



**YOU + US =
40 HEALTHY YEARS**

2017 ANNUAL REPORT



WELCOME TO VALLEY NATURAL FOODS

In 1977 a small group of concerned parents sold \$5 coupons to raise money for something different than a supermarket. They wanted less packaging and more natural food options. From humble beginnings to modern healthy choices, Valley Natural Foods celebrates its foundation of success: **You + Us = 40 Healthy Years.**



NEW CEO ANNOUNCEMENT

The Valley Natural Foods Board of Directors will announce the hiring of the co-op's new CEO at the scheduled 2017 Annual Ownership Meeting on Oct. 12.

40 YEARS



1978

Doing business as Valley Community Food Co-op, the member volunteers and its first board of directors relocated the co-op to Colonial Ridge Shopping Mall in Burnsville.



1990

A group of committed member-volunteers voted to invest in the cooperative business and was renamed Valley Natural Foods. With enough equity, the store re-opened on Grand Avenue in Burnsville.



1977

A group of parents concerned about the impact of processed and packaged foods on the environment and their families opened a bulk food co-op in Christina Huddleston's store.



1989

Wiring in the building's heating system sparked a late night fire at the co-op, burning the store's structure, inventory and supplies. Legend has it a box of staples survived.



2000

Valley Natural Foods broke ground on its newly purchased County Rd. 11 property after years of searching and negotiating with developers and municipalities.



VALLEY NATURAL FOODS CELEBRATES 40 YEARS OF COMMUNITY SERVICE

**FROM BOARD PRESIDENT,
MIKE JENSEN**

Greetings to our Owners, Community Partners, Customers, Staff, Friends and Family! We are marching towards the end of 2017 with some exciting stories to tell and accomplishments to celebrate. Our long time leader, Susan McGaughey, is ready to enjoy a well deserved break and new adventure. Susan announced her retirement, effective October 31, 2017. The board engaged the services of Keystone Search, an executive search firm to help us find our next CEO.

Our new meat processing business, Valley Natural Meats, is up and running with an MDA certification. This is an exciting way for us to build on the success of our Down in the Valley Fresh Meat program. We can do more wholesale business with other co-op partners while supporting local farmers, too!

Expansion has been on all of our minds for several years. It is a path with twists and turns, but we have come out with a plan to serve you better. The expansion of our Burnsville store will enhance our already tip-top customer service and allow us to add new services and features that you have asked for. Things like online order and pick up, more prepared food options and a larger education space. One important part of this expansion project is, of course, funding. As we have

done in the past during major capital projects, we will not be issuing Owner Patronage this year. This will keep our finances strong and continue our practice of reinvesting in the co-op and community.

Many of you have been with us from the start, while some have joined in more recent years. Everyone has a story to tell of how our co-op has changed their life. 40 years is time enough to do amazing things, but our job is never done. We have communities to serve, farmers to support and children to grow.

2017 BOARD HIGHLIGHTS

- Valley Natural Meats Opens for Business
- Valley Natural Foods Celebrates 40 years of Community Service
- Board Approves Expansion of Burnsville Store
- Susan McGaughey Announces Retirement After 37 Years
- Search and Hiring of New CEO

We welcome questions and feedback from you. Please send emails to board@valleynaturalfoods.com.



2008

With steady growth in sales and member-ownership, Valley Natural Foods expanded its square footage at the County Rd. 11 location.



2011

By this year, the co-op had invested in businesses to sustain its retail, developing a fresh meat program, a gluten-free bakehouse and even a community garden.



2017

Plans announced to expand Valley Natural Foods at County Rd. 11 after purchasing neighboring property to extend the shopping experience the co-op is known for.



2009

A national organization of cooperates recognized Valley Natural Foods' many achievements, honoring the co-op with a Howard K. Bowers Fund Cooperative Excellence Award.



2016

The fresh meat program expanded into a full wholesale production with the purchase of a meat processing facility in Northfield, MN. It fills a gap for local growers and fresh foods markets.



