

Wild Oats Cooperative Inc.
Board of Directors Meeting Minutes -- Zoom video-conference
Thursday, June 29, 2023: 7:00- 8:00 PM

Board Members Present: Bob Allard, Marc Freedman, Tom Cragg, Sarah Jacobson, Michelle Juneau, Jeff Strait, Peter Siegenthaler, and Lee Venolia. Jose Constantine was absent

Managers: Netse Lytle, Tierney Beck

Meeting convened at 7:00 PM

Member-Owner Comments

- No member-owners attended the meeting

Board and Meeting Logistics

- Tom Cragg reviewed with the Board the meeting agenda and the Board calendar
 - With regard to the agenda:
 - Tom reminded the Board that at the end of 2022 it decided to shift GM compensation from a calendar year to a fiscal year (with changes to start on July 1, 2023) and the agenda included an executive session on GM compensation
 - With regard to the Board calendar:
 - Tom noted that the store has agreed it can support an annual meeting in October (specific date TBD)
 - The calendar only shows a generic “retreat topics” for upcoming meetings. The Board discussed which topic everyone wanted to discuss and decided on “building renovation” for the July 2023 meeting
- Approval of the May 2023 Board minutes was deferred until the July 2023 meeting

Management Report L4 – Business Plan and Budget (FY 2024)

- Netse Lytle provided an overview of the final business plan and budget which Netse has discussed with the Board over several meetings
- Board discussion resulting from Netse’s overview primarily focused on the financial statements that showed projections for fiscal year 2023 along with figures for fiscal years 2024-26
 - FY 2023 Projection -- The projection shows sales of almost \$6.2 million, a gross profit margin of 37.1%, and net ordinary income of \$74,806. Net income is projected at \$7,271 primarily due to federal income taxes, paid in FY 2023, associated with earnings from previous fiscal years.
 - When the final FY 2023 numbers are completed, Netse believes net income will be higher (he will update the report with the actual when available in July 2023)
 - FY 2024 Budget – The FY 2024 budget projects sales of \$6.7 million (an 8% increase), a gross profit margin of 39.3%, a 6.7% increase in personnel expense, and a 27% increase in “all other expenses.” These projections result in net ordinary income of \$134,646 and net income of \$156,901.
 - Michelle Juneau asked Netse to explain the source of increased sales. Netse listed a number of marketing and sales initiatives including: restarting the hot

bar, new food delivery options (Door Dash and Mercado which are expected to start in the summer of 2023), and more aggressive marketing programs.

Overall, a portion of the expected sales increase will come from price increases due to inflation, with the rest from real sales growth resulting from planned initiatives. Jeff Strait expressed concern with the strategy of price cutting to increase sales. Netse mentioned that a summary of the store's marketing strategies will be added to an updated version of the business plan

- Jeff Strait questioned the low increase in cost of goods sold which did not seem in line with expected food inflation. Netse explained that he and his managers were comfortable with the budgeted projection for cost of goods sold and saw more aggressive purchasing as the means to accomplishing this goal. Even so, Netse will review the projection with his managers again to validate their expectations and to consider food inflation forecasts
 - Netse discussed the forecast for personnel expense. This forecast includes provision for new employees and for expected retirements. It also includes flexibility for hours worked which for some employees can increase or decrease based on store sales.
 - Netse also highlighted the increased budget for repairs and maintenance which contributes to the increase in the "other expense" category. The budget and business plan does not encompass any expense or sales impact from a store renovation program
 - Netse discussed several major capital expenditures upcoming that will not affect the budget directly (they are capitalized and depreciated).
- After considerable discussion, Netse offered to revise the budget and business plan to reflect the several concerns expressed, to add the marketing and environmental strategies, and to correct some formatting issues. He will bring the budget back to the Board for approval at its July 2023 meeting.

Board Discussion on Ends Policy Regarding Produce Sold at Wild Oats

- The Board's "Working Group," which is focusing on the store's mission and purpose, asked for a Board discussion on the produce department, specifically:
 - The availability of organic produce
 - The labeling of produce, especially with regard to organic produce
 - Staff training on organics
- To start the discussion, Tom Cragg referred the Board to a paragraph in an article suggested by Jade Barker, the Board's consultant, dealing with "safe strategic conversations." Such conversations involve Board members avoiding passing judgment, exerting authority or making decisions. It allows, however, for directors to ask questions and for the GM to explain the issue's seriousness, what has been done and whether there is any plan for addressing concerns. In general, the Board provides the General Manager with the "Ends Policies" to guide store management. After that, the Board's main job is to determine if the GM is implementing the Ends as desired. The discussion that followed focused on this last point.
- To start the discussion, Netse made the following comments:
 - Labeling could be better and changes are being implemented. Netse showed the Board a new color-coded approach for labeling the produce. In addition, labeling for locally grown produce will indicate "no spray" or "organic" if certified.

- Produce department currently offers 167 items, and only 3 are conventional. Over the past three months, produce sales were approximately 75-79% organic.
- Organic produce is emphasized, but conventional produce is offered at times. Netse noted that the produce department could sell more, and offer more organic options, if it had more space available for the produce department
- There is no training planned for the produce department staff (some are long-standing employees), but Netse will look into offerings from NCG and others
- Following Netse's comments, a general discussion ensued with the following issues of note:
 - A concern was noted that people with color blindness might have problems with the color coding of produce
 - In September, when Netse presents his report on the store's implementation of the Ends Policies, the report will provide more data on percent organics in the store generally and in the produce department specifically
 - In some cases, organic produce is much more expensive to offer, and the store cannot take too large a margin cut to make this organic produce affordable. This contributes to the store's reputation as being expensive
 - Making the nature of the produce (organic or conventional) clear is important for transparency to allow shoppers to make an informed choice based on their needs and beliefs.
 - Signage could be improved in other parts of the store as well, for example, to point out environmentally friendly products
- The Board generally agreed that the sale of organic produce was a core value for the store. The store management needs to find better ways to gather data on organic and local sales in the store to substantiate Ends implementation. The Board did not feel the Ends Policies needed to be revised at this time
- Marc Freedman, a member of the Working Group, summarized the Board's overall discussion on the topic of organic produce and thanked everyone for a good discussion

The Board moved into Executive Session at approximately 8:30 pm to discuss General Manager compensation.

- Netse Lytle reviewed his compensation proposal for fiscal year 2024 as requested by the Board. Following some questions and discussion, Netse left the meeting.
- After some deliberation, a motion was made by Peter Siegenthaler and seconded by Lee Venolia on a compensation plan for the GM. Motion passed unanimously.

The Executive Session ended at approximately 8:50 p.m.

MEETING CLOSING

- The next Board meeting is scheduled for July 20, 2023
- The meeting ended at approximately 8:55 pm

Minutes Prepared by: Tom Cragg