

# Member Loan Campaign Toolbox

A Guide for Retail Food Co-ops

By Bill Gessner, Beret Griffith and Ron Griffith

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# Member Loan Campaign Toolbox

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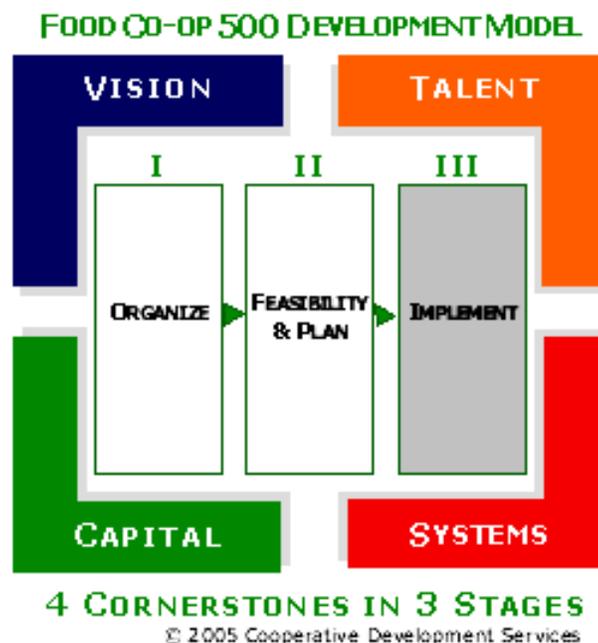
# Introduction

The purpose of this Member Loan Campaign Toolbox is to provide an overview of suggested best practices for carrying out a successful Member Loan Campaign for consumer-owned food co-ops. While each food co-op has a different situation and set of needs, we can learn from the common challenges and approaches that more than 100 food co-ops have experienced in raising member loans over the past 25 years.

The Member Loan Campaign Toolbox is intended to provide guidance to both start-up food co-ops and established food co-ops that are expanding/relocating or adding a new store. The toolbox is designed to serve both board members and management of food co-ops.

In start-up food co-ops, prior to management being hired, the primary and initial audience will be board members. In established food co-ops, the audience will be the general manager, board members, and other staff and board members involved in the Member Loan Campaign.

Newly forming food co-ops should be familiar with the Food Co-op 500 Development Model, “4 Cornerstones in 3 Stages,” the framework that we use in guiding your organizing efforts. Member loan planning usually begins during the planning part of Phase II and the actual campaign during Phase III, Implementation. Established co-ops may be using somewhat different stages to identify their progress; however, the 4 cornerstones of Vision, Talent, Capital, and Systems will be essential to every co-op. This toolbox was structured to complement our development model.



# Planning the Member Loan Campaign:

*Applying Your Vision and Structuring Your Capital*

## **Why Member Loans?**

There are 3 primary ways members can help capitalize (i.e. provide funding to) their food co-op:

1. Shop at the co-op: This contributes to the co-op's profitability, with a portion of the profits being retained as capital, and reinvested in the cooperative business.
2. Fulfill the member share requirement: The member either makes a one-time equity investment, or an annual equity investment until her/his share requirement is met.
3. Make an additional investment: Either as additional equity (non-voting) or as a **member loan**.

In order to raise significant amounts of capital quickly, member loans have become an increasingly popular and necessary choice for food co-ops. Over the past 25 years, established food co-ops have used member loans as an essential capital component in financing expansion/relocation projects. Start-up food co-ops have also raised significant capital through member loan programs. Successful member loan campaigns are producing debt financing in the \$300,000 to \$1,500,000 range.

Member loans represent commitment and engagement in the co-op on behalf of its members. While not provided by all members, member loans are nevertheless a very strong indicator of member buy-in and support for the proposed future direction of the co-op. Such investment illustrates that the member values the co-op's services and is willing to lend a sizable amount of money to the co-op, even when clearly understanding the risks involved. Member loans typically range from \$1,000 to over \$50,000. Average size loans can range from \$3,000 to \$10,000.

Serving to leverage bank financing, member loans are a critical ingredient in the cooperative's mix of assembled capital. A bank will be impressed by a co-op's ability to raise member loans. Financial institutions often view both member loans and member equity favorably, since both types of member investment are subordinate to bank loans.

Member loans can also be viewed as a bridge to member equity. Member loans are most often raised intensively as part of a start-up or expansion project and repaid over a 4 to 10-year period of time, as member equity and profits slowly flow in to replace the member loans.

## ***Overview of a Member Loan Campaign***

A Member Loan Campaign has 2 distinct phases: **planning** and **implementation**. This section presents action lists for each of these phases. Each action list represents a summary of the steps that are needed to plan and execute a successful Member Loan Campaign. While the steps are in a sequence, they are not intended to imply a rigid sequence. The detail for most of these steps is contained in the remainder of this toolbox.

### **Phase 1: Planning**

The **planning** for a Member Loan Campaign typically takes at least 4 to 6 weeks and includes appropriate legal advice from an attorney experienced in co-op and securities law. Common primary components of the planning phase of a Member Loan Campaign are:

1. Determine the goals for the amount to be raised (with a particular focus on the minimum amount needed to allow the expansion or start-up to move forward), and by what date.
2. Determine the goal for the average size loan. Set a level for a minimum size loan and consider whether the co-op should establish a maximum amount it will borrow from a single member.
3. Establish the basic terms for the member loans (interest rate, length of term).
4. Create a budget for the Member Loan Campaign, and create a timeline for both the planning phase and the implementation phase of the campaign. Revise budget and timeline as necessary.
5. Arrange for legal consultation and review of all written materials which will be distributed to members.
6. Arrange for appropriate consultation to assist with planning and implementing the Member Loan Campaign.
7. Organize the task force with defined roles to cover coordination, calling and collecting.
8. Review the history of member loans at your co-op or other co-ops that you are familiar with (especially if your co-op is a start-up co-op).
9. Develop printed materials (appeal letter/s and envelope, brochure, testimonials, newsletter articles, renderings/photos, member loan information packet, community or in-store displays, website information, system for informal thank you cards, promissory notes). See appendices for examples.
10. Create target lists of members.
11. Develop a separate approach and targets for seeking large member loans (for example, those above \$10,000).
12. Develop a calling sheet for tracking calls or conversations with each target member.
13. Develop an e-mail group that can be added to over time, and plan initial messages. This group should include loan campaign members and interested members.
14. Develop administrative capacity to manage the member loans on an ongoing basis.
15. Develop and implement a training program for callers, including creating a script, guidelines, a list of frequently asked questions (FAQ's), and talking points.

16. For existing food co-ops, develop and implement a training program for staff so they are informed about the Member Loan Campaign and able to guide interested members.
17. Gain early commitments prior to the launch of the campaign for at least 10 – 15% of the goal from the Board of Directors (or an expanded leadership group).
18. Develop a monitoring/tracking system (spreadsheet or data base) that can be used from Day 1 of the Member Loan Campaign.
19. Begin to plan for an appropriate launch date to implement the Member Loan Campaign.
20. Organize the initial mailing, including hand addressing of envelopes.
21. Have fun and good communication, build energy, momentum and support.

## **Phase 2: Implementation**

The implementation of a Member Loan Campaign, if well organized and planned, can be completed in a 4-week period (additionally, allow a hidden 2-week overrun allowance). Certainly the implementation phase of some campaigns has taken longer than 6 weeks – extending out from 3 to 6 months or longer. However, the longer the implementation phase takes, the more stressful and challenging it becomes. Building momentum with a well-organized and coordinated Member Loan Campaign is most helpful and makes it possible to raise a large amount of money in a relatively short period of time.

The most common primary components of the implementation phase are:

1. Include articles in the co-op's newsletter and e-mail updates.
2. Complete a mailing to all members, including the target list.
3. Follow-up with phone calls to the target list.
4. Reassess your strategy and script based on responses after the first 10 calls.
5. Make special contacts with the list of lenders who have potential for large loans.
6. Set up a system for recording names and phone numbers of all members who express interest in, or ask questions about, the Member Loan Campaign. These questions may be directed to staff and/or the Member Loan Team.
7. Maintain a record-keeping system and database that is updated regularly.
8. Establish a visual display of the Member Loan Campaign in the store (or the community, if no store exists yet), showing progress by date.
9. Establish a daily monitoring system to measure progress. Evaluate caller success and progress and reallocate prospect lists as necessary (and/or retrain callers).
10. Create a potential second appeal letter to be mailed by Day 10 to all members to report campaign progress (especially if progress is slower than projected).
11. Send updates at least twice weekly to e-mail group.
12. Post progress reports on the co-op's website.
13. Send informal thank you cards to acknowledge loan commitments.
14. Establish and execute a consistent, thorough, well-organized collecting procedure.
15. Celebrate and be generous with 'Thank You's.

With good planning and effective implementation, a Member Loan Campaign can be accomplished in 4 to 6 weeks for each phase of planning and implementation, or a total of 3 months, not counting

whatever gap there is between the end of the planning phase and the beginning of the implementation phase.

### ***Campaign Structure and Process: Roles***

Who is responsible for raising member loans in a food co-op? How should the co-op organize the Member Loan Campaign? Who will be responsible for what activities in the campaign? During the planning phase, these are essential questions to explore, understand and clarify in order to be successful with your co-op's Member Loan Campaign.

As a first step, each co-op will have to determine who will bear responsibility for the Member Loan Campaign. For a start-up co-op, the Board of Directors is likely to have initial and major responsibility, although they can delegate to a working group, task force, or committee.

For an established co-op, depending on the size of the co-op, the talents and capacity of the board and management; management or the board may bear responsibility in planning and implementing a Member Loan Campaign. Even in situations where the management has been charged with implementing the Member Loan Campaign, the board will still have a critical role to play. The board needs to be visible to the members in some fashion throughout the campaign, such as through direct contact, tabling or newsletter articles. After all, it is only the Board of Directors who has the authority and responsibility to authorize the co-op to borrow money from the members and to approve the disclosure made to those members when loans are sought. In addition to their legal responsibilities, directors have vital relationships with the co-op's members that may assist in the member loan drive.

Regardless of who bears responsibility for the Member Loan Campaign, there are key roles that need to be filled. The primary roles in a Member Loan Campaign are **Coordinator**, **Caller** and **Collector**. It is best to have one lead person in each role, rather than having lead people fill multiple roles. Of course there can be exceptions to this, but the pitfalls of shared and undefined responsibility have been notable in many instances.

The Member Loan Campaign will likely require the efforts of more than 3 people. A team or committee or task force that involves a number of people may be preferred. For the purposes of this toolbox, this group of people will be called the Member Loan Team. The Member Loan Team is appointed by those in the co-op who bear responsibility for the Member Loan Campaign: the board or management, or a combination as noted above. The Member Loan Team will likely include members of the board or management, but may also include others with special skills that are pertinent to the campaign. During both the planning and implementation phases, the Member Loan Team might find it valuable to meet as often as weekly. The team should be of a functional size--there is easily enough work to do to involve 7 to 10 people during the planning and implementation phases.

Brief descriptions of the three primary roles in a Member Loan Campaign are as follows:

### **Coordinator**

The coordinator guides the overall Member Loan Campaign--both the planning and implementation--and reports to either management or the Board of Directors. The coordinator will facilitate and organize the process from beginning to end, providing direction, support and encouragement to other members of the Member Loan Team. The coordinator is also often responsible for organizing the strategy and approach to pursue large loans (for example, loans over \$10,000).

### **Caller**

The caller is responsible for contacting the members on the targeted call list, with the exception of the targeted large lenders. It is recommended to have one primary caller, but realistically, you may need to have 2 or 3 callers. The callers should meet the following criteria:

- Like to ask people for money
- Are good/successful at asking people for money
- Are credible in the eyes/ears of the members – either by being known and trusted or by being able to instill credibility quickly in a phone conversation

The goal of the caller is to gain a verbal commitment from the member to make a member loan to the co-op. If possible, the member should specify a dollar amount, desired interest rate, and length of term during the call. The caller passes this information on to the Collector and completes the log sheet for that member.

### **Collector**

The collector is responsible for collecting the funds and making sure all of the paperwork is in place and appropriately signed. The collector verifies that the member has reviewed the member loan disclosure materials provided to the member and is still comfortable with her/his verbal commitment. Depending on the nature of the verbal commitment given to the caller, the collector may need to work out remaining details with the member related to dollar amount, interest rate, and term. The collector develops a system whereby the collection and the closing of the loan is done by an in-person meeting between the collector and the member, or by mail, or a combination of the two. The collector will likely do the collecting and closing in person with some members and by mail with other members.

In addition to the 3 primary roles of Coordinator, Caller, and Collector, other members of the Member Loan Team can provide administrative support, assistance with mailings, assistance with the e-mail group, the Website, and community or in-store displays. There might be need for 1 or 2 callers in addition to the primary caller, and some members of the task force might be focused on the large loan strategy.

While we describe and recommend a process that emphasizes the 3 primary roles of Coordinator, Caller, and Collector with one person being designated the lead in each of these 3 areas, alternate approaches have been used – some with success and some not. An alternate approach that has been successful in a few situations (and not successful in others) increases the number of callers from fewer

than 3 to as many as a dozen, while combining the role of Caller and Collector. This alternate approach has some advantages in terms of generating broader team involvement, but it requires great coordination and attention to administrative detail and consistency. It will be valuable to understand and learn from both approaches, and then design an approach that works best for your co-op. The following discussion may aid your co-op in reaching an optimal design.

The primary benefits of the recommended streamlined approach are:

- Limiting the number of callers to 1, 2, or 3 is designed to have the most effective people making the calls, rather than working through the target list with a number of callers who may not be comfortable and skilled with the process.
- Making a person other than the caller responsible for collecting allows the caller to use her or his limited time for the calling process in order to gain more verbal commitments and preserve the calling momentum, rather than having to break the momentum to do collecting.
- Having one person responsible for the collecting allows for a standardized approach to all the details of closing the loans with members and helps ensure accuracy and complete documentation.

The primary benefits of the alternate approach are:

- Allowing for the sharing of workload allows more people to be meaningfully involved.
- Involving more callers allows the best to be identified as the calling proceeds. Determining in advance who your most effective callers will be is difficult.
- Dividing up the workload can speed up the calling process. Finding 1-3 people who can do all the calling in a 4-6 week period of time is difficult.
- Making the caller responsible for collecting allows for one primary contact with the member.

In following either approach, or a hybrid approach, lessons learned from other Member Loan Campaigns are very important:

**Clarity of Roles:** Not being disciplined with role clarity most often leads to confusion, chaos, and dysfunction, resulting in the campaign taking longer or not being successful in reaching its goals. Sharing responsibilities without clarity of roles and tasks, or everybody doing a little bit of everything can lead to items falling through the cracks. “That’s not my responsibility.” “I thought he was going to do that.”

**Multiple Callers:** In situations where more than 3 callers are designated to do the calling—such as the full Member Loan Team or the Board of Directors—uneven results can be evident. For example, all the loans might come from one section of the alphabet. One person (or 2 or 3) will emerge as the most effective caller, but meanwhile the team will have burned their way through the target list with a lack of positive responses.

**Ineffective Monitoring Process:** Member Loan Campaigns are harmed by the lack of an effective and timely monitoring process that is able to revise strategy based on results and feedback, including checking progress after the initial set of calls. Member Loan Campaigns must be flexible, fluid, and disciplined in approach rather than being rigid. Rigidity in a Member Loan Campaign can easily result

in failure. Monitoring can be both informal (ongoing) and formal (at the end of team meetings). In successful Member Loan Campaigns, the team identifies and addresses the areas that need improvement in a timely and efficient manner.

In summary, given the short period of time involved in the planning and implementation of the Member Loan Campaign--and the importance of building momentum combined with the urgency of meeting timeline goals--it is important that the process of the Member Loan Team is effective and functional. Clear communication with and support of team members is essential. Take time on a regular basis to evaluate and assess how effectively you are working together and how well individuals are doing their tasks.

### ***Legal and Long-Term Financial Considerations***

In the passion and pursuit of a Member Loan Campaign, it is important to focus on the immediacy of the challenges at hand. It is also important to be certain that all legal contingencies are covered, and that the campaign operates within the context of a long-term capital plan.

#### **Legal Issues**

As mentioned previously, it is important to consult with an attorney well versed in both securities law and cooperative law in the planning phase of a Member Loan Campaign. Each state has different requirements concerning securities issued within its borders. The co-op and its directors and managers need to obtain careful advice regarding compliance with federal and state securities laws, which may either require registration of the Member Loan Campaign with the applicable agencies, or require a notice filing in order to claim the benefits of an exemption from securities registration. Whether the co-op registers its member loan program with applicable securities authorities or is eligible for an exemption from such registration, it is essential that members be provided with full and fair disclosure regarding the co-op's plans and activities and the benefits and risks of loaning money to the co-op.

Examples of legal advice that seem to be consistent with most attorneys:

- Interest rates should not be set so high that speculative investors will be attracted to the campaign. Member loans are more equivalent to a social investment.
- Loans from members who are out-of-state residents are not a legal option.
- Loans from non-members should not be solicited. Only established members of the co-op should provide loans to the co-op.

When working with an attorney in planning your Member Loan Campaign, be sure to allow adequate time for drafting and review of documents. For an overview of the legal issues surrounding member loans and other forms of co-op equity, see the Food Co-op 500 Legal Primer, available for free download at:

[http://www.foodcoop500.coop/uploadedFiles/Home/Content\\_Items/LegalPrimerFinal.doc](http://www.foodcoop500.coop/uploadedFiles/Home/Content_Items/LegalPrimerFinal.doc)

## **Long-Term Capital Plan**

The Member Loan Campaign must not operate in a financial vacuum; it must be a reasoned part of a long-term capital plan. Member loans should be a line item in the financial pro forma for the start-up or expansion project, with other capital sources planned as part of the financial package. Additionally the member loans need to be considered within the context of a capital plan that covers at least 10 years. Questions to consider include the following. What will the co-op's asset size be in 10 years? What are the long-term capital needs of the co-op? How much will come from retained earnings? Membership capital? Member loans? Investor shares? Outside debt?

## Targeting Sources and Developing Strategy

This section discusses how to determine the sources of member loans. This is not a step-by-step guide, but instead mentions techniques that have proven useful in other co-ops.

### Identifying Sources

Sources of member loans are, by definition, members of the co-op. The reasons for this are two-fold:

1. As owners, the co-op members are the most appropriate persons to make the high-risk investment necessary to sustain the co-op in its initial stages of development and growth, or to provide funds for expansion. The member-owners are who the co-op is organized to serve.
2. Depending on the laws of the state in which a co-op is organized and operates, a securities attorney may guide the co-op in developing a Member Loan Campaign in a manner that will allow the co-op to be eligible for an exemption from securities registration by limiting the offer to persons with a preexisting relationship to the cooperative making the offer. Membership in the cooperative is a key factor in establishing this preexisting relationship and should not be lightly ignored. Thus, this section will assume that all potential investors are members of the cooperative. While this does limit the breadth of the campaign, it allows the campaign to be developed with a focus that increases its effectiveness.

Specific attention should be paid to the core group (or the board, or the leadership group) as a special and initial source of funds for a Member Loan Campaign. Commitments for these funds from the core group or an expanded core group should be obtained prior to the formal launch of the campaign, but after the key information about the co-op and the Member Loan Campaign has been established by the Board of Directors. These early commitments from the leaders of the co-op demonstrate to members that the leadership of the co-op, in asking members to put their money at risk, is also willing to put their own money at risk. In a start-up situation, it may be reliably estimated that 15% of the total funds raised will be invested by the core group – either members of the Board of Directors, or a larger group of members who are heavily involved in development of the co-op. In an established co-op, at least 10-15% of the total member loans should come from the Board of Directors. If this is not possible, then the inner circle (of leadership) should be expanded so that at least 15% of the total goal is pre-committed prior to the launch of the Member Loan Campaign.

Not all board members or core group members should be expected to make a member loan, but combined, the board or leadership group should provide at least 10-15% of the member loans. It will need to be stated a number of times that not all board or core group members are required to make a member loan. Making a member loan is not a basis for being recruited to serve on the board or assist with the Member Loan Campaign. If some board or core group members are unable to, or choose not to make a member loan, they should not be stigmatized or made to consider resigning from the board or the Member Loan Team.

Experience shows that the fraction of members who are able and willing to respond to a request for a loan varies widely. As many as 1 out of 3 members have responded positively in co-ops with a small,

strongly-committed group of members. More typical response rates are 1 in 5 positive responses. Achieving these response rates requires a campaign that actively engages potential lenders. Although some co-ops have been successful with low-key programs that depend largely on member initiative to respond, most co-ops have found that success depends on activities that require person-to-person response from many, if not all, members. Response rates might be significantly lower in very large co-ops where this is not possible, or in co-ops that have not maintained a strong sense of member ownership and involvement. A co-op considering a Member Loan Campaign should make an estimate of the response rate that it believes will be achieved and compare results to that expectation.

### ***Loan Distribution***

Experience varies widely from one co-op to another as to whether it is worthwhile and useful to develop expectations of loan amounts for specific individuals. In a small community in which individuals' means and attitudes can be fairly well perceived by the team developing the Member Loan Campaign, the team might meet to review a list of all members and estimate an expected loan amount for some or all the members. While that target is not necessarily shared with the person to whom it is assigned, it may be used to determine the priority or order of contacts and it may shape the form of the contact. One must not assume that the expectations will be met for each potential lender or, conversely, that not meeting the expectations for a given person means the campaign is failing.

However, the expectations must be met in aggregate or the campaign will not achieve its goal. Knowing how many loans of what amounts would achieve the campaign goals in comparison to a preliminary analysis of loan potential can provide insight about aspects of the campaign planning. To guide this understanding, a co-op can develop a Member Loan Table.

The following example of a hypothetical Member Loan Table illustrates this point:

Loan amount	Pro forma to make goal	Estimates
Over \$10,000	1	0
\$6,000-\$10,000	2	4
\$4,000-\$6,000	5	7
\$2,000-\$4,000	30	39
\$1,000-\$2,000	100	55
Total \$	\$ 300,000	\$ 266,500
Average Loan \$	\$ 2,174	\$ 2,538
Number of Loans	138	105

*Note: The "Estimates" column above could be viewed as an "Estimate" prior to the launching of the Member Loan Campaign, or it could also be a combination of actual results and projected results part-way through the Member Loan Campaign.*

Given these results--where estimated loan procurement does not match their goal--this team would need to reassess the campaign, either prior to launching or during the implementation phase based on actual campaign results. There are 4 possibilities for moving ahead:

1. The desired goal is beyond the ability of the members. In this case the overall plans and capitalization plan need to be reviewed. In essence the pro forma needs to be revised to match the estimates.
2. Achieving the desired goal is possible but will require a larger effort than had been contemplated. The team can and will commit to a stronger program in order to meet the original goal. In essence the estimates need to be revised to match the goal.
3. Both the goal and estimates must be revised with adjustments to the plan, capital plan, Member Loan Campaign and possibly the timeline.
4. The team assumes the estimates are wrong and the Member Loan Campaign commences. This is highly risky, and not a recommended approach. The board must be able to justify its actions and show owners that their investments in the co-op are sound. Ignoring and bypassing inconvenient data does not reflect due diligence.

In the best case, the total of the estimates far exceeds the pro forma goal. In this case the Member Loan Table allows the team to continue the development of the campaign. The decision that can be informed by the loan table is the sizing of the campaign: the amounts of material that will be required, the number of contacts required, etc. These estimates are some of the factors the team requires to build the budget and timeline of the campaign. For example, if the team estimates that 1 in 4 contacts will produce an investment, using the figures in the pro forma column of the Member Loan Table above, 138 loans requires that approximately 550 prospects be contacted.

### ***Developing Campaign Loan Strategy***

Given insight into the size of the campaign, the team can develop strategies that are informed by the numbers. What is relatively easy to do for a small number of people is not possible for a larger number. For example, the 550 prospects of the example above might be broken into two groups – the 520 who are estimated to invest less than \$4,000 and the 30 prospects who are estimated to have the potential for investments larger than \$4,000. The team might decide that the lower tier of these prospects would receive a mailing and a follow-up phone call. The much smaller number of members from whom it is estimated that larger investments are possible could receive more individualized attention. This could include ensuring that the caller for those prospects is thoughtfully selected to be the person most likely to elicit a positive response, or arranging opportunities for face-to-face discussions with the prospects from whom the largest investments are deemed possible.

Generic guidelines that have evolved from a number of food co-op Member Loan Campaigns include:

- a. After determining the goal for your Member Loan Campaign, establish a minimum size for a loan. Most commonly the minimum is set at \$1,000. Sometimes, and more commonly for large campaigns, the minimum might be set higher (e.g. \$1,500 or \$2,000, or even as high as

\$10,000, but never lower than \$1,000). Setting a minimum of at least \$1,000 serves to stretch people's consideration and reduces tracking and paperwork.

- b. Do some analysis and set a goal for the average loan size. Most typically the goal for the average loan size will be \$3,000 or \$4,000 or \$5,000, dependent largely on demographic characteristics of the membership base. Setting a goal for an average loan size serves to further stretch people's consideration.
- c. Divide the total loan goal by the average loan size to determine the number of loans needed. Multiply this number by 4 (if you assume that 1 of 4 members will make loans) to determine the number of targets you will need from the membership roster. For example, with a goal of \$500,000 in total loans and an average loan size of \$3,000 you would need 167 loans. If 1 of every 4 members agrees to extend a loan you will need to approach 668 member-owners.
- d. For start-up food co-ops, it is not advisable to launch a formal member loan drive until you have enough members to meet your overall goal with a 1-in-4 or 1-in-5 response rate.
- e. For established food co-ops, there will usually be more members than targets needed. Divide the membership roster in two: the targets (created by brainstorming and selecting members who patronize the co-op the most) and the non-targets. An appeal letter will go to both groups, but the target list will be informed that there will be a follow-up phone call. The non-target list will be encouraged to contact the co-op if they are interested in further information about making a member loan.
- f. In established co-ops, 80% of your member loans are likely to come from the target list and 20% from the non-target list.
- g. Not all of the people who initially agree to make loans will follow through. Assume that up to 10% of the verbal commitments will be retracted before the loan is finalized.

A co-op's specific circumstances may not match the generic guidelines. For example, it is possible that a co-op might decide not to estimate the investment potential on a member-by-member basis, but rather identify a small set of the prospects for special attention. On the other hand, co-ops have conducted successful Member Loan Campaigns without making this distinction. Success will be determined by making the decision that is most appropriate to the co-op rather than strictly following generic guidelines.

## Developing Campaign Materials

Materials supporting a Member Loan Campaign can be developed locally or a Member Loan Team can adapt and use materials developed over the years by teams from other co-ops, with careful modification to accurately describe the particular situation and circumstances of the co-op conducting the campaign. Examples and templates for many of these materials are included in the appendices. What follows is information summarized from teams around the country.

Each local team will need to determine what will best support the needs of its particular campaign. All materials need to reflect the uniqueness of the co-op fielding the Member Loan Campaign. Borrowing ideas is a good idea, but materials must be clear, concise, consistent with legal advice, and appropriate to the style and expectations of the co-op's community.