CO-OP LEGACY OF SUSAN MCGAUGHEY

“We had members helping members,” says Susan McGaughey, co-op volunteer, staff and leader at Valley Natural Foods for 37 years. She recalls the 1980s at Colonial Ridge Shopping Mall in Burnsville when members shared their skills with others, such as how to make yogurt or bake whole wheat bread.

“We provide real food produced by real people, for real people,” says Susan. From the early beginnings of volunteers gathered in the Colonial Ridge basement to the co-op’s current ownership of property on County Rd. 11, people have come together over the idea of eating healthier.

It reminds Susan of her recent trip to Norway where neighbors chip in to help. It’s similar to the hands-on authenticity and face-to-face shared passion that drives the relationships at the co-op. “We are about relationships and building relationships,” says Susan. It defines the engaged core that built the community cooperative in 1977.

The 2017 40th anniversary celebrates the passion behind the equation “you + us = 40 healthy years” because it reflects the importance of engaged relationships. While profitability and business sustainability factor into four decades of success, it’s rooted in people-centric values.

During the first decade, volunteers operated the bulk food store with more heart than business expertise. The co-op was built by sweat equity – the volunteer labor of its dedicated membership. That volunteer structure changed following a catastrophic fire in January 1989.

The question was whether or not the co-op would transition to ownership. Over 100 co-op volunteer members gathered at an elementary school gymnasium and voted to become invested owners in Valley Natural Foods. From 1990 forward, each member-owner of Valley Natural Foods owns four shares of stock in the business.

Challenges continued. It took another 11 years before the co-op could raise the funds and financing to buy its own property in Burnsville. As general manager, Susan considered different locations and encountered many hurdles. Some properties only wanted national chains. While the co-op pressed on with its search, other stores opened and closed.

Authenticity remains vital to relationships the co-op fosters. Susan has walked the fields of kale at Gardens of Eagan with Atina Diffley, sharing raw leaves and swapping stories about their grandchildren. More than 90 percent of the produce sold at Valley Natural Foods is organic and local when in season, which shows the relationships the co-op has with food, how it is grown and who grows it.

Food invites reverence. Susan reflects upon how a plant dies to fruit and produce more seed, thus repeating the cycle of life. It mirrors the passion required to start, grow and maintain a co-op. Authenticity is people being real with each other. It’s fresh food found outside the box.

Valley Natural Foods grows its own gardens, committed to sharing the experience of food at its source. Susan, along with her granddaughter and others, plants in the soil outside the store. Owners, shoppers and children from nearby schools watch real food cycle from seed to harvest. Inside the store, authenticity continues through service, choices and food



prepared in an onsite kitchen. It's an extraordinary experience. As the co-op expands its County Rd. 11 property, Susan speaks of the future and the co-op's goal to deliver that great shopping experience in an expanded and refreshed environment. Plans include wider aisles, upgrading refrigerated units to improve energy-efficiency, a larger kitchen for prepared foods, a new classroom space and online ordering for easy pick-up.

Susan says, "Our values remain the same – nutritious food, circulating dollars locally." The co-op pays a living wage and it's a community where people feel valued. Owners are still teaching one another, which is something Susan hears often in the aisles. One will ask another how to use a product. It's nourishing to have a place where people feel connected.

Even though future business is shifting at the speed of technology, Susan points out that the co-op remains grounded in its values and the impact it makes on the lives of those who shop and work there. As she contemplates retirement and spending more time with her grandchildren and other young people, she admits that the changes coming are a blur; it's in flux.

And yet, Susan also acknowledges the strength of Valley Natural Foods after 40 years. She says, "Our co-op community has grown to over 12,000 members. I don't feel responsible for the growth; it's the support of the owners and staff."

Susan passes on the torch, explaining why the co-op exists: to make a difference in the lives of those the co-op serves.

" We exist to make a difference in the lives of those we are serving.

