

Muskoka North Good Food Co-op



Community Bond Initiative

Turning one small seed into a community changing project.



Contact:
Tim Doyle, Treasurer
705.789.2816

email: treasurer@muskokanorthfood.com

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MNGFC Mission

To provide our community access to the best regional, sustainable, safe, and environmentally conscious foods through the development of a community-owned grocery store and educational food centre. MNGFC provides fair value to producers for their products and living wage models for its staff while promoting co-operative values and participation.

I. Executive Summary

Muskoka North Good Food Co-op (MNGFC or the Co-op) is an innovative solution to a pressing social, economic and environmental problem that we are experiencing throughout Ontario and the globe; lack of secure local food systems, inadequate globalized food production, rising transportation costs, and the steady depletion of Canada's small-scale farmers. MNGFC is an initiative which tackles these major social issues and offers new ideas for wide-scale change in the supply and demand capacities in Muskoka and Northern Ontario.

Working as co-operative change-makers, and applying market-based strategies, MNGFC is implementing an understandable and ethical shared vision to create a viable and competitive business structure. Northern Ontario business growth and investment using 'triple bottom-line' targets (social, environmental, financial) will remain central to the operation.

The Co-op will stand in a position of its own in Huntsville and surrounding regions. Directors and advisors have identified and prioritized a competitive analysis which ensured that the product, service and social contributions of the four proposed market segments are currently not being fully represented at any regional grocery establishment.

Four Market Segments: a) Grocery Retail Market, b) Commercial Production Kitchen/Community Cannery, c) Café, d) Fitness/Wellness Room.

The project will be developed in a 9000ft² commercial warehouse space which is situated in Huntsville's west-end. It is perfectly suited for the intentions of this project. This space will accommodate the four market segments, along with offices and boardroom, back stock and produce preparation areas, restrooms, change rooms, outdoor green space, and arts/cultural spaces. The building is large enough for future expansion, and lends itself to future community business and social enterprise development with the Co-op acting as lead anchor tenant. Opportunity for future transition from leasing to ownership is currently being reviewed with legal advisors.

To raise the estimated \$1.6 million needed to open this Community Food Centre, MNGFC's Board and advisors are working to secure funding from a variety of sources. These sources include public grants from local, regional, provincial and national granting agencies, community fundraising, membership equity, and private loans in the form of Community Bonds, from member-owners.

MNGFC will be a sustainable economic engine in our region. The community-anchoring potential of co-op grocery stores to deliver healthy food and invigorate local economies is a worthy investment towards positive, stable and democratic community development. Offering an opportunity for member-owners to invest direct financial support into this Co-operative Food Centre will assist the Board and advisors in fulfilling the organization's commitment to the co-operative principals of autonomy, independence, and co-operation amongst co-operatives.

To date, MNGFC is owned by 550 member-households, which equates to approximately 1700 people. Member-ownership is growing daily and over-all community and regional support has been overwhelming and above national standard growth rates. The Co-op is owned by members from as far away as London, Ontario to the south and North Bay, to the north. The geographical range will expand as the Co-op begins to secure producers from as far north as Thunder Bay, and nationally.

Raising funds through a Community Bond Initiative is a highly recognized practice for developing food co-ops throughout Canada and the United States, and will prove to serve as an important strategy for financing the opening of Muskoka North Good Food Co-op. Public granters will more readily invest in community initiatives such as this, if they see that the community affected also confidently invests and supports the project.

Muskoka North Good Food Co-operative Inc. Community Bonds are in denominations of \$1000, which Co-op member-owners may purchase as community investments. There is no limit to individual investment up to a pre-determined quota needed for the entire project development. These bonds are unsecured by collateral and, like any investment, there are risks involved, which are outlined in this document.

Today, the Board and advisors are asking their community to commit to investing in Muskoka North Good Food Co-operative Community Bonds. **Loan pledges** will be signed by the prospective lenders, along with the dollar amount and chosen term (see section VIII. Community Bond Term Sheet). These pledges will serve as the leverage needed to secure substantially public financing in the form of grants. Public granters need to see that MNGFC's community is prepared to invest in this worthwhile project. Once public grant funds are secured, Community Bond Representatives will contact all committed lenders to mobilize the Community Bond process.

The chicken or the egg?

Before any public grant dollars can be secured, MNGFC must accumulate the funds needed to develop complete, engineered, and stamped architectural drawings. This amount is estimated at \$100,000 and includes approximately 85% of the professional architectural and engineering work, as well as approximately \$10,000 that are associated with the architectural design, for the project management costs. A design-management team has been hired on condition of acquiring funding, and has developed the initial artist rendering free of charge. To submit any further grant applications, the Board and advisors need contractors' quotes in hand, which are not possible to obtain without project designs. Currently, the Board and advisors are asking for any, or all potential investors to step forward with the first \$100,000 needed to develop the project's architectural designs. This is the most crucial phase in this stage of development and will be the determining factor in moving forward with all future grant applications.

