION: Tom Battles moved to find the General Manager in compliance with EL 4 – Member/Shopper Experience.

   Benoit Roisin seconded the motion.

DISCUSSION: A Board member asked a clarifying question about the privacy of member/shopper information, and the Board was assured that the ECRS system offers differing levels of security to employees in different positions, so that only employees in need-to-know roles can access such information. The organization does a member/shopper survey every three years and uses the information as supporting data for this report. A Board member asked that the next member/shopper survey be structured to elicit a statistically valid sample size so there can be confidence in the results.

VOTED: 11 in favor, 0 opposed.

Monitoring Report: EL 5 – Employee Experience

MOTION: Liz Blum moved to accept the report on EL 5 – Employee Experience as in compliance.

   Dana Grossman seconded the motion.
**DISCUSSION:** A Board member requested more participation from employees in future surveys to provide greater confidence in the results. Another Board member asked how it was possible to measure EL 5 compliance without specific numbers. The General Manager offered to help provide expertise in suggesting relevant evaluative data. A question was asked about sub-policy EL 5.2 — *Apply personnel policies in a consistent fashion*, regarding how employees might view fairness in personnel policies. HR Director Lori Hildbrand said that exit interviews are conducted and then a matrix is created which reflects any themes that may be out of the norm. Pending further presentation of analysis of the employee survey results in subsequent informational sessions for Board members, employees, and members, the Board did not vote on the above motion.

**MOTION:** Ann Shriver Sargent moved to table the motion.

Kevin Birdsey seconded the motion.

**VOTED:** 9 in favor, 0 opposed, 2 abstained. The motion passed.

**Monitoring Report: EL 6 – Compensation & Benefits**

**MOTION:** Tom Battles moved to accept the report on EL 6 – Compensation & Benefits as in compliance.

Benoit Roisin seconded the motion.

**DISCUSSION:** It was noted that there’s a slight difference in the number of males and females holding executive/management-level positions at the Co-op, and the HR Director stated that this is largely determined by the applicant pool. There are ongoing efforts to increase the applicant pool to include more women and to rewrite job descriptions to be friendlier to underrepresented candidates. The Co-op has used an agency to recruit candidates for some searches, such as for the Director of Finance and Store Manager positions. In those particular cases, female applicants either did not apply or dropped out. In terms of any disparity between the hourly rate pay for males and females, the HR Director looks mainly at differences from year to year and whether or not the Co-op is making progress in that area.

**VOTED:** 9 in favor, 0 opposed, 2 abstained. The motion passed.

*Liz Blum thanked the General Manager for his report on EL 4, especially for the preamble quoting the Rev. Dr. Martin Luther King Jr.’s campaign to fight poverty, racism, and militarism in the United States and for the new charts in the EL 2 – Financial Condition & Performance report.*

**Member Comments**

Board President Bill Craig read an anonymous letter from a current Co-op employee and member, dated July 16, 2018, suggesting that the Co-op address harassment concerns in a manner similar to Hypertherm. As chair of the committee addressing EL 5 – Employee Experience, Victoria Fullerton offered to follow up with Hypertherm and investigate other alternatives, such as an ombuds program.
MOTION: Benoit Roisin moved at 7:00 p.m. to go into Executive Session to discuss an HR matter and to include in the Executive Session the two employee members of the Board, Lori Hildbrand, and Charles Bauer, as well as Ed Fox, who would remain available, if called in — and to ascertain that the Board member who was participating remotely by phone was located in a secure, confidential place. 
Liz Blum seconded the motion.

VOTED: 11 in favor, 0 opposed. The motion passed.

Lori Hildbrand left the meeting at 8:10 p.m.
Charlie Bauer left the meeting at 9:25 p.m.
Benoit Roisin left the meeting at 9:30 p.m.

MOTION: Liz Blum moved to come out of executive session at 9:35 p.m. 
Tom Battles seconded the motion.

VOTED: 11 in favor, 0 opposed. The motion passed.

