

Grain Train Natural Foods Cooperative
Minutes of the General Membership Meeting (GMM)
December 11, 2009, 6:00 Carnegie Building, Petoskey Michigan

Excerpts from the current Bylaws of the Grain Train Natural Foods Cooperative:
Underlined portions of these excerpts have been emphasized by the Secretary.

4.4 QUORUM. The presence at a membership meeting of fifty members or 10% of the membership, whichever is smaller, constitutes quorum for the conduct of the meeting; provided that for purposes of determining quorum, any member who shall have cast an authorized mail ballot shall be considered to be present at the membership meeting where such vote will be tallied. Business may be discussed, but no official actions taken, in the absence of quorum. No membership vote is valid unless members cast at least fifty ballots either by delivery to the secretary in person at the meeting or by mail ballot under article 4.5.

ARTICLE VII – AMENDMENTS

7.1 PROPOSAL. The board, or the membership by the petition of 50 members or 5% of the membership, whichever is greater, may propose amendments to these bylaws or to the articles of incorporation. The proposed amendments must be submitted in writing to the Secretary of the Board of Directors no less than 2 months before the annual General Membership Meeting.

7.2 REFERRAL TO MEMBERSHIP. The board shall put all proposed amendments to a vote at a membership meeting. The notice of the meeting shall detail any language to be deleted from, or added to, the bylaws or articles.

7.3 APPROVAL. Amendments must be approved by a two-thirds vote of members, provided that a quorum is present.

Quorum Information & Candidate Election Results

134 verifiable ballots were cast in the store ballot box. 46 member / owner memberships were present at the (GM) meeting. Based upon the Bylaws of the Grain Train, verifiable ballots can be applied to determine quorum. 2/3 of 47 equals 31 member / owners necessary to pass proposals during the meeting.

Board of Directors election was tabulated by Maggie & Aleta Daniels, Travis Childs, Amy Maus, with Jaime Jankowski verifying signatures and matching them to the current G.T. membership list.

In descending order of voter support: Hal Willens, Jamie Jankowski, Trisha Shattuck, John Paul Westbrook, Renee Allen were voted onto the Board for three year terms. The full Board also includes Allie Greenleaf Maldonado, Amy Maus, Maggie Daniels and Gary Hammons.

The slate of candidates who ran for office also included: Sean Bernard, David Heidtke, Michael Cromley and Rachel Smolinski. The Board thanks them for their involvement in the election process. Michael Cromley who was acting Vice President on the Board will be missed.

Dan Tosch, multi-term Board member ended his involvement on the Board amiably. Though not present at the meeting, Dan's work towards the benefit of the Grain Train cooperative was applauded by those present.

Minutes of the General Membership Meeting

December 11, 2009

Board members attending: J.P. Westbrook - President, Michael Cromley - Vice President, Allie Greenleaf Maldonado - Treasurer, Trisha Shattuck - Secretary, Margaret Daniels, Amy Maus, Gary Hammons, Hal Willens.

Absent from the Board: Dan Tosch

Affiliates in attendance: John Fershee - Attorney, Michael Nuorala - Certified Public Accountant

J.P. Westbrook calls meeting to order: 6:05 PM

T. Shattuck verifies presence of Quorum at the meeting based upon the interpretation of the Bylaws of the Grain Train Natural Foods Cooperative:

Whereby Membership ballots (134 ballots cast), count towards the total members present (See Section 4.4 - Quorum, underlined and included above.), and Memberships in attendance (46 memberships present) combined with the number of ballots cast exceed the number 50, Quorum was established.

As Amendments to the Bylaws specify the vote must be brought before the Membership at General Membership Meetings, (**ARTICLE VII – AMENDMENTS**, section 7.2 REFERRAL TO MEMBERSHIP) Therefore inclusion of the Proposed Changes to the Bylaws and Reincorporation of the Grain Train Natural Food Store could NOT be a part of the mailed Ballot for Candidates. Voting on such proposals requires a 2/3 majority of those Memberships in attendance. (7.3 APPROVAL.) With 46 Memberships present, 30 Memberships votes would represent the majority.

Results of the Proposed Changes to the Bylaws and the Proposal to Reincorporate the GT.