II. History of MNGFC

Between 2012 - 2014, comprehensive analysis, along with widespread, regional consultations was achieved, resulting in the Muskoka Foodshed Report* and the Muskoka Food & Agriculture Charter. In response to the outcomes and recommendations of these documents, in 2013, a diverse, grassroots group of food systems advocates formed The Common Roots Food Collective. The mission of this group was to join together networks, resources, ideas and visions to create what will become a highly sustainable model of best practices in food security and local economic development measures for Huntsville, Muskoka, and ultimately all of Northern Ontario.

In November 2013, the formation of a co-operative mechanism designed for the strengthening of food access and distribution systems along with regional agri-food capacity building and community education began. Muskoka North Good Food Co-operative was incorporated by a strategically formed Board of Directors and a comprehensive Business Plan* was developed with input from leading Ontario co-operative development experts and various advisors. This plan now guides the development and implementation of Muskoka North Good Food Co-operative.

The response from citizens of Muskoka, along with the consistent recommendations from the two reports, have concluded that a community-owned Food Co-op and Food Centre would be easily supported by the region's citizens. Also revealed has been an even stronger market in both supply and demand, than originally anticipated. The impressive momentum and support for community-owned development, which fosters economic growth and offers healthy solutions, education and products to an inclusive community, continues to rise.

As the Board and advisors continue to accelerate local food co-op sector growth, through numerous community key-note engagements, media spotlights, and networking, they recognize that funding is an essential, and often the most challenging aspect of any non-profit co-operative's development.

The passion behind this project has fuelled its present day success. The ultimate goal of this project is, in tandem with strong financial objectives, to create a vibrant and useful community space where 'good food' accessibility and projects happen.

* Full digital copies of the MNGFC Business Plan, Organizational By-Laws, Articles of Incorporation, and The Muskoka Foodshed Report are available at:

- [MNGFC Business Plan](#)
- [MNGFC By-Laws](#)
- [Articles of Incorporation](#)
- [Muskoka Foodshed](#)



III. Muskoka North Good Food Co-operative's Lineup

Board of Directors

Kelly Picken, Chair

Kelly has over a decade of leadership experience as Director of Outward Bound and is now the Vice Principal of Huntsville High School. Kelly is currently working on our Human Resources by-laws.



Kate Solecki - Vice-Chair

Some would call Kate a 'Professional Volunteer' as she has many years of dedicated service. Her background is in Hospitality and Tourism. With over a decade of experience in fundraising, event planning and execution, and leadership.



Tim Doyle - Treasurer

Tim obtained his CPA, CA designation in Toronto in 1981 and has worked in a variety of corporate treasury positions in Huntsville. He has taken financial role in a variety of local charities, has been Chairman of the Huntsville Hospital Foundation, and has been appointed to numerous Town committees.



Julia Sutton - Secretary

Julia is a market farmer & has been growing vegetables for over seven years. Julia works as an environmental consultant for Sutton Environmental Services & as the coordinator for the Eastern Georgian Bay Stewardship Council.



Jeanette Turvey - Director

Jeanette has over 5 years in helping organizations achieve successful internet presence through online solutions and web development & an additional 5 years in marketing related roles. Jeanette works as a computer programmer for Need the Cloud.



Collette Lalonde - Director

Is a Holistic Nutritionist and is one of the leads on our Procurement Committee. She heads up the Event Committee and her nutrition background has been invaluable as a Kitchen Educator with the Farmers in the Playground program.



Laura Gilmour - Director

Laura has pursued formal environmental studies & years of volunteering at various permaculture farms and environmental education centres. Laura is proprietor of Wild Muskoka Botanicals, a small-scale food & herbal medicine business & teaches wilderness skills programs.

Advisors



Kelli Ebbs - Interim General Manager

Kelli ran a locally-inspired seafood restaurant for several years. Today, Kelli works for the national non-profit organization, Breakfast Club of Canada, where she serves as Central Canada Lead Advisor for First Nations, Metis and Inuit Student Nutrition Programs focusing on building food security capacity in remote, northern communities.



Kristen Szykoluk - Advisor

Kristen owns and is the head designer for KLAS Web Design & Graphics, a local website and graphic design company. Kristen offers the co-op ongoing assistance with marketing, graphic design projects such as logos, website design, postcards and other advertising materials. Kristen highly believes in the MNGFC mission, and therefore is dedicated to seeing the co-op succeed.



Sue Smith - Advisor

An experienced grower and owner of Table Top Farm in Baysville, Sue leads the MNGFC Producer Committee which ensure quality product procurement and food safety standards, and fair exchange. Sue is part of the "Farmers in the Playground" team, guiding kids in garden education: growing passion for healthy food, self reliance & gardening skills.



Kelly Haywood - Advisor

Kelly is Executive Director of The Huntsville/Lake of Bays Chamber of Commerce. Kelly offers unconditional guidance on NFP organizational structure, Board Fiduciary Duty, and Human Resources management. Kelly's belief in MNGFC's model and values reflect in her support co-op events, meetings, and communication dissemination.

...plus dozens of committee members, over 550 member-owner families, local businesses, The Huntsville/Lake of Bays Chamber of Commerce, Local Organic Food Co-ops entire network, Muskoka Futures, our landlord, Stones Throw Design, Fourth Pig Workers Co-op, and many, many other community supporters!