Architect Liaison Report

MOTION: Dana Grossman moved that the Board affirm the criteria set forth in the “Board Vision/Guidance for the Renovation Committee” draft proposed by Ann Shriver-Sargent, the Board’s liaison to the Renovation Committee. 
Jessica Saturley-Hall seconded the motion.

DISCUSSION: It was suggested that the wording of the final item in the draft criteria (the item starting “The length of the debt pay off ...”) be changed to “The length of the debt pay off should be consistent with the requirements of EL 2, 3, and 10.” This suggestion was accepted as a friendly amendment by both the mover and the seconder.

VOTED: 10 in favor, 0 opposed. The motion passed.

Liz Blum and Victoria Fullerton left the meeting at 9:49 p.m.

CDS Proposal

There was brief mention made of the proposal presented to the Board by CDS consultants Mark Goehring and Thayne Joyal, but it was decided by consensus to postpone serious discussion of or a decision about the proposal until a future meeting.
New Board Member

**MOTION:** Jessica Saturley-Hall moved that the board appoint Jessica Giordani, the next highest vote-getter in the most recent Board election, to the vacancy on the Board created by the recent resignation of Don Kreis. Per the by-laws, she will serve until the next election, in 2019.

   Tom Battles seconded the motion.

**VOTED:** 8 in favor, 0 opposed. The motion passed.

In view of the late hour, it was decided by consensus to carry over the remaining topics on the agenda to a future meeting.

**MOTION:** Tom Battles moved to adjourn at 9:58 p.m.

   Kevin Birdsey seconded the motion.

**VOTED:** 8 in favor, 0 opposed. The motion passed.

Respectfully submitted,

April Harkness   Dana Cook Grossman
Board Administrator   Board Secretary
APPENDIX B

Hanover Consumer Cooperative Society, Inc.
2018 Employee Satisfaction Survey Results Report
Submitted by: Lori Hildbrand, HR Director

The HCCS is required to run an employee satisfaction survey at least once every three years. The last survey was conducted by CDS Consulting Co-op in 2015. There were some perceived issues with confidentiality based on the methodology of that survey. At issue was whether or not the Co-op could see individual survey results and would therefore know what individual employees had said, how they had answered the questions on the survey.

While this was only a perception, and not reality, it had lingering after effects on the employees, the members, and the community at large. We took great pains to find a method of conducting the survey in complete anonymity. We went to a new survey provider, and had one access point with one log in for all employees. This provider is “Great Place to Work,” who runs surveys for companies across the globe. Their survey is pre-packaged with questions and demographics which are included for the purpose of identifying those characteristics in any organization that exemplify a great place to work. We opted to go for such certification which would have required 51% participation of our employees and a 70% positive rating on all questions. While we had the 70% positive rating, we did not have 51% of our employees take the survey.

From what we have learned since the survey closed, some of the employees felt that the demographic questions could reveal who had provided which answers and others felt that we could see each survey from beginning to end as it was entered into the computer. The way this works is that all responses are aggregated by question and that any question that has less than 5 responses will not show up when we are analyzing the survey responses. In other words, the survey was anonymous and completely confidential. Perception being what it was, we had a 37% response rate.

This response rate was disappointing but it does represent the responses of 130 of our employees. We did not qualify for certification as a Great Place to Work, but we did come away with some very interesting results. We know what we are doing well and we know where we need to focus our attention.

Before we look at the results, we should talk about the changes that have occurred at the Co-op in the last 3 years. We have had changes in our top leadership with a new General Manager, a new Director of Finance, not once but twice, a new Director of Operations, a new Director of Member
Services and Outreach and a new Director of Human Resources. Our Director of Communication has transitioned to our new Director of Public Relations which has given us a prominent voice in our community and beyond.

In addition to this, we have invested in Catapult, a software platform that is going to revolutionize the way we do our work each day. This software will change the way our employees order product, do inventory, receive product, track product, account for sales, perform transactions at the registers, and much more. We anticipated that these time-saving benefits would be felt in 2018 and as such opted to move to smart staffing in 2017. As a result our total number of employees was reduced from 402 at the end of 2016 to about 360 today. We find ourselves in the midst of an extremely low unemployment cycle and as a result are having to work harder to find qualified employees to fill open positions here.