In preparing for the Member Loan Campaign, materials fall into three main categories:

1. Materials for members
2. Materials for callers
3. Materials for campaign operations

### ***Materials for Members***

The initial mailing to co-op members should introduce and explain the loan campaign, ask for their support, and inform them how you will be following up with them. Be careful not to overwhelm owner-members with too much information in the initial mailing. Hand-addressed envelopes will be more effective than envelopes with address labels. A letter that is hand-addressed is opened with a different mindset. A typical mailing would include:

- An appeal letter, single-sided. ([see Appendix A](#))
- A member loan brochure, tri-fold single sheet printed on both sides. This does not need to be fancy. ([see Appendix B](#))
- One sheet, single-sided of member endorsement quotes. ([see Appendix C](#)) These 4 or 5 quotes should be testimonials from members who have committed or are planning to make a member loan. They should not just be from members who like the co-op.

The following are two examples of initial mailings made by co-ops launching Member Loan Campaigns:

**Co-op 1:** The initial mailing included four sheets in an envelope, with an attractive first class stamp:

- ✓ Appeal letter, single sided
- ✓ History and accomplishments of the co-op, double sided ([see Appendix D](#))
- ✓ Member endorsement quotes and frequently asked questions, front to back on a single sheet ([see Appendix E](#) for an example, plus a longer selection of FAQ's)
- ✓ Member loan brochure, tri-fold single sheet printed on both sides

**Co-op 2:** The appeal mailing included four sheets, three of which were folded and inserted into the brochure:

- ✓ A tri-fold brochure, three color printing on one side and one color on the other side
- ✓ An appeal letter, inserted into the brochure
- ✓ A sheet outlining benefits of the investment, inserted into the brochure
- ✓ *“What your loan can do”* (A list of things that loan funds will be used for, showing what loans of different amounts would pay for)

Frequently, members are contacted in waves during a Member Loan Campaign, depending upon the date they joined the co-op. This occurs particularly in start-up co-ops as focused attention is being paid to soliciting new members. Additional mailings may include:

- An update with results from the campaign to date.
- Documents emphasizing the campaign, and the remaining time to reach the goal.
- Additional member endorsement quotes.
- *“What your loan can do”*
- Thank you and appreciation for their interest, support and pledges.

Once a “yes” or “maybe” response is received from a member, the following additional materials may be sent:

- Pledge confirmation form, if this is part of the legal paperwork. ([See Appendix F](#))
- Letter of appreciation with instructions. This letter can be sent from the board president; a personalized, informal thank-you note from the caller is also recommended. ([See Appendix G](#))
- Member Loan Information Packet, including an investment memo and disclosure document, similar to a prospectus. This Member Loan Information Packet is not an appeal or promotional document. It provides straightforward information and details the risks of investment. It is this packet that legally should serve as the basis for each member’s decision to make a loan to the co-op. In fact, the subscription agreement that each member-lender must sign to make a loan to the co-op includes a representation on behalf of the member-subscriber that they have received and had the opportunity to review the disclosure materials as the basis for their decision to loan money to the co-op. ([See Appendix H](#))
- Whatever material is required to complete the transaction
- Addressed and stamped return envelope

When final confirmation is received from a member that he/she will complete a loan with the co-op, send a loan commitment letter to the member ([see Appendix I](#)), and arrange a time to meet with the member for securing the loan check and the signature of the promissory note. ([see Appendix J](#))

Additional appeal letters can and should be sent following up on the initial appeal letter. A second appeal letter should be sent to all members who did not respond with a “yes” or “maybe” to the first appeal letter. ([see Appendix K](#)) For those members who did make a loan to your co-op, and expressed interest in making an additional investment if needed, make a written request for a second loan from that member. ([see Appendix L](#)) And, if you are meeting your goal, but would like to restore some items previously deleted to meet the initial budget, make a final appeal to all members to help get you “over the top” with supplementary loans. ([see Appendix M](#))

Your co-op members who are not residents in the state where the co-op store resides can also be brought into the campaign. While, by federal law, non-residents cannot provide loans to the co-op, they can be asked to purchase equity or investment stock as a means of supporting the cooperative's growth plans. ([see Appendix N](#))

## ***Materials for Callers and Collectors***

It is important to keep callers informed about the campaign, to communicate regularly and to provide the support that the callers require to reach their campaign calling goals.

Provide a basic information packet about the campaign to the callers:

1. Copies of the mailings to members
2. Campaign timeline and calendar of events
3. Member Loan Table, with results updated at least weekly if not daily  
Guide to Campaign Strategy and Tactics ([see Appendix O](#))

4. Campaign worker contact list

The Member Loan Team for Just Food Co-op created a presentation book of information about the co-op to be used in appointments with members. It was also useful as support for the callers, and was especially valuable to help callers envision the co-op and the store that was in the planning stages.

The following pages were included in the presentation:

- Binder with photo insert front and back, personalized spine insert
- Inside cover title page
- Co-op mission statement
- Co-op definition and principles ([see Appendix P](#))
- Co-op accomplishments ([see Appendix D](#))
- *What People are Saying About the Co-op* member endorsements ([see Appendix C](#))
- How the co-op will benefit the community
- List of potential suppliers
- *Market Analysis Summary (recognizing that the full study contains confidential information that should not be broadly shared with or given to members)* (See [Appendix Q](#))
- *Market Analysis Conclusions that are not confidential*
- Site information, location, store look
- Store opening date
- Co-op organizing team
- Board of Directors
- Highlights of financial operations
- Uses of start-up funds
- Sources of start-up funds
- *Member Loan Table*
- Loan rates and terms

- Calling scripts ([see Appendix R](#))
- Keep-in-mind notes ([see Appendix S](#))
- Supply of pledge confirmation forms ([see Appendix F](#)), thank-you notes, envelopes and stamps
- Thank-you note scripts ([see Appendix T](#))

### ***Materials and Systems for Campaign Operation***

A member database is needed in order to track Member Loan Campaign activity. The database can be done either manually or electronically, and it can be simple or complex. A computer spreadsheet created with Excel or Access databases is typical and easy to work with.

The Member Loan Team decides what fields are needed to track the campaign. Information from callers regarding the status of member loan commitments will be an important field to include. This field is tracked against the number and amount of loans needed, as developed in the Member Loan Table (see Loan Distribution). Overall tracking reports, produced daily, serve to continuously apprise the team of the status of the campaign. Incorporated into this database should be a member list assigned to each caller, and the means for each caller to track the status of their calls.

All reports and forms needed by the campaign can be created from a well-designed database. For instance, each caller can receive a printed Calling Sheet ([see Appendix U](#)) for every member they are assigned.

Fields for possible inclusion on the Calling Sheet are:

- Name of caller
- Prospect rating (if ratings have been established for members concerning the likelihood of loan support and/or the size of loan)
- Misc/background notes
- Date of initial mailing
- Date of mailing member loan information packet, etc.
- Date of follow-up mailing
- Response to appeal/calls
- Date of response
- Amount targeted
- Amount pledged
- Term of loan
- Interest rate
- Checklist:
  - ✓ explained that member loans are unsecured
  - ✓ explained that member loans are subordinate to bank debt
- Date loan documents received
- Date check received
- Date loan documents returned and Campaign thank-you sent
- Date check given to bookkeeper

Tracking reports that can be derived from the database include the following:

- Calling assignments by caller with status for each member assigned
- Calling status summary by caller for all callers
- Number of calls assigned
- Number of members called
- Number of prospects needing callback (Busy, No Answer or "Please call later")
- Number with response "Yes"
- Number with response "Strong Maybe"
- Number with response "Maybe"
- Number with response "No"
- Number for which a voice mail message was left
- Number with loan completed

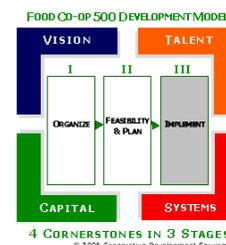
Campaign analysis reports that can be derived from the database include:

- Amount of loans by term
- Success rate
- Blended interest rate
- Projected results based on current status

Campaign status can also be portrayed by a graphic (on the co-op web site or in a store window,) e.g. a shopping cart that fills as loans are received, or a large tree that grows leaves as loans come in.

# Building the Campaign Team:

## *Developing and Using Talent*



Once leadership for a Member Loan Campaign has been determined, the Member Loan Team is formed to carry out the campaign. This section focuses on building a team when several callers will be soliciting loans from the co-op membership. If you are hiring people for any of the roles of Coordinator, Caller or Collector, then contracts should be signed. A sample of a caller contract is included in [Appendix V](#).

Four key components of a successful Member Loan Campaign using a team approach are:

1. Coordination and Communication
2. Reporting and Debriefing
3. Working with Volunteers: Recognition, Appreciation and Celebration
4. Record Keeping and Technical Support

### ***Coordination and Communication***

Roles and responsibilities are defined and decision-making criteria are developed as early as possible in building the Member Loan Team. One approach is to have the board or management determine the role of the coordinator, and then the coordinator determines the roles of the other participants on the Member Loan Team. Another is for the team members to work out the roles and responsibilities among themselves. In this case, most of the frustration a team experiences revolves around decision-making authority and lines of communication. Therefore the decision-making process is clarified as often as needed. The team determines whether its decisions are made on a majority basis (what level? 51%? 75%?) or on a consensus basis. If consensus decision-making is used, there must be agreement on the definition of consensus decision-making so that there are no future misunderstandings. There also needs to be a balance of making group decisions vs. giving individual team members the authority and responsibility to make decisions when necessary.

The Member Loan Team decides how the team will work together, what kind of communication system team members will need to keep informed of progress, including how they will report and debrief.

The campaign coordinator is responsible for launching the Member Loan Campaign and for maintaining the pace and momentum of the campaign. The coordinator oversees the campaign planning and timeline, the completion of campaign objectives, and the development of campaign resources.

**Coordinator's Scope of Work:**

- Recruits a team of callers from the co-op Board of Directors and co-op members
- Develops campaign timeline with the team of callers and updates the timeline
- Prepares campaign budget
- Oversees development of campaign materials
- Establishes effective communication among the team and with the co-op's management and/or Board of Directors
- Arranges for caller training
- Reports complete campaign status to callers at least twice weekly, preferably daily
- Reports campaign progress to entire Member Loan Team/Board of Directors weekly
- Reports outstanding victories to the team as they occur
- Facilitates a meeting to secure needed baseline loans from the leadership group before other members are called for loans. (Not all callers are expected to make a member loan, but, of course, it helps)
- Recruits and trains a collector
- Determines what will be needed for technical support
- Facilitates targeting
- Oversees database input
- Develops caller reporting schedule
- Develops meeting agenda with input from callers
- Facilitates Calling team reporting and debriefing meetings
- Gathers input and writes appeal/solicitation letter(s)
- Focuses, supports, and tracks work of callers. Provides encouragement and expresses appreciation
- Oversees preparation of campaign support materials
- Arranges for team celebratory events
- Decides how to visually track campaign loans
- Develops a portable display for tracking loans
- Keeps on top of co-op planning developments and provides updates to the calling team
- Maintains team contact database
- Maintains awareness of planning gaps and needs of callers
- Anticipates needed changes in direction
- Manages communication, collects data, synthesizes information from the callers and reports to callers
- Coordinates an individualized approach to potential large lenders (for example, loans greater than \$10,000)

**Caller's Scope of Work:**

- Participate in targeting
- Commit personally to a loan before beginning to call members (not required in all instances, but desirable)
- Attend caller training
- Arrange time for making assigned membership calls

- Keep accurate records of calls made
- Report at scheduled reporting times
- Share stories of calling
- Complete calling assignments in a timely manner

**Collector’s Scope of Work:**

- Contact all members who have made verbal commitments to the callers and make arrangements to complete the loan, either by phone or in person as appropriate
- Ensure that the lender has received and reviewed the Member Loan Information Packet, including the investment memo and disclosure document ([see Appendix H](#))
- Provide additional information and clarification to lenders as needed
- Finalize all loan details including amount of the loan, term, and interest rate
- Collect and review all paperwork for accuracy and completeness
- Encourage prompt issuance of loan funds to the co-op
- Complete all tracking reports
- Retain and safeguard all documents and records needed for the co-op’s accountant and operations
- Deposit all funds received

Job descriptions should be developed separately for the positions of Coordinator, Caller and Collector. These job descriptions should be provided to the people filling these positions. This further defines the roles and responsibilities of each position so that the greatest clarity is reached concerning division of function. A sample job description for the Coordinator position is included in [Appendix W](#).

In addition to the establishment of roles and responsibilities within the team, the means and type of communication within the team needs to be decided. What the team identifies as needed communication must be discussed and determined early, as well as what is too much or too little interaction, and what the team regards as effective communication. If a team uses e-mail for team communication, protocols for the use of e-mail need to be discussed. For example, “e-mail will be used for discussion and not for resolution of issues, especially when there are strong and diverse opinions.”

Communication issues must be raised immediately and directly with those who are providing the communication. These communications must be caring and focused. Team members with concerns should talk directly to the people involved and to those who can do something about the concern, avoiding duplication of communication. For example, if a team member is receiving too much e-mail, the team member should respond to the sender directly, letting him/her know of the concern. If not enough information is being forwarded to a team member, that team member needs to contact the person who has information, asking for what he/she needs.

Respect and acknowledgment are the two most important qualities that people on the team need to extend to each other. It is important to value team members more than any particular aspect of the work. When someone holding major responsibility on the team leaves the team, momentum is lost. Additional energy will be needed to fill the gap. Spending time with new team members, and

providing them with all pertinent materials, helps to bring them up to speed quickly and integrates them into the team.

All team members must feel free to offer suggestions. A team climate must be created where each team member takes responsibility for the well being of other team members, being prepared to help others when work overload or extreme pressure requires it. This is essential as a team-building experience, and allows work to be done efficiently. As a result, the whole team has ownership in ensuring a successful Member Loan Campaign.

During the planning and implementation phases, coordination and communication are enhanced by having a work space where all the administrative work can be done, including preparing for the initial mailing, and all the subsequent follow-up work through the implementation phase.

### **Reporting and Debriefing**

Having effective and efficient meetings for the Member Loan Team is extremely important to achieve a successful Member Loan Campaign. These meetings should be held weekly during both the planning and implementation phases. The purpose of this section is to provide some ideas concerning how to structure and run a team meeting.

Using an effective meeting structure will produce an efficient and productive meeting, and will prevent the meeting from becoming an open-ended and unproductive conversation. The following meeting outline is useful when there are up to 6 people in the meeting:

1. Deal with **decisions** first, in order of priority.
2. Then discuss **critical issues**, the most important first.
3. And finally, provide important **additional information** not covered in e-mail reports.

Operating within the sections of the above outline, the following suggests a meeting process that can produce an effective meeting.

- Divide a flip chart page into 3 sections: decisions, critical issues, additional information. Team members arrive at the meeting with sticky notes prepared for items in each of the three sections. Sticky notes are placed on the flip chart for all to see
- Review all the sticky notes in each section. Begin with questions of clarity to be certain that the meaning of each note is clear. Cluster decisions, issues, and additional information, prioritize the clusters, and begin discussion
- Pay attention to team communication styles. If communications are difficult, it is helpful to stop and identify the issue. Determine what needs to happen to move forward. Either handle the issue immediately, or identify who will solve the issue outside of the meeting context.

The following tips may help in formulating an effective and enjoyable meeting:

- At least 2-3 days in advance of the meeting, explain this approach to agenda development and ask team members to come prepared with sticky notes for all 3 sections.
- Anticipate the amount of time required for the meeting and stay within the meeting time frame.
- Meet in a comfortable, welcoming setting.
- Sit so everyone can see everyone else.
- Have a flip chart and markers to record information.
- Encourage openness to all input.
- Some team members may not arrive at meetings fully prepared. Identify how to update them in a manner that does not absorb significant meeting time.
- Set the expectation that suggested actions need a champion who will move implementation forward.
- Share the facilitator role among the team when appropriate.
- Include a light potluck supper or snacks and drinks if possible.
- Take 5 minutes at the conclusion of the meeting to evaluate the meeting. This allows the participants to reflect on the process of the meeting. What went well? What could be done better? Comments should be accepted as a person speaking their truth, and not be debated. Having an evaluation at the end of each meeting helps the group improve their process over time, and it allows people to express any frustration they have had with the meeting before leaving, instead of taking their frustrations with them unexpressed.

Regular team meetings among the callers are very important for team building within the caller group. Callers should meet face to face weekly; sharing a meal can make this an enjoyable and productive time. Utilizing ongoing and detailed electronic reporting allows the callers to come to the meetings informed and up-to-date on campaign progress. Provide a comprehensive calling report immediately prior to the meeting. Always double check reports to ensure that the campaign status and the progress of each caller are accurately represented. The following are suggestions to aid caller debriefing during the meetings:

- Ask callers to tell stories from their calls.
- Talk through factors in calls that are going well.
- Discuss where problems are arising
- Ask for questions from callers; discuss and answer.
- Ask callers where they need help.
- Provide any clarification needed concerning reporting and documenting calls.
- Claim victory for the next week.

## Working with Volunteers: Recognition, Appreciation and Celebration

As work progresses on the Member Loan Campaign, additional people may volunteer to help. It is necessary to provide a context and background for the work of volunteers. Volunteers need to be made aware of the full scope of work so they can understand how they might best fit in and select a job, with the coordinator's help, that matches their skills and interests. If a job is not immediately available for a volunteer, the coordinator should maintain contact with her/him, and connect them with an appropriate job when it becomes available. Volunteers who self-identify what they would like to do are more likely to be successful and stay on the team.

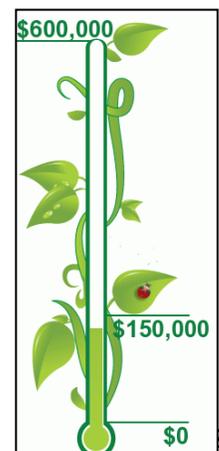
It is recommended that opportunities are presented for potential volunteers to create clarity around their own participation in the campaign. This is done by creating a conversation within the potential volunteer group. Each person is asked to connect to their own interest in the success of the co-op and the Member Loan Campaign. With this as background, potential volunteers then share with the group: 1) the capabilities and skills they bring to the team, 2) what they hope to learn from the experience, and 3) what contribution or impact they want to make. This process helps connect the potential volunteers with the Member Loan Campaign, and with each other, on a personal level.

Volunteers need to be clear about team expectations and the team needs to understand volunteer expectations. Volunteer tasks, and the challenges volunteers will face, need to be clearly defined. The support that they can expect from the team also must be detailed. Having volunteers commit to doing something small, and exceeding expectations, results in much happier volunteers than those who commit beyond what they can do and then are not successful.

Once people have volunteered, continuing attention must be paid to building and maintaining relationships with them. The coordinator or lead person must help volunteers meet their expectations, by providing feedback and communicating with them regularly. Special care needs to be taken to receive ideas in a spirit of openness so that volunteers are able to put their ideas into action with as few restrictions as possible. It is important to create a positive working environment and to allow volunteers to take a needed break, or even leave their job when they need to. A commitment to volunteers requires sensitivity to the building of the team. Frequent acknowledgement of people for their contributions helps to do this. It is important to acknowledge the work that volunteers are doing on the campaign, and to celebrate victories throughout the campaign. When the campaign objectives are achieved, a special celebration event can occur for all of the people who worked on the campaign.

### Tips

- Remember people are generously donating their time
- Help people to find a fit on the team. Create opportunities for people to work on specific tasks in a way that will work for them
- Keep track of volunteer hours
- Provide encouragement and acknowledgment frequently
- Trust synchronicity
- Ask questions and make requests, rather than giving orders



- Create a way to visually track progress. In developing a tracking image, it is important not only to show the progress towards a goal, but also to show the date that each level is reached.
- Communicate, communicate, communicate

### **Cautions**

- Volunteer work sometimes progresses more slowly and with less structure than in a paid environment
- There will be more good ideas than you know what to do with
- Acknowledge all ideas and figure out what needs to happen for a go or no go
- Being a Member Loan Campaign caller is a big commitment; be honest with people about how much time it will take
- With so much activity there will be gaps in planning; keep your eyes open for them
- Watch for overlapping responsibilities
- Tasks need a person's name attached; if no name is attached, don't expect it to get done

### **Preparing Callers**

As part of the planning of a Member Loan Campaign, a decision must be made concerning whether multiple callers are required, and how many callers will be needed. After calling materials have been prepared, all callers need to be briefed on their role and trained in calling protocols, pitch delivery and closing strategies. Prior to commencing calling, loan commitments need to be secured from the callers and from the Board of Directors to provide a base of loans upon which to build.

### **Caller Training**

Caller training should be done by a team member with fund-raising experience, or by a fund-raising trainer. All callers should be included. Caller training includes:

How to make the calls

- Understanding the context for the Member Loan Campaign
- Developing a personal story for the campaign
- Learning the process and stages in asking for a loan
- Working from a script (and not making it obvious to the member) ([see Appendix R](#))
- The first 20 seconds of the phone call
- Developing and utilizing a list of talking points
- Utilizing a list of Frequently Asked Questions ([see Appendix E](#))
- How to close on a loan
- Call follow-up
- Caller practice and role playing

Review of the Calling Materials

- Overall campaign timeline
- Materials developed specifically for callers
- Mailing schedule and proposed calling timeline
- Call follow-up procedures
- Legal forms, tracking forms
- Loan documentation process

### **Caller Reporting**

Callers are allowed to identify particular members whom they wish to call from the list of members created for targeting. The remaining member names are randomly assigned to callers. Callers need to develop their own calling schedules and to plan the number of calls they will need to make during a week in order to reach all of the members assigned to them. Each caller receives a stack of Calling Sheets ([see Appendix U](#)) with all the information needed to make calls.

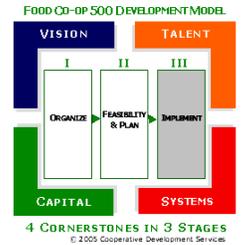
Additionally, callers receive a *Call Tracking Form* on which callers tabulate information received from their calling. The tracking information for this form should be kept simple, with the detail reserved for the Calling Sheets. One person is designated to whom Callers report whenever a loan is committed and to whom the Callers update the status of all calls made.

### **Calling Systems**

The coordinator or lead caller meets with callers to go over all tracking forms to be used in calling reports and other forms used in the campaign. These include legal forms, tracking forms, and loan documentation process. A *Campaign Tactics and Materials* document is an essential summary that aids callers. ([see Appendix O](#))

# Implementing the Member Loan Campaign

*Systems that Work*



## Launching the Campaign

If you have had success in the planning phase of the Member Loan Campaign, and if you are well-prepared and organized, you are positioned for success in the implementation phase.

### Timing

When the Member Loan Campaign has been thoroughly planned, the co-op is ready to launch the campaign. However, it is important to determine the best time to launch the Member Loan Campaign. A time gap between the conclusion of the planning phase and the beginning of the implementation phase is not unusual.

Typically the Member Loan Campaign is launched at the time the store site is secured (with a contingent lease agreement or purchase agreement) and announced to members and the public. For start-up co-ops using the Four Cornerstones in Three Stages Timeline (for more information, see <http://www.cdsconsulting.coop/fourcorner>), the site is secured at the end of Stage II-b, “Planning.” Thus the Member Loan Campaign is planned during Stage II-a “Feasibility” or II-b “Planning.” For established co-ops using the Four Stage Timeline in the *Expansion Toolbox* (for more information see [http://www.cgin.coop/toolbox/re\\_pub](http://www.cgin.coop/toolbox/re_pub)), the site is secured at the end of Stage I, also called “Feasibility.” Thus, the Member Loan Campaign is planned during Stage I, the Feasibility Stage, and then typically launched at the beginning of Stage II.

In most communities, the best time of year to implement a Member Loan Campaign is September 15 – November 15. Summer vacations have ended and the new school year has started. The next best time is January 15 – March 15, after the holiday season and before tax time. And the third best is May 1 – June 30, after tax season and before summer vacation. The timeline for securing financing for your co-op’s start-up project or expansion project may not coincide cleanly with the above three time periods, but if you plan ahead you may be able to launch your Member Loan Campaign at an optimal time of the year. Other times of the year can be workable. November 15 – December 31 is the most difficult and challenging time of the year to raise member loans due to people being focused on the holiday season.

An alternate approach to the timing of launching the Member Loan Campaign can be appropriate for certain situations. The alternate approach involves implementing the Member Loan Campaign in two parts: Part 1 is launched before a site is secured and announced, and Part 2 is launched immediately after the site is secured and announced. There can be an interval of from 3 months (or less) to 1 year (and beyond) between these two parts of the Member Loan Campaign.

While the alternate approach has not been used in many instances, the advantages it can offer include:

- Part 1 is targeted to the core members and seeks their commitment regardless of where the store will be located. In this manner, the members empower the board and a successful outcome demonstrates credibility. Members trust the board to make the right decision about store location. Considering that some members may have strong objections to the site selection and ask to withdraw their member loan, you may wish to provide a provision for members who make a loan in Part 1 to be repaid without interest at their request within 10 or 20 days of an announced site.
- Part 1 is an opportunity to further educate your members about their responsibility to help capitalize the co-op (beyond their member equity investment). Even if they decline to make a loan at this time, you have planted a seed that may sprout at a later date.
- Part 1 tests the waters of your broad concept (let's start a food co-op!) without being clouded by a specific site. If you get a strong response from members, it will instill confidence for the leadership of the co-op to proceed with turning their plans into a reality. If you get a lukewarm or cold response, you have gained valuable feedback with which to modify your strategy.
- There is less time pressure in Part 1 than if you were only doing one phase, instead of two. The goal for Part 1 of a two-stage approach is to obtain commitments and collect 40-60% of your goal.
- Launching Part 2, once a site has been secured and announced, will allow you to present the Member Loan Campaign in a new light and renewed excitement. Additionally the membership base will have been expanded since Part 1 was launched.

The disadvantage of this two-part approach is that it takes more time and energy, and requires a more sustained approach. However, the actual time and energy may be less than a single approach that extends over 3-6 or more months. In addition, using a two-part approach will require the development of disclosure materials for each of the parts. Members who are being approached for a loan in Part 2 will need to receive disclosure of information developed during the first part, such as the amount of member loans obtained in Part 1 and any decisions regarding site selection or other development activities.

### ***Implementation Strategies***

Be realistic and positive about the results you are achieving, and be persistent. If you do not think you can achieve your goal, you will not achieve it.

Attempt to reach your goal in 4 weeks, using momentum as a force. But, as mentioned earlier, give your team the option of extending your campaign by 2 weeks (but don't announce this extension

option at the beginning or you will lessen the urgency of the 4 week timeline) for a total of 6 weeks. Remember, the longer the campaign implementation is, the more difficult the job is. It is important that you build momentum, and do not lose it. If you only reach 50% of your goal in 6 weeks, perhaps it is time for a break. Plan a second or third phase of the campaign.

While times of challenging and worsening economic conditions will likely have some impact on your fund-raising results, food co-ops have demonstrated that member loans can be raised in recessionary times. People may place more value in local/community ownership as opposed to some of the more traditional, speculative forms of investment.