The Board of Directors of the Grain Train in conjunction with John Fershee, attorney stated their support for this Proposal. Because both proposals had commonalities, both were combined into one vote.

In a simple Yeah (in support of the Proposal) or Neigh (not in support of the Proposal) vote, where the voter clearly wrote their verifiable names and vote on a slip of paper , of 46 Memberships present, two voted against, one abstained from the vote, and 43 voted to support the Proposal.

The Membership was notified in advance of the meeting through mailings, in-store postings, and internet references. Members were made aware of the presence of copies of the Proposed Changes to the Bylaws and Reincorporation. The financial report was available in the store. The Attorney provided a cover letter explaining his support for this Proposal. Much of this notification is required based upon the Bylaws.

Treasurer's Finance Report to the Membership:

Presented by Allie Greenleaf Maldonado

1. Allie Greenleaf Maldonado
2. My second year on the board
3. My first year as the Treasurer
4. I'm pleased to report to the membership undertakings since being elected Treasurer [I've]
 - a. clarified for the Board and the General Manager the legal status of the Grain Train
 - b. identified for the Board and the General Manager the steps necessary to bring the Grain Train into compliance with our current Articles of Incorporation and our Bylaws
 - c. studied the possible methods of re-incorporating the Grain Train and presented my recommendation to the Board of Directors
 - d. researched co-op bylaws and spearheaded the effort to amend the Grain Train' s bylaws to make the Grain Train more financially secure
 - e. championed the first Grain Train audit since the Grain Train's incorporation in 1975
 - f. facilitated the writing of Grain Train's accounting policy and procedure manual
 - g. started random review of Grain Train debit card use
 - h. started random review of Grain Train's monthly bank statements
 - i. suggested limiting check signers to two
5. **Compiled Financials** – Here's the disclaimer - This financial report is based on the information prepared by Bunker, Clark, Winnel and Nuorala, P.C.. The compilation was based on the representations of management. The firm did not audit or review the accompanying financial statements and supplementary schedules and, accordingly, would not express an opinion on them. Management elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the corporation's assets, liabilities, equity, revenues and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.
 - a. This year compared to last year the value of this business is mostly the same as it was last year. We have improved our current asset position over the prior year by approx. \$33,000.
 - b. Given the change in our current assets, our current liabilities have decreased by approx. \$33,000, a significant decrease over the prior year.
 - c. A lot of improvement has been as a result of paying off debt, improving inventory control and managing our expenses which has helped improve our overall cash position by over \$22,000 dollars.
 - d. This improvement in our overall financial position was aided by our increase in Net Income. Last year we showed a profit of just over \$36,000, this year we show a preliminary profit number of over \$65,000. A \$29,000 increase year over year.

6. On the same amount of expenses with same staff, we increased revenue by almost 55%, virtually all of which went to the bottom line.

7. Future Goals

- a. we should start regular monthly reviews of the bank statements
- b. evaluate how we can use the point-of-sale system to drive revenue
- c. evaluate other uses point-of-sale system
- d. currently the board sees monthly budgets based on projections made at the beginning of the year. I would like to start seeing revenue forecasts. Forecasting revenue would allow the board to see how expenditures impact the Grain Train finances as we progress in the year. This would allow us to adjust spending as we go based on more up-to-date and relevant information.

Once all of our legal issues are resolved, I look forward to working with the Board and the General Manager on implementing some written policies and procedures that will help to protect the future of the Grain Train for the next seven generations.

Report On The Condition of the Grain Train - presented by J.P. Westbrook
Sec. 1149.

(1) A cooperative shall keep a set of books for recording its operations. A written report, including a statement of the amount of its transactions with members and the amount of its transactions with nonmember patrons, a balance sheet, and an income statement shall be prepared annually. **Until October of this year, 2009, we did not have the capability to accurately track owner purchases. We prepare monthly financial reports as well as annual reports.**

(2) A cooperative shall prepare, not later than 120 days after the close of its fiscal year, a report of its condition, which report shall be certified by the president. The report shall include all of the following: [Accountants] **Todd and Mike are working on closing the books and have done a preliminary, but a final set of the books will be done no later than mid December which will be within the 120 days after our fiscal year end.**

(a) The name and principal address of the cooperative. **Grain Train Natural Foods Cooperative, Inc.-220 E. Mitchell-Petoskey, MI 49770**

(b) The names, addresses, and date of expiration of terms of the officers and directors, and their rate of compensation, if any.

