

**STATEMENT OF SAMUEL MANDELL, PRESIDENT, KEY FOOD STORES
COOPERATIVE, NEW YORK, N.Y.**

Mr. MANDELL. Congressman Rosenthal, gentlemen of the committee, ladies and gentlemen: I am Sam Mandell, president of Key Foods, which is a cooperative and individually owned.

It comprises about 147-148 stores, depending on how many drop out and how many we take in. They are independently owned, and I am elected by the board, which in turn is elected by the general members.

In order to acquaint you—I am sure you probably are—the working of a co-op is that all independent members have banded together, put up a certain amount of money, and we in turn operate together as a voluntary chain.

Mr. ROSENTHAL. Let me ask you one question. Key Food runs full-page ads in papers so you do advertise jointly.

Mr. MANDELL. Yes. The specials.

Mr. ROSENTHAL. When you run those ads, do you represent to the public that all Key Food Stores have all of the items in the ad and will sell them at the price in the ad?

Mr. MANDELL. Absolutely. The same as the chain. I might add, the basic difference between us, we are in a chain, the warehouses own the stores, and in our case the stores own the warehouses. Outside of that, when we advertise we expect the members, because—to explain the whole operation would take me a whole day. It's quite complex, our food business is—however, we have ways of enforcing and we are very much concerned with—

Mr. ROSENTHAL. That is what I was going to ask. Do you have disciplinary powers over members charging more than the ads?

Mr. MANDELL. Yes. The disciplinary powers are based only on the specials. We have no policy. Anybody who wants to charge less are welcome to it, but they can't charge more. If we are apprised of the condition and we take that very seriously, if a member is brought up on charges and we have cases—I don't want to mention the cases, but we have them—if they don't follow up these rules, we take away their franchises, which is very serious.

Mr. ROSENTHAL. Without mentioning names, has this happened where you have taken away a Key Food franchise?

Mr. MANDELL. Yes.

Mr. ROSENTHAL. How many times in the last 5 years?

Mr. MANDELL. I don't know about the last 5 years, but I would say in the last year we took away about four franchises and look upon that as very serious.

Mr. ROSENTHAL. Was that for reasons—

Mr. MANDELL. Basically, it's for reasons that they didn't comply with the image which we are trying to create. We, as a co-op, more so than anybody else, we are very much aware of public opinion, and we know the dearest thing we can do is lose a customer.

Mr. ROSENTHAL. What was the character or thrust of the violations that they failed to comply with?

Mr. MANDELL. That they don't honor the ads. If we get enough complaints, we take away the franchise and take away the sign.

Mr. ROSENTHAL. These four stores that were expelled in the last year, were they in any particular area of the city?