We also went through a lengthy renovation of the Hanover Store, the departure and replacement of two store managers, a transitional year financially and new processes for budgeting, and all the while building new ways to run the business. All of these changes, as well as changes in how we communicate with our employees, how we provide training, adding new benefits, how raises are handled and how we manage the business have all contributed to where we find ourselves today.

For us, the most significant results are two-fold. The first is the confidence in the executive team came in at a high rate. The second is that people who work at the Co-op feel that they are treated fairly regardless of their race, gender, sexual orientation, and/or age. Comments range from employees who feel they are being overlooked, not heard, and are lacking support to employees who love the benefits, love working here and think we are on the right track.

Having said all that, here is a snapshot of the survey results... the high and the low with more information to come in open sessions for members, employees and the public. Please take a look at the exhibits on the next two pages.
Exhibit 1. Highest and Lowest Scoring Questions:
Exhibit 2.  Heat Map:
APPENDIX C

Governance Committee update 8/6/18

Please note that Jessica has joined us on this committee.

The committee met on 7/27. Discussion included monitoring surveys for B-GM policies 2 and 3, the appendices of our board policy manual, and creating a process for Director conduct inquiries. The status of these items is as follows:

B-GM 2, 3 monitoring surveys- Sometime between the writing of this report and our August meeting, the Board will receive a link for this survey. The committee will review the survey results and offer conclusions in our September board packet.

Policy manual appendices- We reviewed each appendix and came to a variety of determinations on each. Those will be evident when the completed manual with fully updated appendices is provided to all directors.

Director conduct inquiries- A draft of new policy, a slight addition to GP 4 and a new GP (11), follow this report. This is a first draft by Kevin as a result of initial committee discussion. The committee will discuss once more and hopefully present a final draft to the Board in September.

We welcome input on any of these matters at our August Board meeting.

-Kevin

Governance Committee: Kevin Birdsey (chair), Bill Craig, Rosemary Fifield, April Harkness, Jessica Saturley-Hall

Additional sub-policy for GP 4 Board Members’ Code of Conduct:

GP 4.6 - Complaints of violations of this policy by one director can be submitted by any other director to the Board Conduct Committee (see GP 11) for review.

New GP policy:

GP 11 - Director Conduct Inquiry Process
There will be a committee of three directors, not to include the Board President, which will address complaints of conduct of individual directors. The standards enumerated in GP 4 will be applied in
this review process, including, but not limited to, ethical, businesslike, and lawful conduct including proper use of authority and appropriate decorum.

GP 11.1 - The committee will meet in a timely manner after a complaint against another Director is filed. Should the complaint concern a member of the committee, that person will not sit on the committee for that investigation.

GP 11.2 - The committee will formally notify the director against whom a complaint has been filed as soon as possible.

GP 11.3 - After receiving a complaint, the committee will both thoroughly and promptly conduct an investigation, speaking to all individuals involved, including the director in question. The committee will decide if it is necessary to involve legal counsel in the matter.

GP 11.4 - As a result of an investigation, the committee may vote to dismiss the complaint (notifying both parties) or bring the matter to the attention of the full Board for consideration in Executive Session.

This policy will be monitored annually.
(proposed new) Monitoring calendar

May- EL 9 - Cooperative Giving Programs, GP 8 - Cooperative Giving Programs

June- EL 4 - Member/Shopper Experience, GP 6 - Board Process for Recruitment and Continuity

July- EL 2 - Financial Condition and Performance, EL 5 - Employee Experience, EL 6 - Compensation and Benefits

August- EL 3 - Asset Protection

September- EL 7 - Communication and Counsel to the Board, B-GM 2 - Accountability of the GM (2018), B-GM 3 - Delegation to the GM (2018)

October- EL 2 - Financial Condition and Performance, EL 14 - Cooperation Among Cooperatives, GP 9 - Working with Neighboring Co-ops

November- EL 10 - Appropriate Architecture and Design, GP 5 - President's Role

December- EL 1 - Planning: Proposed Budget and Business Plan, GP 3 - Governance Development


March- Ends Global, B-GM Global (2020), B-GM 1 - Unity of Control (2020), B-GM 4 - Monitoring GM Performance

Proposal
Presented to the Hanover Food Co-op
By Mark Goehring and Thane Joyal, CDS CC
July 15, 2018

Scope of Services
Provide support and education to the Board of Directors related to cooperative governance, focusing specifically on governance systems implementation and documentation and board communication with member-owners and the General Manager. Support development of healthy organizational culture and relationships.