The following are important techniques to help raise money:

- Clarify that it is the board's intent to forgo utilizing the member loan proceeds until most or all financing is in place, and the project is assured of moving forward. This is called **conditionality**. Clarify with the board that this approach is realistic, and state the exact formula under which the project will move forward. For example, when the member loan goal is reached, when 80% of the member loan goal is reached, and/or all financing is in place, or some combination of such statements. This is also a topic that should be discussed with the co-op's legal counsel; it may be appropriate to adopt procedures for holding the member loan proceeds in an escrow account or a restricted account until the conditions for use of the funds have been satisfied.
- Explain and communicate to members the idea of **conditionality**: when members loan money to the co-op they can be assured that the project will not go forward until the threshold predetermined by the board is exceeded. This will increase the comfort level and help assure members that they will not be alone in lending money to the co-op and that adequate capital must be raised for the project to move forward. Thus their loan is essentially conditional upon complete financing of the project. If the board makes this commitment to members they need to be very clear about the details of the commitment they are making, and they need to carefully follow through with that commitment.
- Seek and cultivate matching challenges from members. For example, a member pledges to lend \$50,000 to the co-op if up to 5 other members also agree to lend a total of \$50,000.
- Be sensitive to how fund-raising occurs in your community. There are usually a relatively small number of individuals in informal networks who are approached by countless organizations seeking funds of a sizable amount. Some of these people will help you with referrals in addition to making a loan themselves, and even talk with others who are members of the co-op to open the door to their consideration. Other members might suggest referrals but not be willing to talk directly with those members. Some members will appreciate recognition and visibility for their involvement while others will prefer a low profile and/or confidentiality.
- Utilize some of the techniques and training of professional fund-raising, but recognize that raising member loans in a food co-op is very different from raising donations/gifts in the non-profit sector. Simply applying non-profit fund-raising techniques and tools to the food co-op sector, without adapting them, can be a waste of time and even hinder your chances for

success. Using a professional fund-raiser as the frontline, visible contact with members has met with very poor results.

- While a phone-calling campaign (following a mailing) continues to be the most effective approach for food co-ops to raise member loans, it is becoming increasingly difficult to speak directly with members on a first call. We suggest that a caller leave one brief voice mail, identifying him/herself and the purpose of the call and requesting a call back. If there is no call back within 48 hours, place additional repeat calls, but if there is no answer, don't leave a second voice mail at this time. As the Member Loan Campaign goes into the final stretch, it would be appropriate to leave a second message if the caller has not made contact with the member. The second message could convey the desire to hear back from all members, a progress report, the remaining funding gap and the approaching deadline.
- Determine the appropriate time of day for the first call to a member. We suggest 6:45 -8:30 pm Mon-Fri, 12:00 noon – 5:00 pm on Saturday, and 12:30 – 8:00 pm on Sunday. Follow-up calls can be scheduled at times outside of these ranges if they are convenient to the member.
- For callers to plan and budget their calling time, we suggest aiming for an average of 10 minutes per member called. This includes members with whom a caller is only able to leave a message, as well as members requiring multiple calls and conversations. If a caller's average time per member is taking longer than 10 minutes, the calling approach needs to be modified.
- Even if members are not interested in making a loan (at this time), the phone call is an important opportunity to communicate with the members, sharing key messages, and listening to their feedback on the co-op. This will pay off in the long term, but it is still not a justification for going much beyond the 10 minutes per member.

### ***Thirty-Day Implementation Plan***

The following is a 30-day timeline that details the activities that reasonably can be completed in the first month of a Member Loan Campaign's implementation. These are only guidelines, and the actual rate of completion may differ. In this timeline, Days 1-3 are prep days before calling begins on Day 4. The 30-Day Implementation Plan could be rearranged so that Day 1 is viewed as the first day of calling, and the prep days are considered prior to the beginning of the timeline.

<b>Day 1</b>	Mail an appeal letter to members. ( <a href="#">see Appendix A</a> ) One form of the appeal letter is for specially targeted members, promising a follow-up phone call within 7-10 days. A second form of the appeal letter will be to all other members, and will not promise a phone call, but ask interested members to respond. Most start-up co-ops should follow up with all members. Letters are hand-addressed with a first-class stamp reflective of the co-op's values. You should already have <b>15%</b> of the loan campaign goal committed from the co-op leadership and callers.
<b>Day 2</b>	Distribute calling lists, a suggested calling script ( <a href="#">see Appendix R</a> ), talking points, and Frequently Asked Questions ( <a href="#">see Appendix E</a> ) at an organizational/training meeting.
<b>Day 3</b>	Create and implement a monitoring system to generate a Daily Monitoring Report. For established co-ops, in-store information is available and staff has been trained to respond to questions and expressions of interest. A visible means of communicating progress is in place on the co-op's website and in the store (if there is a store). Updates are made at least twice a week to the progress meter on the website and in-store. An e-mail group of interested members has been set up for twice weekly updates. The first group e-mail is sent out. Names of interested members are continually added to the e-mail group for future updates.
<b>Day 4</b>	Calls begin. After 7-10 calls, stop and assess progress/results/feedback. What is working? What adjustments need to be made to the calling strategy? The Daily Monitoring Report communicates results to the coordinator, and eventually to the Member Loan Team. A system for sending out personal, hand-written thank you notes ( <a href="#">see Appendix T</a> ) is implemented as a way to reinforce the verbal commitment and show appreciation.
<b>Day 5</b>	Calls continue. Monitor progress through the Daily Monitoring Report. Begin implementing drive for large loans (slowly). Monitor progress. Member Loan Information Packets ( <a href="#">see Appendix H</a> ) are sent out to members who desire further information. Process is set up so additional packets can be sent out daily.
<b>Day 6</b>	Calls continue. Monitor progress through the Daily Monitoring Report. Coordinator provides support and encouragement to callers. Begin collection/closing process with members who have received the disclosure materials and committed to a loan. The goal is to collect committed funds as soon as possible and at least within 30 days of the commitment.
<b>Day 7</b>	Calls continue. Assess progress through the Daily Monitoring Report. Are you at <b>35%</b> of your goal? Will a second appeal letter be necessary? ( <a href="#">see Appendix K</a> ) Often it is. Draft the second letter and circulate it for review/critique. The second letter should be mailed to the same list as the first letter, thanking everyone, giving a progress update, and focusing on the remaining goal/timeline. Group e-mail update sent out to interested members. Organize a meeting of Member Loan Team for Day 10 or 11.

<b>Day 8</b>	Calls continue. Work on draft of second appeal letter. Daily Monitoring Report monitors progress.
<b>Day 9</b>	Calls continue. Second appeal letter is finalized and printed. Daily Monitoring Report monitors progress.
<b>Day 10</b>	Calls continue. Mailing of second appeal letter (hand-addressed). Daily Monitoring Report monitors progress.
<b>Day 11</b>	Calls continue. Progress assessed in Daily Monitoring Report. Member Loan Team meets. Have you reached <b>35 – 50%</b> of the goal after one week of calling? If not, reassess and refine or develop new strategy. Group e-mail update sent out to interested members.
<b>Day 12</b>	Calls continue. Drive for large member loans is fully implemented. Daily Monitoring Report monitors progress.
<b>Day 13</b>	Calls continue. Daily Monitoring Report monitors progress.
<b>Day 14</b>	Calls continue. Daily Monitoring Report monitors progress. Group e-mail update sent out to interested members.
<b>Day 15</b>	Calls continue. Daily Monitoring Report monitors progress. Organize a meeting for Member Loan Team for Day 17 or 18.
<b>Day 16</b>	Calls continue. Daily Monitoring Report monitors progress.
<b>Day 17</b>	Calls continue. Daily Monitoring Report monitors progress.
<b>Day 18</b>	Calls continue. Daily Monitoring Report monitors progress. Group e-mail update sent out to interested members. Member Loan Team meets. Have you reached <b>50 – 65%</b> of your goal? If not, refine/refocus strategy.
<b>Day 19</b>	Calls continue. Daily Monitoring Report monitors progress.
<b>Day 20</b>	Calls continue. Daily Monitoring Report monitors progress.
<b>Day 21</b>	Calls continue. Daily Monitoring Report monitors progress. Group e-mail update sent out to interested members.
<b>Day 22</b>	Calls continue. Daily Monitoring Report monitors progress.

<b>Day 23</b>	Calls continue. Daily Monitoring Report monitors progress. Focus on final week to meet your goal.
<b>Day 24</b>	Calls continue. Daily Monitoring Report monitors progress.
<b>Day 25</b>	Calls continue. Daily Monitoring Report monitors progress. Group e-mail update sent out to interested members. Have you reached <b>75%</b> of your goal? If not, refine/refocus strategy. Begin to consider a two-week extension.
<b>Day 26</b>	Calls continue. Daily Monitoring Report monitors progress. Will you meet your goal by end of Day 30? If not plan to extend the drive for two weeks. Refine strategy. Communicate extension and urgency of deadline to members.
<b>Day 27</b>	Calls continue. Daily Monitoring Report monitors progress. How much do you need to raise in the final 3 days? What is your plan to accomplish that?
<b>Day 28</b>	Calls continue. Daily Monitoring Report monitors progress.
<b>Day 29</b>	Calls continue. Daily Monitoring Report monitors progress. Group e-mail update sent out to interested members.
<b>Day 30</b>	Calls continue. Daily Monitoring Report monitors progress. Celebrate! Give thanks!

## Tracking Calls

Reporting campaign progress and communicating with all people involved in the campaign helps to maintain and build enthusiasm for continuing to call members. Regular communication with co-op members will also add energy to the campaign. Maintaining momentum is important support for the callers. Overseeing and following-up on the work of the callers makes sure no member is left out of the opportunity to participate in the campaign. Keeping everyone on the team and the membership up to date on the status of the campaign keeps the goal of the campaign in everyone's awareness.

*The Member Loan Team needs to meet at least every other week to review campaign progress.*

Regular monitoring of progress is essential for success in a Member Loan Campaign. Coordinators and teams that are not able to communicate the amount of member loans committed to date are likely to not be successful in their overall approach. (for examples, [see Appendix Y](#))

As part of a Daily Monitoring Report, it is helpful to know:

- The total dollar amount of member loans committed to date
- The number of member loans committed to date
- The average size loan committed to date
- The distribution of loan sizes, especially the upper and lower range
- A breakdown of member responses to callers
  - The number of members called
  - The number of members spoken with
  - The number of members who have said “yes” they will make a loan to the co-op
  - The number of members who can be rated as “strong maybe” based on a phone conversation or in-person meeting
  - The number of members who can be rated, not as a “strong maybe”, but as a “maybe” based on a phone conversation or in-person meeting
  - The number of members who have said “no”

If you receive a verbal commitment without a specified loan amount, tally it as the minimum size loan and adjust the tally/calculation once the member determines the actual amount he/she plans to lend. The caller must communicate to the collector any information about the range that the member is considering. For example, a member says “Yes, I would like to loan the co-op money, and I’m considering a loan of \$5,000 to \$10,000.” Until that member has committed an amount, be conservative and list the commitment for \$5,000 – the minimum size loan in this example.

Use a rating system to approximate whether you are getting at least a 1-in-4 response rate.

- “Yes” responses are worth one point.
- “Strong Maybes” are worth ½ point
- “Maybes” are worth ¼ point
- “No” are worth 0 points

Add up the points and divide by the number of members spoken with by telephone or in person. If you are not achieving and maintaining a 1-in-4 response rate, you will need to modify your strategy and approach.

As the campaign progresses, it is helpful to maintain lists for follow-up strategy. Some examples of these lists are:

- Final answer needed list
- No response list
- No caller assigned list
- New member list
- “Strong Maybe” list
- New prospect list

## ***Tracking Loans***

The purpose of tracking loans is twofold: 1) to collect information to support the campaign, and 2) to gather and preserve the information necessary for timely and accurate servicing of the loans after the campaign. In this section we refer to the first need for information as tactical, and the second as operational. Both of these require diligence and, in all but the smallest campaigns, computer assistance.

### **Relationship of Recordkeeping to Coordination**

Ideally the records supporting the Member Loan Campaign will be updated frequently so that they are a source not only of long-term information required for operational purposes (origination date, amount, rate, maturity date for each loan) but also near-term, tactical data that allows the coordinator to monitor and control the campaign. This makes recordkeeping a valuable aid to the coordinator. However since recordkeeping can be sufficiently time-consuming, it may be helpful to have a separate person perform recordkeeping. The relationship between the coordinator and record keeper, as defined by one co-op, is shown in the figure below. That co-op envisioned the record keeper as an invisible extension of the coordinator.

### **Recordkeeping System**

An approach that has been successful for most co-ops is to separate the tactical loan tracking system from the system used for operations. One reason this is desirable is that in many cases the person who is keeping records for the Member Loan Campaign is not the normal co-op bookkeeper. Separate systems are essential in that circumstance. Even if the same person is performing both co-op bookkeeping and Member Loan Campaign recordkeeping, separate systems are suggested since the recordkeeping requirements are significantly different. Information concerning the Member Loan Campaign is used for a fixed period of time and then should be removed to archival storage after required information is transferred to the operational systems. Furthermore, the recordkeeping system for the Member Loan Campaign may need to meet significantly different requirements than those of the operational system. This section assumes the use of a separate system to support the

tactical needs of the Member Loan Campaign. Appropriate data privacy and security measures must extend to this separate system.

A suggested approach to recordkeeping for the Member Loan Campaign is to populate a database with information from the member database by extracting records for all prospects. The likelihood of mistakenly soliciting loans from ineligible members will be reduced if the data extracted from the member database excludes members from whom a loan could not be accepted, e.g., a member living out of state. The data extracted for each member should include member number, member name and member contact information. The coordinator of the Member Loan Campaign may request additional information that would be useful to callers such as: date that the person became a member, previous loans made by the member including detailed information about those loans, purchase history, information about patronage dividends for the member, or information about discretionary investments made by the member.

This information can be loaded into a database that contains additional fields tailored to the Member Loan Campaign. ([see Appendix Z](#)) Additional fields could include the following:

- Date that initial information was provided to the member
- Date the Member Loan Information Packet was provided
- Caller assigned
- Response to the campaign
  - Yes, with the following additional information
    - Loan origination date
    - Loan amount promised
    - Interest rate
    - Term (duration) of the loan or loan maturity date
    - Date subscription agreement or other formal binding agreement and check is received
    - Date promissory note was sent
  - Strong Maybe
  - Maybe
  - No
- Estimated investment
- Fields that are necessary to print the promissory note by mail-merge
- Fields that aid in analysis

Some co-ops have found it possible to implement this database using a spreadsheet program. The advantages of that approach are less costly software, lower technical requirements to implement the database, easily created reports. Advantages of using a database system (such as Microsoft Access) include better means of implementing input validation, and stronger tools for data protection. As an overly simplified comparison, the spreadsheet approach is easier and faster to develop and implement but harder to use and more susceptible to operator errors. In practice the choice may be determined by what skills are available. Either approach can work, as can pencil and paper, although the latter is much more work.

Reports from the recordkeeping system can be in a summary form, such as number of loans received by loan amount vs. original estimates, similar to the Member Loan Table shown earlier in this document. Other summary examples are tables showing distribution of response status by caller, or by date of mailing. Samples of reports produced by one co-op are in [Appendix Y](#).

### **Generation and Retention of Documents**

The recordkeeping system for a Member Loan Campaign is more than a source of reports – valuable as that may be. It can also provide data for operational documents to be mail merged. Personalized letters and mailing labels are two powerful uses of the system. In addition the system can be used to produce the promissory note using mail merge. That practice ensures that the document issued to the lender to complete the loan process is accurately reflected in the records.

### ***Campaign Budget***

A campaign budget should be developed as part of the planning process of the campaign, and updated regularly as the campaign is implemented. Due to the preponderance of volunteer involvement, especially for a start-up, the budget should be modest but adequate. [See Appendix X](#) for an example of a campaign budget that is under \$7,000. This budget relies on volunteer labor, except for paid consulting support. For another co-op, where the caller was paid, about \$7,800 was allocated for payment to the caller, bringing the total campaign budget to just over \$13,000.

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## **Introduction to the Appendices**

In the pages that follow you will find actual examples of letters, brochures, reports and forms used by co-ops in successful member loan campaigns. Most of the documents were graciously shared by the Just Food Co-op in Northfield, Minnesota and the Whole Foods Co-op in Duluth, Minnesota. Just Food used their campaign to raise capital for a new co-op that opened in 2004. Whole Foods Co-op was a well established and successful business when it solicited member loans to raise capital for their relocation and expansion. As you read through these documents you will not only get ideas for your own publications but will learn quite a bit about the co-ops themselves.

These documents are freely shared with the expectation that you will modify and use them for your own loan campaigns. Although both of the contributing co-ops were careful to meet legal and ethical standards for their work, it is important that you have your documents reviewed by an attorney who is knowledgeable in retail cooperative law. Every state has different statutes and your requirements may also be impacted by the way in which you incorporated. Neither Food Co-op 500 nor the authors can take any responsibility for the suitability of this material for any specific co-op's situation.

This Toolbox will be updated from time to time. Please let us know if there are additional templates and examples that would be helpful to you. We also welcome submissions of documents that your co-op has created when they can be used to demonstrate new ideas or better systems.

## Appendix A: Appeal Letter

January 13, 2004

Dear Just Food Member:

The time has arrived – Just Food is launching its Member Loan Program! Just Food now has over 300 members. Just Food Co-op's natural food market will open in 2004. This exciting venture is a result of nearly 12,000 hours of volunteer work by task force members, the Founding Team and the Board of Directors during the past year and a half. Just Food will be a source of stability and vitality in Northfield; it will contribute to the economic health of the community; and it will enhance the health of our customers and the larger cooperative community.

The goal of our Member Loan Program is to raise \$300,000 between January 15 and February 15, 2004. The average loan is expected to be \$3,000. The Member Loan Program task force is sure there are 100 members who are able and willing to make a loan to help reach the goal. The minimum loan amount is \$1,000, and although some of us will not be able to offer a loan above that amount, others will be in a position to exceed the average with loans as high as \$20,000 or more.

As member-owners, it is very important for all of us who can to be involved in the member loan program. A member loan is an opportunity for a member-owner who lives in Minnesota to loan the Co-op money which will provide additional funds for initial start-up costs and demonstrate community support for the Co-op. The Founding Team and Board of Directors have already demonstrated their commitment to Just Food and pledged \$45,000 in loans. This amount is 15% of our overall goal and provides concrete evidence of our realistic expectations for the long-term success of the Co-op.

The enclosed materials provide more information about the Member Loan Program. Please read over the brochure highlighting the main considerations involved in loaning money to the Co-op, the list of accomplishments Just Food has realized in the past eighteen months, and testimonials.

You will be receiving a telephone call in the near future from another Just Food member who will talk with you about making a loan commitment to the Co-op. These discussions will include the risks and benefits involved in a member loan as well as the process for making one. Your membership already indicates your support for Just Food. We are delighted that so many of us care about making this dream a reality. We have learned from other co-ops over the past few months that the member loan campaign is the real test of community support for the Co-op. **Given the substantial benefits Just Food Co-op will bring to Northfield and the surrounding communities, please give careful consideration to your ability to extend your support of the Co-op by participating in the Member Loan Program. To make a pledge now please call \_\_\_\_\_ at 555-1212. Thank you.**

Sincerely,

President

Project Manager

Treasurer

Founding Team

Board Director

## Appendix B: Member Loan Brochures

*(Note: this was a working draft before final layout—editor)*

### Draft 9/8/04

*See introductory notes on MemberLoanBroc1. Use paper with high recycled content and soy ink – and promote that!*

*Items with yellow background are recommended to be boxed out or otherwise highlighted.*

### COVER

*WFC logo*

*Moving image*

*You can make it happen through the Member Loan Program*

### THE PLAN

WFC will purchase and remodel the C.W. Chips property at 610 East 4<sup>th</sup> Street to meet our goals:

- A welcoming, accessible, and comfortable store created and maintained with non-toxic, environmentally-friendly products
- Energy-efficient equipment
- A safe and efficient workspace for staff
- More products in all departments
- More room to shop
- More checkouts
- Space for shoppers to sit down, read, eat, visit with friends
- An on-site classroom/meeting space

With the support of banks, co-op and community funds, our vendors, and our members, we anticipate opening at the new site in September 2005.

### THE NEED

In order to receive financing from outside lenders, it is crucial that our members show financial support by lending money for this project. Along with WFC's savings, equity from new members, and profits from operations, we need \$800,000 in member loans to meet the owners' share of this expansion project. Member loans benefit the Co-op because the terms are favorable, banks consider member loans as owner equity and, most importantly, member loans show the Board of Directors that members really want this expansion to happen. Member loans are an opportunity for those who have the resources to share them for the common good.

## THE TERMS

**Only active\* members who are residents of the State of Minnesota may loan money** to the Co-op. Potential lenders should thoroughly review this brochure, especially the sections titled “Loan Conditions” and “Risk Factor.”

*(\*Active = You own a minimum of \$20 class A stock, are current with class B stock payments, and have your present address on file at WFC. In order to avoid conflict with Securities and Exchange Commission regulations, only Minnesota residents are eligible to participate in this Member Loan Drive.)*

WFC will accept member loans in the minimum amount of \$1,000. WFC offers a choice on length of loan term (4, 5, 6 or 7 years) except that:

- Four-year loans will be accepted for approximately 25% of the anticipated dollar goal.
- Five-year loans will be accepted for approximately 25% of the anticipated dollar goal.
- Six-year loans will be accepted for approximately 25% of the anticipated dollar goal.
- Seven-year loans will be accepted without limit other than the end of the member loan promotion period.

WFC offers a choice on interest rate from 0% to 4.0% compounded annually. All interest will be paid at the end of the loan term. WFC may negotiate a higher rate of interest, not to exceed the prime rate in effect at the time of negotiation, for member loans in excess of \$10,000.

We need member loan commitments by December 1, 2004, with funding received by January 5, 2004, in order to secure bank financing. The time frame in which to loan money to WFC is limited.

## LOAN CONDITIONS

Member loans (promissory notes) described in this brochure are offered at face value. This offering does not have any particular relationship to the value of WFC or its operating results. These notes are not transferable. No market exists for these notes and none is expected to develop.

**Loans to the Co-op are not without risk.** Banks furnishing financing beyond what our members provide will have the first lien. Life in the retail lane does have some uncertainty, and we are obligated to inform you that there is risk if you loan the Co-op any money. The loans described in this brochure involve risk and should be made only by those persons who have determined that it is in their interest to support WFC.

**All notes made by members to WFC are unsecured and subordinated.**

## **RISK FACTOR**

WFC's financial history indicates that we are a profitable business that has an excellent credit rating. Member loans secured to support the move to the 4<sup>th</sup> Street location in 1993 were all paid back with interest. Our projections show that we will generate sufficient earnings to pay the principle and interest due on outstanding loans each year. However, in the event of a significant reduction in sales or other business misfortune resulting in an inability to make the required payments, it may become necessary for the Co-op to repay the principal balance of these loans from future notes or other debt instruments.

Prior to the acceptance of any loan, WFC will provide to each member/lender a copy of our Member Loan Prospectus outlining risks involved, use of funds, and the Co-op's financial condition. WFC provides to all members an Annual Report containing its year-end balance sheet and income statement.

## **LOAN REPAYMENT**

Although promissory notes are unsecured by any asset of the Co-op, conservative financial projections indicate the Co-op will be able to repay the principle and compound interest of each note when it is due.

The Co-op's outside lenders require that member loans be subordinated to bank loans in the event of repayment of all debt.

Upon maturity of a promissory note, a member will receive notice and a form to indicate his/her interest in renewing the note. If the member elects to renew the note, the interest rate may be re-negotiated. If the member elects to terminate the note, payment of the principal and any interest due is made within five working days of maturity.

## **CONDITIONS FOR EARLY CANCELLATION**

WFC cannot guaranty to member/lenders that it could honor requests for early withdrawal of loans. If a member/lender does request early cancellation and cancellation is acceptable to WFC, the principal amount plus accumulated interest will be reduced by a penalty as follows:

- 1) If repayment is accepted with respect to a note having a remaining maturity of twelve (12) months or less from date of request, the penalty shall be an amount equal to three (3) months interest.
- 2) If repayment is accepted with respect to a note having a remaining maturity of more than twelve (12) months from date of request, the penalty shall be an amount equal to six (6) months interest.

## **IT IS OUR CO-OP**

Open to the public since 1970, WFC is a thriving natural foods grocery owned by over 2,300 active members. WFC provides its community with jobs and an outlet for locally grown products, while maintaining its commitment to the environment and re-investing profits locally.

Membership is the cornerstone of our Co-op. Member purchases represent over 60% of our sales and sales are growing over 17% a year. Cooperative ownership is a unique way of providing high quality goods and services to our community. Our Co-op is as strong as its membership. We hope you believe, as we do, that WFC is ready for this move.

**NOW is the time to act.** If you want the Co-op to provide more goods and services, make a commitment for a loan by December 1, 2004. Exchange your check for a promissory note from WFC and feel proud for supporting our Co-op. **Call 555-1212 or email [info@wholefoods.coop](mailto:info@wholefoods.coop) to participate in the Member Loan Program.**

*(Space for mailing label – this brochure will be included in a mailing but not bulk mailed on its own so it does not require the bulk mail label but please include space for a mailing label as well as the Co-op's return address, phone, fax, web site and open hours info.)*

## Appendix C: Testimonials

### What people are saying about Just Food

(include names of people supplying testimonials)

- I applaud the vision, energy and dedication which the organizers of Just Foods bring to the task, illustrating that Northfield is a place where committed persons can make a difference for individuals like me and for our community. A natural food market offers regular access to local producers and to foods not available in either of our local grocery stores. This is important to me in making careful decisions about diet. As both a Northfield and a regional resource and located down town, the store will help sustain the vitality of our central business district, furthering the Comprehensive Plan's goal of "maintaining downtown as the center and focus of social, commercial and community life."

I am pleased to be a member and urge other Northfielders to get behind this important community enterprise.

*Long time Northfield Resident*

- "Just Food brings a totally new food shopping venue to Northfield. As a locally run cooperative venture, it will retain jobs and dollars in the Northfield area. With three children who have gone to Luther College, I've spent a fair amount of time in Decorah, Iowa. The cooperative store there is wonderful—we generally make purchases there when we visit. I'm hoping Just Food will eventually evolve into a strong community shopping area like the Decorah store."

*Northfield resident, businessman and State Representative*

- "Joining Just Food was a natural outgrowth of my interest in farming, eating well, and making a connection between local farmers and local eaters (which includes everybody). I like what's available at co-op stores, and I don't like driving to the Cities to buy my groceries. It was an opportunity to help make something happen that for a long time I'd been wanting to happen."

*Local farmer, member of Just Food Board of Directors*

- I was a member and activist in the seventies in the food co-op movement. For a while the cooler to store cheese in bulk was in my garage. Back then it was a way for consumers to have some choice about the quality and type of food they consumed, choices that did not seem profitable to store owners and corporate chains. It required time and commitment. We discovered along the way it was community building as well. I think that this new venture has that quality too. I believe if we are going to hold on to community, support local partnerships, we need things like Just Food to invest in and support each other. It's true benefits have yet to be realized.