**Hal Willens
10406 McCarthy Road
Alanson, MI 49706
Term expires 2009**

**Gary Hammons
PO Box 597
Atlanta, MI 49709
Term expires 2010**

**Dan Tosch
333 Terrace Street
Boyne City, MI 49712
Term expires 2009**

**John Paul Westbrook
1622 West Conway Road
Harbor Springs, MI 49740
Term expires 2009**

**Trisha Shattuck
173 Vantage View Dr.
Petoskey, MI 49770
Term expires 2009**

**Margaret Daniels
210 Skyview Drive
Petoskey, MI 49770
Term expires 2011**

Michael Cromley
850 Ostrander Road
Afton, MI 49705
Term expires 2009

Amy Maus
816 ½ Grove
Petoskey, MI 49770
Term expires 2011

Allie Maldonado
1033 Howard Street
Petoskey, MI 49770
Term expires 2010

(c) The number of memberships granted and terminated and the amount of member capital paid in during the fiscal year.

59 memberships granted
112 memberships terminated
\$12,453.40 member capital pain in

(3) A copy of the reports required by this section shall be presented at the annual membership meeting or distributed to each member. Copies of the report shall be kept on file at the principal office of the cooperative and shall be made available to members, subscribers, and applicants for membership during regular business hours. In addition, copies of the report shall be mailed to a member upon written request by the member. **This is reasonable and we can easily accommodate an owner if they request this information.**

(4) If a membership address list is not accessible to members, then any mailing reasonably related to the affairs of the membership shall be made by a cooperative at the request and expense of a member.

(5) If a member makes a timely request in writing that a cooperative notify the membership of the member's desire to be contacted by other members regarding a proposal then pending for vote by the membership, the cooperative shall include in the next communication sent by the cooperative to all members, if any, a brief notice of that member's request which shall identify the member and shall state whether the member is for or against the proposal and how to contact that member.

General Manager's Report & Year End Financial Report: - Carrie Livingston
PDF file has been included from the accountants:
Bunker, Clark, Winnell & Nuorala, P.C. dated December 2, 2009

2009 - Best year financially at the GT. Congratulations! Cudos to our bankers, attorney and Todd Winnell & Mike Nuorala, Accountants. Please consider working to increase the membership by encouraging others to join. One of our prime assets are members of the Staff. No one was let go this year, and the General Manager prides herself of providing living wages to the Employees.

Copies of her lengthy financial report are available to the membership at the meeting and in the store.

Her report simplified as she requests Members to please review this report.

A PDF file from the accountants follows:



BUNKER, CLARK, WINNELL & NUORALA, P. C.

Max R. Bunker, CPA
Karen L. Clark, CPA, CSEP
Todd C. Winnell, CPA
Michael L. Nuorala, CPA
Rebecca S. Boring, CPA
Melissa A. Nguyen, CPA
Roxane M. Cook, CPA
Dennis J. Klepadlo, Jr., CPA
Becky J. Nobel, CPA
Dawn M. Compton, CPA

CERTIFIED PUBLIC ACCOUNTANTS

2301 Mitchell Park Drive ■ Petoskey, Michigan 49770
(231) 347-3963 ■ Fax: (231) 347-5509 ■ E-mail: cpa@bcwn CPA.com

December 2, 2009

To the Board of Directors of
Grain Train Natural Food Co-op, Inc.:

We have compiled the accompanying statements of assets, liabilities and equity - income tax basis of Grain Train Natural Food Co-op, Inc. as of September 30, 2009 and 2008, and the related statements of revenues and expenses - income tax basis for the years then ended, and the accompanying schedules of operating expenses - income tax basis, which are presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements and supplementary schedules information that is the representation of management. We have not audited or reviewed the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the corporation's assets, liabilities, equity, revenues and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to Grain Train Natural Food Co-op, Inc.

Bunker, Clark, Winnell & Nuorala, P.C.

GRAIN TRAIN NATURAL FOOD CO-OP, INC.

