

**Minutes of Lakewinds Natural Foods
Board of Directors' Meeting
Monday, September 23, 2013**

Doug Engen, President
Taiha Wagner, Vice President
Brenda Pfahnl, Treasurer
Masha Yevzelman, Secretary*
Dale Woodbeck, General Manager

Cheryl Ahlcrona*
Caroline Hermes
Tracy Kochendorfer
Fred Ladner
Tim Reese

* *absent*

Also present were Eileen DeReus, Senior Finance Manager, and Sarah Budenske of S.B. Budenske CPA Ltd.

The President called the meeting to order at 6:31p.m. Monday, September 23, 2013 in the Eden Prairie headquarters meeting room.

Auditor's Presentation & Patronage Dividend – Sarah Budenske:

Sarah presented the annual Independent Auditor's Report prepared by S.B. Budenske CPA Ltd covering the balance sheets of Lakewinds as of June 30, 2013 and 2012, the related statement of income, retained earnings and cash flows for the years then ended, and the related notes to the financial statements. In the auditor's opinion, the financial statements present fairly in all material respects, the financial position of Lakewinds as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles. Discussion among Sarah, Eileen and the Board was held as to various parts of the audit, the financial statements and as to the patronage dividend. State law requires a minimum patronage refund of 20% cash to owners. The Board discussed that the minimum cash distribution would be in the best interests of Lakewinds this year due to the investment in the new POS system and the Richfield expansion.

The Board thanked Eileen and Sarah for their work, and they left the meeting.

A motion was made to accept the audit report with no adjustments. The motion was seconded and all voted in favor.

A motion was made to authorize a patronage dividend of \$400,000 for the year ending June 30, 2013. 20% of the declared dividend (\$80,000) will be paid in cash to the owners in proportion to their purchases during that period and the remaining \$320,000 will be distributed via B shares. The motion was seconded and all voted in favor.

Consent Agenda:

The consent agenda included a list of new owners for August 2013, a list of owners who sold back their shares to Lakewinds in August 2013 and the draft minutes of the August 2013 Board Meeting. *A motion was made to approve the consent agenda. The motion was seconded and all voted in favor.*

GM, Financial and Richfield Reports – Dale:

Dale presented the General Manager's Report, the Financial Report, and the Richfield Report. The fiscal year began well and sales were strong in August, showing an increase of 8.6% over August 2012 on a combined-store basis. Richfield construction work is proceeding according to schedule and the Lakewinds loan fund is now at \$1,050,000 with over 100 loans from owners. Average loan value is just under \$10,000. The loan campaign is continuing with several informational meetings taking place later this month in Richfield.

The new Point of Sale system is scheduled to go live September 24 after significant system testing and employee training. Lakewinds is working on coordinating image and values-oriented advertising throughout the metro area with other area co-ops. Dale also reported favorably on his meetings in Seattle with members of the National Cooperative Grocers Association. Growth among co-ops is the big topic nationally and Lakewinds is very favorably perceived for its expansion activities in the Twin Cities. Dale informed the Board about a license agreement with Peace Coffee to furnish and staff a kiosk in the Richfield store. Lucia's products have successfully rolled out in Lakewinds' stores under an exclusive retail arrangement.

Cooperative Board Leadership Development Report – Brenda:

Brenda reported positively on her participation in the CBLD board skills development program.

Minnesota Food Co-op Board Fall Event – Doug:

Doug reminded the Board that the MFCB fall event will occur on September 28 at Normandale Community College. The event will feature prominent speakers, including Art Sherwood of CDC Consulting.

Minnesota Food Association Big River Slow Food Event – Doug:

Doug reported enthusiastically on his participation in the MFA Big River Slow Food event on September 22. MFA is one of Lakewinds Organic Field Fund's grant recipients and the event showcased farmers who fled their troubled countries to begin new lives as organic producers at the Big Rivers Farms in Marine on St. Croix.

Brenda and Fred left the meeting at 7:45 p.m..

Annual Meeting, Elevator Speech, Aliens List Progress – Taiha:

Taiha presented an overview of the results of the owner engagement committee work that she, Tracy and Cheryl have done thus far. Many ideas about increasing

opportunities for engagement between Board members and owners and between owners and Lakewinds have surfaced over the past year, particularly since the Board's retreat with Art Sherwood of CDS Consulting last April. Based on the "Aliens List" generated at that meeting and the work of the owner engagement committee following the retreat, Taiha generated a framework for further discussion by the Board about these topics over the coming year. One big idea is that the Board as a whole, rather than a small committee, should be responsible for owner engagement. Taiha presented a number of additional ideas for accomplishing increased engagement and discussion was held. Taiha will present an overview at the annual owner meeting of the Board's interest in strengthening the two-way relationship between the Board and owners and increasing opportunities for owners to be involved with the co-op or related activities within our mission and related to the cooperative principles. The expectation is that Board activities will align with the GM, staff and store operations after further planning and discussion with the full Board, including new Board members after the October election.

Regarding the annual meeting, Taiha and Tracy met with Dale and Amy on September 5 to go over annual meeting ideas. Dale and his team have nearly completed final planning and implementation. Taiha communicated the plan for Board members to sit at owners' tables to increase opportunity for engagement. A number of activities are planned for the meeting that will give owners the opportunity for further engagement.

Policy Governance – Doug and Caroline:

Caroline noted that policy governance is part of the overall plan of the Board for the coming year as the Board revisits objectives and considers whether and how to modify ends policies.

The open portion of the meeting was adjourned at 8:40 PM and a closed session was held.

The meeting was adjourned at 8:55 p.m.