*Northfield resident*

- Just Food is important to me because of the opportunity it provides to continue the positive experience of the summer Farmer's Market. I very much enjoy browsing the farmer's, baker's, and flower seller's offerings and letting them inspire what I'll cook for us. The spontaneousness of what is there, its beauty, and the contemplation of its transformation is deeply pleasing.

We are too removed from the land. I don't need strawberries in February; I do need apples that burst with taste when you bite into them. I don't need a warehouse setting with aisles full of frozen pizzas and tortilla chips; I do much enjoy the sights, stimulation, and end results of a local producers' market.

Of equal or larger importance, is the feeling of food being not only better tasting but healthier, safer. Being old enough to have grown up before the proliferation of agribusiness, I believe my general good health is in part due to a more chemical free environment. I'd like to support that supposition with a more chemical free diet in my later years.

Just Food should be important to the community for both its tangible, and possibly less tangible, benefits. A strong economic community, with a well educated citizenry should support choice, in all matters. How could the quality of our food not be one of the most important basic choices?

Something of the character of a community is exhibited by the businesses that thrive within it. The sense of pride in their products exhibited by local producers is a healthy strength to promote in a small town struggling to not become just another ubiquitous suburb.

*Northfield resident*

- “We have been eager to support Just Food since we first heard it was being formed. We joined when we realized that the co-op needed members to get off the ground. We decided we needed to take initiative and not rely on the hope that others would join and the Co-op would be up and running without us. We are very interested in having good quality, wholesome foods available in Northfield. At this point, many Northfield friends travel to the Cities to participate in the co-ops there. Just Food makes nutritional and environmental sense. It also keeps Northfield dollars in Northfield, a continuing goal for many of us.”

*Northfield resident and Member of the School Board*

- Membership in Just Food is important because a successful coop has the potential to raise awareness in the larger community to the interconnectedness of food production, distribution, preparation and consumption. Understanding what constitutes nutritious food and healthy diet will raise the quality of life for everyone in the community and establish a legacy for future generations.

*Northfield residents*

## Appendix D: Accomplishments

### JUST FOOD: NORTHFIELD COMMUNITY CO-OP

#### ACCOMPLISHMENTS: 2002-2004

**Spring 2002** - First planning meetings are held to determine interest in and commitment for a natural food co-op in Northfield. A Steering Committee and six task forces are formed to begin initial planning.

**October 2002** - First Public Information Meeting is held at The Grand on October 21st. Over 120 people come together to hear about plans for Northfield's Just Food Community Co-op. *Just Food* song is written by local person and sung to the tune of *Hey Jude*.

**January 2003** - First Winter Farmers' Market is held at the Village School featuring local producers and farmers. The Markets become a regular monthly feature, by choice of the local producers, during Northfield winter months.

**February 2003** - Just Food Feasibility Study is completed, opening the door to creating the co-op. This study documents the marketing, operational, and financial feasibility of a natural food co-op in the Northfield area. The results of the study are presented to the public at an open forum held at the UCC church.

**April 2003** - Just Food is incorporated, which entails creating the legal and financial foundations of the natural food co-op. There IS a co-op in Northfield that will open a natural food market in 2004.

**May 2003** - Consultants engaged from Cooperative Development Services, an experienced and respected consulting firm, to assist us in business development, the Membership Drive, the Member Loan Program and market analysis.

**July 2003** - First Annual Just Food Membership Meeting is held at Bethel Lutheran Church, attended by over sixty members. The By-laws are ratified and a Board of Directors is elected.

**October 2003** - \_\_\_\_\_ is hired as the Project Manager. He is primarily involved with fund-raising and preparations for opening the store. Just Food logo is adopted. Just Food receives a grant from the Northfield Economic Development Authority (EDA) to assist in paying the Project Manager's salary and in hiring a market analyst. This is dramatic confirmation the EDA sees the Co-op as a viable business in Northfield and will increase the impact of members' investments.

**November 2003** - Market Analysis is conducted by a well-respected professional analyst who specializes in the natural foods market. The result is more optimistic than our projections in the Feasibility Study.

**December 2003** - Great site selected for the store and lease negotiations begun with the landlord's representative. A store designer is engaged, a construction estimator is consulted and both are working with the experienced Just Food Site Acquisition Team.

**January 2004** - Just Food membership is 300. Planning begins for the Member Loan Campaign. Space at 516 South Water Street becomes available and becomes the preferred site. \_\_\_\_\_ selected as the architect and \_\_\_\_\_ as the contractor.

**March 2004** - Phase One of the Member Loan Campaign is completed with 121 members loaning \$240,000 toward Just Food start-up costs.

**Nearly  
14,000 hours  
of work is  
contributed  
by Just Food  
volunteers  
over 2 ½**

**The average  
number of hours  
worked by one  
person in the  
United States is  
2040 hours per  
year. Just Food  
volunteers have  
worked the  
equivalent of seven  
people working  
full time for a  
year.**

**April 2004** - Lease is signed for space at 516 South Water Street in Northfield. The outside loan package is structured.

**May 2004** - \_\_\_\_\_ accepts position of General Manager. Phase Two of the Member Loan Campaign is launched and pledges increase to \$300,000.

**June 2004** - Store design is completed and subcontractor bids are obtained.

**July 2004** - Construction contract is signed. Three additional employees are hired, one to work part-time now and others to start at a future date when needed.

**August 2004** - Commercial loans are closed. Construction begins at 516 South Water Street.

**September 2004** – Key management staff are hired. Membership is now over 650.



## What your loan can do for Just Food Co-op

A loan of \$1,000 can...

- Buy our bulk herb and spice cabinets and jars
- Buy a stainless steel sink for prepping produce
- Buy a safe
- Buy soup warmers and a microwave oven

A loan of \$2,000 can...

- Buy 24 shopping carts
- Buy a custom display case for flowers and produce
- Buy all the shelving for our coolers
- Pay for our building permits

A loan of \$5,000 can...

- Pay for the new ceiling tile in the store
- Buy our walk-in storage freezer
- Buy our phone, intercom and music systems
- Buy a 12 foot dairy case

A loan of \$10,000 can...

- Buy all the grocery shelving for the store
- Pay for painting most of the store interior
- Pay for our computers, printers, software and networking supplies
- Buy our dairy display cooler and walk-in storage

# Appendix E: Frequently Asked Questions

## Just Food Member Loan Campaign FAQ's (short version)

- 1. Can the Co-op be financially successful?** Yes. A professional market survey produced a solid sales forecast used in financial projections prepared by our General Manager with the assistance of Cooperative Development Services. The result is a successful business projection. If you are interested in making a loan you will receive information containing our pro forma financial statements. We are willing to discuss them with you in detail. Statistics published in the Cooperative Grocer retail operations survey shows the financial performance of co-ops around the country has been extremely good.
- 2. How will you be able to compete with other area grocery stores?** We have different offerings than other local grocers - their emphasis is on price and variety within the high volume mainstream. Just Food will emphasize locally produced products to help stimulate local agriculture, eliminate the impact of long distance shipping and cycle money through the local economy. Just Food will emphasize naturally produced and organic products raised without the use of chemicals, genetic modification or antibiotics and with due consideration for impact on the environment to provide tastier, more nutritious products. Just Food will provide educational services allowing shoppers to make better informed and more healthful choices.
- 3. Can I make a loan now and still make another one later?** Yes. For some households, temporary conditions limit their current lending ability. Arrangements can be made for a second loan in the future.
- 4. What if I don't have cash immediately available?** Some members have made loans by moving money within their savings portfolios rather than taking it out of current spending. Others have used resources available through home equity lines of credit.
- 5. Isn't my membership enough? Why is a member loan needed?** The co-op needs start-up funds. Funds to start the store come from memberships, member loans, outside loans and grants. Member loan programs are long-standing methods used by co-ops to raise money and community support for their stores. They demonstrate the existence of a loyal customer base and reduce debt service making the business stronger.
- 6. Legal Assurance.** All of the legal documents have been reviewed by an attorney experienced in co-op law and we understand they are appropriate.
- 7. What is the likelihood that loans will be repaid?** Our business development consultant has experience with hundreds of co-ops across the country. His experience is that ninety percent of co-op loans are repaid on time and 95 to 98 percent of loans are repaid to the lenders. We are convinced that Northfield deserves and has the possibility of being one of the best co-ops in the nation.
- 8. Why is it necessary to have the terms of the loan be so far out?** To be sure the Co-op is able to repay member loans, the loans are scheduled to come due over 10 years. Members who have already shown their confidence in the Co-op by making a loan have filled the loan periods coming due in years 4, 5, 6 & 7. The terms that have not been filled yet are for loans which will come due in, 8, 9, or 10 years.
- 9. If you have funds for all start-up costs, why are more member loans needed?** Our commercial loans involve higher interest rates than member loans and require payback to begin immediately. Additional member loans will either enable the Co-op to retire a portion of these loans now or allow us to forgo drawing on lines of credit. The resulting financial structure will significantly reduce debt service in the critical first four years of business.



## IN THE WORDS OF JUST FOOD MEMBER

◆ Northfield has a rich history of community members coming together to do the right thing. Look at the Northfield Arts Guild, the Northfield Industrial Development Corporation and the Northfield Historical Society as a few examples. These groups represent people working together for the betterment of all. Right now Northfield has an equally exciting opportunity of coming together to help on the ground floor with the start up of Just Food.

Just Food represents many different exciting things. It goes without saying that the Northfield Area will be able to nourish their bodies with great product. But just as exciting for us is the sense of community that Just Food will bring... not unlike a Family Department Store where we used to spend time. To paraphrase Bob Jacobsen – it simply makes cent sense to invest in Just Food. We'd suggest that you do it for yourself, do it for the community, do it for the future... the world will be a better place for it.

*List name of testimonial source*

◆ Why did we invest in the co-op? The answer, in a word, is "simple". Against the backdrop of fresh, unadulterated fruits, meats and vegetables, that's simplicity at its finest and therefore, to us, a simple investment decision.

*List name of testimonial source*

◆ We have made a commitment to Just Foods because we strongly believe in healthy eating and because we wish to support sustainable food production systems in the local economy. We are excited to see this grassroots effort spring forth and are committed to seeing it blossom. We encourage others to offer their support as well.

*List name of testimonial source*

◆ Take that next big politically volatile tax rebate and use it to hedge against future payments on the national debt—buy into Just Food Co-op, with loan \$'s to ensure a healthy and prosperous future.

*List name of testimonial source*

◆ When Just Food Co-op announced plans to open in Northfield, I was thrilled to imagine our community with a year-round source of locally grown food, as well as many items that simply aren't available to someone without a car. The months of careful planning that have gone into the Co-op's organization seem certain to pay off in an operation that will meet our needs for years to come. I am also familiar with the concept of "member loans" because the church I belong to raised money this way some years ago. It's a good deal for everyone: the co-op has a predictable source of funds on which to draw, the investors get the money back (with interest), and members have the privilege of knowing they are contributing to the well-being of the co-op. I signed on immediately and I encourage you to do the same.

*List name of testimonial source*

◆ I chose to make a loan to Just Food Co-op because I believe in the tremendous value a locally-owned business brings to its community, and to demonstrate to other co-op owner-members that I am personally vested in this store and its future success. As the General Manager of your store, I hope that my investment will show how confident I am that this store will be a shining success and that it may inspire others to help strengthen the Co-op with their own financial commitment.

*List name of testimonial source*

## **Just Food: Northfield Community Co-op** ***Frequently Asked Questions (longer version)***

1. **What is a co-op?** A co-op is a member owned and directed enterprise that operates for the mutual benefit of all members and others in the community.
2. **How will Just Food be different from other grocery stores?** Just Food is more than a grocery store: it is a community owned business that provides convenient access to fresh, local, organic and healthy food and products while also providing opportunities for education and continued learning.
3. **Why do co-ops have memberships?** Co-ops are built on memberships. Members own and help make decisions about the Co-op. Members also provide the start-up financial foundation of the business.
4. **Do you have to be a member to shop at Just Food?** No. Everyone is welcome to shop and everyone is welcome to join. Anyone can shop at the Co-op but the Co-op needs members to provide a financial foundation for the store.
5. **If everybody can shop at the Co-op why become a member?** Members provide community support for the Co-op. Their investment in buying a share and their involvement make the Co-op possible. Also members receive specific benefits - they vote for members of the Board of Directors of the Co-op and on other matters brought before the membership. Members will receive patronage refunds when the Co-op becomes profitable. They will receive member-only discounts and member-only newsletters.
6. **When and where will Just Food be opening?** We hope to open by late spring of 2004 in downtown Northfield. We aren't able to name the exact location since we are at a critical phase of negotiation.
7. **Do members have to work or volunteer in the store?** No. Members are not required to work or volunteer in the store.
8. **How many members do you need?** We have over 300 members of Just Food and our goal is to reach 750 members before the store opens.
9. **What is the Founding Team?** The Founding Team is a group that meets twice a month to coordinate all the efforts of creating new Co-op. Founding Team meetings are open and anyone is welcome to attend.
10. **What is the Board of Directors?** The Board of Directors is responsible for legal and financial decisions that affect the Co-op. It is elected by the members at the Co-op annual meeting.

11. **What has the Co-op done so far?** Planning for Just Food started in the spring of 2002 when 15 people began working to open a co-op in Northfield. Since then many more volunteers have signed on, the membership has grown, we have hired a project manager and have worked with several expert co-op consultants to provide guidance.
  - i. Key Milestones:
  - ii. Spring 2002 – Co-op planning started
  - iii. Spring 2003 – Just Food incorporated
  - iv. July 5, 2003 – 100<sup>th</sup> membership received
  - v. Spring 2004 – Anticipated opening in a downtown location!
12. **What needs to be done next?** Growing our membership, securing a location, raising funds, preparing the site, hiring operational staff, and opening the store are still to come. We will all be shopping at Just Food in 2004!
13. **How much does a membership cost?** \$125. This amount purchases one Class A voting share and twenty Class B non-voting shares in Just Food. It is not a subscription or a recurring fee. This set of shares conveys membership benefits to all members of the household and only one set of shares may be purchased per household.
14. **Is there a payment plan for memberships?** Yes. We encourage full payment upon becoming a member since owner-members' capital is a major contribution to being able to open the Co-op. The Co-op will open only if the vast majority of members pay in full when joining, however ability to pay for the membership should not be a barrier. If payment in one lump sum isn't possible then payment may be made over a period of up to 4 years. If that isn't possible then make another proposal. Full member benefits start with the first payment.
15. **Is there any special arrangement for students?** Yes. We want to make it easier for students to join by inviting them to use the payment plan.
16. **What constitutes a household?** People living at the same address. They don't have to be related.
17. **Do single member households pay the same price for a share?** Yes because when one joins a Co-op as a member one is buying a portion of the business.
18. **Can a person own more than one share?** No. However, if a person wants to help the Co-op by providing additional financial assistance one may make a loan or gift to the Co-op.
19. **Will each member of the household be able to vote when it comes to electing Directors or other Co-op business?** There is one vote per share so only one vote will be allowed for each household.

20. **If I move or just decide to quit the Co-op do I get my money back?** A member's voting share is returned to the Co-op when membership in the Co-op is terminated. The former member either receives additional non-voting shares in exchange or receives a refund of his or her original investment depending on the financial state of the Co-op. The Board of Directors determines the conditions under which either action is taken so that the remaining members' interests are protected and the former member is treated fairly.
21. **Can the Co-op be financially successful?** We are very confident of this. With very realistic assumptions we show the potential of profit by the third year of operation. The intent is that the Co-op will have the ability to generate profit so that we can provide additional services to the membership and the community. Future decisions will determine how the funds are used. Some of these actions may include enhancement of the services offered in the store; expansion of the store; reduction of prices; increased refunds for members; increased wages or investment in community projects. The membership, through the Board of Directors, will make the decisions about these actions.
22. **If I buy a share and for some reason the Co-op doesn't open a store, do I get my money back?** If the Co-op ever goes out of business its assets will be liquidated and funds will be used in the following order: liabilities will be paid and the remaining cash will be distributed to shareholders. It is unlikely that all of an owner's investment could be returned if the Co-op ceases operation before the store opens because some expenses will have been incurred and no income will have been received. We conducted the Feasibility Study, Market Analysis and built pro forma financial statements to confirm for ourselves and for potential members that a store can be opened and be successful. We have a high degree of confidence in the future of the Co-op and yet the investment has risk.
23. **Will I get my money back if the Co-op closes after a store is opened?** If the Co-op ever goes out of business its assets will be liquidated, its liabilities will be paid and the remaining cash will be distributed to shareholders. In the financial model with our consultants, the Co-op earns a profit in its third year of operation; somewhat later sufficient assets are accumulated that will permit Just Food to return the original investment to its members.
24. **Will the Co-op need money in addition to memberships?** Yes. Just Food will also conduct fund-raising, seek loans from members and borrow money from outside sources. Success in all of these depends on having sufficient memberships so they are the fundamental source of capital and the foundation of the Co-op.
25. **When will the Co-op open?** We are aiming for late spring 2004. The average time to open a co-op is usually about 4 years. Our plan to open late spring 2004 will be about 2 years since this work began. We've been helped significantly by the ready availability of information from local co-ops and on the Internet and by the ready reception in

Northfield but we aren't taking any shortcuts. The rate at which we can acquire capital will significantly influence that date.

26. **Can I work there? Will I have to work there?** You will not have to work at the Co-op. Many volunteers are working on the Co-op now. When the store opens there will be additional volunteer opportunities. We believe this is an important part of the Co-op.
27. **Will I be able to do all of my shopping at the Co-op?** Many people will be able to do the majority or perhaps all of their grocery and related shopping at the Co-op. Our selection of products will be fairly broad.
- a. Fresh produce, with an emphasis on organic and locally grown.
  - b. Bulk food, including grains; beans; granola; nuts; honey; fair trade coffee; teas; etc.
  - c. Spices and fresh herbs, including medicinal herbs & tinctures.
  - d. Dairy products, including organic and hormone-free milk and artisan cheeses.
  - e. Quality fish products preferably not farmed.
  - f. Meat without hormones or antibiotics; free-range chicken.
  - g. Personal health items, including shampoos; bulk soaps; essential oils; bath salts; etc.
  - h. Baking supplies and healthy baked goods
  - i. Dried fruits
  - j. Vitamins and supplements
  - k. Ethnic foods
  - l. Organic baby food
28. **How will you be able to compete with other area grocery stores?** We have a different offering than other local grocers - their emphasis is on price and variety within the high volume mainstream. Just Food will emphasize locally produced products when available to help stimulate local agriculture, eliminate the impact of long distance shipping and cycle money through the local economy. Just Food will emphasize naturally produced and organic products raised without the use of chemicals, genetic modification or antibiotics and with due consideration for impact on the environment to provide tastier, more nutritious products. Just Food will provide educational services that allow shoppers to make better informed and more healthful choices. Just Food will provide the convenience of grocery shopping downtown.
29. **Will you be in competition with the local buying clubs?** No. The feasibility study assumes the continuation of buying clubs and the financial projections are based on the continuing existence of buying clubs. Our intent is to supplement the buying club purchases, not replace them. These assumptions were confirmed by our first market survey which targeted current buying club members.
30. **How will the presence of a natural food Co-op benefit the Northfield community?** There will be many benefits, especially since it is our intent to complement the existing businesses rather than compete with them: (1) to support local farmers, thereby contributing to the continuing viability of local farms; (2) to

help keep dollars circulating within the community; (3) to provide easier access to a wider variety of healthy, organic and natural foods than is now available in Northfield; (4) to provide an educational service to the community in regard to healthy living and health-supportive cooking and eating habits; (5) to serve as a community meeting place for discussions and sharing information about the environment and other topics of concern; (6) to be a financially viable enterprise that contributes to the economic vitality of downtown Northfield.

31. **Will Just Food be non-profit?** No. Just Food is incorporated under the statute that governs cooperative businesses – 308A. This statute allows those businesses to make a profit however profit that results from members' patronage is refunded to them. A portion of this refund will be in cash. The balance will be increased equity in the Co-op. Contributions to Just Food are not tax deductible.
- a. On the other hand, Just Food will not be profit-driven. Some businesses exist to earn a profit for their owners. Cooperatives exist to provide a service to their owners. A well-run Co-op needs to be able to earn a modest profit. This profit allows the Co-op to invest in the growth of the business to better serve its member-owners, to invest in the community or to take other actions consistent with its mission. The Board of Directors working with all the member-owners determines these actions. Importantly, the ability of a Co-op to earn a profit for its members means that it doesn't take resources from the community in order to serve its member-owners but rather the Co-op generates economic and other value that is returned to the member-owners and the community.
32. **How much do you expect the average shopper to spend at Just Food?** Our model assumes the average member spends \$23 per week during the first year of operation. Our model also assumes that half of the shopping is by non-members but we haven't broken that down to a per-shopper average.
33. **Most new businesses fail. Why will the Co-op be different?** We have looked at the reasons business fail and have tried to anticipate them. For example, one of the most frequently cited reasons for small business failures is being under-capitalized. We propose to seek adequate start-up funds to carry the Co-op through its early period and to have flexibility to make adjustments to become successful. We are striving for a business that has sufficiently broad appeal that it will attract enough volume to be successful while at the same time we are mindful of the need to start small enough that we can raise adequate capital.
34. **Do you have paid staff?** Yes, we currently have one paid staff person, a part-time Project Manager. He brings expertise to the Co-op by supplementing the skills of the volunteer team with many of the skills needed to open the store. Our expectation is that the Co-op will open sooner and with less cost due to his contribution. We are also making use of consultants who have helped many co-ops be successful. At a later time, not yet determined, we will hire a General Manager. Before the store opens we will hire additional staff. The Project Manager will not continue with the Co-op much beyond the

store opening. We intend to be able to operate the store with paid staff. Volunteer members will provide extra services that add to the shopping experience.

- 35. Who supports this?** Over 300 members as of mid January 2004 support the Co-op. Much of the work is being done by a smaller group of people working in eight task forces. Your participation is most welcome. See [www.justfoodcoop.com](http://www.justfoodcoop.com) for information about how to join the work. The Board consists of eight people from the community: (list names).
- 36. How do I join?** Complete an application form and send a check to Just Food, PO Box 662, Northfield, MN 55057. You may print an application from the web site [www.justfoodcoop.com](http://www.justfoodcoop.com) or request one by calling (507)555-1212 (a local call) or by sending a note to the PO Box.

## Appendix F: Pledge Confirmation Forms

### PLEDGE CONFIRMATION

Member Name: \_\_\_\_\_ Date: \_\_\_\_\_

Amount of Pledge: \_\_\_\_\_ Interest Rate: \_\_\_\_\_

Period of Loan: \_\_\_\_\_

Thank you for your generous support of Just Food.

### PLEDGE CONFIRMATION

Member Name: \_\_\_\_\_ Date: \_\_\_\_\_

Amount of Pledge: \_\_\_\_\_ Interest Rate: \_\_\_\_\_

Period of Loan: \_\_\_\_\_

Thank you for your generous support of Just Food.

### PLEDGE CONFIRMATION

Member Name: \_\_\_\_\_ Date: \_\_\_\_\_

Amount of Pledge: \_\_\_\_\_ Interest Rate: \_\_\_\_\_

Period of Loan: \_\_\_\_\_

Thank you for your generous support of Just Food.

## **Appendix G: Letter of Appreciation**

### **Whole Foods Community Co-op, Inc.**

1332 East Fourth Street  
Duluth, Minnesota 55805  
(218) 728-0884 fax (218) 728-0490  
www.wholefoods.coop

February 2, 2005

Name  
Address

Re: Member Loan Program

Dear \_\_\_\_\_:

Thank you very much for your interest in supporting WFC's expansion with a member loan. Please read the enclosed Member Loan Information carefully before you complete and return the Loan Commitment form in the enclosed envelope.

On October 26, 2004, the Board approved an amendment to the Member Loan Plan described in the enclosed information. This amendment allows a variable rate of interest (0% + prime) for loans of \$10,000 or more. The interest rate will be adjusted annually on June 30 except that it will be adjusted no lower than prime on the date the promissory note is signed.

Sincerely yours,

WHOLE FOODS COMMUNITY CO-OP, INC.

General Manager

## **Appendix H: Member Loan Information Packets**

### **WHOLE FOODS COMMUNITY CO-OP, INC. (WFC) MEMBER LOAN INFORMATION**

On August 10, 2004, WFC entered into an agreement to purchase the C. W. Chips building at 610 East 4<sup>th</sup> Street in Duluth. At over 18,000 sf, this building is over three times the size of our current location. Moving to this location will allow us to greatly expand the products and services offered to our members, to increase jobs in our community, and to increase purchases from local growers and suppliers.

To finance this purchase, remodeling of the site and acquisition of additional equipment and inventory, WFC will secure a significant amount of debt from banks and cooperative and community development funds. A key ingredient of the financing strategy for our project is to solicit and receive loans from our members. We are offering members the opportunity to financially support the co-op and our expansion project through this Member Loan Program. These loans are unsecured and subordinated. There are a number of other risks involved in this loan program that will be outlined later in this document.

Members who support WFC through member loans are playing a vital role in the establishment and growth of our community-owned business and the expansion of the cooperative movement.

#### **BRIEF HISTORY OF THE ORGANIZATION**

The impetus for starting a Duluth food co-op came in the summer of 1970 when an article appeared in an underground newspaper, *The Sunshine Express*, asking if there were people interested in starting a food co-op.

“That first group made history. They came up with \$200, decided what kind of food they wanted, and where they would buy it. ‘A few days later, I took my 1958 Buick down to People’s Warehouse in Minneapolis and made the first food run,’ said \_\_\_\_\_. ‘I picked up things like raisins, brown rice, flour, peanut butter and way too much food for that old car.’ The car couldn’t handle the first co-op delivery and it broke down coming into Duluth. Co-op volunteers helped to get the food from the car to the co-op’s first location – the basement of the Chester Creek House, on 13<sup>th</sup> Avenue East and 2<sup>nd</sup> Street,

Duluth.” *How the Co-op Started and Grew* by Cheryl Jenson, Whole Foods Community Co-op Fifteenth Anniversary 1970-1985.

Initial operations were handled entirely by volunteers but, by 1971, the Co-op had its first coordinator. In 1972, the Co-op was incorporated as a consumer-owned retail cooperative. The Co-op moved several times in its early years but stayed from 1974 to 1993 in a building it owned on the corner of 7<sup>th</sup> Avenue East and 8<sup>th</sup> Street.

In the late 1980’s, the Co-op’s Board, membership and staff began preparing for expansion. The collective management structure was dissolved, a general manager was hired, consultants were brought in to advise, and the Co-op began to network with other retail cooperatives through the Consumer Cooperative Management Association. Following a 1990 vote by the members, the Bylaws were amended increasing the equity requirement from \$10 to \$100, a major step forward in expanding the equity base to support expansion.

After several years of searching, the Co-op financed the purchase of the former Avenue Market on 4<sup>th</sup> Street and 14<sup>th</sup> Avenue East with loans from a local bank, vendors, and community and cooperative development funds and \$88,000 in member loans. The Co-op opened for business there on March 31, 1993, experienced 100% sales growth and over 100% membership increase in the first 12 months and, subsequently, repaid all indebtedness related to that purchase.