STATEMENTS OF ASSETS, LIABILITIES AND EQUITY - INCOME TAX BASIS

September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets:		
Cash on hand and in bank	\$ 81,587	\$ 59,506
Accounts receivable, trade	8,052	10,414
Inventory	181,770	176,813
Prepaid expenses	<u>3,889</u>	<u>7,668</u>
Total current assets	275,298	254,401
 Property and Equipment:		
Building	982,097	979,177
Land	102,358	102,358
Equipment, store	352,931	346,965
Equipment, bakery	16,546	13,874
Equipment, office	<u>25,663</u>	<u>20,695</u>
	1,479,595	1,463,069
Less accumulated depreciation	<u>567,548</u>	<u>489,065</u>
Total property and equipment	912,047	974,004
 Other Assets:		
Investments in cooperatives	<u>17,223</u>	<u>9,914</u>
Total other assets	<u>17,223</u>	<u>9,914</u>
Total assets	<u><u>\$ 1,204,568</u></u>	<u><u>\$ 1,238,319</u></u>

LIABILITIES AND MEMBERS' EQUITY

	2009	2008
Current Liabilities:		
Accounts payable	\$ 92,939	\$ 133,757
Line of credit, bank	-	25,042
Accrued and withheld payroll taxes	8,362	7,694
Federal income tax payable	11,544	1,359
Long-term debt due within one year	62,240	48,443
Total current liabilities	175,085	216,295
Long Term Debt:		
Notes Payable, bank	683,694	701,955
Capital lease payable	3,809	5,422
Notes Payable, members	-	15,000
Accrued interest, member notes	8,373	11,588
Member co-opital deposits	4,091	4,156
Less: portion due within one year	(62,240)	(48,443)
Total long term debt	637,727	689,678
Total liabilities	812,812	905,973
Members' Equity:		
Members' shares (paid in capital)	246,870	252,661
Accumulated earnings:		
Balance, beginning of year	79,685	43,073
Net income	65,201	36,612
Balance, end of year	144,886	79,685
Total members' equity	391,756	332,346
Total liabilities and members' equity	\$ 1,204,568	\$ 1,238,319

GRAIN TRAIN NATURAL FOOD CO-OP, INC.

STATEMENTS OF REVENUES & EXPENSES - INCOME TAX BASIS

Years ended September 30, 2009 and 2008

	2009	Percent of sales	2008	Percent of sales
Gross Sales	\$ 2,855,707	100.0%	\$ 2,803,420	100.0%
Less discounts to members	30,077	1.1%	30,647	1.1%
Net Sales	2,825,630	98.9%	2,772,773	98.9%
Cost of Sales	1,717,273	60.1%	1,688,541	60.2%
Gross profit	1,108,357	38.8%	1,084,232	38.7%
Operating Expenses:				
Personnel expenses	624,212	21.9%	587,925	21.0%
Physical plant expenses	173,916	6.2%	248,512	9.1%
Advertising and merchandising expenses	39,104	1.4%	27,973	1.0%
Administrative and other operating expenses	152,313	5.2%	129,961	4.6%
Total operating expenses	989,545	34.7%	994,371	35.7%
Income from operations	118,812	4.1%	89,861	3.0%
Other Income (Expense):				
Miscellaneous	5,254	0.2%	2,462	0.1%
Donation income	435	-	-	-
Gain (loss) on disposal of assets	451	-	(1,403)	-0.1%
Interest income	18	-	98	-
Interest expense	(43,269)	-1.5%	(48,306)	-1.7%
Total other income (expense)	(37,111)	-1.3%	(47,149)	-1.7%
Income before federal income tax	81,701	2.8%	42,712	1.3%
Provision for Federal Income Tax	16,500	0.6%	6,100	0.2%
Net income	\$ 65,201	2.2%	\$ 36,612	1.1%

See accountants' compilation report.

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GRAIN TRAIN NATURAL FOOD CO-OP, INC.

