

**Adopted Minutes**  
East End Food Co-operative Board Meeting  
January 16, 2017

**In attendance:**

Board Members: Mike Collura, President; Sarah Aerni, Secretary; Dirk Kalp, Treasurer; Caroline Mitchell; Amit Shah.

General Manager: Justin Pizzella.

Board Clerk: Erica Peiffer.

Member Guests: (25) Arianna Garofalo, Caroline Tibbetts, Yasmeen Ariff-Sayed, Gary Crouth, Carol Cutler, Rose Lynd, Hyla Willis, Joni Rabinowitz, Ashley Larson, Patrick McHale, Anne Marie Miller, Amy S. Kreg, Deborah Gouge, Rayden Sorock, Earl T. Braxton, Ann Belser, Faith Schantz, Tom Pandaleon, Janet Lazarus, Bob Buncher, Karen Antonelli, Alice Leibowitz, Heather Hackett, J. Alan Feuhrer, Kate Luxemborg.

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Mike called the meeting to order at 7:02 p.m. and Sarah read the Ends statement aloud.

**Member-owners Open Session**

Carol Cutler presented a series of questions, including, “What percent of our products sold are sourced from UNFI versus percent provided by regional distributors, like Frankferd Farms? How long have we contracted with CDS consulting, what services do they provide, and what amount of funds were paid to them in the last fiscal year? What does EEFC pay to participate in NCG?” Justin promised to respond to these questions in his General Manager update. Hyla Willis introduced herself as a member of 17 years, mentioning this was her first board meeting and also having questions related to board elections. Mike asked her to hold her questions until after the Board Perpetuation and Elections report later in the meeting. Gary Crouth introduced himself as a member since 1982, then expressed concerns about our Co-op’s governance, specifically calling for transparency around the 2016 elections. Alice Leibowitz introduced herself as a former board member, and she asked the board to consider re-hiring Lizzie Anderson as a consultant to facilitate the discussion on expansion that was scheduled for the Annual Meeting but ultimately never happened. Rose Lynd formally announced the petition effort to call for a special member meeting. The petition calls for four issues to be voted on at the meeting, which Rose then read aloud: 1) For the board to count all ballots from the 2016 election and to seat the three highest vote getters; 2) To re-instate Alice Leibowitz and Tom Pandaleon as directors; 3) To limit the term of directors seated by appointment to only serve until the next election cycle; and 4) To lower the number of signatures from 10 to 5 percent of the membership required by our bylaws to call a special meeting.

**Amend/Approve Agenda**

Discussion: Dirk reported the audit has not been completed and therefore the Finance committee did not need to report.

Decision: Dirk moved to approve the agenda as amended. Amit seconded.

Vote: 5.0.0

**Amend/Approve previous meeting minutes**

Discussion: Directors reviewed draft minutes of the previous meeting and made corrections for grammar and factual errors which are reflected in the published minutes.

Decision: Sarah moved to adopt the minutes as amended. Caroline seconded the motion.

Vote: 5.0.0

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**GM Update**

Justin provided a handout with notes on the following topics – Finances, Store News, NCG News. Regarding Finances, he noted that sales are up 1% over last year and we are at a seven-year low across every expense category. Personnel costs are at 26% of sales, a historic high and the second biggest expense after cost of goods. Sarah inquired about the maintenance of capital equipment. Justin responded that our Facilities Manager is performing in-house assessments and maintenance on a regular basis, and our Finance Manager is staying on top of depreciation schedules. Regarding Store News, he reported the employee handbook was updated to include part-time staff in the application of bereavement policy.