Our General Manager, \_\_\_\_\_, has been with the Co-op since February 1980, serving as General Manager since 1988. \_\_\_\_\_ led the Co-op through the expansion to 4<sup>th</sup> Street in 1993, and has managed the Co-op during periods of rapid growth, increasing competition, and strong business performance. \_\_\_\_\_ has assembled an experienced and talented Management Team comprised of long-time staff members and recently hired department managers. The Management Team contributes greatly to the success of WFC and will provide dynamic leadership and management expertise as the business expands into a larger space.

### **Management Team**

\_\_\_\_\_, General Manager (1980)

\_\_\_\_\_, Assistant Store Manager/IT Manager (1986)

\_\_\_\_\_, Produce Manager (1990)  
\_\_\_\_\_, Deli Manager (2000)  
\_\_\_\_\_, Operations Manager (2000)  
\_\_\_\_\_, Marketing & Member Services Manager (2003)

### **Board of Directors**

\_\_\_\_\_, President, terms expires 2005  
\_\_\_\_\_, Vice President, term expires 2005  
\_\_\_\_\_, Secretary, term expires 2004  
\_\_\_\_\_, Treasurer, term expires 2004  
\_\_\_\_\_, term expires 2005  
\_\_\_\_\_, term expires 2005  
\_\_\_\_\_, term expires 2004

### **COOPERATIVE STRUCTURE AND MISSION**

WFC is organized as a consumer-owned cooperative and derives capital from its owners, the members. Each member is entitled to vote for directors and to participate in decisions concerning WFC. Annually, the Board of Directors may elect to distribute to members a share of net profits based on their proportionate share of purchases during the year. Copies of WFC's Articles and Bylaws are included in every new member packet and are available upon request.

As a cooperative, WFC subscribes to the Rochdale Cooperative Principles of:

- ✓ Voluntary and Open Membership
- ✓ Democratic Member Control
- ✓ Member Economic Participation
- ✓ Autonomy and Independence
- ✓ Education, Training and Information
- ✓ Cooperation among Cooperatives and
- ✓ Concern for Community.

Our Mission:

Whole Foods Co-op is committed to the Cooperative Principles, to providing its members, patrons and community the highest quality nutritious whole foods, and to the products and services that make positive changes in the life of its community, employees and environment.

WFC is a thriving natural foods grocery, owned by over 2,300 active members. WFC provides its community with jobs and an outlet for locally grown and produced products, while maintaining its commitment to the environment and re-investing profits locally.

## **CAPITAL STOCK**

A fundamental cooperative principle is one member, one vote (Democratic Member Control). No matter how many shares of stock a member owns, he/she is only entitled to one vote.

According to WFC's Articles of Incorporation, the amount of authorized stock of the cooperative is \$500,000.00. This amount is divided into three classes. Class A stock consists of 16,000 shares of voting stock with a par value of \$5.00. Class B consists of 64,000 shares of non-voting, equity stock with a par value of \$5.00. Class C stock consists of 200 shares of non-voting stock with a par value of \$500.00.

As of June 30, 2004, WFC members have paid in \$53,535 in Class A voting stock. Class B non-voting stock totaled \$180,953 as of that date. Class B stock includes deferred patronage refunds and member equity payments. No Class C stock has been purchased.

## **RELOCATION PROJECT**

At 2,000 retail square feet (5,000 square feet overall) with 12 off-street parking spaces, and nearly 600 transaction/day, we've outgrown the present space. The current site cannot support additional growth and efficient operations. Space for administrative functions and meetings is rented elsewhere. We are unable to meet demand from our members for new products, and we are unable to respond to accelerating demand from the general public for natural and organic foods. The congested atmosphere and lack of adequate, adjacent off-street parking prevent WFC from attracting and retaining new customers and additional member-owners.

After over six years of searching, saving, refining our skills, and developing our staff, we have secured a new location and are ready to refine our design plans and raise funds to remodel the building at 610 East 4<sup>th</sup> Street immediately after the closing on March

1, 2005. We anticipate four to six months of remodeling will occur before we will open at the new site.

Market strategy for WFC in a larger store has two primary goals: (1) retain our strong customer base and (2) attract new customers. The new site is only seven blocks west of our current site on the same street and is near a high traffic controlled intersection including several bus routes.

We will be able to improve customer service and enhance the shopping experience with five checkout lanes, wide aisles, additional retail space for grocery, produce, fresh meat, bulk foods, health and body care products, a deli, and a customer seating area. There will be an on-site classroom/meeting space as well as a more efficient and safer workspace for employees.

Design, remodeling and equipment acquisition will be accomplished with features to reduce waste, reuse materials, recycle materials, and incorporate energy efficiency and energy alternatives.

The following is a summary of the costs of this project and the sources of funds for its completion:

<b>Uses of Funds</b>	
Purchase of Property	\$1,700,000
Site Development	\$ 150,000
Remodeling	\$1,078,125
Equipment	\$ 703,125
Additional Inventory	\$ 210,000
Professional Fees	\$ 200,000
Start-up Promotion/Staffing/Holding/Interest	\$ 176,500
Pay off Current Mortgage	\$ 95,823
Working Capital	\$ 300,000
Contingency Fund	\$ 461,357
<b>Total Uses</b>	<b>\$5,074,930</b>

<b>Sources of Funds (outside Lenders)</b>	
Bank Financing, 20 yrs. @ prime + 2.5 points	\$2,774,107
Cooperative Fund, 7rs. @ prime + 2.5 points	\$ 400,000
Vendor Credit, 3 yrs. @ 0%	\$ 33,250
Vendors – Free Product	\$ 38,000
Vendor Loan, 5 yrs. @ prime + 2.5 points	\$ 78,750
City/Community Funds, 10 yrs. @ 4%	\$ 400 000
Sources of Funds (Whole Foods Co-op)	
Cash Reserves/Sale of Current Site	\$ 550,823
Member Loans	\$ 800,000
<b>Total Sources</b>	<b>\$5,074,930</b>

## **MEMBER LOAN INFORMATION**

### **Terms**

WFC intends to raise at least \$800,000 in unsecured, subordinated member loans in minimum amounts of \$1,000. The interest rate range offered for loans from \$1,000 to \$9,999 will be 0.00% to 4.00%. The interest rate range for loans of \$10,000 or more will be 0.00% to prime. Compound interest will be paid at the time of maturity. Loans will mature within four to seven years. Conservative projections indicate that WFC will generate sufficient earnings to pay the principal and interest due on outstanding loans as they reach maturity.

We are encouraging members to support WFC through loans in order to use their money in a socially conscious manner and to help promote the goals and growth of their cooperative. Member loans will be used solely to support the relocation to 610 East 4th Street.

### **RISKS**

Lending money to WFC involves a significant degree of risk. While WFC has listed all the risk factors of which it is aware, there may be additional unrecognized risks.

#### **General Risks.**

There are general risks inherent in any undertaking of this scope, many of which are beyond the control of WFC's management. The likelihood of WFC being successful must be considered in the light of difficulties, complications, delays, and unforeseen barriers encountered in such efforts.

#### **Competitive Conditions.**

The retail food industry is a highly competitive one. Many of WFC's potential competitors are owned by large, diversified food companies with resources far greater than those of WFC.

#### **Reliance on Key Personnel.**

WFC relies on its management staff and its Board of Directors, none of whom has any legal commitment regarding their length of service with WFC.

**Uncertain Ability to Attract Additional Qualified Personnel.**

There is no guarantee that WFC will be able to recruit and retain people possessing the skills and experience required by WFC for successful operation.

**Uncertain Ability to Meet Cash Obligations.**

There can be no assurance that the financial projections contained in this memorandum will be realized.

**Unsecured and Unfunded Obligation.**

The notes offered by WFC are not secured by any property pledged as collateral and are subordinate to other lenders. While WFC intends to do so as cash flow allows, it is not obligated to put money into a sinking fund towards principal repayment.

**Nonliquidity of the Loan.**

These notes cannot be sold, assigned, or transferred to another person. The lender must be prepared to hold these notes at least until their maturity.

**Suitability Standards**

Member loans are solicited only from persons who are *active* members of the Co-op and residents of the State of Minnesota. An *active* member is defined as a person who owns a minimum of \$20 class A stock, who is current with class B stock payments, and who has his/her current address on file at WFC. All persons who lend money to the Co-op must be bona-fide residents of the State of Minnesota and must be making the loan for their own account and not for resale. These loans cannot be sold, assigned, or transferred, as we are relying on an exemption from registration under federal and state securities laws. The notes are only suitable for, and should only be considered by, those persons who understand the nature of the risks involved and who can afford to assume such risks and to sustain a loss of their loan and who have adequate financial means and no need for liquidity in any funds loaned. Interest earned on these loans is taxable and will be reported for the year paid with a 1099INT to the federal government. Consult your financial advisor with questions for your personal situation.

## **Plan of Distribution**

Member loans may be accepted by any one of the following staff members:

- \_\_\_\_\_, General Manager
- \_\_\_\_\_, Assistant Store Manager
- \_\_\_\_\_, Office Manager
- \_\_\_\_\_, Financial Coordinator

WFC Member \_\_\_\_\_ will be calling members regarding the Member Loan Program.

Contact with these people should be made only at Whole Foods Co-op, 1332 East 4<sup>th</sup> Street, Duluth, MN 55805, (218) 728-0884. No other persons, except those listed in this section, are authorized to represent this program. Member loans will continue to be solicited for an unstated period of time considered reasonable by WFC.

## **SELECTED FINANCIAL INFORMATION**

### **Financial Management Strategy**

The WFC Board of Directors approves an annual budget. The budget is compared regularly to our financial performance as depicted in our monthly income statements. These statements are based on estimated cost of goods sold but do give an accurate accounting of operational expenses and sales. We perform quarterly storewide inventories that give us actual cost of goods sold and fill in the final piece of our current financial condition. We are required by our lenders to provide them with quarterly statements and balance sheets so that they can monitor our progress. WFC's accountants prepare audits of financial records every other year, observe every end-of-year inventory, and prepare annual corporate federal and state income tax forms. WFC has a history of unqualified audit reports.

In addition to our yearly budgets, we have also prepared five (5) year income statement and balance sheet projections that demonstrate the long-term viability of our expansion. These projections will be adjusted yearly as current financial data become available.

**Condensed Financial Information.**

The following financial data are from audited financial statements for fiscal years (FY) 2001, 2002, 2003 (an 11 month year due to a change in end of fiscal year from July 31 to June 30), and FY 2004.

	FY 2001 (audited)	FY 2002 (unaudited)	FY 2003 (audited) (11 months)	FY 2004 (unaudited)
<b>INCOME STATEMENT</b>				
Sales	\$2,527,647	\$2,938,010	\$3,142,108	\$4,018,580
Cost of Goods	-1,645,726	-1,924,290	-2,014,579	-2,593,908
Operating Expenses	- 845,468	- 939,290	-1,020,488	-1,340,758
Other Income/Expense	- 14,969	- 2,525	16,515	- 648
Taxes	- 4,650	- 16,992	- 30,999	- 21,717
Net Income	\$ 16,834	\$ 54,914	\$ 92,557	\$ 61,549
<b>BALANCE SHEET</b>				
Current Assets	\$ 145,534	\$ 171,707	\$ 388,067	\$ 470,270
Fixed Assets	\$ 302,244	\$ 293,911	\$ 335,945	\$ 319,967
Other Assets	\$ 18,646	\$ 18,646	\$ 10,884	\$ 12,127
TOTAL ASSETS	\$ 466,424	\$ 484,264	\$ 734,896	\$ 802,364
Current Liabilities	\$ 114,079	\$ 85,215	\$ 227,993	\$ 112,425
Long-Term Liabilities	\$ 144,157	\$ 115,546	\$ 105,823	\$ 93,103
Equity	\$ 208,188	\$ 283,503	\$ 401,080	\$ 596,836
TOTAL LIABILITY/EQUITY	\$ 466,424	\$ 484,264	\$ 734,896	\$ 802,364

The following table sets forth selected data from the financial projections for the first three (3) years of operation in the new store. Complete Balance Sheet and Income Statement projections for the first five years of operation are available upon request.

	<b>YEAR ONE</b>	<b>YEAR TWO</b>	<b>YEAR THREE</b>
<b>INCOME STATEMENT</b>			
Sales	\$6,100,000	\$7,320,000	\$8,052,000
Cost of Goods	-3,965,000	-4,684,800	-5,072,760
Operating Expenses	-2,294,598	-2,498,082	-2,630,653
Other Income/Expense	- 252,062	- 242,994	- 233,348
Taxes	- 0	- 0	- 0
Net Income	- 411,660	- 105,876	\$ 115,239
<b>BALANCE SHEET</b>			
Current Assets	\$ 607,086	\$ 560,424	\$ 727,052
Fixed Assets	\$4,189,820	\$4,011,699	\$3,828,293
Other Assets	\$ 11,894	\$ 12,251	\$ 12,617
<b>TOTAL ASSETS</b>	<b>\$4,808,800</b>	<b>\$4,584,374</b>	<b>\$4,567,962</b>
Current Liabilities	\$ 395,628	\$ 417,542	\$ 590,941
Long-term Liabilities	\$4,135,046	\$3,958,582	\$3,617,532
Equity	\$ 278,126	\$ 208,250	\$ 359,489
<b>TOTAL LIABILITY/EQUITY</b>	<b>\$4,808,800</b>	<b>\$4,584,374</b>	<b>\$4,567,962</b>

## **FUTURE**

WFC has invested considerable time and resources in the development of our new store. We will nearly triple our retail space, expand existing departments, add many new products, have offices, meeting rooms and classroom space on site, and hire many additional employees. It is our goal that the new store will increase services to current members as well as draw new customers to a more attractive, easier to shop, full-service natural foods grocery. The increased awareness of health, nutrition, and problems caused by pesticides

and food additives has created a growing demand for natural foods. With a larger store, WFC is well positioned to meet this demand.

**IMPORTANT LEGAL AND PROCEDURAL  
MEMBER LOAN INFORMATION**

This memorandum has been prepared on a confidential basis solely for the benefit of selected persons who are members of WFC and residents of Minnesota. It is issued to such persons only in connection with the private placement of certain promissory notes. This memorandum may not be reproduced or redistributed except with the express consent of WFC.

A member loan involves a significant degree of risk. The transferability of the notes for loans is restricted. A member loan is suitable only for persons who have adequate financial means and have no need for liquidity in any funds loaned. A member loan is also suitable only for persons who understand the nature of the risks involved and who can afford to assume such risks and to sustain a loss of their loan.

In reliance upon certain exemptions under the Securities Act of 1933 and the Minnesota Statutes, this offering has not been registered with the Securities and Exchange Commission nor the Minnesota Department of Commerce. The Securities and Exchange Commission has neither approved nor disapproved of this offering nor passed upon the accuracy or adequacy of this memorandum.

Except as otherwise provided herein, no offering literature in any form is authorized for use in connection with the offering of these securities except for this memorandum. No person is authorized to make representations regarding this offering other than those listed in this memorandum. Only representatives contained herein may be relied upon as authorized.

This memorandum does not constitute an offer to sell or a solicitation of an offer to buy in any state other than Minnesota or to any person other than described herein.

## **WHOLE FOODS CO-OP 2004 MEMBER LOAN PROGRAM RATES AND TERMS**

- Level 1: Loans \$1,000 to \$9,999.99 = interest rate range 0.00% to 4.00%
- Level 2: Loans \$10,000 and over = interest rate range 0.00% to prime
- Minimum term is 4 years - Maximum term is 7 years

The term (4, 5, 6 or 7 years) of each loan will be the lender's choice except that:

- 4 year loans will be accepted for approximately 25% of the dollar goal
- 5 year loans will be accepted for approximately 25% of the dollar goal
- 6 year loans will be accepted for approximately 25% of the dollar goal
- 7 year loans will be accepted without limit other than the end of this offering.

Interest is compounded annually as of June 30 and is paid at maturity. These rates may be slightly lower than some bank certificates of deposit (CDs), but they are reasonable rates.

Loans are unsecured and subordinate. See detailed loan disclosure information elsewhere in this memorandum. There is no penalty for prepayment or early payment of member loans by WFC.

WFC cannot guaranty to member/lenders that it could honor requests for early withdrawal of loans. If a member/lender does request early cancellation and cancellation is acceptable to WFC, the principal amount plus accumulated interest will be reduced by a penalty as follows:

- 1) If repayment is accepted with respect to a note having a remaining maturity of twelve (12) months or less from date of request, the penalty shall be an amount equal to three (3) months interest.
- 2) If repayment is accepted with respect to a note having a remaining maturity of more than twelve (12) months from date of request, the penalty shall be an amount equal to six (6) months interest.

All loans to WFC will be used to support a development of enormous importance to its members and to its community.

Your support is deeply appreciated.



# **Member Loan Information 2004**



**JUST FOOD:  
NORTHFIELD COMMUNITY CO-OP  
MEMBER LOAN INFORMATION 2004**

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## I. INTRODUCTION

By late fall 2004 the Just Food: Northfield Community Co-op retail grocery store will be open offering high quality food and other household items to support healthful, sustainable living with an emphasis on local, organic, sustainable production to the greatest extent possible.

To accomplish this goal, Just Food must secure funding from a variety of sources. These sources include loans from banks and other lending institutions; grants from local, regional and national granting agencies; fund-raising in the community; and our members. Following accepted practices for food co-ops, a key ingredient of the strategy for financing our store is to solicit and receive loans from members of the Co-op. We are offering members the opportunity to financially support the co-op through the member loan program. These loans are unsecured by collateral and subordinate to loans from outside lenders. There are a number of other risks involved in this loan program that will be outlined later in this document.

We hope this documentation will leave you with the following thoughts that exemplify the philosophy and reality of a natural food co-op for the city of Northfield – and hope they will mean as much to you as they have for others involved in this important undertaking.

*Consider the community in which you live.  
Consider what you do to ensure the quality of life in that community.  
You observe. You stay informed. You vote. You pay taxes.  
You get involved when you can make a difference.  
And you even put in extra money by supporting local businesses,  
taking memberships in civic groups, participating in civic activities and cheerfully buying  
fundraising candy, and a host of other activities  
that help to create a vibrant community.  
It's a lot to do but it's worth it to ensure your quality of life.*

*The Just Food community is not much different from your neighborhood.  
It's full of people who are important to you every day.  
And like the community in which you live,  
The Just Food Northfield Community Co-op relies on its members for support.  
With your support Just Food will remain strong and vital.*

## II. Brief History of Just Food: Northfield Community Co-op

The impetus for forming a natural food co-op came as the result of many conversations among people interested in starting a co-op in Northfield. In the spring of 2002 an informational meeting was held at the public library. Nearly twenty people came and expressed interest in helping to launch a store. The first planning session was held in May of 2002. A six-month action plan was created, task forces and a steering committee were formed and the Founding Team was born.

The progress that has been made since that first meeting has been nothing short of remarkable. What began as a series of informal gatherings attended by a handful of individuals quickly developed into a well-organized community project. Task forces began to meet regularly; people were encouraged and began to help in many ways. In the fall of 2002 a large community event was held to inform the residents of Northfield about the co-op and to encourage their participation. Volunteers visited co-ops in the area to establish relationships and gather information. A web site was started to assist communication. Regular meetings took place at a relentless pace, bylaws were drafted, and the team of people working on the co-op grew to about twenty-five people. About that time a steering committee was established to oversee the entire project. All of this was done by community volunteers in the span of less than one year.

During 2003 the momentum behind this effort continued. Just Food sponsored a Winter Farmers' Market in January. It was so well received that we sponsored another in March. Early in the year the Steering Committee focused its attention on determining whether the community of Northfield could support a member-owned food co-operative that provides excellent customer service, is financially successful, creates good jobs and is socially responsible. A Feasibility Study, issued in February 2003 by the Just Food Steering Committee demonstrated to the satisfaction of the committee that the Northfield environs could, indeed, support this kind of effort. Recently, a professional market survey conducted by Peter Davis, a consultant engaged through the Cooperative Development Services and nationally recognized for reliable surveys, not only validated the conclusion reached by the Steering Committee but also produced data that revealed an even stronger market than originally anticipated. This is most encouraging.

The Just Food Articles of Incorporation were filed on April 28, 2003. Bylaws were adopted by the Board of Directors on May 20, 2003. At the first Just Food Annual Meeting on July 29, 2003, the bylaws were ratified and the current Board of Directors was elected: \_\_\_\_\_, President; \_\_\_\_\_, Vice President; \_\_\_\_\_, Secretary; \_\_\_\_\_, Treasurer; \_\_\_\_\_; \_\_\_\_\_; \_\_\_\_\_; \_\_\_\_\_. Biographies of the Board members are in Appendix I.

A larger group of volunteers – the Founding Team – was organized to provide oversight regarding the day-to-day work. Six task forces were created to conduct the project. Regular meetings have continued, increasing in number as more and more volunteers have become involved in all aspects of planning, organizing and promoting the Co-op.

On October 1, 2003 Just Food hired \_\_\_\_\_ as Project Manager – an interim position that focused on leading many of the activities involved in opening a retail grocery store and on capital funding. \_\_\_\_\_ lives in Northfield, is involved in other City activities compatible with the Co-op and has experience in cooperative operations and real estate development. His knowledge, skills and working style made him uniquely qualified to assist the Co-op in opening the store on-time and on-budget.

In the fall of 2003 Just Food initiated an intensive Membership Campaign that recruited over 100 new members bringing Just Food membership to nearly 300 members by year-end 2003 and 480 members by early May 2004. The popular Winter Farmers' Market was sponsored again, much to the enjoyment of Northfield residents as well as the many local farmers and producers who also benefit from these events. These continued on a monthly basis through April 2004.

The number of task forces grew to seven and then evolved over time and with the presence of the General Manager into two task forces plus four advisory groups with the member loan program subsumed under capital funding.

*Member Services task force* is working to build a vital and engaged membership. To that end it has concentrated not only on assisting with the membership drive but also in developing and implementing benefits to members prior to the availability of a store. Specific activities planned or already completed include a holiday baking supply sale; classes related to healthy life styles and other member concerns; communication with members by email updates, newsletters and the web site; and assistance with the Winter Farmers' Markets.

*Community Relations and Outreach task force* developed the Just Food logo, prepares and distributes publicity materials for the membership recruitment including advertisements in the Northfield News and other local area newspapers, posters and flyers. It leads a wide variety of activities to raise awareness of the Co-op and to recruit members including information booths at community and college events. The task force raised Co-op visibility by selling T-shirts, shopping bags and bumper stickers bearing the Co-op logo.

*Legal and Financial Foundations advisory group* developed financial projections for the Co-op by working with a business development consultant, the market analyst and the Project Manager. It also oversees the various contracts that the Co-op is entering into for professional services. Work is progressing on the selection of needed technologies and the development of co-op operations policies.

*Capital Funding advisory group* has submitted grant applications, one of which has resulted in a grant award and others that are under consideration. The task force is providing oversight for all capital formation activities, including the member loan campaign which has overall responsibility for the program presented by this document. Other capital formation is closely related to member loans – many funding entities agree that strong member loan participation is a positive sign of broad community support for the Co-op.

*Sources and Suppliers advisory group* organized the Winter Farmers' Markets, has begun development of a policy statement to guide product and supplier selection, is gathering information concerning local, regional and national natural food distributors in anticipation of establishing supply relationships and is surveying the farming practices of potential local suppliers.

*Store Operations advisory group* led the site acquisition process, established a working relationship with a local contractor, selected a local architectural firm, and recruited a top quality general manager. It is now advising on store layout and design; construction of leasehold improvements; acquisition and installation of equipment; drafting operational procedures, position descriptions, and other operational requirements for a natural food grocery.

On April 15, 2004, Just Food announced it has entered into a long-term lease for space at 516 South Water – the former location of the Dollar Store and before that the Ben Franklin and before that the Red Owl grocery store. The Co-op business development consultant, market analyst and store designer all enthusiastically endorse this location. SMSQ was selected as the architect for the building renovation and Steven Schmidt Construction was selected as the general contractor.

On April 29, 2004, Just food announced the acceptance of the position of General Manager by \_\_\_\_\_, an experienced co-op general manager. \_\_\_\_\_ began part-time work for Just Food May 1 and transitioned to full-time service by June 1. \_\_\_\_\_ brings over 11 years of experience as a co-op manager – most recently as General Manager of Seward Co-op Grocery and Deli where sales have more than doubled to \$6,500,000 in the past four years under his management. Additional information about \_\_\_\_\_ is contained in Appendix I.

The General Manager has hired seven key staff members who form the nucleus of the management team. The GM and staff are monitoring construction activities and preparing operational plans.

With these efforts under way the vision of a natural food co-op for the city of Northfield continues to come closer to reality. A broad and solid foundation of human resources has been laid; what remains is to deepen the financial foundation reflecting the community support for a natural food co-op in Northfield.

### III. Cooperative Structure

Just Food: Northfield Community Co-op is organized as a consumer-owned cooperative under Minnesota statute 308A and derives capital from its owners, the members. Just Food members are entitled to vote for directors and to participate in decisions concerning Just Food. Members are entitled to receive a share of any distributions from net profits based on their proportionate share of purchases during the year. Additional information is available in the bylaws provided to you in the membership process. The bylaws may also be viewed on the web site [www.justfood.coop](http://www.justfood.coop).

The mission of Just Food is:

- We will supply high quality food and other household items to support healthful living, with an emphasis on local, organic, sustainable production to the greatest extent possible.
- We will make a contribution to the community by providing an inviting environment in which to shop – one that strives to complement rather than compete with the rest of the Northfield community.
- We will serve as a marketing distribution point for locally produced food, thereby encouraging the economic success of family farms in the area and the re-circulation of money within the Northfield community.
- We will provide a working environment that encourages individual initiative and provides meaningful employment.
- We will provide the lowest possible prices consistent with a sound business plan. We will serve all economic and cultural segments of the community.
- We will provide education in healthy choices, responsible consumption and sustainable living.
- We will exemplify the seven Rochdale principles of cooperatives:

- |                                       |                                  |
|---------------------------------------|----------------------------------|
| ✦ Voluntary, open membership          | ✦ Democratic member control      |
| ✦ Member economic participation       | ✦ Autonomy and independence      |
| ✦ Education, training and information | ✦ Cooperation among cooperatives |
| ✦ Concern for community               |                                  |

Just Food will be organized to provide members and patrons with high quality, healthful, affordable foods and related goods and services. We will specialize in foods that are organically grown, minimally processed and minimally packaged. Just Food, an alternative in the grocery business, will serve Northfield and surrounding areas with a commitment to product excellence and superior customer service while promoting local growers and strengthening ties within the cooperative economy. Members who support Just Food through member loans are playing a vital role in the establishment and growth of our community-owned business and the expansion of the cooperative movement.

#### **IV. CAPITAL STOCK**

A fundamental cooperative principle is one member, one vote. No matter how many shares of stock a Just Food member owns, they are only entitled to one vote.