SCHEDULES OF OPERATING EXPENSES - INCOME TAX BASIS

Years ended September 30, 2009 and 2008

	<u>2009</u>	<u>Percent of sales</u>	<u>2008</u>	<u>Percent of sales</u>
Personnel expenses:				
Wages	\$ 530,098	18.6%	\$ 487,188	17.4%
Payroll taxes	59,276	2.1%	59,818	2.1%
Employee benefits	30,691	1.1%	38,387	1.4%
Retirement plan contribution	4,147	0.1%	2,532	0.1%
Total personnel expenses	<u>624,212</u>	21.9%	<u>587,925</u>	21.0%
Physical plant expenses:				
Rent	4,328	0.2%	4,223	0.2%
Utilities	40,087	1.4%	38,044	1.4%
Trash and recycling	4,602	0.2%	4,357	0.2%
Insurance	4,550	0.2%	4,800	0.2%
Telephone	5,648	0.2%	4,842	0.2%
Maintenance and repair	22,351	0.8%	28,540	1.0%
Property taxes	13,866	0.5%	15,660	0.6%
Depreciation	78,484	2.7%	148,046	5.3%
Total physical plant expenses	<u>173,916</u>	6.2%	<u>248,512</u>	9.1%
Advertising and merchandising expenses:				
Advertising	33,329	1.2%	20,061	0.7%
Merchandising supplies	5,381	0.2%	6,389	0.2%
Newsletter and member activities	394	-	1,523	0.1%
Total advertising and merchandising expenses	<u>39,104</u>	1.4%	<u>27,973</u>	1.0%
Administrative and other operating expenses:				
Supplies	14,455	0.5%	13,837	0.5%
Office expense	10,228	0.4%	9,493	0.3%
Bank charges	3,833	0.1%	3,165	0.1%
Bakery and deli supplies	23,484	0.8%	24,851	0.9%
Staff education	9,240	0.3%	9,788	0.3%
Michigan business tax	945	-	300	-
Credit card expense	36,405	1.3%	35,586	1.3%
Dues and licenses	8,013	0.3%	7,276	0.3%
Professional fees	17,970	0.6%	11,007	0.4%
Board of directors expense	12,724	0.4%	6,405	0.2%
Miscellaneous	15,016	0.5%	8,253	0.3%
Total administrative and other operating expenses	<u>152,313</u>	5.2%	<u>129,961</u>	4.6%
Total operating expenses	<u><u>\$ 989,545</u></u>	<u>34.7%</u>	<u><u>\$ 994,371</u></u>	<u>35.7%</u>

See accountants' compilation report.

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Proposal to Amend the Bylaws and Reincorporate:

J.P. Westbrook speaks regarding the Proposal to both Amend the Bylaws and Reincorporate the Grain Train Natural Foods Cooperative. The Board of Directors prepared these Proposals with the help of Attorney, John Fershee, and merged them into one Proposal, fully support its' passage and the Board encourages the Membership to support them as well.

J.P. Westbrook asks for questions regarding this Proposal to Reincorporate & Amend the Bylaws of the Grain Train. No questions from the membership. J.P. asks if members have had a chance to review the Proposed changes. Membership responds affirmatively.

Members are reminded that the Board fully supports these changes.

J.P. Westbrook asks if there is a Motion to Accept the Proposal as presented, and put it to a vote.

Michael Cromley Motions to Accept the Proposal to Reincorporate and Amend the Bylaws of the Grain Train and put it to a vote. Member / Owner, Dr. M. Terry Danton seconds the Motion.

Proposal Vote Results: Members in attendance legibly wrote their names on their ballots and using a simple yeah or neigh method cast their votes. Thirty-six members voted to support the Proposal, three voted against the Proposal and there was one abstention.

Thirty-six votes of support exceeds the 2/3 minimum in attendance. The Proposal to Amend the Bylaws and Reincorporate passed.

Results of the Election will be posted in the Grain Train Monday, December 14, 2009.

Open Member Forum: J.P. opens the meeting for questions and comments. Members state the food was outstanding. Round of applause for the Deli Staff.

Dan Tosch , multi-term Board member concludes his involvement amiably. His service to the Grain Train respected and acknowledged with a round of applause.

J.P. Westbrook Motions to conclude the General Membership Meeting. Margaret Daniels seconds the motion. 7:14 PM Motion carried.

Music provided by Dr. Goodhart's Home Remedy continued and the remaining food was consumed.