IV. Legal Organizational Structure

Muskoka North Good Food Co-operative Inc. is registered as a not-for-profit, non-share capital co-operative. The co-operative was incorporated on the 7th day of March, 2014 and the incorporation number is 1851967. The registered Muskoka North Good Food Co-operative head office address is 1785 Fern Glen Rd., Emsdale, Ontario. A Board of Directors effectively serves its members in a transparent and equitable manner. While member-ownership reflects a multi-stakeholder model, non-members will always be welcome to shop and utilize the services offered at MNGFC.

Capital Stock

Muskoka North Good Food Co-operative is a Co-operative Corporation Without Share Capital incorporated under s. 6(1) of the *Co-operative Corporations Act*, R.S.O. c. C. 35

The multi-stakeholder structure provides all three levels of member-ownership the opportunity to become citizen-investors in their own co-operative enterprise.

Membership Structure			
Membership Level	Description	Membership Fee	Voting Rights
Consumer Member	Members of this level purchase/use the goods/services from the Co-op for personal consumption.	Sixty (\$60.00) dollar, lifetime Consumer member-owner fee.	One member-ownership = One vote
Producer Member	Members of this level own and operate farms and agri-food businesses which supply the Co-op with agricultural and value-added goods.	Sixty (\$60.00) dollar, lifetime Producer member-owner fee.	One member-ownership = One vote
Corporate Member	Members of this level purchase the Co-op's goods/services for commercial use purposes.	One hundred (\$100.00) dollar Corporate member-owner fee.	One member-ownership = One vote

It is estimated that MNGFC membership will double after year one and subsequently grow by 10% each year throughout the first five years of business*.

*Evaluation is based on CDS Consulting Coop research benchmarks.

Muskoka North Good Food Co-operative Values

MNGFC is a values-based organization at its core. Founding organizers created this list of founding values. This will remain an open and transparent document as new organizational assessments, scans and developments take place. If, in the future, additions or amendments are proposed to be made, it will be done through a transparent and democratic process of which the entire member-ownership will be involved.

The Values of the Muskoka North GOOD FOOD CO-OP

Co-operatives are based on the values of self responsibility, democracy, equality, solidarity, and equity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.

The values that the Muskoka North Good Food Co-op stand by are:

1. Promoting Co-operative values and participation;
2. Ethical, transparent governance that is non-hierarchical, locally controlled and inclusive;
3. Diversity, resourcefulness, pragmatism and innovation;
4. Asking and listening to its members and community;
5. Community food initiatives which reflect what its membership/ community needs while ensuring the highest quality of work integrity and honesty that will be reflected with a living wage model;
6. The highest quality of food procurement, accessing product from as close to home as possible and working to fill gaps in our regional food system. MNGFC strives to purchase locally, then regionally, then provincially, then nationally. We will purchase producer direct whenever possible and will continuously explore new, innovative and sustainable products to bring to our membership;
7. Paying farmers and producers what they need to make a good and fair living;
8. Providing the most affordable food to our membership;
9. Directing any generated surplus to growing the retail business, increasing staffing as needed and towards food-based co-operative programs/ initiatives;
10. Acting as the “hub” of good food initiatives, food education and support/advocacy for regional producers while acting as a small scale food-business incubator;
11. **Co-operation** on every level of business, education and networking.

“ We envision The MNGFC being a beautiful place to shop; a place that promotes access to good-food while creating connection between local producers and consumers resulting in a vibrant sense of community. ”



 facebook.com/MuskokaNorthGoodFoodCoop
 muskokanorthfood.com

Seven International Principles of Co-operation

Internationally, co-operatives are guided by Seven International Principles. At the base of every decision made, it is MNGFC's responsibility to ensure that these principles are adhered to, to ensure lasting success.

1 Voluntary and Open Membership

2 Democratic Member Control

3 Member Economic Participation

4 Education, Training and Information

5 Autonomy and Independence

6 Co-operation Among Co-operatives

7 Concern for Community

V. Project Description

The development plan for the 9000ft² Muskoka North Good Food Co-op is divided into four main market segments. These segments connect on many different levels in terms of products, services, programming and educational outputs. In the heart of the development is the Co-op's mandate to create unyielding accessibility. Whether in terms of food, community engagement, education, employment creation, small-business development and incubation, health and wellness or community networking, all aspects will fundamentally benefit the member-owners and the greater community. The interior and exterior design will be physically accessible and built with sustainability, health, and well-being as a central point of commitment for developers. It will be a beautiful community space to visit, and will be designed as a destination spot, accessible by the Highway 11 corridor, public transit, and bicycle.

Find project Executive Summary on Pg.4 of this link: [MNGFC Business Plan](#)



Fitness/Wellness Room

Added value to a healthy life, Ontario's first co-operatively-owned and inclusively accessible fitness studio, contracted local fitness facilitators, full day inclusive programming, 'accessible' program design.



Commercial Kitchen

Local agri-foods value-added production space, small business development/incubation, food-based educational workshops, programming, and food demonstrations, café and grocery production.



Grocery Retail Market

5000 ft²

Full-service Grocery Market, procurement priorities, produce, meat, dairy, value-added, bulk food.



