



**Minutes of Lakewinds Natural Foods Cooperative
d/b/a Lakewinds Food Co-op
Board of Directors Meeting
Monday, January 25, 2016**

Present:

Stephanie Matz, President

Tim Reese, Vice President

Brenda Pfahnl, Treasurer

Karyn Penn, Secretary

Dale Woodbeck, General Manager

Katie Bloomstrom

Kari Broyles

John DePaolis

Sarah Carroll

Ryan Sweeney

Absent: None

Guest:

Eileen DeReus, Finance Mgr

1. Call to Order

Stephanie called the meeting to order at 6:30 p.m. on Monday, January 25, 2016 at Eden Prairie headquarters. Attendance as noted above.

2. Announcements

Board Retreat Date

Steph asked board members to check calendars and let her know via email which date works best for the board retreat – Saturday, April 16 or April 23.

MFCB Quarterly Meeting

The next MFCB (Minnesota Food Co-op Board members) meeting is Saturday, February 27th from 12-2 pm at Just Food in Northfield. Topics include: 1) Should staff be eligible for board positions? 2) Options for board governance other than policy governance.

3. Consent Agenda

The consent agenda included approval of the following items: member applications and share repurchases of departing member-owners for November and December 2015; and November 2015 Board Meeting minutes.

A motion was made to approve the consent agenda, it was seconded and all voted in favor.

4. Reports

Dale presented the January General Manager's Report along with the December month end financial statements.

Marketing is developing a member/owner survey and the senior leadership team is developing a variety of analytics from our POS system database to assist leaders in their decision making.

Board members and staff have had positive feedback related to Minnetonka store's updated exterior facade. Interior changes at Minnetonka will begin this spring with deli remodel and center store reset. Changes to the wellness department are planned for FY17. Changes to the Chanhassen exterior facade and deli are also planned for FY17.

5. C Share Discussion

Eileen DeReus, Finance Manager noted the bylaws were revised several years ago to allow for C shares. Our owner loan program was very successful with the expansion to the Richfield store, thus there was no need to offer C shares at the time. Owner loans are typically easier to describe - the term for payback of the loan/interest is clear. Higher interest rates are typically offered on C Shares because the repayment date for C share principal is open ended.

The goal right now is to retire our debt as quickly as we can so we have options when it comes to new locations. Eileen recommends if we have a project that requires raising capital, e.g. new location, we consider offering C shares in combination with owner loans at that time.

Member loans start becoming current May 2017. We will pay back \$1M in member loans (more than half the loans) over that first 12 month period.

A great relationship with our bank has been established. Good financing is available to us. They treat our member loans as equity vs. debt. Our banker understands co-ops and our business. Nice work!

6. Budget Restatement

Dale provided a revised sales forecast for FY16. The budget has been restated to maintain budgeted net income as a percentage of sales.

Market Conditions

The market continues to change with new grocers entering the Twin Cities market (Fresh Thyme and HyVee) and existing grocers adding locations. Rainbow has left the market. Lunds/Byerly's, Kowalski's, and Whole Foods continue to compete head to head. Since last July, Kowalski's has opened in Excelsior, Rainbow in Eden Prairie closed and is now a Cub Foods, there is a new Lunds/Byerly's in Glen Lake and the Target at 101 & 7 was remodeled.

Trends

Organic sales growth continues with mainstream grocers continuing to add products. Costco, Kroger and Walmart are trending to become the largest sellers of organic products. Whole Foods identical store sales were down 0.6% July – Sept, down 2.6% Oct – early Nov.

Investments

Investments in the business, people (cross training and sharing of staff), brand and community continue.

Financial Position

We are positioned well financially. \$100K in principal was paid in Dec 2015. We are building cash. Quick and current ratios (assets to liabilities) are “healthy”. Efficiencies have been established within the headquarters. The question now is - would it be more efficient to run 4 stores?

7. Board Recap of Jan 9 CDS Event

Kari and Karyn shared their impressions from the January 9, CDS Cooperative Board Leadership Training. Connecting with other co-op board members and staff was the big take-away. Karyn mentioned some co-ops include all board members in their annual orientation of new board members to help establish the “new team”. Many include study of a book as part of their learning hours for board development. Two books, *The Servant as Leader* and *The Primes* were specifically recommended. Customer surveys and conversations with owners/customers in the store were encouraged as methods to listen to the 95% who “aren't speaking”.

8. Adjourn

The meeting was adjourned at 8:13 pm for closed session to discuss real estate matters.