Tasks & Deliverables

Attend or Observe Board Meetings: Mark or Thane will be available in person for board meetings August 22, September 26, October 24, November 21 and December 19. Mark will be present via telephone as a passive observer at the July 25 meeting.
Cost: 1 meeting via Telephone: 3 hrs @ $150/hr = $450
5 meetings in Person: 3 hrs plus 2 hrs travel time @50% = $600

Board Self-Monitoring Assessment: Review Hanover’s Board Self-Monitoring Process by reviewing board minutes over the preceding year and any other relevant materials, and provide a report which discusses the process and offers reflections, and, if appropriate, recommendations for improvement.
Cost: 4.5 hrs including up to 1 hr telephone consultation @ $150/hr = $675

Prepare Comparative Discussion Document for Board Policy Manual
Description: Coordinate with board policy committee to prepare comparison table for board policy manual contrasting actual practice with policy language from Hanover Food Co-op and from one or more benchmark peer documents
Cost: 8 hrs including up to 3 hrs telephone consultation @ $150/hr = $1200
**Board Meeting Planning and Agenda Preparation Support**  
**Description:** Mark and Thane will consult monthly to assist in meeting planning and agenda development.  
**Cost:** 6 hrs for 2 consultants for the price of 1 @ $150/hr = $900

**Board Governance Basics Training Fall 2018**  
**Description:** Mark or Thane will provide a one day training tailored to the needs of the Hanover board of directors including the Four Pillars of Cooperative Governance, Policy Governance, and basics of facilitation and board meeting and annual calendar design and preparation. Shared ground-rules for board meeting conduct will be developed by the group and a steps toward developing a preliminary draft annual calendar will be introduced.  
**Cost:** $3500 including preparation and follow up
APPENDIX E
2017 Participation Report
Hanover Co-op Food Stores
Hanover, New Hampshire
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Introduction
Welcome to NCG’s brand new participation report! This report is intended to help co-op board members learn more about your co-op’s relationship with NCG. While NCG typically works through the General Manager (or a Designated Representative at the co-op), our relationship is with the co-op as a whole, and this report is one of many vehicles in place to increase your awareness about NCG, its services, and the value your co-op receives through its participation in the organization.

The markets in which NCG co-ops operate have been increasingly challenging for several years. While collectively we still enjoy modest sales growth (total co-op sales growth averaged 2.5% in 2017), many co-ops are struggling with declining sales, increasing costs, and falling earnings: all of which threaten co-ops’ stability. This instability, coupled with increased business complexity and increased turnover of senior staff at co-ops, compels us to strengthen our strategic relationships to ensure healthy, vibrant co-ops for years to come.

This report covers several forms of participation with NCG:

Program and event participation
NCG leverages the collective experience, wisdom, and purchasing power of our cooperative ecosystem to help co-ops strengthen their operations. To this end, NCG offers a broad assortment of programs, resources and professional development events designed to help co-ops grow and improve. This report offers insight into your co-op’s participation in many NCG programs, resources and opportunities.

Financial Participation
Many of our programs are made possible by a system of interdependence and shared liability. In order to create value for all co-ops, NCG co-ops take responsibility for each other’s financial performance. We all benefit from co-ops that are thriving, and we are all impacted by co-ops that are not. The long-term health of our sector requires a commitment to excellence by all. This report includes an overview of long-term financial performance trends for your co-op, but please note that the data reported is for calendar years.

Compliance with standards
NCG co-ops recently adopted several operating standards in response to changing market conditions. These standards acknowledge that it is not just through purchasing programs and training that co-ops will thrive, but also through operating better businesses. This report summarizes your co-op’s compliance with required NCG policies and operating standards.