Café

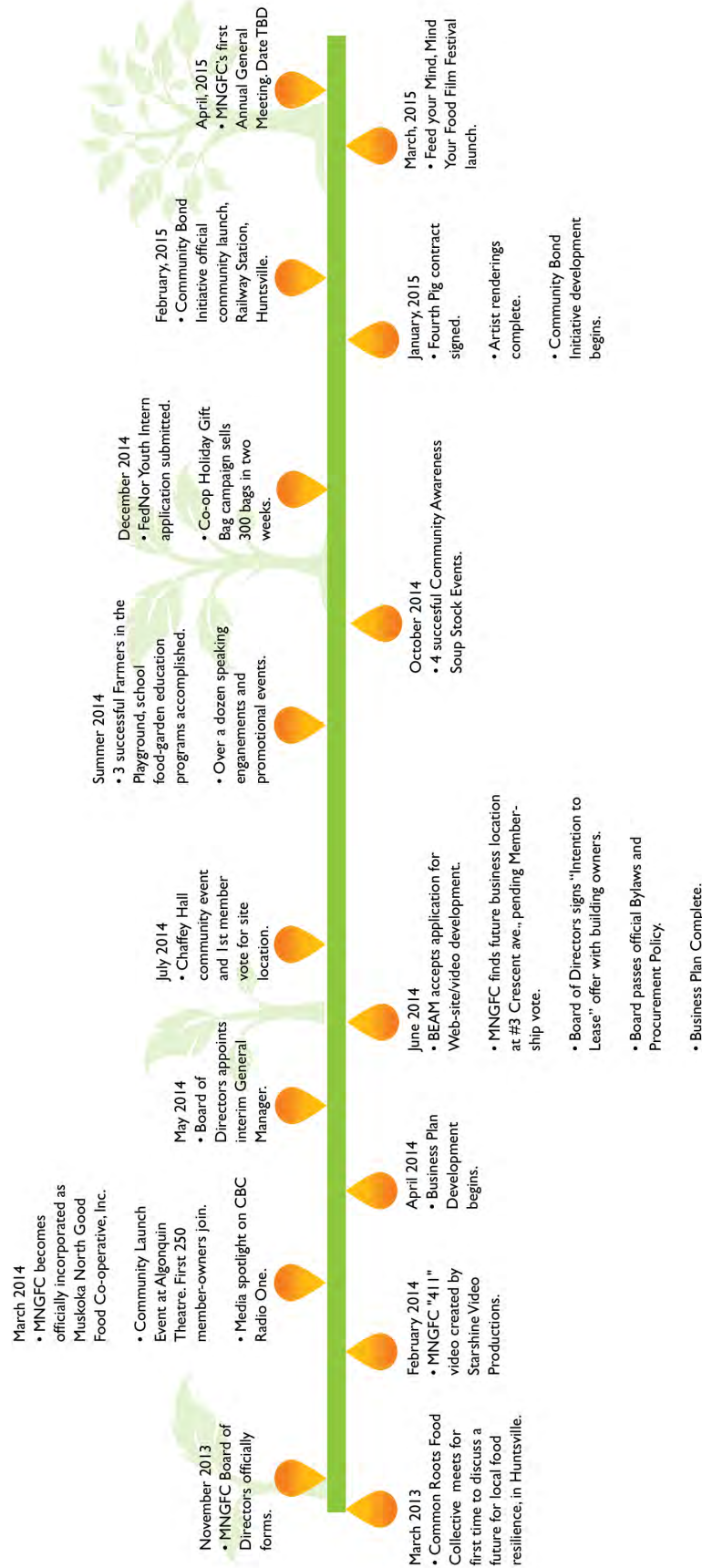
Arts and Cultural Hub, local food meets the plate, tastings, community gathering space, meeting space, catering and events, Pay as you Wish items.



MARKET SEGMENTS

VI. Organizational Timeline/ Year One Success

Organizational Timeline/ Year One Successes



VII. Community Bond Term Sheet

The Community Bond- An Innovation in Social Finance*

A Community Bond is an interest-bearing, unsecured loan that must be re-paid to investors. It is not a donation.

A Community Bond is evidenced by a loan certificate similar to a promissory note. They are a form of unsecured member loan made to co-operative corporations, and are by the *Co-operative Corporations Act* which is administered by the Financial Services Commission of Ontario.

The Co-op is not a registered charity, and there is no charitable tax credit associated with Community Bonds or membership fees.

The Community Bond is an obligation of the Co-operative Corporation, and is not personally guaranteed by any of the organizers, directors, or advisors of the Co-op. The Community Bond is not secured against any of the assets, real property, or leasehold assets of the Co-op.

No membership capital is subject to claim by way of repayment of the Community Bonds.

The Co-op will maintain a register of all debt obligations once issued and outstanding.

The purpose of this information package is to gauge investor interest in a proposed Community Bond issuance. If investor commitments exceed the exemption limits set out in the *Co-operative Corporations Act*, the Co-op will prepare an Offering Statement which must be certified by the Financial Services Commission of Ontario prior to receiving funds in excess of the exemption limit.

The proposed Community Bond investment is not RSP or TFSA eligible.

The community loans, along with other financing sources, will be used as start-up capital, leveraging the Co-op's ability to access substantial public grant funds, as well as, minimize any need to incur "outside" debt.