Next, Justin replied to questions presented in Member-Owners Open Session. Approximately 55% of purchases are sourced from the UNFI warehouse in York, PA. Almost every other vendor is local. In 2011, at the start of Justin's tenure as GM, 11-12% of purchases were sourced locally. Today, 26-27% of purchases are local, and total sales have also grown from \$7.5 million to \$11.3 million. Also of note, 80-85% of expense costs are paid locally, in the form of wages and local service providers. Justin estimated that 75-80% of total revenue benefits the local economy. While we do purchase some items from Frankferd Farms, their catalog is significantly smaller than UNFI. Regarding CDS Consulting, he reported less than \$5,000 in contract fees for the last fiscal year, with board consulting as the primary expense. He described NCG as a purchasing co-op of 148 member and associate food co-ops across the country, calling it "the biggest shining example of P6 – Cooperation Among Cooperatives." He noted that member co-ops not only pool buying power to achieve better prices and access to consumer goods, but also extend merchandising and operational support, share financial metrics, and provide training opportunities for staff. NCG utilizes the same governance structure as we do, and the board is comprised of designated representatives (typically General Managers or someone else from operations, but never board members) from member co-ops. Member investment is based off of sales percentages. Justin did not have this figure on-hand, although he explained the patronage dividends we receive in relation to purchases made through our UNFI contract outweigh our investment; in other words, our membership in NCG is net-profit. He estimated that prices store-wide would be 20-30% higher if we did not have a contract with UNFI.

**B5 – Customer Service and Value**

Directors reviewed the report and did not have any questions or comments. Sarah urged members to use customer feedback cards in the store.

Decision: Sarah moved to accept the report. Amit seconded.

Vote: 5.0.0

**B10 – Environment**

Justin introduced the report by highlighting several sustainability awards received by our Co-op, and he commented on the challenges of this facility, noting that incremental improvements we are able to achieve are getting smaller and smaller. Preventative maintenance with refrigeration equipment is helping to reduce lost sales and repair costs related to malfunction. Justin questioned the prudence of investing further in this facility.

Decision: Sarah moved to accept the report. Dirk seconded.

Vote: 5.0.0

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**Annual Calendar Review and Approval**

Justin had no suggested changes to the policy monitoring schedule. The board agreed to review D policies throughout the year, and to discuss D policies at the upcoming retreat, as methods for educating new board members on what our policies mean for governance. The only suggested changes to the calendar were to update the year in the title and to move “Winterfest” to the Spring.

Decision: Dirk moved to accept the calendar with noted changes. Sarah seconded the motion.

Vote: 5.0.0

**Board Perpetuation & Election Update**

Caroline reported that completion of the full report by the CSI investigative firm was delayed due to repeated interview cancellations by one of the witnesses. Partial conclusions from the investigation were as follows: 1) Violations of “geography rules” were deemed by the board to be non-material in the outcome of the election and were not pursued in the investigation. 2) Mike Collura and Mark Frey were cleared of the accusations of ballot box tampering. 3) E-balloting systems were determined to have integrity and to not have been compromised in any way. 4) Regarding pre-filling and “proxy voting” of paper ballots, the tentative conclusion of the CSI firm was that there was no evidence of pre-filling, although election results had been compromised due to lack of security around the ballot box. Upon receipt of CSI’s tentative conclusions, an initial review of paper ballots did reveal evidence of casting multiple ballots and erroneous member numbers. A full review of the materiality of issues concerning paper ballots and security concerns around the ballot box will be undertaken, but will involve considerable commitments of time and effort by both staff and board members. Caroline noted there are now six candidates remaining for six open seats on the board; three 3-year terms to be filled by the 2016 election, and three 2-year terms to be filled as a result of resignations. She urged the board to conclude election results as soon as possible in order that new directors may be seated at the February meeting.

Caroline made a motion to seat the top three vote-getters in the 2016 election to three-year terms. Amit seconded. Mike recused himself due to conflict of interest as a candidate.

Vote: 4.0.1

Caroline made a motion to appoint the other three candidates on the 2016 election ballot to the vacant two-year terms. Sarah seconded. Mike recused himself due to conflict of interest as a candidate.

Vote: 4.0.1

The meeting was disrupted by members shouting various complaints.

**Adjournment**

Decision: Caroline moved to adjourn the meeting at 8:02 p.m. Sarah seconded.

Vote: 5.0.0

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The Board went into Executive Session at 8:30 p.m. to discuss non-public matters. At 10:30 p.m. Amit moved to adjourn. Sarah seconded the motion. The Board voted 5.0.0 to end the session.

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Minutes respectfully submitted by Erica Peiffer, Board Clerk.