We hope this report increases awareness and transparency between NCG and critical stakeholders at NCG co-ops. This report will be refined and improved each year.
Member Investment in NCG

Membership in NCG is the same as at the local co-op level - membership is ownership. As such, membership carries the responsibility of investment in NCG, and brings governance rights (such as voting and input on the organization’s direction). In addition, NCG member co-ops are eligible for patronage distributions of NCG’s surplus, as determined by the NCG board of directors.

Each NCG member purchases a $500 voting share upon joining NCG. Additionally, each member makes an investment in NCG’s capital base. This member capital provides the basic financing for NCG as a purchasing cooperative. The base capital requirement is 0.10% (one tenth of one percent) of the member’s most recent annual sales volume, is adjusted every three years and does not include retained patronage. As of 2017, your co-op has $70,666 invested in NCG.

In addition to base capital, members pay annual dues. As with base capital, dues are proportionate to annual sales volume, but do not exceed $30,000. In 2017, your co-op paid $30,000 in dues.

Patronage

In profitable years, NCG distributes its surplus to member co-ops through a patronage dividend. As such, part of these distributions are paid in cash to members, while the balance is retained. Patronage dividends have been paid to member co-ops every year but one, since 2005.

Our first patronage rebate was paid in 2005. The cumulative cash portion of patronage paid to your co-op through 2016 was $126,110.

Summary of Financial Trends

It is common for co-ops to focus attention on monthly or quarterly performance relative to a budget accepted by the co-op’s board of directors. However, when reviewing annual performance over the course of several years, significant opportunities and concerns may become more apparent.

This summary of financial trends covers five years of historical financial data as reported by your co-op to CoMetrics. For each of the nine metrics presented in this report, we include a brief explanation of the metric, the average co-op performance for the most recent year and our insights and observations on your co-op’s performance. Where useful we also provide NCG’s internal goal for the metric, recognizing that when co-op performance is declining overall, the average is not a sufficient benchmark. We believe our recommended goals support the improvement and reinvestment necessary for the majority of NCG co-ops. However, your co-op’s specific circumstances and strategies may not align with NCG’s goals for every metric.

Hanover Co-op’s financial position improved in 2017 as the co-op was able to grow sales, equity and cash.

Compliance with Required Standards and Policies

There are a number of requirements each co-op agrees to when joining NCG, which permit NCG to provide the benefits of a chain to over 140 independent co-ops. Voluntary participation in optional programs often results in additional agreements and requirements, and all exist to ensure that we are best able to leverage the combined purchasing power of individual businesses in order to provide value to all co-ops.

In this summary, we are focused on NCG membership policies and operating standards. These include attendance at required meetings as well as compliance with operating standards (details on page 10). Operating standards are agreed upon through a process with multiple opportunities for input by co-ops and reflect generally accepted best practices for all businesses.

Hanover Co-op Food Stores was in compliance with all required NCG standards and policies in 2017 except attendance at one of two national meetings.
Meeting and Event Participation
NCG offers several conferences and events to all co-ops each year (details on page 11). Attendance at NCG events is an excellent way for staff to gain new skills, stay current with national trends and network with peers.

The costs of attending most conferences and events are subsidized by NCG and require the co-op to pay only for travel and lodging. Others have a minimal registration fee that helps cover meeting space and meals during the event. NCG knows these are of benefit to co-op staff, providing significant value to co-ops. In 2017 there were 9 national, in-person events open to all co-ops as well as additional regional events.

In 2017, Hanover Co-op Food Stores attended all required meetings and conferences, as well as many optional events. NCG appreciates the commitment that Hanover Co-op Food Stores demonstrated to the organization through its robust participation at NCG events.

Program Participation
NCG offers a variety of purchasing programs that deliver the economic value of a chain while supporting the autonomy of a local co-op. While participation in these programs is voluntary, they provide significant cost savings and value to co-op shoppers.

A list of key programs and information regarding your co-op’s participation is available on page 12. Please note that while most programs are national, not all programs are available in all markets. Your GM should be able to tell you when a program is not available regionally.