Member-owners are encouraged to support the development of the Co-op through Community Bond Investment, which will promote the goals and growth of Muskoka North Good Food Co-operative.

Amount

Muskoka North Good Food Co-operative Inc. aims to leverage \$600,000 in unsecured Community Bonds, in denominations of \$1,000.

The terms and interest rates for the bond offerings reflect project timelines, debt tolerance, and advisor and community input. The interest rates vary depending on the length of term.

Terms

Loans will mature in Terms of 3, 5 or 10 years, beginning 6 months from the date that the bonds are actualized. The investors will determine which Community Bond Term they wish to invest in, depending on the following quota constraints. The purpose of these quotas are to avoid uneven cash requirement for loan repayment.

Maturity Date/Year of Store Operation	Interest Rate	Approximate max. total loan amounts/quota
Year 3 (2018)	3 % p.a.	\$150,000
Year 5 (2020)	4 % p.a.	\$200,000
Year 10 (2025)	6 % p.a.	\$250,000 (\$150,000 remaining)

Note: Co-op operation is expected to start in late 2015.

Terms and quotas will be subscribed on a first-come, first-served basis. 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 has not been exceeded.

Interest Rates

Interest, or return on investment, depends on the term of the Community Bond. Interest is simple (not compounded) and is calculated and paid at loan maturity. Interest will be calculated starting six months after which the bonds are actualized, and will terminate at the date of each particular loan's maturity.

The maximum interest rates applicable to Community Bonds are prescribed by the regulations of the *Co-operative Corporations Act*, and are restricted to a maximum of two percent (2%) per annum above the prime rate of the Co-operatives bank, Kawartha Credit Union. The interest rates on this term sheet are based upon the prime rate of the Kawartha Credit Union at the date of publication, being 4.0% per annum.

These interest rates reflect modest returns. MNGFC Board and advisors hope that along with the financial investment incentive, the investor's will value the great social benefits associated with their investments.

Competitive Conditions

Huntsville's retail food industry is highly competitive with four major, diversified corporations competing for the consumer dollar. These corporations do have the leverage to procure products very inexpensively through economy of scale. Through intense competitive analysis, while developing MNGFC's Business Plan, it was determined that MNGFC stands solidly on its own when comparing grocery food and non-food products and services, educational outputs, values, organizational structure, wages, employee opportunities, community support mechanisms, small business support and incubation, inclusive cafe space, and customer service. Organizers are confident that MNGFC will be a venue within which all member-owners will be served with the highest quality outputs, in a meaningful and inclusive manner. **Please refer to MNGFC's Business Plan for an in depth perspective of the competitive analysis.**

Suitability Standards

MNGFC Community Bonds may only be issued to Muskoka North Good Food Co-operative Member-owners.

Community Bond Distribution Plan

Once Community Bond commitments are ready to be actualized, MNGFC Community Bonds will be issued through the Co-op's Financial Representatives and all communications, questions, clarifications and/or interpretations regarding the Community Bonds will be directed to that/those representative(s). Representatives may also provide additional financial information upon request.

Contact with an MNGFC Member Community Bond Representative may be made directly or through the Co-op at communitybonds@muskokanorthfood.com.

No person other than the persons listed here, will be authorized to represent this Community Bond Initiative.

Community Bond Member Representatives:

Tim Doyle- treasurer@muskokanorthfood.com

Kelly Picken- chair@muskokanorthfood.com

Kelli Ebbs- generalmanager@muskokanorthfood.com

Risks

There is no established market through which these securities may be sold.

The information in any projections or pro-forma statements contained in this offering statement may vary materially from actual results.

Unsecured investment does involve a significant degree of risk. While MNGFC has outlined all known risk factors to date, 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 MNGFC. The Board and advisors have practiced due diligence while developing the Co-op financial prospectus, hiring top-rate co-operative development consultants, utilizing Canadian and American food co-operative benchmarks, and applying the lowest benchmarks and worst-case scenarios in our own projections. MNGFC's diligence in creating a safe approach to its development shows profitability by Year 2. The Board and advisors feel confident that the Co-op will thrive financially and will reflect positive community development and impact.

***All information on Community Bonds has been gathered through MNGFC networks, numerous consultations, and Community Bonds Information published by The Centre For Social Innovation.**

“Community Bonds Democratize Finance.”
- Centre Social Innovation

VIII. Important Legal and Procedural Loans Information

This offering memorandum has been prepared on a confidential basis solely for the benefit of selected persons who are members of Muskoka North Good Food Co-operative. This memorandum may not be reproduced except with the consent of the Co-op.

This Community Bond Initiative does involve a significant degree of risk. The Community Bonds are suitable for investors who understand the nature of the risks involved and who can afford to assume such risk and to sustain a loss of their loan.

It should also be known that:

There is no established market through which these securities may be sold and that the information in any projections or pro-forma statements contained in this offering statement may vary materially from actual results.

