

**RECREATIONAL EQUIPMENT, INC.
ANNUAL MEMBERSHIP MEETING**

MARCH 30, 2009

The Annual Membership Meeting of Recreational Equipment, Inc. (REI) was called to order by Chair, Anne Farrell, at 7:00 p.m. at REI's flagship store in Seattle, Washington.

Directors in attendance were: Ivar Chhina, Brenda Davis, Anne Farrell, John Hamlin, Joanne Harrell, Tom Harville, Sally Jewell, Chuck Katz, Jesse King, José Lozano, Ed Schmults, Cheryl Scott, and Mike Smith.

Ms. Farrell gave opening remarks, which included an explanation of the roles and responsibilities of REI's Board of Directors. REI's Board of Directors currently consists of 13 members: 12 independent directors (10 elected and two appointed), and REI's President/CEO. The Board has four standing committees: Executive, Nominating and Governance, Compensation and Leadership Development, and Audit and Finance. Ms. Farrell explained that REI is not a publicly traded company, yet it nonetheless follows "best practices" in corporate governance. After Ms. Farrell concluded her introduction, each director introduced himself or herself.

Ms. Farrell then informed members that the Board declared a ten percent (10%) patronage refund for 2008, returning more than \$72 million back to members. At the same time, REI has remained committed to stewardship, donating a portion of operating profits for grants to non-profits involved in environmental stewardship, conservation, and recreation programs for youth. Ms. Farrell then expressed her gratitude to the directors and employees for their service to the co-op.

After completing her remarks, Ms. Farrell called for approval of the minutes of the 2008 Annual Membership Meeting, held March 31, 2008. On motion made and seconded, the minutes were approved as submitted.

Tom Harville, in his role as past chair of the Nominating and Governance Committee, described the duties and role of the committee and gave the election results for the three candidates on the ballot this year: Ivar Chhina (47,433 votes for, 985 votes withheld), Joanne Harrell (47,533 votes for, 1,011 votes withheld), and Chuck Katz (47,508 votes for, 948 votes withheld). Mr. Harville then announced the officers of the Board and the committee chairs for 2008-2009: Anne Farrell, Chair of the Board; Ivar Chhina, Vice Chair of the Board and Chair of Audit and Finance Committee; Cheryl Scott, Chair of Compensation Committee; Chuck Katz, Chair of Nominating and Governance Committee.

Mr. Harville closed his report by announcing REI's corporate officers elected by the Board:

President & Chief Executive Officer:	Sally Jewell
Executive Vice President of Merchandising, Marketing, Online & Public Affairs:	Matt Hyde
Executive Vice President of Sales, Distribution, & Store Development:	Brian Unmacht

Executive Vice President, Chief Financial Officer, & Assistant Treasurer:	[open]
Senior Vice President, General Counsel & Corporate Secretary:	Catherine Walker
Senior Vice President of Human Resources:	Michelle Clements
Vice President of Public Affairs:	Michael Collins
Vice President of E-Commerce & Web Strategy:	Brad Brown
Vice President of Distribution & Logistics:	Dave Presley
Vice President of REI Gear & Apparel:	Lee Fromson
Vice President of Merchandising:	Angela Owen
Regional Vice President – West Region:	Tim Spangler
Regional Vice President – East Region:	Janet Hopkins
Vice President of Marketing:	Tom Vogl
Vice President of Information Services:	Bill Baumann
Assistant Secretary:	Danette Capello
Treasurer:	Russell Paquette

Sally Jewell, President and CEO of REI, presented the President's Report. Ms. Jewell informed the members that 2008 was a challenging year for the co-op, and provided an overview of REI's financial performance for the year compared to the prior three years. REI's total sales for 2008 were \$1,434 million, an increase of 6.9% over 2007, and comp store growth was just over 0.3% (comp stores are stores opened for 12 months or more). REI distributed over \$72 million in dividends to members, and had net income of \$14.5 million (1% of total sales) in 2008. Over 646,000 new members joined the co-op in 2008. Ms. Jewell noted that while REI outperformed other retailers in general, the co-op is not immune to the current economic environment.

Ms. Jewell continued her report with information on the nine new stores opened in 2008, including REI's second prototype store in Round Rock, Texas. REI also installed solar panels on 11 stores in 2008. Ms. Jewell described improvements to rei.com made in 2008, including the re-design of the site, increased "how" and "where" content, and expanded product reviews. Ms. Jewell highlighted several award-winning REI Gear & Apparel products, including the Quarter Dome T3 tent, the Cirque ASL 2 tent, the Halo +25 sleeping bag, the Shuksan and Kulshan jackets, and the UL Flash 65 backpacks. Regarding the company's supply chain, 2008 was the first full year of operations for REI's second distribution center in Bedford, Pennsylvania. Each REI store is now able to receive fulfillment trucks at least three times per week, ensuring that the retail stores remain adequately stocked to serve our customers' needs.

Turning to REI as a great place to work, Ms. Jewell noted that REI was once again named to *Fortune* magazine's list of 100 Best Companies to Work For, listed at #12 overall. REI was also named the top "World Retail Employer" in 2008 by the World Retail Congress.

Ms. Jewell described REI's diversity and inclusion initiatives and, in particular, two pilot projects being run in the Atlanta and San Diego markets. She continued the discussion with reference to REI's stewardship efforts, which encompass sustainability, fair labor, and community service. In

2008, REI gave over \$3.7 million in grants to non-profit organizations in the communities it serves. Additionally, through REI's efforts:

- 72,262 adult and 326,032 youth volunteers gave over 1,573,000 hours of time to service projects;
- Over 142,000 kids participated in the Promoting Environmental Awareness in Kids (PEAK) Program, and approximately 7,500 youth were reached through REI's gear banks;
- 6,520 miles of trails and 14,481 acres of land were preserved and maintained for recreational use; and
- REI employee giving exceeded \$677,000.

Ms. Jewell concluded the President's Report with a look ahead. She noted that there are five new retail stores planned in 2009. The Board approved a conservative budget for 2009, and the co-op's financial strength continues to be reflected in the absence of debt and a strong cash position. Ms. Jewell described how REI would continue to reach out and connect to members through its class and clinic offerings, as well as its stewardship efforts. Connecting children to nature remains one of the co-op's primary focus areas. Finally, Ms. Jewell reflected on the legacy of Lloyd and Mary Anderson and REI's aspiration – "To thrive as a co-op serving outdoor enthusiasts 100 years from now and beyond".

At the completion of Ms. Jewell's presentation, Ms. Farrell opened the meeting for questions from the attendees. A retail employee expressed her gratitude for other employees, the board, and the company. One member expressed concerns about the decline in earnings and gross margin in 2008, the 10% dividend, and competitive pricing. Ms. Jewell responded to the concerns. This member also expressed his opinion that the number of awards received by REI for its branded gear and apparel was low, and Lee Fromson, Vice President of REI Gear & Apparel, responded. A direct sales employee commented on the co-op's fine leadership and engaged members and customers, and asked about REI's strengths and opportunities. Ms. Jewell responded to the question, noting that REI is in a great position to both inspire and educate, as well as outfit, its customers and members.

There being no further business to come before the membership, the Chair adjourned the meeting at 8:20 p.m.

Respectfully submitted,



Danette M. Capello
Assistant Secretary