UNFI Supply Contract
NCG reviewed your co-op’s purchase activity with UNFI in 2017 to quantify the savings you received by participating in our UNFI contract. Based on a comparison of contract pricing against the non-contract pricing you would receive as an independent customer, your co-op saved $853,385, or 8.60% of purchases. USC contract savings represent 1.19% of your co-op sales in 2017.
**Days Cash on Hand** is the number of days that an organization can continue to pay its operating expenses, given the amount of cash available. For most co-ops, less than 10 days of cash on hand is an indicator of vulnerability. A high number of days of cash (more than 30) signals that the co-op may be under-investing in its business. Note: the days cash calculation is based on your co-op’s cash position as of the end of December 2017, and does not reflect any lines of credit that a co-op may have available for emergencies.

Hanover Co-op’s cash increased in 2017, but remained below NCG’s recommended floor of 10 days of cash on hand.

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**Equity** is the value of the co-op’s assets minus its liabilities. It includes cumulative member investment and retained earnings and represents the economic value of the co-op. It is an indicator of the co-op’s ability to support future investment. Prior to 2014, NCG co-ops exceeded NCG’s goal of 10% annual growth in equity, but growing competitive pressure has eroded co-op financial performance and in 2017 NCG co-op equity growth averaged 4.29%.

Hanover Co-op was able to grow equity in 2017, but the rate of growth in equity was below the NCG co-op average.

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**Debt to Equity Ratio** indicates the amount of debt relative to the amount of total equity and measures the co-op’s financial leverage. It is often reviewed by lenders when considering loans and lines of credit. Whereas a high debt to equity ratio may limit a co-op’s ability to secure additional financing, a low debt to equity may signal that the co-op should reinvest in its business. In 2017, the average NCG co-op debt to equity was 0.86, well below NCG’s recommended upper threshold of 2.0.

Hanover’s debt to equity ratio improved slightly in 2017 and was below NCG’s recommended upper threshold.
Sales and Sales Growth - After enjoying many years of strong sales growth, many natural foods retailers, including co-ops, are now experiencing significantly lower rates of sales growth. In 2017, NCG co-ops averaged 2.5% sales growth (well below our goal of 5%) with average annual sales per co-op of $12.4 million.

Sales increased at Hanover in 2017, but at a rate below the NCG co-op average.

Gross Margin % is the difference between revenue and the cost of goods sold, expressed as a % of revenue. It reflects the money earned by the co-op to pay for all operating expenses. Increasing competitive pressure forced many co-ops to reduce prices, thereby lowering their gross margin and leaving less available for other expenses such as personnel and occupancy costs. The NCG co-op average gross margin in 2017 was 37.06%.

Hanover's gross margin declined in 2017 and was below the NCG co-op average due largely to the wide selection of lower margin conventional products it offers to shoppers.

Personnel % is the cost of wages, benefits and payroll taxes expressed as a % of revenue. Personnel represents the largest portion of co-op operating expenses. The NCG co-op average in 2017 was 24.11%. These costs have been rising for many years at NCG co-ops, impacting the ability of co-ops to be profitable in this more challenging market.

Hanover's personnel costs declined in 2017 and were below the NCG co-op average - reflecting high organizational productivity.
This score is a composite of several different metrics. A higher score indicates a stronger financial position. The risk matrix (prepared by CoMetrics) includes the following components and weighting:

- Capital Adequacy (debt to equity) - 15%
- Asset Quality (inventory turns x earnings) - 10%
- Earnings (EBITDAP, net income, sales growth) - 50%
- Liquidity (current ratio, quick ratio, days cash) - 25%

NCG's average score at the end of 2017 was 58.50%. Our concern score is 50% and at the end of 2017, there were 36 NCG co-ops below 50%.

Hanover's risk matrix score improved in 2017 and was above NCG's threshold for concern at the end of the year.

Hanover's MML declined in 2017, and was below the NCG co-op average.

Hanover's EBITDAP declined slightly in 2017 and was below the NCG co-op average.