According to the Co-op's Articles of Incorporation, the amount of authorized stock of the cooperative is \$2,100,000 and is divided into two classes of stock. Class A stock will consist of 4,000 shares of voting stock with a par value of \$25.00 per share for a total of \$100,000. Class B stock will consist of 400,000 shares of non-voting stock with a par value of \$5.00 per share for a total of \$2,000,000.

As of September 17, 2004 Just Food members have invested \$16,225 in Class A voting stock and \$64,900 in Class B stock for total equity of \$81,125.

#### **V. PROJECT DESCRIPTION**

The plans for the Just Food natural food store as described in the February 2003 Feasibility Study were for 1,500 square feet of retail space in an overall space of approximately 2,100 square feet. Feedback on the feasibility study from the business development consultant of Cooperative Development Services (CDS), Directors and management of a near-by cooperative, and the market analysis report persuaded the Board of Directors that a store of that size would not adequately meet the needs of Just Food members and would not allow for one-stop grocery shopping for even the most dedicated members.

Consequently the Founding Team and Board developed plans for a larger store initially considering a location that would have provided approximately 3,400 square feet of retail space in an overall space of approximately 5,100 square feet. Subsequently an even more desirable rental space became available at 516 S. Water site with approximately 4,200 sq. ft. of retail space in dedicated rental space of 6,586 square feet. A long-term lease was signed in April 2004. The store design accommodates offices, back stock, produce preparation areas, restrooms, a meeting room and a casual seating area in addition to retail space which will include bulk food, refrigerated foods, frozen foods, fresh produce, fresh and frozen meat and packaged grocery items, with an emphasis on organic, locally grown, minimally processed and minimally packaged items. The site is located in the downtown Northfield business district. Off-street parking is available without having to cross any streets. It will be handicap-accessible and will have visibility from the street. The location can be conveniently reached by automobile, public transit, bicycle and foot.

Just Food desires to serve as a market leader in natural foods for the Northfield area by setting standards for quality and service. The store will allow for a wide range of natural and organic products – thereby responding to accelerating demands from the general public for such products, caused by increased public awareness of health and nutrition issues. It is Just Food's goal to be able to meet a major share of each customer's food needs.

The following is a summary of the sources and uses of funds for this project:

#### SOURCES

Owner's Contribution		
Memberships	94,000	8.18%
Member Loans	350,000	30.45%
Donations & misc income	6,400	0.56%
Community Loans	30,000	2.61%
Northfield EDA	5,000	0.44%
Grants	27,500	2.39%
Free Fill	38,000	3.31%
subtotal Owner's Contribution	550,900	47.93%
Outside Loans		
Subordinated debt		
Vendor Credit	38,000	3.31%
Vendor Note	70,000	6.09%
NCDF Line of Credit	100,000	8.70%
NCDF Loan	100,000	8.70%
Senior debt		
FNB-Northfield and NCDF	290,370	25.27%
subtotal Outside Loans	598,370	41.40%
Total Sources	1,149,270	100.00%

#### USES

Leasehold Improvements	300,000	26.10%
Equipment & Technology	250,000	21.75%
Inventory	151,200	13.16%
Professional Services	61,000	5.31%
Start-up Promotion	5,000	0.44%
Start-up Staffing	53,000	4.61%
Holding/Site Costs	19,800	1.72%
Lease Deposit	24,000	2.08%
Interest during project	2,000	0.17%
Pre-Opening Organizational Exp	20,000	1.74%
Working Capital 1st Year	176,270	15.34%
Subtotal Uses	1,062,270	92.43%
Overrun All (10% of project costs)	87,000	7.57%
Total Uses	1,149,270	100.00%

## VI. MEMBER LOAN INFORMATION

### Terms

The Just Food Co-op intends to raise \$350,000 in unsecured, subordinated member loans in minimum amounts of \$1,000. Interest rates will be somewhat comparable to local lending institutions. Simple interest will be paid annually. Loans will mature in 4-10 years. We are encouraging members to support the co-op through loans to help promote the goals and growth of Just Food. Member loans will be used as start-up capital and to minimize outside debt.

### Sinking Fund

The Co-op will establish a sinking fund separate from operational moneys for the purpose of repaying the principle amount of member loans as they become due. The sinking fund will be maintained at a level somewhat proportionate to outstanding loans so that the Co-op will have sufficient cash to be available as loans come due. By this action, the Co-op is trying to assure its member-lenders of prompt repayment of member loans at their maturity date. Interest payments will be made to members from current income, not from this special fund.

### Risks

Loaning money to the Just Food Co-op involves a significant degree of risk. While the Co-op has listed all the risk factors of which it is aware, there may be additional unrecognized risks.

- **General Risks.** There are general risks inherent in any undertaking of this scope, many of which are beyond the control of the Co-op's management. The likelihood of the Co-op being successful must be considered in the light of difficulties, complications, delays and unforeseen events encountered in such efforts.
- **Competitive conditions.** The retail food industry is a highly competitive one and many of the Co-op's potential competitors are owned by large, diversified food companies with resources far greater than that of the Just Food Co-op.
- **Reliance on key personnel.** The Co-op relies on the management staff and its Board of Directors, none of whom has any legal commitment regarding their length of service with the Co-op.
- **Uncertain ability to attract additional qualified personnel.** There is no guarantee that the Co-op will be able to recruit and retain people possessing the skills and experience needed by the Co-op.
- **Uncertain ability to meet cash obligations.** There can be no assurance that the financial projections contained in this documentation will be realized.
- **Unsecured and unfunded obligation.** The notes offered by the Just Food Co-op are not secured by any property pledged as collateral and are subordinate to other lenders. While the Co-op intends to do so, it is not obligated to put money into a sinking fund towards principal repayment.

- **Nonliquidity of the loan.** These notes cannot be sold, assigned or transferred to another person. The lender must be prepared to hold these notes at least until their maturity.

These risks are real and should not be ignored. However, our advisors and other people associated with other co-ops with which we have shared plans are impressed and encouraged by our progress. We are motivated by this positive feedback and trust that you will be also.

### **Suitability Standards**

Member loans are offered only to persons having a pre-existing relationship to the Co-op. All persons who lend money to the Co-op must be bona-fide residents of the State of Minnesota and must be making the loan for their own account and not for resale. These loans cannot be sold, assigned or transferred, as we are relying on an exemption from registration under federal and state securities laws. The notes are only suitable for, and should only be considered by, those persons who understand the nature of the risks involved and who can afford to assume such risks and to sustain a loss of their loan and who have adequate financial means and no need for liquidity in any funds loaned. Interest earned on these loans is taxable and will be reported with a 1099INT to the Federal government. If you have any questions, you should talk to a tax advisor or attorney.

### **Plan of Distribution**

The member loans will be issued through the cooperative's Member Loan Representatives, \_\_\_\_\_, \_\_\_\_\_ or \_\_\_\_\_. All questions of clarification or interpretation of this information are to be directed to one of the named agents. Contact with a Member Loan Representative may be made through the Co-op at Just Food, PO Box 662, Northfield, MN 55057; by phone at (507) 555-1212 or by e-mail to [info@justfood.coop](mailto:info@justfood.coop). No person other than the persons listed here is authorized to represent this program. Member loans will continue for an unstated period of time considered reasonable by the Co-op.

## VIII. FINANCIAL INFORMATION

### Introduction

Initial financial feasibility of Just Food was examined by constructing a model incorporating information gathered from the Market Feasibility and Operational Feasibility portions of the February Feasibility Report as well as information available on the World Wide Web. The latter included information reported in the latest available Retail Operations Survey conducted and published by Cooperative Grocer and selected data from the Common Cooperative Financial Statements project (CoCoFiSt). In general, data obtained locally were used whenever they were available, especially for financial parameters that are strong functions of the Northfield area. Locally determined factors included staffing levels, wage rates, leasehold improvements, rent, utilities, equipment costs, sales volume, estimates of membership size, membership benefits and access to local capital. Factors determined from the wider survey include cost of goods sold, advertising and promotion expenses, store operating expenses other than rent and utilities, administrative expenses, and governance expenses.

For purposes of the development and construction phase, pro forma financial statements were developed by Cooperative Development Services (CDS) and subsequently updated to reflect additional planning and known costs from contractors and vendors and secured sources of income. Condensed versions of these statements are attached as Appendix II. Full financial statements are available for examination on request.

This financial model is based on the following assumptions and known facts.

- Formal business activity started with the filing of articles of incorporation and adoption of by-laws on April 28, 2003.
- Sales of memberships began immediately thereafter.
- Solicitation of member loans and other capital acquisition started nine months later.
- A facility lease was signed May 1, 2004.
- A General Manager was hired May 1, 2004 to monitor facility renovation, participate in planning, and implement store operations.
- Between lease signing and store opening the emphasis has been on final commitment of capital, facility build-out, equipment acquisition and installation, hiring of additional staff and implementation of operational plans.

The resulting pro forma balance sheet, cash flows and statement of operations are discussed in this section. The numbers portray a strong and viable business. Long-term liabilities would be reduced approximately 35% by the end of the fifth year of operation. Retained earnings would have grown to approximately \$27,000. The Co-op would approach break-even operations and cash flow by the end of year 2 and would produce positive cash flow and profits on an annual basis starting in the third year of operation.

### **Estimated start-up costs**

Equipment, technology and leasehold improvement costs were based on an approximately 6,200 gross square foot store size using comparative co-op experience as provided by our business development consultant. This site is in a commercial zone, has been used previously for the "M" (mercantile) use so it should require only limited code-mandated upgrades. It has previously been used for retail grocery sales and is easily configured for retail natural food sales. A moderate amount of construction is required to adapt the space.

The largest portion of the start-up costs is for equipment, furniture and fixtures and for leasehold improvements, which include plumbing, electrical work and lighting, flooring, construction of interior walls and a vestibule for the entrance and signage. Other start-up costs are three months inventory based on the first few months' sales volume, consulting services, funds for promotion (newsletters and other activities to assist in selling memberships and conducting the member loan program), pre-opening operating expenses and various carrying costs prior to opening. A tabular presentation of these costs is available in Section V as project Uses.

### **Potential sources of financing**

The baseline model assumes \$93,750 is raised from the sale of memberships - 750 members at \$125 cost of membership. The model also assumes \$350,000 will be raised in member loans. Thus 39% of the business financing will come from the owners. Further start-up funding consists of grants totaling \$27,500 from three sources. The remaining sources of start-up funds include other subordinated loans, donations and vendor credit. Approximately 6% of the business financing will come from grants and other low-cost sources. Finally \$560,370 or just over 55% has been committed in loans from financial institutions. A requirement for securing outside loans has been member commitment demonstrated by owner financing at the target level. Potential sources of financing as discussed here are summarized in tabular presentation in Section V.

### **Estimated operating costs from new projections**

The dominant operating cost is the cost of goods sold (COGS). This model uses 66% for COGS for the first year of operation, which is slightly more than the average COGS reported in the 2001 Co-op Retail Operations Survey. This reflects the expectation that Just Food will experience a learning curve before achieving the co-op average. Ultimately, it is reasonable to anticipate Just Food achieving somewhat better COGS.

The second largest operating expense is personnel at 24% of sales in the first year of operations. Here efficiency of operation can yield major economy. Initial staffing is a full-time General Manager and a substantial number of full-time and part-time staff. Personnel costs are high in relation to sales until sales volume increases. Staff grows only slightly as the store reaches its target sales volume. This staff can perform all store retail operations. Volunteer or worker-member labor mentioned below is not required for that purpose. Wage rates are based on advice of local managers and have been increased by mandated payroll taxes, workers' compensation insurance and the cost of providing benefits, including the store's share of worker's health insurance premiums.

The next largest operating expense is occupancy, at approximately 6% of sales in the first year. The model uses the actual lease rate for rent and estimates for utilities. To these costs, premiums for business owner and umbrella liability coverage have been added.

All these expenses are modeled based on comparative co-op experience as provided by our business development consultant or on actual quotes for our business.

Finally, interest expenses and loan repayment are based on average interest rates of 2.0% for member loans and 7.75% for outside loans. Member loans are retired in 7 years after repayments start in the fourth year. Outside loans are retired in ten years.

Leasehold improvements are depreciated over 10 years while equipment and technology are depreciated over seven years.

### **Revenue projections**

The average sales volume is projected as \$165,000 per month for the first year of operation. If the Co-op has 750 members and members purchase one-half the goods sold, this equates to about \$110 per month per member. This is believed to be consistent with the findings reported above.

### **Financial results**

The bottom-line result of the figures discussed above is that Just Food is a robust business. Profit before tax and patronage refunds grows to over \$150,000 by the fifth year of operation. Cash flow becomes positive by the third year of operations.

Just Food has the potential to be a successful start-up business.

## **IX. IMPORTANT LEGAL AND PROCEDURAL MEMBER LOAN INFORMATION**

This offering memorandum has been prepared on a confidential basis solely for the benefit of selected persons who are members of the Just Food Co-op and residents of the State of Minnesota. It is issued to such persons only in connection with the private placement of certain promissory notes. This memorandum may not be reproduced or redistributed except with the express consent of Just Food.

This loan involves a significant degree of risk. The transferability of the notes offered is also restricted under Federal Securities laws. This loan is suitable only for persons who have adequate financial means and have no need for liquidity in any loan in this offering. It is also suitable only for persons who understand the nature of the risks involved and who can afford to assume such risks and to sustain a loss of their loan.

In reliance upon certain exemptions under the Securities Act of 1933 and the Minnesota Statutes, this offering has not been registered with the Securities and Exchange Commission or the Minnesota Department of Commerce. Neither the Securities and Exchange Commission nor the Minnesota Department of Commerce have approved or disapproved of this offering or passed upon the accuracy or adequacy of this memorandum.

Except as otherwise provided herein, no offering literature in any form is authorized to be used in connection with the offering of these securities except for this memorandum. No person is authorized to make representations regarding this offering other than those contained in this memorandum. Only representatives contained herein may be relied upon as authorized.

This memorandum does not constitute an offer to sell or a solicitation of an offer to buy in any state other than Minnesota or to any person other than described herein.

**X. JUST FOOD CO-OP 2004 MEMBER LOAN PROGRAM  
RATES AND TERMS**

*Interest rate:* selected by member-lender up to a maximum of 3% per annum simple interest paid annually.

*Term:* 4, 5, 6, 7, 8, 9 or 10 years. The term is selected by the lender-member within the following constraint, the purpose of which is to avoid uneven cash requirements for loan repayment:

Term	Maximum total amount of loans from all member-lenders
4 years	\$60,000 No longer available – fully subscribed
4 or 5 years	\$120,000 No longer available – fully subscribed
4,5 or 6 years	\$180,000 No longer available – fully subscribed
4,5,6 or 7 years	\$240,000 No longer available – fully subscribed
8 years	No limit
9 years	No limit
10 years	No limit

Quotas by Term are subscribed first-come, first-served. If a quota has been reached for the Term requested, the lender will be asked to accept the next available Term for which the quota is not exceeded.

Interest is simple (not compounded) and is calculated and paid once a year. Interest through March 31 is paid by April 30. No interest payments will be made until calendar year 2005. Interest will be calculated from the date of loan to March 31 and may reflect more or fewer than 365 days interest depending on the date of the loan.

Loans are unsecured and subordinate. See the previous loan disclosure information for details and information about risk of principle and interest.

These are modest returns. It is presumed that the social benefit of the investment rather than financial return is the motivating factor for lending.

## Appendix I. Information Concerning Key Personnel

### Just Food Board of Directors

Include 1-2 paragraphs summarizing the background of each board member

### General Manager

Include several paragraphs or a short resume

## Appendix II. Pro forma Financial Statements

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Balance Sheet</b>					
<b>Assets</b>					
<b>CURRENT ASSETS</b>					
Cash	262,480	250,856	345,008	514,579	647,138
Inventory	121,971	129,379	161,724	177,896	192,128
Fixed Assets	603,238	566,214	527,429	486,881	444,571
Other Assets	210,480	192,660	174,840	157,020	139,200
<b>Total Assets</b>	<b>1,198,169</b>	<b>1,139,111</b>	<b>1,209,001</b>	<b>1,336,377</b>	<b>1,423,038</b>
<b>Liabilities &amp; Equity</b>					
Current Liabilities (excluding Account Payables)	111,227	114,529	90,486	147,887	170,776
Accounts Payables	64,213	74,437	93,047	102,351	110,539
Long Term Liabilities	872,780	820,734	786,898	695,661	586,577
<b>Total Liabilities</b>	<b>1,048,221</b>	<b>1,009,701</b>	<b>970,431</b>	<b>945,899</b>	<b>867,892</b>
Equity (ex Retained Earnings & Net Income)	214,000	264,000	314,000	364,000	414,000
Retained Earnings	106,900	-64,051	-134,590	-75,429	26,478
Current Earnings	-170,951	-70,539	59,160	101,907	114,668
<b>Total Equity</b>	<b>149,949</b>	<b>129,410</b>	<b>238,571</b>	<b>390,478</b>	<b>555,146</b>
<b>Total Liabilities &amp; Equity</b>	<b>1,198,169</b>	<b>1,139,111</b>	<b>1,209,001</b>	<b>1,336,377</b>	<b>1,423,038</b>

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Income Statement</b>					
<b>Income</b>					
Sales	1,995,820	2,794,149	3,492,686	3,841,954	4,149,311
Cost of Goods Sold	1,303,526	1,811,307	2,264,134	2,490,547	2,689,791
Gross Profit	692,295	982,842	1,228,552	1,351,407	1,459,520
<b>Expenses</b>					
Personnel	479,858	623,815	740,780	796,339	844,119
Occupancy Expense (excluding Depreciation & Amortization)	115,388	130,619	139,893	143,530	149,559
Depreciation & Amortization	73,082	74,844	76,606	78,368	80,130
Operating Expense	59,875	79,633	94,564	95,369	97,723
Administrative Expense	19,958	26,544	31,521	31,790	32,574
Governance	4,990	6,636	7,880	7,947	8,144
Member Sales Discounts	0	0	0	0	0
Promotions	46,056	47,501	41,912	38,420	41,493
Total Expenses	799,206	989,592	1,133,158	1,191,762	1,253,742
<b>Other Income and Expenses</b>					
Other Income	3,200	3,200	27,200	2,000	2,000
Other Expenses (ex Interest & Taxes)	-3,397	-8,000	-8,000	-8,000	-8,000
Interest	-63,843	-58,988	-55,434	-51,738	-46,887
Taxes	0	0	0	0	-38,223
Total Other Income and Expenses	-64,040	-63,788	-36,234	-57,738	-91,110
<b>Net Income</b>	<b>-170,951</b>	<b>-70,539</b>	<b>59,160</b>	<b>101,907</b>	<b>114,668</b>

<b>Cash Flow Statement</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>From Operations</b>					
Net Income	-170,952	-70,539	59,160	101,907	114,668
Depreciation & Amortization	73,082	74,844	76,606	78,368	80,130
(Increase) Decrease in Inventory	29,199	-7,408	-32,345	-16,172	-14,232
(Increase) Decrease in Other Current Assets	0	0	0	0	0
Increase (Decrease) in Current Liabilities	114,101	13,526	-5,434	66,705	31,077
Cash Flow from Operations	45,430	10,423	97,988	230,808	211,643
<b>From Investments</b>					
(Increase) Decrease in Fixed Assets	-65,000	-20,000	-20,000	-20,000	-20,000
(Increase) Decrease in Other Assets	0	0	0	0	0
Cash Flow from Investments	-65,000	-20,000	-20,000	-20,000	-20,000
<b>From Financial</b>					
Increase (Decrease) in Long Term Liabilities	-14,251	-52,046	-33,836	-91,237	-109,084
Increase (Decrease) in Equity	120,000	50,000	50,000	50,000	50,000
Cash Flow from Financing	105,749	-2,046	16,164	-41,237	-59,084
Total Cash Flow	86,180	-11,623	94,151	169,571	132,559
Beginning Cash	176,300	262,480	250,856	345,008	514,579
Ending Cash	262,480	250,856	345,008	514,579	647,138

## Appendix I: Loan Commitment Letter

### Whole Foods Community Co-op, Inc.

1332 East Fourth Street  
Duluth, Minnesota 55805  
(218) 728-0884 fax (218) 728-0490  
www.wholefoods.coop

November 8, 2004

Name  
Address

Re: Member Loan Program

Dear \_\_\_\_\_:

Thank you very much for your member loan commitment! Please call ahead (728-0884) to be sure that \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ or I am available when you are ready to deposit your loan check and sign a promissory note. With four of us, we have pretty good coverage of store hours during the week and on weekends. If you prefer, we can process your loan by mail. You can reach me at 555-1212 or by email at [generalmanager@wholefoods.coop](mailto:generalmanager@wholefoods.coop).

Sincerely yours,

WHOLE FOODS COMMUNITY CO-OP, INC.

General Manager

## Appendix J: Promissory Note

### PROMISSORY NOTE

Date of Loan

Maturity Date

Loan Amount

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

For value received, Just Food: Northfield Community Co-op, Inc., a Minnesota cooperative corporation (hereinafter "Borrower") hereby promises to pay \_\_\_\_\_ (hereinafter "Lender"), a current member of the Borrower (Member No. \_\_\_\_\_), whose address is \_\_\_\_\_, or his or her successors or assigns, the principal sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) together with interest thereon at the rate of \_\_\_\_\_ Percent ( \_\_\_\_\_ %) per annum. Interest from the date of the loan or the last date that interest was calculated (whichever is later) shall be calculated on March 31 each year commencing 2005 and be paid to the lender at the end of the following month. Upon maturity of this Note on the date set forth above, interest and principal shall be paid in full. There shall be no penalty for prepayment or early payment of this Note by the Borrower. All payments shall be made to the address of the Lender set forth above. It is the responsibility of the Lender to inform the Borrower of any change in address.

Lender understands that there are other loans made to the Borrower that have a security interest in the assets of the cooperative and that are superior to the Note of the Lender. Lender understands that there are unsecured creditors and other lenders to the cooperative that have interests which may be superior to that of the Lender.

Borrower shall be in default if it fails to make prompt payment of any interest or principal due. The Lender may proceed to enforce payment of the indebtedness and to exercise any or all rights afforded to the Lender under the law.

Lender may at his or her discretion waive any of the terms and conditions of this Note, including the final maturity date of the Note without the Borrower completing an amendment to this Note. However, no waiver of one part of this Note shall operate as a waiver of any other term or condition of this Note or of the same part of this Note on a future occasion.

Lender:

Just Food: Northfield Community Co-op, Inc.:  
Its President

Social Security Number:

Its Secretary

Date:

Date:

## Appendix K: Second Appeal Letter

Dear Just Food Member,

Thank you for joining Just Food. Construction of the store at 516 South Water Street is well underway. Those of us who have been working toward the opening of the store for over two years are excited about our progress. We know you too are eager to see the store open as soon as possible. We anticipate construction will be complete by mid November. The store will open shortly after completion of construction, hopefully by late November.

Meanwhile, we need to complete our initial financing package for the store. It is customary for new food co-ops to include member loans as a means of meeting start-up costs and strengthening the business. Last January fifteen members of the Founding Team and Board of Directors demonstrated their commitment to Just Food by pledging \$45,000 to launch the Member Loan Campaign. Now, 156 members have loaned a total of \$300,000 to allow us to proceed. Many members have stretched themselves financially for the dream of having a great natural food store in Northfield.

The focus of the Member Loan program has shifted to reducing our debt service during the first few critical years of the store's operation. **Our goal is to raise an additional \$50,000 in member loans between late September and late October.** This will significantly strengthen the business position of the store.

We have been able to sign our bank loans and begin remodeling thanks to a bridge loan (\$100,000) and line of credit (up to \$100,000) from the Northcountry Cooperative Development Fund. These funds were arranged so that we could go forward before all of our projected membership equity and loans were in place. The bridge loan and line of credit are at a significantly higher interest rate than member loans and require repayment to be made sooner than member loans. Member loans already committed are necessary and sufficient to start construction of the store. The additional \$50,000 in member loans that we now seek will improve our cash flow in the initial years of the store's operation. This lowers the risk for all lenders.

The enclosed materials provide information about the Member Loan Program. Please read over the *Member Loan Program* brochure highlighting considerations involved in loaning money to the Co-op; *Frequently Asked Questions* and *In the Words...; Accomplishments from 2002-2004* and from \_\_\_\_\_, the General Manager, *What Your Loan Can Do for Just Food*.

We hope you will give careful consideration to loaning money to Just Food. Regardless of your decision, your membership in Just Food is important to the success of the store. Thank you for supporting Just Food.

A member of Just Food will call you to see if you are able to participate in the Member Loan Program. If you have any questions or want to respond to this request directly please call me at

\_\_\_\_\_.

Sincerely,  
President, Just Food: Northfield Community Co-op

## Appendix L: Request for Second Loan

**WHOLE FOODS COMMUNITY CO-OP, INC.**

*1332 East Fourth Street*

*Duluth, MN 55805*

*(218) 728-0884*

*(218) 728-0490/fax*

[www.wholefoods.coop](http://www.wholefoods.coop)



February 8, 2005

Hello,

Thank you very much for your recent member loan in support of the Co-op's move to 610 East Fourth Street. Our outside financing has been secured. Environmental studies and soil studies are completed. The design work is done and bidding by contractors has begun. The real estate closing is scheduled for March 1, 2005.

Previously, you indicated a willingness to make an additional investment. To date, member loan commitments total \$762,700 with a goal of \$800,000. Receipt of your additional support by February 28, would be greatly appreciated.

For loans of \$10,000 or more, the prime rate is currently 5.50%. If your loan is tied to the prime rate, your interest rate will be adjusted annually on June 30. Loans of \$1,000 to \$9,999 are eligible for interest up to 4%. Interest is compounded annually on June 30. All interest and principal is scheduled for repayment at the end of the term of each loan.

Please complete the highlighted sections of the enclosed Promissory Note form and return it along with your check in the self-addressed envelope. When I receive your check, I will fill in the dates, sign on behalf of the Co-op, and send you a photocopy of the completed Note.

If you have any questions about the member loan program, please contact one of the following people at 555-1212:

- \_\_\_\_\_
- \_\_\_\_\_

Sincerely yours,  
WHOLE FOODS COMMUNITY CO-OP, INC.  
General Manager

## Appendix M: Supplemental Loan Request

**WHOLE FOODS COMMUNITY CO-OP, INC.**

**1332 East Fourth Street**

**Duluth, MN 55805**

**(218) 728-0884**

**(218) 728-0490/fax**

**[www.wholefoods.coop](http://www.wholefoods.coop)**

**(INSERT: OVER THE TOP DESIGN)**

April 11, 2005

Dear Member:

Congratulations to us! Loan commitments from Minnesota members now total \$806,700 with \$737,700 on deposit. The average loan size is \$3,289 and the average interest rate is 3.37%. The financial health of Whole Foods Co-op, along with this amazing show of support from our members, has leveraged an additional \$3,977,000 from Members Cooperative Credit Union, Northcountry Cooperative Development Fund, Minnesota Community Capital Fund, and United Natural Foods, Inc.

We completed the purchase of the new site at 610 East 4<sup>th</sup> Street. We hired a General Contractor, Builders Commonwealth, Inc. Remodeling and site development have begun. However, while we've been fundraising and developing plans for the new site, cost of building materials and transportation has been steadily increasing. When the construction bids came in significantly higher than anticipated, we prioritized our goals for the new site and deleted some items to get project costs back in line with our budget.