In everything we do, we believe that authentic relationships and transparency build kindness and community. We believe that nourishing food, grown with integrity, paves the way for better health. We believe that paying attention to the smallest details creates opportunity for the biggest impact.

We just happen to sell groceries."



12,117

OWNERS

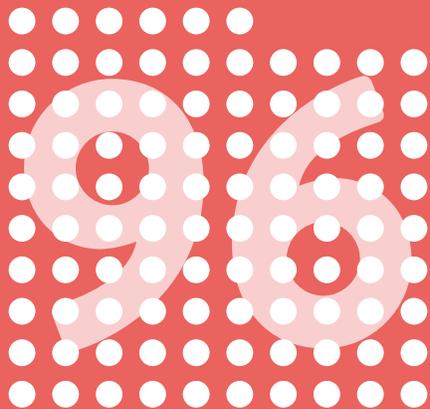
Ownership increased by 1.6% in 2017.



\$13,366

REGISTER ROUND-UP

Thank you for rounding-up your purchases to donate funds to local programs.



96

96 CLASSES

954 people attended 96 classes at Valley Natural Foods in 2017.



100%

LIVING WAGE

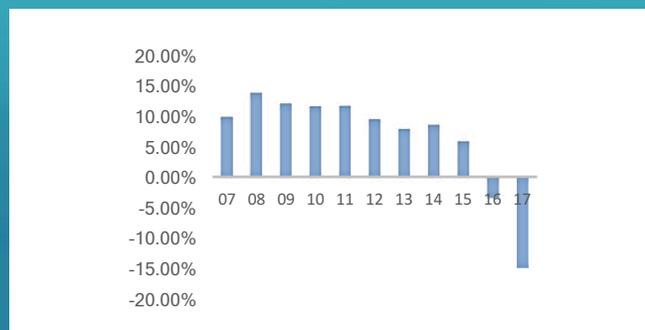
All full-time employees earn a living wage of \$12.85 or more.

FINANCIAL REPORT

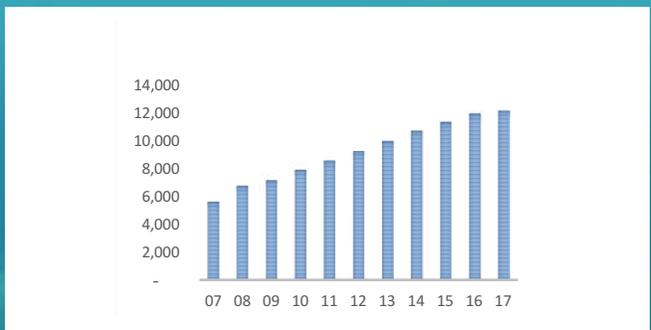
JULY 2016 - JUNE 2017

Despite heavy competition and technology driven changes within the grocery industry, Valley Natural Foods continues to show healthy financials. The co-op's liabilities continue to go down, and ownership steadily rises. This year, the co-op invests in its impending expansion, which will create more space for shoppers and meet consumer demands for more products. The deli department leads innovative changes with the expansion and the education space will gain a new room. The co-op continues to support local programs in schools, fund food drives and register round-ups.