The NCG co-op average in 2017 was 13.5%, below our recommended goal of 15%.
Standards Compliance
NCG co-ops agreed to the following operating standards in 2016 and co-ops were expected to be in compliance as of 1 January 2017. Occasionally, NCG will permit an exception for a co-op in meeting an individual standard. Exceptions must be requested in writing and include details about how the co-op will mitigate risk to the system, in lieu of the standard.

1. Report all required financial data to CoMetrics within 45 days of the close of the co-op's fiscal quarter.
2. Engage a third-party accounting firm to complete a financial review each year.
3. Prepare individual income statements for each business unit (stores, restaurants, warehouse, commissary, etc.)
4. Consistently account for product transfers from an internal business unit (warehouse, commissary, etc.) as required.
5. Conduct a complete physical inventory count quarterly at each business unit.
6. Publish complete and accurate monthly financial statements within 30 days of each month end.

Financial Reporting to National Database
In Compliance

Annual Financial Statement Review
In Compliance

Separate Income Statements for Each Business unit
In Compliance

Account for Commissary Product Transfers
In Compliance

Quarterly Physical Inventory Count
In Compliance

Monthly Financial Statements
In Compliance

Attendance at Required Meetings
Not In Compliance
Meeting and Event Participation
NCG offers a number of in-person programs designed to support the professional development of co-op General Managers and the co-op staff.

NCG holds two national meetings each year and co-op designated representatives (DRs) are required to attend. The meetings cover industry and program updates, NCG’s annual member meeting and professional development for co-op DRs. Travel and lodging is provided by NCG. Additionally, each year there are a variety of events planned by NCG regional development team staff, including meetings, professional development opportunities on various topics and department focused trainings.

NCG hosted three national conferences in 2017. All conferences are free for co-op staff to attend, but participants pay for travel and lodging.

- **The HR Manager Conference** is an annual conference for co-op HR managers and those with HR responsibilities.
- **Marketing Matters** is an annual conference for the staff from co-op marketing and member services departments.
- **Focus on Fresh** is an annual conference for fresh department staff.

The table below indicates your co-op's participation in key meetings and events.

<table>
<thead>
<tr>
<th>Event</th>
<th>Type</th>
<th>In Attendance</th>
<th>Participation Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co+nvergence</td>
<td>National</td>
<td>Yes</td>
<td>Required</td>
</tr>
<tr>
<td>Eastern Corridor Interest Group Retreat</td>
<td>Eastern Corridor</td>
<td>Yes</td>
<td>Optional</td>
</tr>
<tr>
<td>Fall Meeting</td>
<td>National</td>
<td>Yes</td>
<td>Required</td>
</tr>
<tr>
<td>Five Keys to New GM Success</td>
<td>National</td>
<td>No</td>
<td>Optional</td>
</tr>
<tr>
<td>Focus on Fresh</td>
<td>National</td>
<td>No</td>
<td>Recommended</td>
</tr>
<tr>
<td>GM Series: Strengthening the GM and Board Relationship</td>
<td>National</td>
<td>No</td>
<td>Optional</td>
</tr>
<tr>
<td>HR Conference</td>
<td>National</td>
<td>Yes</td>
<td>Recommended</td>
</tr>
<tr>
<td>InsideOut Coaching Workshop</td>
<td>National</td>
<td>No</td>
<td>Optional</td>
</tr>
<tr>
<td>Marketing Matters</td>
<td>National</td>
<td>Yes</td>
<td>Recommended</td>
</tr>
<tr>
<td>Spring Meeting</td>
<td>National</td>
<td>No</td>
<td>Required</td>
</tr>
</tbody>
</table>
Program Participation

NCG negotiates contracts with select suppliers on behalf of our co-ops, aggregating purchasing power and centralizing services to provide individual co-ops with value comparable to that of a chain.

Promotional programs like Co+op Deals and Co+op Basics seek to leverage the buying power of our "virtual chain" to obtain outstanding pricing. Co+op Deals seeks to meet or beat promotional pricing of other independent natural product retailers on top-selling items. Support for promotions includes coupons and discounts for new item introductions as well as advertised and unadvertised promotions. Co+op Basics provides everyday low prices on staples in many categories and a private-label equivalent through NCG’s partnership with UNFI’s Field Day brand.

