

**Minutes of Lakewinds Natural Foods Cooperative
d/b/a Lakewinds Food Co-op
Board of Directors' Meeting
Monday, April 28, 2014**

Doug Engen, President
John DePaolis, Vice President
Brenda Pfahnl, Treasurer
Tracy Kochendorfer, Secretary
Dale Woodbeck, General Manager

Caroline Hermes*
Fred Ladner
Stephanie Matz
Tim Reese
Taiha Wagner

**absent*

The President called the meeting to order at 6:30 p.m. on Monday, April 28, 2014 in the Eden Prairie headquarters meeting room. Four member-owners were in attendance as visitor-observers, and were welcomed and introduced.

Consent Agenda

The consent agenda included approval of the following items for March 2014: (i) new member-owners and share repurchases of departing member-owners; and (ii) Board meeting minutes. *A motion was made to approve the consent agenda, seconded and all voted in favor.*

Intentional Learning Hour

Next month's focus will be on the FY2015 budget. We expect to have a learning hour in the near future to help us fine-tune our template for evaluating Executive Responsibilities in service of the Ends to be adopted by the Board at this meeting.

GM, Richfield and Financial Reports, and Annual Meeting Update – Dale

Dale presented the General Manager's, Financial and Richfield Reports. Sales continue to increase at both stores and new owner sign-ups have picked up since last month. The April Gluten-Free Round-Up was well received and attended. Of particular note, the event was held simultaneously at both stores, with staffing able to handle the traffic.

Dale and senior management are working on a proposed FY2015 budget to present the Board in May. The budget and business planning are being done in tandem and will reflect the goals outlined by the Board in the Ends Policies (officially adopted as set forth below). At the April retreat with Art, while the Board's work coalesced on the Ends, senior management distilled their understanding of the Ends in a statement of Five Promises, which will deliver on the Ends, and make them come alive to our owners.

Lakewinds' Five Promises:

Guided By the Co-op Values and Principles, We Promise You...

- 1. Environmentally Friendly Practices**
- 2. Irresistible Stores**
- 3. Community Partnership**
- 4. An Awesome Workplace**
- 5. Local Healthy Food**

The Richfield store grand opening is set for June 28! Construction costs are within budget and owner loans are accumulating in excess of \$1.8 million. A new member-owner campaign will be held in Richfield in May.

Dale reported on outside conferences and activities he has attended for Lakewinds' benefit including the CDS Consulting Cooperative Café in Asheville, NC, meetings with the Appalachian Sustainable Ag Project and the French Broad Co-op in Asheville, and the National Good Food Network conference in Raleigh, NC, which is a conference of food hub operators. Dale also attended a meeting of the GMs of various Twin Cities Co-ops and the National Cooperative Grocer Association (a group of 130 co-ops that purchase products at a discounted rate from United Natural Foods Inc. (UNFI), the leading independent national distributor of organic and unadulterated foods in the U.S.).

Dale reported that Lakewinds annual member-owner meeting will be held on Monday, October 20, with location to be finalized in the coming months.

Board members were encouraged to sign up for the annual Consumer Cooperative Management Association (CCMA) conference slated for June in Madison, WI, hosted by the Willy Street Co-op, particularly in light of Cooperative Principle 6, Cooperation Among Cooperatives, as it is a good relationship building and learning event among cooperatives nationwide.

Ends Statements

Doug led a brief discussion recapping the Board's work with Art Sherwood of CDS Consulting at our April retreat. The retreat included the Board, Dale and the senior management team. We met our goal of arriving at refreshed Ends (statements answering the following questions: "For whom does the co-op exist to create value and what is that value to be created?"). The Ends will guide senior management as they plan, prioritize and implement actions that realize the Ends through the Five Promises stated above.

Accordingly, a motion was made and seconded to adopt the following Ends:

Lakewinds' Ends:

Because of Lakewinds, the co-op's owners, employees, suppliers and communities will have:

- 1. A sustainable profitable business***
- 2. A preferred retail employer***
- 3. Increased authentic relationships***
- 4. Increased understanding and support of co-operatives, and***
- 5. A healthier food system***

Executive Responsibilities Review (ER 1 – ER 11)

Doug led the Board through the Dale's report of compliance with eleven categories of his Executive Responsibilities. Dale is meeting and exceeding his requirements in all categories!

Executive/Board Responsibilities Evaluation Process

Dale and the Board briefly discussed whether a more streamlined approach should be used to maintain accountability for meeting the co-op's Ends. The Board will review CDS Consulting's template of Executive Responsibilities and hold further discussion with Art Sherwood and the Board on this item in the future.

At this point in the meeting, the member-owners were thanked and departed and the Board went into closed session.

The meeting was reopened to conduct a Board vote on changes to board election procedures for the 2014 annual member-owner meeting.

Board Composition

Doug presented a proposal to institute a three member Board election cycle instead of the current unevenly staggered cycle of one seat one year and five open seats the following year. The Board believes it is in the best interests of the co-op to have more continuity of leadership from year to year.

Accordingly, Doug proposed that three Board positions be open for election in October 2014 instead of one. Each of the three positions will have a three-year term. This will result in a

temporary increase in Board size from nine to eleven members for one year. In October 2015, when normally five Board seats would be open, there will be just three open seats, each for a three-year term. This will bring the Board size back to nine members and re-establish an annual election cycle for three Board seats, each having three-year terms. In October 2016 and thereafter, the rotation of three open Board seats per year will continue.

The current Bylaws (Article III, Section 1) permits the Board to increase the number of directors to eleven upon a majority vote of the Board approving such increase.

If a Board member resigns during his or her term, the Board may elect a replacement director to fill the portion of the departing director's term until the next annual meeting of owner-members. At that next election, the regular rotation of three Board seats would be open for election as well as the seat for the remaining term of the departing director. The replacement director or other qualified candidates could then run to fill the open seat for the remaining portion of that term. For example if "Director A" departs with two years left in his/her three year term, the board could appoint "Replacement Director" to fill the portion of Director A's term remaining until that year's annual meeting. At that annual meeting, Replacement Director and/or other qualified candidates could run for the Departing Director's remaining two year term. The three positions normally open at that year would go to the candidates receiving the three highest vote totals, and the Departing Director's seat would be filled by the candidate receiving the fourth highest number of votes. So long as a replacement director serves less than two full years of a Departing Director's term, the time served would not be counted as a full term, thus allowing the a replacement director to qualify to run for two full additional terms before being term-limited in accordance with the co-op's Bylaws.

Following discussion, a motion was made and seconded and all voted in favor as follows: The Board of Directors of this cooperative shall be increased to eleven directors for a period of one year, effective at the 2014 annual meeting of member/owners until the next annual meeting of member/owners, expected to be held in October 2015, at which time the number of directors shall decrease to nine.

The meeting was again closed to finish discussion on closed session topics.

The meeting was then adjourned at 8:50 p.m.