Before remodeling gets too far underway, we are asking for additional member loans to get us OVER THE TOP so we can restore some of the items deleted in order to make the plan fit the budget. Deleted items include:

- Recycled rubber tire flooring in the produce area
- Build-out of the kitchen classroom/meeting space on the lower level
- Site development of the parking areas below the alley
- A window on the lower level
- A 5 KW photovoltaic solar array to feed green energy back to the electric company

We are asking you to lend our Co-op a minimum of \$1,000 to whatever amount you are able. If you have already made a loan, please consider an additional investment to support this homegrown project. Owned by over 2,500 of your friends and neighbors, WFC provides this community with jobs and an outlet for locally grown products, while maintaining its commitment to the environment and re-investing profits locally.

Our Member Loan Program must conform to federal and state securities laws. Therefore, loans will only be accepted from members who are residents of the State of Minnesota. Loans are not transferable, are

not secured, and are subject to risk. A Member Loan Prospectus detailing expansion financing and plans will be provided to all member lenders and is posted on our web site.

Loans of \$10,000 or more are eligible for prime rate (currently 5.75%). If your loan is tied to the prime rate, your interest rate may be adjusted annually on June 30. Loans of \$1,000 to \$9,999 are eligible for interest up to 4%. Interest is compounded annually on June 30. All interest and principal is scheduled for repayment at the end of the term of each loan. Available loan terms are six or seven years. WFC's Board of Directors has extended eligibility for the Member Loan Program through June 30, 2005.

If you have any questions about the member loan program, want a copy of the Prospectus, or are ready to make a loan commitment, please contact one of the following people at 728-0884:

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_ or
- \_\_\_\_\_

Sincerely yours,

WHOLE FOODS COMMUNITY CO-OP, INC.

Board President  
[boardpresident@wholefoods.coop](mailto:boardpresident@wholefoods.coop)

General Manager  
[generalmanager@wholefoods.coop](mailto:generalmanager@wholefoods.coop)

## Appendix N: Non-Resident Investment Request Letter

### Whole Foods Community Co-op, Inc.

1332 East Fourth Street  
Duluth, Minnesota 55805  
(218) 728-0884 fax (218) 728-0490  
www.wholefoods.coop

December 16, 2004

Name  
Address

Re: The move to 610 East 4<sup>th</sup> Street

Dear \_\_\_\_\_:

Thank you so much for your interest in supporting Whole Foods Co-op's move to a new site in 2005. Pursuant to your request, I've enclosed a copy of the Member Loan Information packet. Unfortunately, due to Securities & Exchange Commission regulations, we are only able to accept loans from members who reside in Minnesota. However, you can help us reach our equity goal with the purchase of either Class B equity stock OR Class C investment stock.

Class B equity stock is not interest bearing, is available only to members of WFC, and is only transferable back to the Co-op. Class B stock has no voting power and no dividends will be paid on it. To satisfy membership requirements, each WFC member is required to purchase a minimum of \$80 of Class B stock within the first two years of joining WFC. **You may purchase additional Class B equity stock in any amount either at the checkout or by mailing a check to WFC with a note indicating that you are purchasing additional Class B stock.**

Class C investment stock is issued in increments of \$500 and is available only to members of WFC. Class C stock has no voting power. The Board, at its discretion, may authorize payment of dividends on Class C stock subject to WFC's financial condition. Class C stock is only transferable back to WFC. **You may purchase Class C stock in \$500 increments by mailing a check to WFC with a note indicating that you are purchasing Class C stock.**

Without our members, we would just be another grocery store. If you have questions about stock purchases, please contact \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ or \_\_\_\_\_ at the Co-op (218) 728-0884 or email [info@wholefoods.coop](mailto:info@wholefoods.coop). Thank you for your support of the Co-op's move to 610 East 4<sup>th</sup> Street.

Sincerely yours,

WHOLE FOODS COMMUNITY CO-OP, INC.,  
General Manager

# Appendix O: Campaign Tactics and Materials

(from Just Food Co-op)

## I. Initial Tactics (first contact through pledge) – Loans \$5,000 and above

### Letter, Phone Call, Visits to All

#### A. Setup calling and make visit

1. Caller picks people they want to call
2. All other calls will be assigned to caller by coordinators
3. Coordinators give calling kits to callers
4. Letter is sent announcing the member loan program
5. Caller calls prospect and notes results in calling log
6. When appointment is scheduled caller works with coordinator to fill out visiting team
7. Coordinator calls visiting team second caller to arrange availability
8. Coordinator notifies lead caller of second caller
9. Lead caller arranges to meet second caller for visit and to have all materials needed
10. Visit occurs. The visit is a personal meeting with the prospect/s by the caller and another person from Just Food in which the *Presentation Folder* is reviewed and the Member Loan Package is presented.

Go to appropriate wrap-up of visit scenario. **One and only one wrap-up scenario is followed.**

#### B. Wrap-up of visit on which member gives a note

1. Caller comes back with a note signed by the lender and possibly a check
2. Caller logs results of visit on calling log
3. Caller sends hand-written thank-you note stating the loan amount
4. Caller completes calling log
5. Caller brings the calling log, note and check, if received, to coordinators
6. Coordinators tally loan data
7. Continue with Section **IV. J. Process Note Actions.**

**C. Wrap-up of visit on which member gives a pledge**

1. Caller leaves a Member Loan Package and requests the member to mail the note and check
2. Caller logs result of visit on calling log
3. Caller sends hand-written thank-you note stating the loan amount pledged and terms
4. Continue with Section **IV. I. Follow-up on Pledge Actions**

**D. Wrap-up of visit on which member expresses interest**

1. Time for call-back is arranged
2. Caller leaves Member Loan Package
3. Caller logs results of visit on calling log
4. Caller sends hand-written thank-you note
5. Caller gives the status to the coordinators
6. Coordinators log the status
7. Caller calls back at pre-arranged time

 Member makes pledge in call

- a. Caller logs result of visit on calling log
- b. Caller sends pledge confirmation stating the amount pledged and terms
- c. Continue with Section **IV. I. Follow-up on Pledge Actions**

 **Member doesn't make pledge**

 Member still considering

- a. Caller arranges time for call-back
- b. Caller updates calling log
- c. Go to step 6 of this scenario **D. Wrap-up of visit on which member expresses interest**

 Member declines to make loan

- a. Caller completes calling log
- b. Caller brings log to coordinators
- c. Coordinators tally data

**E. Wrap-up of visit on which member declines to make a loan**

1. Caller sends hand-written thank-you note
2. Caller completes calling log
3. Caller brings calling log to coordinators
4. Coordinators tally data

## II. Initial Tactics (first contact through pledge) – Loans below \$5,000

### Letter and phone call.

<b>F. Letter and phone call</b>		
<ol style="list-style-type: none"> <li>1. Caller picks people they want to call</li> <li>2. All other calls will be assigned to caller by coordinators</li> <li>3. Coordinators give calling kits to callers</li> <li>4. Letter is sent announcing the Member Loan Program.</li> <li>5. Caller makes the phone call (this is the initial call or call-back for “Maybe” responses)</li> </ol>		
<p>👍 Member makes Pledge – “Yes”</p>	<p>👉 Member is interested – “Strong Maybe” or “Maybe”</p>	<p>👎 Member declines – “No”</p>
<ol style="list-style-type: none"> <li>a. Caller updates the calling log</li> <li>b. Caller sends hand-written thank-you note stating the loan amount pledged and terms</li> <li>c. Continue with <b>Section IV. I. Follow-up on Pledge Actions</b></li> </ol>	<ol style="list-style-type: none"> <li>a. If this was the first call, Caller sends note thanking the member for considering a loan</li> <li>b. Caller notifies coordinators of call result</li> <li>c. Coordinators send member loan information, promissory notes and return envelop</li> <li>d. Coordinators tally data</li> <li>e. Go back to step 5 above in this scenario</li> </ol> <p><b>F. Letter and phone call</b></p>	<ol style="list-style-type: none"> <li>a. Caller sends hand-written thank-you note</li> <li>b. Caller completes calling log</li> <li>c. Caller brings log to coordinators</li> <li>d. Coordinators tally data</li> </ol>

### **G. Follow-up appeal letter**

1. Coordinators evaluate campaign and decide whether 2<sup>nd</sup> appeal letter is appropriate.
2. If so, it’s sent to all members.

### **G 2. Member offers a loan before being called**

1. Person receiving the offer gathers additional information (if the offer was for a specific amount), thanks the member making the offer and commits to convey the information
2. Person receiving the info informs the coordinators

- Member Calling Log has already been given to a caller

Coordinators notify the caller so everyone can follow through as if a pledge had been received in a phone call. (F. 5 above)

- Member Calling Log has not been given to a caller

Coordinators retain the Calling Log and follow through in the role of caller as if a pledge had been received in a phone call. (F. 5 above)

### III. Initial Tactics (first contact through pledge) - Founding Team

<p><b>H. Founding Team Loans</b></p> <ol style="list-style-type: none"> <li>1. Call to all FT members to invite loan by 1/2/04 and tell them to call collector</li> <li>2. FT members inform collector of pledge or decision to decline</li> <li>3. Collector provides pledge information to coordinators</li> <li>4. Coordinators send member loan information, promissory notes and return envelope to FT members who pledged</li> <li>5. FT members send note and check to PO Box (or give directly to coordinators)</li> <li>6. Go to Process note actions.</li> </ol>
--

### IV. Follow-up Actions

<p><b>I. Follow-up on Pledge actions</b></p> <ol style="list-style-type: none"> <li>1. Caller gives the pledge amount and estimated loan maturity date to coordinators</li> <li>2. Coordinators send Member Loan Package if not left by caller on a visit or sent previously</li> <li>3. Coordinators tally loan data and make tickler file for follow-up to verify Note is received</li> <li>4. Treasurer checks PO Box</li> </ol>		
<input checked="" type="checkbox"/> Note is received in PO Box	<input type="checkbox"/> Note is not received	
<ol style="list-style-type: none"> <li>a. Treasurer gives note and check, if received, to coordinators</li> <li>b. Coordinator notifies caller</li> <li>c. Caller completes calling log</li> <li>d. Caller brings calling log to coordinators</li> <li>e. Continue with <b>IV. J. Process Note Actions</b></li> </ol>	<ol style="list-style-type: none"> <li>a. If Note isn't received by 1 week after call, coordinator notifies caller</li> <li>b. Caller contacts lender to resolve any issue and reestablish commitment to pledge</li> </ol>	
	 Member reaffirms the pledge	 Member changes mind about loan
	<ol style="list-style-type: none"> <li>a. Caller updates log and notifies coordinators</li> <li>b. Go back to Step 6 of this scenario <b>I. Follow-up on Pledge actions</b></li> </ol>	<ol style="list-style-type: none"> <li>a. Caller updates log and notifies coordinators</li> <li>b. Caller completes calling log</li> <li>c. Caller brings calling log to coordinators</li> <li>d. Coordinators tally info</li> </ol>

<b>J. Process Note actions</b>			
1. Coordinators review the terms of the note			
<input checked="" type="checkbox"/> Note and check received		<input type="checkbox"/> Note only received, No check	
 Terms O.K.	 Terms not O.K.	 Terms O.K.	 Terms not O.K.
a. Coordinators arrange for Pres & Sec to sign the note	a. Coordinators notify collector b. Collector follows up with member to negotiate acceptable terms c. Collector notifies coordinators when agreement is reached d. Coordinators arrange for Pres & Sec to sign the note and initial revisions e. Coordinators give note to collector f. Collector arranges for member to initial the note revisions g. Collector gives note with revisions to coordinators	a. Coordinators arrange for Pres & Sec to sign the note b. Coordinators give the note to the collector c. Collector exchanges the note for the check in face-to-face transaction d. Collector gives the check to the coordinators	a. Coordinators notify collector b. Collector negotiates acceptable terms with member c. Collector notifies coordinators of terms d. Coordinators arrange for Pres & Sec to sign the note and initial revisions e. Coordinators give the note to the collector f. Collector takes the note to the lender initial revisions and exchange for check g. Collector gives the check to the coordinators
2. Coordinators give the check to the Treasurer 3. Treasurer deposits the check 4. Coordinators provide copy of signed note to the Secretary who files it in the Co-op records 5. Coordinators complete the calling log 6. Coordinators send official thank you letter signed by the President and the signed note if it wasn't taken by collector			

## V. Summary of Materials and Usage:

Item	\$5,000 and above	Below \$5,000	Founding Team
Appeal Letter #1 – Letter to all Brochure Testimonials (1 page double sided) Accomplishments (1 page double sided)	X	X	X
Appeal Letter #2 – if needed in the event that the first letter does not produce the desired results – with campaign update.	X	X	
Presentation Folder	X		X
Member Loan Package <i>Member Loan Information</i> document (~20 pp) <i>Promissory Note</i> (2 copies) Stamped, addressed return envelope Market Survey summary (4 pp)	Left with members who completed note (and check), making pledge or considering (“Yes” and “Maybe”)	Mailed to members who made pledge or are considering (“Yes” or “Maybe”)	Provided to entire FT
Hand-written thank you notes	To those making or considering commitment	To those making or considering commitment	Presentation Folder as Thank you
Official thank you letter from the President	After loan is complete	After loan is complete	After loan is complete
<b>Calling Kit</b> 1. Calling Logs 2. Appeal Letter 3. Call or Visit Planning Guide 4. Calling Script 5. “Keep in Mind” List 6. Campaign Tactics and Materials 7. Four Page Market Analysis Summary 8. Thank You Photo Note Cards 9. Thank You Note Script Samples 10. President’s Thank You Letter 11. Statement on Cooperative Identity 12. Member Loan Campaign Calendar 13. <i>Member Loan Information</i> Document 14. Promissory Note	X	X	

## Appendix P: Cooperative Definition and Principles

### Statement on the Co-operative Identity

Source: International Cooperative Alliance (ICA), News, No. 5/6, 1995

**Definition:** A cooperative is an autonomous association of person united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

**Values:** Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

**Principles:** The cooperative principles are guidelines by which co-ops put their values into practice.

<b>1st Principle: Voluntary and Open Membership</b>
Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
<b>2nd Principle: Democratic Member Control</b>
Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.
<b>3rd Principle: Member Economic Participation</b>
Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.
<b>4th Principle: Autonomy and Independence</b>
Co-operatives are autonomous, self-help organizations controlled by their members. If they enter to agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.
<b>5th Principle: Education, Training and Information</b>
Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.
<b>6th Principle: Co-operation among Co-operatives</b>
Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.
<b>7th Principle: Concern for Community</b>
Co-operatives work for the sustainable development of their communities through policies approved by their members.

## **Appendix Q: Market Analysis Summary**

### **Market Potential for Proposed Food Co-op in Northfield, MN**

#### **A Summary of the Peter C. Davis November 2003 Market Study**

##### **Introduction and Background**

Peter C Davis is a professional location research consultant from Port Townsend, Washington, affiliated with Cooperative Development Services (CDS). Pete has been a long time student of the food retail industry, studying food retail management in graduate school at the University of Maryland. Many respected grocery retailers are among his consulting clients.

In late October 2003 Pete made a field visit to Northfield and the surrounding area, held conversations with key people, reviewed analogous market performance data, estimated market potential, and calculated a sales forecast for a proposed Northfield natural food market. He subsequently prepared a 28 page report accompanied by a spreadsheet and two maps supporting his calculations and conclusions, and submitted it to Just Food in November. Pete's research produced favorable estimates of market potential and sales forecasts, and supports plans to open a natural food market in Northfield

##### **Findings:**

1. A Northfield natural food market will serve a relatively large geographic trade area, including all of Rice County and a portion of Dakota County.
2. The trade area contains about 63,400 persons, most of whom reside in households (56,700 persons residing in households and 6,700 persons residing in group situations).
3. Household-based residents, based on their demographic characteristics, have an estimated average per capita sales potential for natural food merchandise at a level of \$245 per year.
4. It is estimated that a Northfield natural food market will derive 85% of its annual sales from within the trade area. The remaining 15% will come from outside the trade area – residents who travel greater distances, visitors, and tourists.
5. The natural food merchandise competitive environment is not overly strong. There are only four competitors in the trade area, all of which are conventional supermarkets.
6. The demographic characteristics vary considerably throughout the trade area, and are most opportunistic for natural food merchandise in the immediate Northfield area.

##### **Conclusions:**

1. Just Food is expected to achieve a modest but growing natural food market share.
2. Growth in the natural food market will continue and Just Food will be well-positioned to capitalize on this growth.

3. The proposed sales area size of Just Food (3,000 square feet), while somewhat small in relation to the potential market demand, will be large enough to accommodate the major natural food store departments.
4. It is reasonable to expect Just Food to achieve a total trade area sales penetration level in the magnitude of \$56 annual per capita at maturity, a 23% natural food market share within the trade area.
5. Maturity should occur in about 5 years. First year sales volume will likely be at about 40%-50% of maturity and will continue to grow annually.
6. Given the proposed store size, projected annual store sales per square foot would be a level that should be quite profitable.

**It is suggested that Just Food continue with plans to open a natural food market in Northfield.**

## **Study Methodology**

Fieldwork was conducted in late October 2003. Representatives of Just Food were interviewed relative to the proposed concept to be employed in Northfield; the market area was evaluated; the trade area to be served was defined and toured; patterns of access were defined and observed within the trade area; potential site, facility, and location characteristics were evaluated; direct and indirect competitors were identified and evaluated; shopping patterns were observed; local population data were obtained; and general levels of retail synergy were evaluated at specific sites and throughout the market area. Upon completion of the fieldwork, primary and secondary data were reviewed and analyzed. An estimate of market potential was developed, and analogous store performance data were as utilized to project sales potential. Findings and conclusions were derived, and the report prepared and submitted to Just Food.

## **Trade Area**

Geography: The trade area definition is based on fieldwork observations and the types of trade areas served by analogous natural food markets. The trade area will consist of the nine census tracts that make up Rice County and one census tract in Dakota County just north of Northfield. The trade area is relatively large because natural food stores typically have trade areas that are larger than those served by conventional supermarkets and Northfield is a retailing center in the area.

Population: Within the defined trade area, an estimated 63,412 persons reside. Of these, 6,709 live in some type of group quarters such as prisons, nursing homes, hospitals, college dormitories, etc, and are typically rather immobile and eat institutionally. They do not constitute a significant pool of prospective shoppers and have been removed from the demographic analysis. An estimated 56,703 persons reside in households within the trade area. Of these household residents, an estimated 93.9% is ethnically white, 29.0% are between the ages of 35 and 54, 22.9% of those over age 25 have a college degree, 51.6% of employed persons are engaged in blue-collar occupations, 51.1% of households have annual income levels between \$50,000 and \$150,000, and the median household income level is \$55,378. These demographic characteristics suggest a population base that is mostly rural in character.

Estimated Market Potential: The trade area household-based population has a per-capita market potential for food store type merchandise at an estimated \$45 per week, or over \$2,300 per year. The natural food market potential is estimated at an average annual per capita of about \$245.

## **Proposed Site, Location and Facility Characteristics**

Factors to consider when evaluating potential locations are their size and layout on the site, visibility, ingress/egress, parking, population density and demographics, trade area access, and retail synergy. Of these, parking, visibility, and ingress/egress require special consideration.

Parking: In general, an ideal amount of food store parking consists of about 8 spaces per 1,000 square feet. A 4,000 square foot store should have close to 32 off-street parking spaces available to its customers and employees. These parking spaces should be under the control of the food store, within a radius of about 300 feet from the front door, and within sight of it.

Visibility: It is very important for a food store to maximize its visibility to accommodate two facts: 1) one in five households changes its residence every year and 2) new residents select their regular food store within a few weeks of moving into the area. The food store location needs to be easily visible both in terms of directions and distances.

Ingress/ egress: Regardless of what other motivations may be involved, convenience is always a factor in why people shop where they do. Attention must be paid to the flow of traffic past a site, the number of ingress/ egress points, and the traffic controls that exist at them. To the extent that it becomes too difficult on a regular basis to enter or exit a food store parking lot, shopper loyalty will last only so long before it gives way to shoppers going elsewhere.

Although no site fully meets the optimal characteristics in all areas, each site considered met some of the requirements. It is suggested that a larger space than originally planned is warranted by the available natural food market potential in the trade area and should be given serious consideration.

## **Competitive Environment**

There are two conventional supermarkets in Northfield, Cub Foods and EconoFoods, and two in Faribault, HyVee and Nelson's County Market. None of them offers a strong presentation of natural foods or organic produce. All four are considered indirect competitors. The nearest natural food markets are Valley Natural Foods Co-op in Burnsville and Harvest Food Co-op in Owatonna, neither of which is located in the trade area. The natural food presentations offered within the trade area lack the depth and breadth of assortment usually found in a natural food market. The appeal is more convenience-oriented, and the primary customers are limited natural food purchasers. The degree to which these stores will be competitive to Just Food is limited.

## **Market Analysis**

### **Significant factors:**

1. The size of the anticipated trade area is relatively large geographically.
2. The trade area population base is somewhat modest. The trade area is rural in character, with relatively low population density.
3. The demographic characteristics, while very oriented toward natural food merchandise in the immediate Northfield area, are somewhat less opportunistic in the further reaches of the trade area.
4. The existence of the Minneapolis/ St Paul metropolitan area less than an hour north provides for potential "leakage" of natural food sales to the many natural food stores and co-ops that exist there.
5. The downtown section of Northfield represents a somewhat strong retailing environment, offering considerable retail synergy.

6. Household residents of Northfield will find a downtown Northfield location more convenient than another location within the trade area, and they will also be demographically more inclined to shop there.

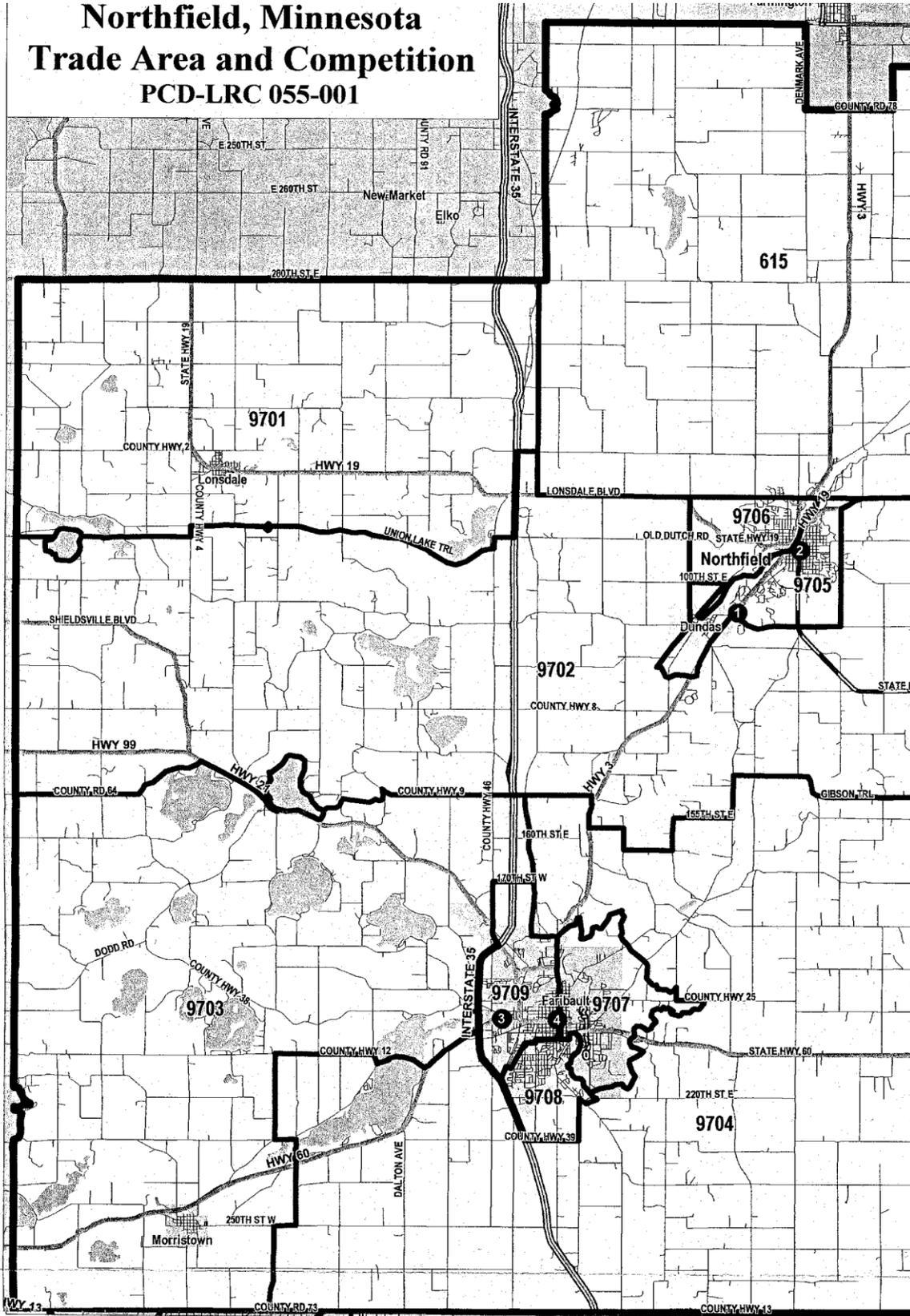
**Assumptions used in determining sales potential:**

1. Just Food will open in a recommended site.
2. Just Food will operate in a facility with a total minimum of 4,000 square feet to include a minimum sales area of 3,000 square feet.
3. Just Food will operate a complete natural food store that will feature all major food store departments usually found in natural food markets, including meat/seafood, produce, frozen food, dairy, deli/ bakery, vitamins/ supplements, and general merchandise.
4. The competitive environment as identified and evaluated will remain unchanged.

**Total market sales potential in defined trade area:**

1. The mature sales potential for natural food merchandise will approach an average annual per capita sales of \$245, at today's level of prices and with today's estimated trade population.
2. About 85% of Just Food's potential sales volume will be derived from trade area residents, with the remaining 15% derived from beyond the trade area.
3. The estimate of Just Food's sales potential is based on an average annual trade area sales penetration of about \$56, or 23% of the natural food market in the trade area.
4. Just Food will take at least five years to reach its maturity level of sales volume.
5. First year sales volume for Just Food will likely be in the range of 40%-50% of maturity.

# Northfield, Minnesota Trade Area and Competition PCD-LRC 055-001



TRADE AREA SECTORS
  COMPETITION

- 1- CUB Foods
- 2- EconoFoods
- 3- HyVee Foods
- 4- Nelson's County Market



## Appendix R: Calling Script

### ***JUST FOOD MEMBER LOAN PROGRAM CALLING SCRIPTS***

**The following scripts are not intended to be read; they are provided for guidance on how to conduct the interviews – either over the phone or in person. See also the “Keep in Mind List” for tips and cautions and a list of items to be covered in your conversation.**

#### **A. JUST FOOD MEMBER MAKES PLEDGE OR AGREES TO LOAN**

Caller/Visitor: Good morning/afternoon/evening. My name is \_\_\_ and I’m calling for Just Food. We are calling all Co-op members and would like to talk with you for a few minutes about the Member Loan Program. Is this a good time to talk? Two options follow:

JF Member: No, this is not a good time to talk.