NCG also negotiates contracts on a variety of goods and services to support retail operations. We strive to offer our co-ops great value, while considering factors including service, quality, sustainability, labor practices, corporate citizenship, nationwide service capacity and long-term viability.

The table below indicates your co-op’s participation in a sample of key programs.

<table>
<thead>
<tr>
<th>Program</th>
<th>Description</th>
<th>Participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNFI Supply Contract</td>
<td>Reduced cost on purchases from United Natural Foods, Inc</td>
<td>Yes</td>
</tr>
<tr>
<td>Co+op Deals</td>
<td>Twice per month sales flyer and shelf promotions with deeply discounted sale prices</td>
<td>Yes</td>
</tr>
<tr>
<td>Co+op Basics</td>
<td>Exceptionally competitive pricing on nearly 500 pantry staple items</td>
<td>Yes</td>
</tr>
<tr>
<td>New Item Program</td>
<td>Free product and promotional support for new-to-market products curated by NCG Category Managers</td>
<td>Yes</td>
</tr>
<tr>
<td>Off-Shelf Promotions</td>
<td>Deeply discounted pricing on items selected for end-cap and case-stack displays</td>
<td>Yes</td>
</tr>
<tr>
<td>La Riojana</td>
<td>Exclusive access to Argentina co-op produced olive oil and wine</td>
<td>Yes</td>
</tr>
<tr>
<td>Co+nvergence Show Deals</td>
<td>Special discounts available on purchase commitments made at NCG’s annual grocery and wellness conference</td>
<td>Yes</td>
</tr>
<tr>
<td>New Member Coupons</td>
<td>Quarterly coupons exclusively for new co-op members</td>
<td>Yes</td>
</tr>
<tr>
<td>Coupon Books, direct mail</td>
<td>Coupon books mailed directly to co-op members twice annually, at no cost to the co-op</td>
<td>No</td>
</tr>
<tr>
<td>Coupon Books, in store</td>
<td>Coupon book provided 6 times a year for distribution in the store to all shoppers</td>
<td>Yes</td>
</tr>
<tr>
<td>Packaging and Supplies</td>
<td>Discounted pricing and access to Co+op, stronger together branded and sustainably produced packaging and supply items</td>
<td>Yes</td>
</tr>
<tr>
<td>Textiles and Uniforms</td>
<td>Discounted pricing on laundry and linen services</td>
<td>Yes</td>
</tr>
<tr>
<td>Inventory Services</td>
<td>Discounted inventory services</td>
<td>No</td>
</tr>
<tr>
<td>Payment Processing</td>
<td>Discounted transaction fees on credit and debit card processing</td>
<td>No</td>
</tr>
<tr>
<td>Merchant Secure Assist</td>
<td>Discounted support for achieving PCI compliance</td>
<td>No</td>
</tr>
</tbody>
</table>
August 3, 2018

Hanover Co-op Food Stores
P.O. Box 633
Hanover, NH 03770

Dear Friends,

Congratulations on launching the Double Up Food Bucks program at the Hanover Co-op Food Stores! This year, the Supplemental Nutrition Assistance Program (SNAP) supports over 90,000 Granite Staters who struggle to put food on the table and provide for their families. For most of them, this food assistance means the difference between going hungry or barely making ends meet. We know that this is a challenge across our country, and I commend those gathered today for being part of the solution.

As a member of the House Agriculture Committee, I know first-hand the important role our state’s rich agricultural history and family farms have in providing locally sourced meals for New Hampshire families. I remain committed to strengthening federal food support programs that address hunger in our Granite State.

On behalf of New Hampshire’s Second Congressional District, let me again extend my congratulations on bringing the Double Up Food Bucks program to Hanover. Many thanks to everyone on the Hanover Co-op team for all that you do to make the Granite State such a wonderful place to live, work and raise a family. I look forward to continuing to champion your work in Congress. Best wishes on a successful day!

Sincerely,

[Signature]

Ann McLane Kuster
Member of Congress