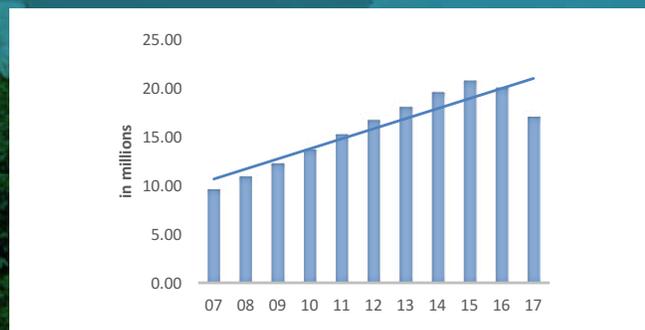
SALES GROWTH BY %



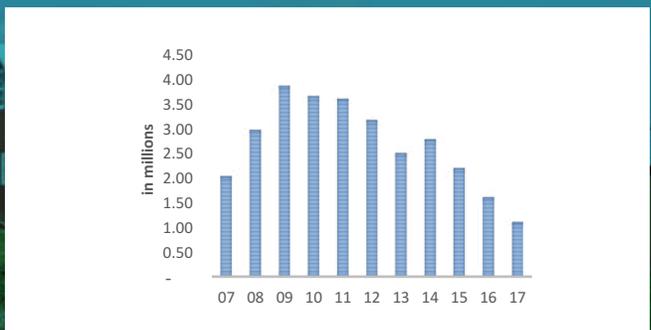
CURRENT OWNERS



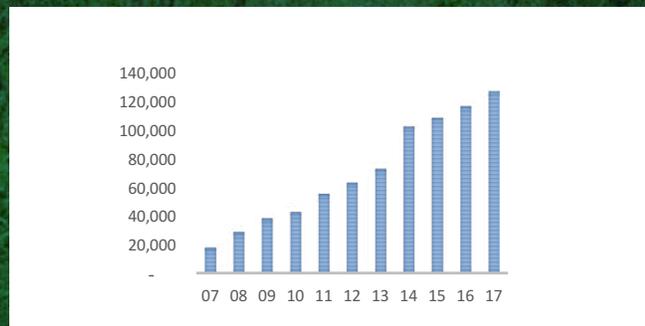
SALES GROWTH BY \$



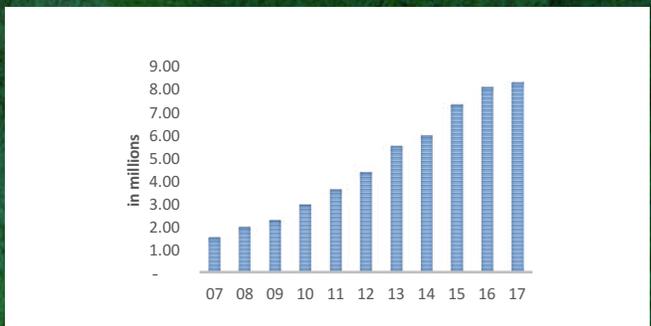
LIABILITIES



VALLEY COMMUNITY FUND



EQUITY



YOU + US =



RACHEL, Deli Supervisor

Rachel works at the co-op as deli counter supervisor. She left a corporate job to work for a cooperative where people help each other.

It's a hands-on approach that staff also extend to shoppers. For Rachel, the biggest difference between working a corporate job and a cooperative one is authenticity. The co-op focuses on people. It's a place where family matters and help is extended. It's why she's happy she made the leap.

Ray joined the co-op when he was hired in 2002. "I liked the ideas and philosophies of the co-op and was overjoyed to be there," he says.

Over the past 15 years he's altered his eating because of the support and knowledge of co-workers. The co-op is also a welcoming place to shop. Ray says, "We're all the same because we all love our families; it doesn't matter where we come from."



RAY, Owner Since 2002

Long before Jill guided the development of Valley Natural Foods' first deli department founded in 2001, she served as one of the co-op's earliest board presidents in 1978.

She was among parents who wanted healthier options for their children. "We always dreamed of having a deli that used what you'd find in grandma's pantry," she says. Now the dream is expanding in 2017, including more kitchen space to serve more of the community.



JILL, Deli and Bakehouse Manager

FORTY HEALTHY YEARS



STEVE AND KELLY, Owners Since 2001

When Kelly decided to join the co-op after it opened its new store on County Rd. 11, Steve backed his wife's decision.

Shopping at Valley Natural Foods reminds Kelly of family interaction. "Any time you go to the co-op it's like asking your brother or sister for advice," she says. They are both engaged owners, attending every annual ownership meeting since 2001. Steve also served two and a half terms as a board director.

Jessica paid attention to fitness, but when she became a young adult, her life grew busy. She developed health issues that prompted her to research ways to improve her eating.