Caller/Visitor: I’d like to talk with you for about five to ten minutes. When can I call you back? [get a date and time, thank the person and tell them you will call them at the time they suggested]

JF Member: Yes it is.

Caller/Visitor: About a week ago you should have received a letter, a brochure and additional materials about Just Food. What questions do you have about the materials or the Member Loan Program?

If there are questions, answer them – using information from your calling packet if necessary.

Caller/Visitor: What have you been thinking about making a loan to Just Food?

**If member is moving toward a loan, follow that thread. See also Options 1 and 2 on pages 2-3. If there is reluctance proceed below.**

Caller/Visitor: The Member Loan Campaign is a common way for a co-op to raise money. The Just Food campaign will result in capital for a new natural food co-op store here in Northfield. It will also demonstrate substantial community support for Just Food to banks and other funding agencies.

Member loans to the Co-op are the true test of community commitment to the store; they also demonstrate to potential funding institutions that there is significant community support for the store. This is especially important since we are applying to banks and granting agencies for funds as well.

We need to raise \$300,000 from our members which is 1/3 of the money needed to open the store. The other half will come from other funding sources such as bank loans and grants. Your loan to the store is a very important part of the overall funding for the store.

Just Food now has over 300 members and new members are joining every day. So far we have received commitments for \$45,000 from the Just Food Founding Team.

The average loan we are seeking is \$3,000. We would like you to consider making a loan to Just food between \$3,000 and \$5,000.

**Wait for them to answer. Three Options:**

**Option 1:**

Member: Yes, we can make a loan of \_\_\_\_\_. What do we need to do now?

Caller/Visitor: You can select the interest rate you would like to receive, between 0% and 3%. Also, loans are made for 4-8 years. One fifth of the loans \_\_\_\_\_ can be made for any one of the five years. So, what interest rate would you like to have – and what would you prefer for the duration of your loan? **Wait for answer.**

Caller/Visitor: We will provide you with the Member Loan Information Package that provides you with a complete description of the program, including important information that you need to review prior to making the loan. You will also receive two copies of a Promissory Note where you will enter the amount of the loan, the interest rate and the term. You can either send the completed note in the enclosed return envelope or contact Bardwell Smith to make other arrangements.

While I'm on the phone, what questions do you have that I could perhaps answer right now?

When would you like me to check back with you?

We really appreciate your membership in Just Food and your willingness to consider making a loan to support the co-op. You should get the loan information packet in a couple of days. I will give you a call in a few days [or on the day specified by the member] to see if you have any questions. Thank you for your time.

**Option 2:**

Member: I'm not sure about this and would like time to talk with my husband/wife/significant other/etc. Do you have any documentation you could mail to me that would provide more information about this program? That would be helpful.

Caller/Visitor: Yes, we do have a packet of member loan information that I can put in the mail to you. But while I'm on the phone, are there any questions you have that I could perhaps answer right now?

Caller/Visitor: As I indicated earlier, I will put an information packet in the mail to you. Could you indicate when would be a good time to get back to you? **Wait for answer.**

Caller/Visitor: We really appreciate your membership in Just Food and your willingness to consider making a loan to support the co-op. You should get the Member Loan Packet in a couple of days. I will give you a call in a few days [or on the date specified by the member] to see if you have any questions. Thank you for your time.

**Option 3:**

Member: We would very much like to support your effort, but our financial situation will not allow for that that at this time. I'm so sorry...

Caller/Visitor: No need to apologize. We realize that not everyone will be in a position to provide a loan and that is perfectly all right. Thank you so much for your time and we do look forward to seeing you in our natural food store.

## Appendix S: Caller Information Reference

### JUST FOOD MEMBER LOAN PROGRAM “KEEP IN MIND” LIST

Note: This list will be updated as we gather new information we think will be useful to you.

1. If members are concerned about how and when the money will be spent and wondering if they will get their money back, remember the following resolution that was passed unanimously by the Board. But don't bring this up if concern is not expressed.

“The Board of Just Food resolves that funds from member loans will not be expended until 75% of member loans are committed (\$225,000), outside loans are committed sufficient to proceed with store opening, and a lease has been executed. The intent of this resolution is that Just Food be able to repay the member loans in full with interest should it not be possible to open the store because outside loans cannot be secured or a lease cannot be finalized.”

2. You can also assure the Member that our attorney, \_\_\_\_\_, has reviewed all of the legal documents and confirmed that they conform to Minnesota law. Again, this is only if the member is seriously concerned about this.
3. Remember what Bill Gessner (CDS consultant) said about member loans being paid back: of the hundreds of member loans he has worked with, 90 percent were paid back on time and 95 to 98 percent were paid back eventually. But this should only be used if a member is seriously concerned about this.
4. With regard to the Member Loan Program, callers must say only what's stated in the Member Loan Information document. Sharing of personal experiences or other comments should be made in such a way that the member understands they are not official statements representing the Member Loan Program.
5. All questions that require interpretation or clarification must be answered with words similar to the following: “A designated Member Loan Representative needs to discuss that matter with you. I will arrange for one to contact you.” The caller should notify the coordinators when such a need arises. If the matter arises frequently we may be able to issue a written statement that the caller could use in the future. The designated Representatives are: \_\_\_\_\_, \_\_\_\_ and \_\_\_\_\_. Please have the coordinators contact one of the Representatives.
6. Be mindful of where the resistance is; and try to ascertain what the barriers are that are being thrown up. Remember that resistance is an indication of interest!
7. Remember to mirror back what they say in terms of amounts and ranges of loans as a way of coming to closure on the commitment.

8. Try not to under-bid...pay attention to the targets identified for each Member. It is best to give a range, for example, *"We would like to ask you to loan between \$10,000 and \$20,000 to Just Food."* Then, do not say anything until they respond.
9. Respond to where the person is at! If this isn't a good time, arrange to call back at another time. If attention is waning, bring the conversation to a close, with an offer to call back.
10. How do you ready yourself for telephone work? Prepare yourself from a centered and energetic point of view. Walk through calls in your imagination.
11. If necessary, remind the Member that if they do kick in and offer a loan, they won't be the only ones doing so!
12. Questions to provide common ground between you and the member that might open some doors:
  - When talking with other JF members, I'm usually curious why they joined. What were your reasons for joining Just Food?
  - What are your expectations for the Just Food co-op here in Northfield?
  - What experience have you had with food co-op shopping?
  - What characteristics would you like to see in Just Food
13. Remember to:
  - Discuss size of loan or range of size
  - Discuss interest rates – make sure they've selected an interest rate
  - Discuss length of term – make sure they've selected length of term
  - Discuss that member loans are unsecured – make sure member understands that member loans are unsecured
  - Discuss that member loans are subordinate to bank loans – make sure member understands that member loans are subordinate to bank loans
  - Note any key issues/concerns members may have
  - Make sure you have discussed any issues related to how the loan will be collected from the member – and make sure the member understands the process.

## Appendix T: Thank-you Note Scripts

### SCRIPT SAMPLES FOR HANDWRITTEN NOTES

#### A. For Caller/Visitors who come away from meeting with a promissory note and check in hand:

Dear \_\_\_\_\_,

On behalf of Just Food I'd like to thank you for your time today and especially for your generous loan of \$\_\_\_\_\_ to the Co-op.

Your financial support and commitment will go a long way towards making Just Food the reality that we all want.

Shortly you will receive your copy of the Promissory Note along with a letter from the President of Just Food.

Again, thank you very so much – and I look forward to seeing you in our natural food co-op store later this year!

Sincerely,

#### B. For Caller/Visitors who left behind the promissory note and prospectus:

Dear \_\_\_\_\_:

On behalf of Just Food I'd like to thank you for your time today and for your interest in the Member Loan Program. A generous loan from you will go a long way towards making Just Food the reality that we all want.

I will call back in a few days to see if you have further questions. Your participation in helping to support the opening of the store this worthwhile cause will be greatly appreciated.

I look forward to seeing you in our natural food co-op store later this year!

Sincerely,

**C. For Callers when members make a pledge over the phone**

Dear \_\_\_\_\_:

On behalf of Just Food I'd like to thank you for your pledge of regarding a loan to the Co-op. A generous loan from you in the amount of \$\_\_\_\_\_ will go a long way towards making Just Food the reality that we all want.

Shortly you will receive the Member the Loan Information Packet and Promissory Note that I mentioned in our conversation. I'll give you a call in a couple of days to see if you have any questions.

Again, thank you so much – and I look forward to seeing you in our natural food co-op store later this year.

Sincerely,

**D. For Callers when members need more time to think about a loan or something equivalent to that**

Dear \_\_\_\_\_:

On behalf of Just Food I'd like to thank you for your time today and for your interest in the Member Loan Program. A generous loan from you will go a long way towards making Just Food the reality that we all want.

Shortly you will receive the Member Loan Information Packet and Promissory Note that I mentioned in our conversation. I'll give you a call in a couple of days to see if you have any questions.

Again, thank you for your time, and I look forward to seeing you in our natural food co-op store later this year.

Sincerely,

**E. For Caller/Visitors and Callers when Members cannot make a pledge at this time**

Dear \_\_\_\_\_:

Thank you for your time this evening. Those of us in Just Food fully understand that not every member is in a position to participate in the Member Loan Program. And that is perfectly all right.

For up-to-date information about Just Food, please consult our web page at: [www.justfoodcoop.com](http://www.justfoodcoop.com)

We look forward to the privilege of serving you in our natural food co-op as soon as it opens later this year. And I look forward to seeing in Just Food!

Sincerely,

## Appendix U: Calling Sheets

### CALL DOCUMENTATION FORM

DATE: \_\_\_\_\_ MEMBER NO. \_\_\_\_\_

MEMBER \_\_\_\_\_ (must be first name on membership)

ADDRESS \_\_\_\_\_

\_\_\_\_\_ (must be Minnesota resident)

PHONE (\_\_\_\_) \_\_\_\_\_

EMAIL \_\_\_\_\_ (optional)

ADVISED \_\_\_\_\_ Minimum amount of loan  
\_\_\_\_\_ Options for length of loan  
\_\_\_\_\_ Range of interest  
\_\_\_\_\_ Loan is not transferable  
\_\_\_\_\_ Loan is not secured  
\_\_\_\_\_ Loan amount will be at risk  
\_\_\_\_\_ Member has loan brochure

NOTES Member has OR will receive Member Loan Prospectus (circle one choice)

Member wants call from General Manager OR Board member (circle one)  
(best time to call \_\_\_\_\_)

Other \_\_\_\_\_  
\_\_\_\_\_

#### COMMITMENT

Amount \$ \_\_\_\_\_  
Term (first preference) \_\_\_\_\_ years  
Term (second preference) \_\_\_\_\_ years  
Interest rate <\$10,000 \_\_\_\_\_ %  
Interest rate >\$10,000 \_\_\_\_\_ % (up to prime)  
Date to sign letter of commitment \_\_\_\_\_  
(by December 1, 2004 – letter will be mailed to lender with return envelope)  
(can skip this step if ready to deposit funds immediately)  
Date to sign promissory note and deposit funds \_\_\_\_\_  
(by January 5, 2005)

EMAILED TO: [generalmanager@wholefoods.coop](mailto:generalmanager@wholefoods.coop) on \_\_\_\_\_

## Calling Sheet from Just Food Co-op

<i>JUSTFOOD</i> Member Loan Campaign					
Member Name:					
Member Number:			Caller:		
Contact Information	Just Food Participation	Amount Targeted	Amount Pledged	Interest Rate	Loan Term
<b>Address, phone, email go here:</b>					
	Calling Priority	Response	Promissory Note Rec'd by Co-op	Check Rec'd by Co-op	Check To bookkeeper
	High Medium Low Very low	Yes Strong Maybe Maybe No			
Source or Key Information:					
Visit & Phone History					
Date	Call Visit Letter Mailing	Phone: Spoke, Msg., NoAns	Contact summary. e.g., set appointment to visit, scheduled time to talk, made request. List key issues, concerns, people involved {caller(s) and member(s)}, comments re collection. Next Steps		Next Contact Date/Time
Requested Member Loan Information	Member Loan Information Sent or Left	Handwritten Thank-you sent	Log returned	Campaign thank-you & Note sent	
Return Calling Log to Campaign Coordinators as directed in Campaign Tactics					

## **Appendix V: Caller Contract**

### **CONTRACT FOR PROFESSIONAL SERVICES**

#### **PARTIES TO CONTRACT:**

The following is a limited term contract for professional services between the Whole Foods Community Co-op, Inc. (hereinafter referred to as WFC) and \_\_\_\_\_, (hereinafter referred to as Provider).

#### **PURPOSE OF CONTRACT:**

The purpose of this contract is to define compensation, expectations and the term of this project. Provider is not subject to or eligible for WFC's Personnel Policies, Store Policies or employee benefits. Both parties agree to promote the best interests of the members of WFC and to protect confidentiality of information regarding the members of WFC, with each party having a concern for the welfare of the other. This is a contract for services and this is not an employment contract.

#### **EXPECTATIONS OF PERFORMANCE:**

WFC will deliver to Provider current telephone contact information on its members for the purpose of conducting a telephone fundraising campaign to secure a commitment for a minimum of Eight Hundred Thousand Dollars (\$800,000.00) in member loans in support of WFC's move to a new location at 610 East 4<sup>th</sup> Street in 2005 and in accordance with the terms of WFC's Member Loan Program. The expected term of this project is October 1, 2004, to December 1, 2004. The term of this project may be extended by the agreement of both parties.

From time to time during the term of this project, there may be opportunities (e.g., WFC's Annual Membership Meeting on October 6, 2004), for Provider to speak directly with WFC's members regarding this fundraising project. WFC will provide advance notice of these opportunities to Provider. Provider's attendance at these opportunities is optional.

Provider is not responsible for closing on member loan commitments. Provider is responsible for promptly communicating member loan commitments as well as member comments, concerns, questions, etc., to WFC's General Manager, via e-mail, and for electronically documenting all member contacts, member loan commitments, and member comments, concerns, questions, etc.

Provider will perform the above responsibilities in a professional manner and will ensure that each contacted member is given consistent, clear, concise, accurate, and complete information on the terms of WFC's Member Loan Program. Failure to provide services as outlined and/or to respect confidentiality of WFC's member contact information will result in immediate termination of this contract.

**COMPENSATION:**

For performance of the above responsibilities, WFC will pay to Provider: Every two-weeks during the term of this project one percent (1%) of the amount of member loan commitments (documentation received) up to \$800,000 of member loan commitments received during the previous two-week period **AND** two percent (2%) of the amount of member loan commitments (documentation received) for member loan commitments in excess of \$800,000 during the previous two-week period.

In the event that WFC does not expand as outlined in the Member Loan materials, all member loans and any accrued interest will immediately be refunded to member lenders, however, WFC will pay all funds due to Provider as outlined above.

**CONTRACT PERIOD:**

This contract shall be in effect from October 1, 2004, through December 1, 2004, except the length of this period may be extended upon the agreement of both parties and except that either party may terminate this contract upon twenty-four (24) hour notice.

In acceptance of the above, the parties hereto sign:

WHOLE FOODS COMMUNITY CO-OP, INC. (WFC)

\_\_\_\_\_  
\_\_\_\_\_, General Manager  
1332 East 4<sup>th</sup> Street  
Duluth, MN 55805  
728-0884  
generalmanager@wholefoods.coop

Date \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_, Provider  
Social Security No. \_\_\_\_\_  
Address \_\_\_\_\_  
Phone \_\_\_\_\_  
E-mail \_\_\_\_\_

Date \_\_\_\_\_

## Appendix W: Coordinator Job Description

### Job Description: Just Food Capital Program Coordinator\*

**Objectives of the capital program:** To strengthen the Co-op by (1) increasing its working capital, (2) improving its debt-to-equity ratio, (3) reducing the cost of its debt service and (4) increasing member control by reducing debt owed to non-members. The first specific target is to raise \$300,000 in new funds. If a change to the Articles of Incorporation is approved by member-owners, a portion of this amount would be in sale of Class C stock. The balance of new funds would be in member loans. If Class C stock is authorized, a second target is conversion of \$126,000 in existing member loans to Class C stock.

**Responsibilities of the Coordinator:**

The successful candidate will be responsible for planning, oversight and implementation of the capital program. The Just Food Capital Program Coordinator reports to the Capital Funding Taskforce.\*\*

The Coordinator is responsible for launching the program and maintaining the pace and momentum through achievement of its objectives. The program will be launched in October 2007 and may continue through 2008 in a series of phases to be defined by the Coordinator. The Coordinator will work with the Capital Taskforce to develop methods and messages for the program and sub-goals phase of the program. The purpose of each phase is to allow focus during a defined period, to allow workers to be engaged for limited periods of time, to allow a variety of tactics to be used at different times and to provide intermediate milestones at which accomplishments may be acknowledged. Within the strategies agreed-upon with the Taskforce, the Coordinator is responsible for detailed planning including determination of schedules and resource requirements.

The Coordinator will recruit member volunteers and coordinate their work and will collaborate with co-op employees and/or board members as needs arise. The Coordinator will establish effective communication with all co-op employees to ensure information is passed along as needed. This is a key responsibility since a number of capital program activities will take place in the store and/or be integrated with other Co-op activities and channels of communication with members.

The Coordinator will report status of the program to the Capital Taskforce weekly. The Coordinator is responsible for record-keeping directly associated with the Capital program. Funds raised will be handled by the Co-op Finance Manager. The Coordinator will arrange that information produced by the program and needed for on-going operations is provided to the Finance Manager on a schedule and by means that are mutually agreed.

The Coordinator may communicate directly with the Board of Directors and General Manager, will receive program direction from the Capital Funding Taskforce, will receive administrative supervision from the General Manager, and is accountable to the Capital Funding Taskforce.

**Qualifications required:**

- Effective oral and written communication including ability to develop promotional material and talking points.
- Successful fund-raising experience.
- Ability to design and implement operational systems – particularly for communication and record-keeping.
- Experience coordinating volunteers.
- Group facilitation skills with a focus on the ability to successfully complete projects involving multiple parties; team building and team meeting facilitation.
- Ability to delegate and follow-up effectively.
- Understanding of and commitment to the Cooperative principles and values.
- Competence and ease in using e-mail, MS-Word, Excel.
- Demonstrated attention to detail.

This position is available immediately. A letter of introduction and resume or summary of qualifications should be sent to General Manager, Just Food Co-op, 516 Water Street S., Northfield, MN 55057 or gm@justfood.coop.

\* This position is expected to be contract and part-time.

\*\* The Capital Funding Taskforce is a committee of the Board of Directors comprised of Directors, Co-op employees and others as determined by the Board.

*(Editor's Note: This position was used for a follow-up capital campaign after the store was open.)*

# Appendix X: Campaign Budget

		Pages or items	Cost ea	Qty
<b>Printing</b>				
Solicitation documents printed - 5 pages/400 copies (.02 per page)	\$40.00	5	0.02	400
1 page -- letter				
2 pages -- marketing analysis summary				
1 page -- accomplishments				
1 page -- testimonials				
Brochure - 400 copies (.06 per brochure)	\$24.00	1	0.06	400
Stationery and envelopes 2000 letterhead and 2000 envelopes				
Stationery (Northfield Printing/50% recycled paper)	\$385.00			
Envelopes	\$440.00			
Member Loan Information Document & Promissory Note				
22 pages/250 copies (.02 per copy)	\$110.00	22	0.02	250
	Printing subtotal		\$999.00	
<b>Postage</b>				
Solicitation Packet mailed to 400 member-owners				
1 page -- letter				
1 page -- brochure				
1 page -- accomplishments				
1 page -- testimonials				
4 pages/mailed to 400	\$148.00	1	0.37	400
Member Loan Prospectus & Promissory Note – mailed to 250				
(\$1.06 per item)	\$265.00	1	1.06	250
Confirmation letters, thank you letters, thank you notes – 400 pieces				
(.37 per item)	\$148.00	1	0.37	400
	Postage subtotal		\$561.00	
<b>Training &amp; Consulting</b>				
Consultant A - 22 hours consulting & training for MLC				
(95.00 per hour '03 & \$100.00 per hour in '04)				
phone bill (units in hours) 7 calls total	\$90.00	1	9	10
Consulting hours 2003	\$665.00	1	95	7
Consulting hours 2004	\$1,500.00	1	100	15
Mileage (covered in existing budget)		80	0.36	2
	Consultant A total		\$2,255.00	
Consultant B - 28 hours of consulting & training for MLC				
Two training sessions 90 each (3 hours) -	\$210.00	2	70	1.5
Training preparation (5 hours) -	\$350.00	1	70	5
Presentation Folder advice (5-10 hours) budgeted at max	\$700.00	1	70	10
Prospect List advice (5-10 hours) budgeted at max	\$700.00	1	70	10
	Consultant B total		\$1,960.00	
	Consulting subtotal		\$4,215.00	
<b>Presentation Folder</b>				
Folder w/ plastic pages – 30 (4.99 per folder)	\$149.70	1	4.99	30
Printing 1/2 color (\$1/pg color, .02/pg bw)	\$306.00	20	0.51	30
Cover	\$30.00	1	1	30
	Presentation Folder		\$485.70	
<b>Campaign Office Materials</b>				
Box of paper	\$25.00			
Ink cartridges (5,000 pp)	\$70.00			
White 9 x 12 (250 pkg.) mailing envelopes for ML Prospectus	\$26.99			
	Office Materials		\$121.99	
<b>Overrun Allowance – 10%</b>	\$600.00			127
	Overrun		\$600.00	
<b>TOTAL</b>			\$6,982.69	

# Appendix Y: Tracking Reports

## Member Loan Table

Member Loan Table as of _____									
Number of Loans						Loan Amount	Total Amount		
Phase 1		Phase 2		Fall			Phase 1	Phase 2	Fall
Tgt	Act	Tgt	Act	Tgt	Act	Jan-Mar	May-July	Sept-Nov	
2						\$ 20,000			
3		1				\$ 10,000			
6	2	1			1	\$ 7,000	\$ 15,000		\$ 7,500
8	8	2		1		\$ 5,000	\$ 41,500		
11	15	5	5	4		\$ 3,000	\$ 48,500	\$ 17,000	
15	34	13	10	8	4	\$ 2,000	\$ 69,000	\$ 20,000	\$ 8,000
40	60	25	18	17	11	\$ 1,000	\$ 61,000	\$ 20,000	\$ 11,000
85	119	47	33	30	16	Total	\$ 235,000	\$ 57,000	\$ 26,500
Lenders				168		Grand Total pledged			\$318,500
Average loan				\$1,896		In hand			\$312,500
Response Rate				23% to 31%					
770	Members								
5	Yes - Made a commitment, the check, note or both haven't been received								
163	Yes - Commitment is fulfilled - check and note received								
<b>168</b>	Total Yes								
2	Strong Maybe								
10	Maybe								
364	No - declined								
<b>544</b>	Total for which report has been received								
226	No report - Hasn't been called, busy, no answer, or waiting for response to message or conversation but not sufficient to decide whether "Yes", "Strong", "Maybe" or "No"								
22	Do Not Call (by request, out of state, member who joined to show support ...)								
"Yes" responses:		31%	Of members for which response has been reported						
		22%	Of Total membership						
		29 Potential additional lenders if the "Maybe" and "Not Assigned" respond at the							
		"No report" is excluded since they probably have had messages left and haven't responded.							

## Tracking Reports: Responses by Caller

	Yes	Strong Maybe	Maybe Maybe	No	Response Reported	Appointment Set	Response not Reported	Total
Ann	4			13	17		5	22
Bob	6		1	22	29		2	31
Cathy	26		4	34	64		15	79
Don	5		1	2	8		0	8
Ed	16			24	40		1	41
Fred	18			60	78		11	89
Ginny	22		1	47	70		2	72
Hal	1			20	21		0	21
John	3			9	12		1	13
Karen	2			3	5		3	8
Lori	1			7	8		0	8
Mel	24	1	3	50	78		14	92
Nora	6			3	9		0	9
Office	1				1		0	1
Total wo FT	135	1	10	294	440		54	494
%	30.7%	0.2%	2.3%	66.8%	100.0%			
Founding Team	16	0	1	3	20		0	20
Total w FT	151	1	11	297	460		54	514
%	32.8%	0.2%	2.4%	64.6%	100.0%			
DNC	0	0	0	17	17		0	17
Unassigned								119
%								
Total	151	1	11	314	477			650
%	31.7%	0.2%	2.3%	65.8%	100.0%			
3 lenders have committed a loan but haven't specified an amount.								
Their pledges are recorded as \$1,000 each until known.								

Note: "FT" = Founding Team

## Tracking Reports: Response Summary & Total Loans by Term

<b>Response Summary</b>	
3	Yes - check or note not yet received
149	Yes - complete
1	Strong Maybe
10	Maybe
298	No
54	Assigned but no response reported
118	Not assigned
17	Did not contact
<b>650</b>	<b>Total</b>

<b>Total Loans by Term</b>	
4 years	\$57,000
5 years	\$64,000
6 years	\$67,500
7 years	\$52,000
8 years	\$36,500
9 years	\$2,000
10 years	\$10,000
Unspecified	\$3,000
<b>Total</b>	<b>\$292,000</b>

## Appendix Z: Coordinator's Call Tracking Spreadsheet

### Suggested Column Headings:

1. Member Nr.
2. Member Name(s)
3. Member last name
4. Member first name
5. Partner last name
6. Partner first name
7. Caller
8. Phone
9. E-mail
10. Address
11. City
12. State
13. Zip
14. Response (yes, strong maybe, maybe, no)
15. Packet sent (date)
16. Appointment date
17. Amount pledged
18. Term in years
19. Interest rate %
20. Note rec'd (date)
21. Name on loan
22. Loan date
23. Check Rec'd (date)
24. Thank-you to lender (date)
25. Letter from board President (date)
26. Check given to treasurer (date)
27. Notes
28. Target loan amount

Member Nr.	Member Name	First Name	Last Name	Partner First Name	Partner Last Name	Phone	Email Address
0011	Bill Zindemale	Bill	Zindemale			555-1212	<a href="mailto:billz@fishnchips.edu">billz@fishnchips.edu</a>
0012	Butch & Sissy Suburb	Butch	Suburb	Sissy		555-1212	<a href="mailto:butchr@yahoo.com">butchr@yahoo.com</a> ; <a href="mailto:sisssub@yahoo.com">sisssub@yahoo.com</a>
0032	Bob Upp and Daisy Field	Bob	Upp	Daisy	Field	555-1212	<a href="mailto:uppsidaisy@prozack.com">uppsidaisy@prozack.com</a>
0036	Jack McDaniels	Jack	McDaniels			555-1212	<a href="mailto:3shetz2wind@jdbooze.com">3shetz2wind@jdbooze.com</a>
0041	Maggie McGee	Maggie	McGee			555-1212	<a href="mailto:mmg@joplin.org">mmg@joplin.org</a>

The actual spreadsheet would continue across all the listed headings and extend downward to include all members.