“THIS INVESTOR INFORMATION PACKAGE IS NOT INTENDED TO, AND DOES NOT CONSTITUTE AN OFFERING STATEMENT WITHIN THE MEANING OF THE *CO-OPERATIVE CORPORATIONS ACT*. SHOULD THE SCOPE OF INVESTOR INTEREST EXCEED THE EXEMPTION LIMITS SUCH THAT A FORMAL OFFERING STATEMENT IS REQUIRED, A FORMAL OFFERING STATEMENT WILL BE PREPARED AND CERTIFIED WITH THE FINANCIAL SERVICES COMMISSION OF ONTARIO PRIOR TO THE CO-OPERATIVE'S ACCEPTANCE OF FUNDS EXCEEDING THE EXEMPTION LIMITS. ANY INVESTMENT COMMITMENTS IN EXCESS OF THE EXEMPTION LIMITS SHALL BE CONDITIONAL UPON AN OFFERING STATEMENT BEING PREPARED AND CERTIFIED BY THE FINANCIAL SERVICES COMMISSION AND THE INVESTOR HAVING FULL OPPORTUNITY TO REVIEW SUCH OFFERING STATEMENT TO HIS OR HER SATISFACTION.”

Material Legal Proceedings

The co-operative is not party to any legal proceedings.

Material Contracts

- Conditional Project Management Contract between the Co-operative and Fourth Pig Workers Co-op Inc. dated January 12th, 2015 for Project Management services.
- Architectural Design Agreement between the Co-operative and Stone's Throw Design Inc. to be signed February 2015.
- Engineering Agreement between the Co-operative and Granite Engineering Services to be signed February 2015.

Material Interests of Directors, Officers, and Employees of the Co-operative

Each of the directors of the Co-operative is a member of the Co-operative. Each of the directors has committed to making Membership Loans in the minimum amount of \$1000.00, and the amount of \$10,000 in the aggregate. Each director, officer, or employee will be encouraged to subscribe for the securities offered hereby. No director, officer, or employee has a material interest in the business or operations of the Co-operative other than as disclosed herein.

Dividends, Patronage Returns, or other Distributions

Muskoka North Good Food Co-operative inc. is a corporation without share capital. Therefore, the Co-operative has not declared or paid any dividend, patronage returns, or other distributions to its members since its incorporation.

IX. Financial Information

Revenues

There can be no assurance that the financial projections contained in this document will be realized. However, many hours of feasibility analysis were examined during the construction of the MNGFC Business Plan. A third party leading co-operative developer was contracted to assist in developing the Grocery Market model assumptions. Current Canadian and American baseline data¹ was utilized to reach MNGFC's pro-forma conclusions. Many co-operatives that were consulted in this research also utilized these baselines and concur that their outcomes are meeting or exceeding projections in both, the short and long-terms.

In MNGFC's financial projections (Appendix A), lower-end benchmarks were used, and worst-case scenarios applied, so that the assumptions tend to be conservative regarding projected costs and revenues. Once low benchmarks and worst-case scenarios were applied, the MNGFC Board and advisors levelled the annual sales growth rate to a break-even point, between 10% - 20% lower than national benchmark sales growth.

Diligent MNGFC research has shown that this project will generate reliable, positive cash flow by the end of Year 2 operations.

Expenses

Occupancy cost calculations were based on a lease rate that is approximately 40% higher than the conditional lease agreement. In addition, leasehold improvements were projected at a higher benchmark (per ft²) with no time and material donations included. Since MNGFC is member-owned, feedback from member-owners has been forthcoming with dozens of offers to volunteer specific trades, talents, time and input. Board and advisors expect that the cost of leasehold improvements will be drastically reduced compared to original assumptions on the cost projections. Firm figures will be available once MNGFC's architectural drawings are complete and trades contractors can offer accurate quotes on improvements.

This financial model is based on the following assumptions:

- Muskoka North Good Food Co-op's organizational by-laws were developed and the organization became a formal legal entity in March 2014, after the Board of Directors was formed;
- A successful community launch and membership sales began in March 2014;
- Kelli Ebbs, volunteer interim General Manager, was appointed in May 2014;
- Solicitation of MNGFC's Community Bond Initiative began in February 2015, approximately 11 months after the official community launch;
- All Community Bonds will be issued as "commitments" until needed public funding is secured;
- All Community Bonds will be sold to committed investors as soon as public funding is secured and the project is ready to move forward;
- All Community Bond Terms will begin six months after bonds are actualized and depending on Bond Term, payouts will begin exactly 3 years from that date to a maximum of 10 years.

Estimated Start-up Costs

Architectural and engineering services, project site-management, leasehold improvements (apart from landlord's commitment), furniture, fixtures and equipment (FF & E) for grocery retail, storage, office and café, and the Co-op's initial inventory costs, have all been based on current co-operative development benchmarks at 9000ft².

Stamped architectural and engineered drawings are the first major step in the process to MNGFC's start-up. A major number of leasehold improvements are required to develop this space, which includes (but is not limited to): plumbing, electrical, gas fitting, exterior landscaping, lighting, flooring, construction and signage. These costs assume that all equipment has been purchased and not leased.

Financing

This model assumes that a minimum of \$600,000 in Community Bonds will be purchased by Co-op member-owners, equating to approximately 45% of the project's total financing.

