

Minutes of Lakewinds Natural Foods Board of Directors Meeting March 22, 2010

Board President John DePaolis called the meeting to order at 6:34. In attendance were Doug Engen, Caroline Hermes, Fred Ladner, Jennifer Reilly, Katherine Roseth, Joe Wagner, Dale Woodbeck and acting GM, John Case. Also in attendance were Joan Pasiak from Mississippi Market as well as 3 members, Jeff Grimm, Jessica Blum and Eapen Chacko.

Consent Agenda

Before addressing the Consent Agenda, John Case commented on the Anoka sale. He said that the total P&L impact to Lakewinds was approximately \$18,000 consisting of a \$13,000 loss from selling the fixed assets for \$1 and \$5,000 in legal fees. The balance sheet impact was another \$14,000 due to the redemption of 154 (so far) Anoka memberships at \$90 per member. He added that the transition went very well.

Doug made a motion to accept the Consent Agenda, which was seconded by Fred and passed unanimously.

General Manager Search

Jennifer explained that the last day for acceptance of resumes was March 21 and that the Search Committee is still in the process of doing phone interviews which will most likely continue until the end of the month. She added that the response was very good and that there had been over 70 resumes received. The Committee feels that it will end up with at least three viable candidates which will be interviewed in person mid-April. Final candidates will be brought before the full Board in mid-May. They will also be required to do daylong tours of both stores as well as meetings with managers and selected staff.

Finance Committee

Joe explained that he had contacted Rachel to begin a draft of the C share offering as a result of the last Board meeting. She suggested offering shares in two tranches, the first to be done asap to repay member loans due this year and the second to cover bank debt maturing next March. I then discussed this with the Finance Committee (Doug and Dale). Dale suggested that we not do it that way as he believed there was sufficient cash on hand to repay member loans and have adequate cash to operate the stores. I then asked John Case his opinion and he concurred that we do not have to issue C shares to repay member loans. I passed this information to Rachel and told her I would present this to the Board at the next meeting. The proposal therefore is to delay issuance of C shares until either later this year or early 2011 and to do so with the express purpose of repaying maturing bank debt. In the discussion that followed it was mentioned that we should also be raising funds for expansion as well. Joe said that Rachel counseled against this unless there was an actual project at hand. She suggested that in the offering we could explain to members that we are strengthening our balance sheet by

eliminating expensive bank debt which will allow us to obtain better financing terms when we do identify a site for the new store. The Board concurred with this approach and will take up this issue later in the year.

Board Recruiting

John said that he put this on this month's agenda to remind the Board that we need to get started on recruiting candidates to run for the one open position. Katherine then announced that she will be resigning from the Board before the end of her term, most likely in September. This will leave two open positions. She volunteered however to write an article for the June/July newsletter to announce the need for members to consider running for the Board. John said that in addition to the newsletter the Board should plan for in-store recruiting presentations by Board Members and other events.

Harvest Moon Support Proposal

Dale explained that he had been approached by Michele Krolczyk, Harvest Moon board president, with a request that Lakewinds consider providing HM with financial support. Dale had circulated materials sent to him by Michele prior the Board meeting. He noted that HM had just about wrapped up its financing for the new coop but were apparently \$300,000 short. The Northern Cooperative Development Fund offered to lend HM this amount if they could provide guarantees (cash deposits) of \$250,000 for up to 5 years. In other words NCDF would only be willing to lend \$300,000 with \$250,000 in collateral for a net exposure of only \$50,000. Therefore the proposal from HM was for local coops to help provide these guarantees. Alternatively, Lakewinds was invited to become a member of HM and either make a member loan maturing in 2016 or buy C shares (with no stated maturity) under terms and conditions stated in their letter.

There followed a long discussion as to whether Lakewinds should provide this or some other form of support. It was mentioned in the discussion that Lakewinds certainly believes in supporting local coops which is evidenced by the fact that it has just completed helping launch another start-up; i.e. Grass Roots in Anoka. It was also mentioned that Lakewinds' staff has provided many hours of free consulting to Harvest Moon with advice on how to run a coop. The discussion also included comments by John Case who has had experience with financial assumptions regarding start-ups. He was a bit skeptical of the assumptions and projections provided in the materials.

After wrangling with the pros and cons of the issue it was decided that Lakewinds may not want to provide financial support under the stated terms and conditions suggested by HM. The Board asked Dale to contact HM and discuss other forms of assistance Lakewinds might provide other than financial support, or, alternative financial terms and conditions.

Dividend Resolution

Dale explained that this item is on the agenda because of requests from some Anoka members that have recently redeemed their shares to invest in Grass Roots. They want to know if they will receive a dividend from Lakewinds even though they are

no longer members. The short answer to this is no. The Board then decided, since the Bylaws are a bit vague on this subject, to pass a resolution to the effect that dividends will only be paid to members of record on the last day of Lakewinds' fiscal year, i.e. June 30. Joe made a motion to pass such a resolution, which was seconded by Dale and passed unanimously. It was mentioned that former members who have redeemed their memberships and wish to receive a dividend can repurchase a membership prior to June 30, 2010.

Additional Comments

John Case added that although it has been a rule-of-thumb in annual budgeting to allocate 1% of sales for renovations and capital improvements. However, in recent years we have only been spending half of this allocation. He requested that we return to the full 1% expenditure this year to address some remodeling needs as well as some maintenance that had been deferred. The Board approved this request.

This part of the meeting was adjourned at 7:21. The Executive Session that followed adjourned at 8:07.