At first, she popped into the co-op occasionally until it became a lifestyle. That's when she invested as an owner. Now with a husband and young child, she commits to her family's nutritional needs, cooking raw food and juicing every night. The co-op makes her feel healthy.



JESSICA, Owner Since 2012

Richard and Camilla were among the first owners of Valley Natural Foods who volunteered to work at the co-op.

Richard shared his accounting skills with the board of directors and served as treasurer for 27 years. Camilla recalls working shifts to which she brought her son along to help clean buckets. Jeff grew up in a co-op family, worked at the store in high school and now in grocery replenishing. They are a co-op family.



ELLSWORTH FAMILY, Owners Since 1981

OWNER PARTICIPATION



For 40 years, owner participation grew a healthy cooperative business at Valley Natural Foods. It is up to people to continue the legacy through authentic relationships in service to healthier families, community and operations. When the time draws near for expansion, you can partake in the investment through owner loans to the co-op. You can continue to keep your shopping dollars circulating locally. You can support community outreach through programs like the Register Round-Up. You can introduce family, friends and neighbors to co-op ownership. Right now, you can take time to vote, offer your feedback and attend the Annual Ownership Meeting.

2017 ANNUAL OWNERSHIP MEETING

Due to the special nature of an anniversary year, Valley Natural Foods will host its Annual Ownership Meeting at Discovery Bay in the Minnesota Zoo. Reservations are online only. The event is free and limited to one owner and up to two guests due to space limitations, and are only available online:

www.valleynaturalfoods.com/about/membership/rsvp

THURSDAY, OCTOBER 12, 2017

6:30-8:30 p.m.

No admittance prior to 6:30 p.m

Discovery Bay in the Minnesota Zoo

13000 Zoo Boulevard
Apple Valley, MN 55124

MEETING AGENDA

- 40th Anniversary
- Board of Directors Meeting
- Financials
- Expansion Update
- Introduction of New CEO
- Community Fund Recipient
- Board Election Results
- Drawings for Many Great Prizes



CAST YOUR VOTE!

Owners just like you serve on the Valley Natural Foods Board of Directors. The ownership elects the candidates and your vote is an important part of the cooperative democratic process. For 2017, the board has two open seats and four candidates. You can read about each candidate and learn what skills and interests they offer to the position. Cast your secure and anonymous vote online at: <http://ow.ly/hHZS30eVY39>. You will also vote for this year's local organization to receive the Valley Natural Foods Cooperative Community Fund.

BOARD CANDIDATES



MARK MOSINIAK

Owner since 2008
Apple Valley, MN
Retail Coach at Spring
Incumbent Board Director



GARY SANKARY

Owner Since 2007
Apple Valley, MN
Industry Manager Retail – Esri Software Co.
New Board Candidate



CHRISTINE SCHUMANN

Lakeville, MN
Owner Since 2015
VP Finance with Advanced BioEnergy
New Board Candidate



KATE WARD

Owner Since 2016
Apple Valley, MN
Clinical Content Specialist
New Board Candidate

LOGO EVOLUTION



ORIGINAL LOGO 1977



GRAND AVENUE 1990



GROUNDBREAKING 2000



STORE OPENING LOGO 2001



LOGO REDESIGN 2015



13750 County Road 11
Burnsville, MN 55337



1977-2017

Know. Believe. Belong.

2017

OWNER CHECKLIST

- READ** detailed board candidate biographies online at www.valleynaturalfoods.com/meet-2017-board-candidates/.
- VOTE** for two candidates by October 6 at 11:59 p.m. at valleynaturalfoods.com. You will be required to enter your owner number to vote, but your ballot is secure and anonymous. A computer will be available near customer service for voting at the co-op.
- QUALIFY** for an upgraded discount to 10% from November 1-30, 2017 when you complete survey and vote as an owner (one vote and one discount per owner number).
- REGISTER** for the annual meeting by close of day, October 9. Register online at www.valleynaturalfoods.com/about/membership/rsvp/ or stop by the customer service desk at Valley Natural Foods.