As of February 1st, 2015, the Co-op has secured:

- ✓ \$33,000 - Membership Equity
- ✓ \$5,000 - Muskoka Futures - Business Plan development
- ✓ \$5,000 - Muskoka Community Network - Website Development
- ✓ \$1,000 - Town of Huntsville - Community Events Grant
- ✓ \$1,500 - Ontario Trillium Foundation - Co-operative Development and Board Governance Training
- ✓ \$110,000 - MNGFC Community Bond Commitments

Future pending and potential applications are as follows:

- \$25,000 - Co-operative Council of Canada (pending)
- \$39,000 - FedNor - Youth Intern (pending)
- \$500,000 - FedNor Major Contributions
- \$150,000 - Ontario Trillium Foundation
- \$50,000 - Agricultural Adaptation Council
- \$45,000 - Ontario Food Fund
- \$15,000 - Added Member Equity (assuming 800 member goal)

Estimated Operating Costs

MNGFC's dominant operating costs are for Cost of Goods Sold (COGS). A first year "learning curve" is to be expected; however, it is reasonable to anticipate the Co-op achieving somewhat better COGS than applied to these financial forecasts.

The second largest operating expense is personnel, at 19% in first year of operation. Efficiency of operation can yield major economic savings, and a wisely structured and managed "volunteer model" will assist in offsetting personnel costs. This potential variable is not included in the financial model due to the unknown participation of community volunteers. At the beginning, personnel costs are high in relation to sales; however, once sales volumes increase, personnel/sales ratios will become more realistic and highly profitable. Staffing numbers increase slightly as MNGFC reaches its target sales.

Interest expenses and loan repayment are based on Community Bond interest rates of 3% - 6%.

Community Bond Terms retire in 3 (3%), 5 (4%) or 10 (6%) years.

Leasehold improvements are depreciated over 10 years while FF & E are depreciated over 7 years.

Revenue Projections

Revenue from sales is projected at \$2,688,000 in year one of operation, increasing to \$3,282,000 by year five. Organizers expect steady annual sales growth rate to be between 5% - 15% between years one and five.

¹ Cooperative Development Services (CDS) was instrumental in providing current benchmarks from which to create MNGFC pro-forma financial statements.

X. Common Questions

Right now, all the Co-op needs are Bond “Commitments”. What does that mean and when will the Community Bond capital be actualized and needed?

A firm Bond Commitment is a signed form that all investors will submit, to confirm their investment amounts and terms. Once all of the Community Bond quotas are committed to, there will be no more offered. These Bond Commitments will be utilized as documented proof to public funders (such as FedNor, Ontario Food Fund, Agricultural Adaptation Council, and Ontario Trillium Foundation) that MNGFC has not only leveraged community support to back this project, but also to used as MNGFC's portion of organizational contributions for all of the grant proposals. The Board and advisors aim to have responses from potential granters by May or June 2015, at the latest. Once organizers have firm approvals from these public granters, MNGFC Community Bonds Representatives will contact each investor to actualize these Community Bond commitments. **Note: All Community Bond Commitment holders will be kept up to date on funding progress at, a minimum, monthly, or as great news starts rolling in.**

What will the Community Bond investments be used for?

The minimum \$600,000 that the Co-op needs to raise will be directed towards costs which grant contributions will not cover, for example: rolling stock (inventory), portions of the Co-op's "contribution" shares to public grants, some fees, insurance and permits, some first year wages, retail and café capital items like bulk food dispensers, refrigeration and freezers, stoves and contingency.

Should minimum fundraising target not be reached and results in the project not moving forward, what will be done with my investment?

With the exception of the approximate \$100,000 needed immediately to move forward on architectural, engineering and some site-management services, all other funds will remain as "loan commitments" until remaining funding is secured. Once secured, the Co-op will have acquired all needed funds to move the project forward. No funds, aside from the initial \$100,000, will be actualized until the Co-op is confident that all necessary funding has been obtained. In the case of the initial \$100,000, like all loans, the Co-op is committed to repaying these investments in compliance to the Terms and Rates by which they are loaned.

When will the Co-op know that it has secured the public grant funding?

The Co-op will be able to act on securing public grant funding as soon as it has secured Community Bond commitments from its member-owners. Granters have been very clear with the Co-op that they are more than willing to consider supporting this development in the Muskoka Region IF the region's citizens are willing to back this development as well. Essentially, if we don't invest in our community, then how can we expect others to?

Have the Board of Directors and advisors of the Co-op invested in this project?

YES. Collectively, organizers have invested over 10,000 volunteer hours into the Co-op's development, to date. Costs for almost all of the initiatives, events and projects that MNGFC has engaged in thus far, have come out of the pockets of organizers AND all Board Members have issued personal Community Bond Commitments.

When does the Co-op plan to open its doors?

This is very difficult to say as it depends on the public grant applications working in the Co-op's favour. Organizers do; however, feel very confident that support by public funders is strong for Ontario Co-operative Development in general, in Ontario and for Muskoka North Good Food Co-op, specifically. Organizers project, if all Community Bond commitments can be solidified by March 30th, 2015, that doors could be open by fall of 2015.

Is it possible that the Co-op could default on loan payback commitments?

Anything is possible and transparency on all co-op matters is imperative. Co-op Board and advisors have spent much time in discussions, and working on financial spreadsheet projections, probabilities and risks. It has been confidently determined that a Community Bond Initiative would be the most viable, democratic, and simplest form of leveraging the community investment needed to make the project move forward.

What makes this kind of investment different from other, more mainstream investments?

Any investment has its own element of risk; however, community investment such as this is different. For one, the entire investment is staying within the community and is being used for the development of a project which its investors will directly use. When a community invests in an idea or project, it is doing so because a certain need has been identified. That need will be fulfilled with the investment dollars and then ultimately, it is the investors who need to ensure that the revenues are being generated. No one will invest in a project such as this, and then not use the service. So, if members invest, they will ensure that the products and services are optimal and well utilized, which will increase financial revenue generation. This will ensure that the Co-op will be able to repay its debt, continue to help expand local agri-food development, ensure positive business and employment growth, AND at all times, provide the community with the healthiest, safest and most delicious food, at affordable prices.

Summary

	Grocery Market	Cafe	Comm Kitchen	Wellness	Total
Revenue by segment					
Year 1	2,150,000	446,400	36,500	55,600	2,688,500
Year 2	2,257,500	468,700	38,300	61,300	2,825,800
Year 3	2,370,400	492,200	40,200	67,600	2,970,400
Year 4	2,488,900	516,800	42,300	74,500	3,122,500
Year 5	2,613,300	542,600	44,400	82,100	3,282,400
Total	<u>11,880,100</u>	<u>2,466,700</u>	<u>201,700</u>	<u>341,100</u>	<u>14,889,600</u>

Net Cash Flow by Segment - before interest

Year 1	-5,200	77,500	14,200	23,500	110,000
Year 2	0	81,900	15,400	26,300	123,600
Year 3	5,400	86,500	16,600	29,600	138,100
Year 4	11,100	91,300	18,000	35,100	155,500
Year 5	17,200	96,400	19,300	41,200	174,100
Total	<u>28,500</u>	<u>433,600</u>	<u>83,500</u>	<u>155,700</u>	<u>701,300</u>

Net Cash Flow by Segment - after interest

Year 1	-25,700	75,200	11,900	21,100	82,500
Year 2	-20,500	79,600	13,100	23,900	96,100
Year 3	-15,100	84,200	14,300	27,200	110,600
Year 4	-9,400	89,000	15,700	32,700	128,000
Year 5	-3,300	94,100	17,000	38,800	146,600
Total	<u>-74,000</u>	<u>422,100</u>	<u>72,000</u>	<u>143,700</u>	<u>563,800</u>

27,500	6,700	750	750	800	9,000
	20,500	2,300	2,300	2,400	27,500

Community Bond Initiative
Member-Owner Pledge Sheet
Muskoka North Good Food Co-operative, Inc.

Pledge date: _____, 2015.

Lender name(s): _____

Muskoka North Good Food Co-operative, Inc. Membership #: _____

Address of Lender's Principal Residence:

Street: _____ P.O.Box#: _____

City/Town: _____ Postal Code: _____

Home tel. #: _____ Cell #: _____

E-mail: _____

Total Community Bond Loan Amount: \$ _____

Total # Community Bonds (denominations of \$1000.00 -one thousand dollars): _____

Loan Term and Interest Rate (circle) : **3 yrs. (3%)** **5 yrs. (4%)** **10 yrs. (6%)**

Immediate Loan or Pledge?

Due to MNGFC's initial need of approx. **\$100,000** to move forward with architectural work, organizers require a portion of loans to be directed towards this, as soon as possible.

I am willing to allocate this *entire* loan for immediate architectural work. YES _____ NO _____

I am willing to allocate a *portion* of this loan for the immediate architectural work. YES _____

If YES, what amount are you willing to loan immediately? \$ _____

Additional amount you would like held as a pledge, until all funding is secured? \$ _____

This *Muskoka North Good Food Co-operative, Inc.* **Community Bond Pledge** verifies that I (we),

will purchase (#) _____ Community Bonds in \$1000.00 (one thousand dollar)

denominations, totalling \$ _____ (_____ Thousand Dollars).

Community Bond Initiative
Member-Owner Pledge Sheet
Muskoka North Good Food Co-operative, Inc.

The Lender's obligation to complete this loan is conditional upon: a) Muskoka North Good Food Co-operative Inc. (the "Co-op") securing funds sufficient to move forward with the initiative, which amount shall be determined by the Co-op in the Co-op's sole discretion; b) if required by the *Co-Operative Corporations Act*, the Co-op preparing and issuing an Offering Statement for the Community Bond Initiative certified by the Financial Services Commission of Ontario; c) the Lender being given full opportunity to review and inspect such Offering Statement to the Lender's satisfaction; d) review and inspection of any other financial information, business plan, or disclosure from the Co-Op that the Lender may reasonably require, and the Lender having full opportunity to review such information to the Lender's satisfaction.

Unless the above-mentioned conditions are fulfilled and the parties enter into a Loan Agreement and funds are advanced within one (1) year of the Pledge Date, and unless otherwise extended in writing by the Lender and the Co-op, the herein pledge shall expire and be of no further force and effect.

The above is understood and agreed to by:

LENDER

**MUSKOKA NORTH GOOD FOOD
CO-OPERATIVE, INC.**

Signature

Signature

_____, 2015
Name Date

_____, 2015
Name Date

Second Signature (if two lenders)

Second Signature (applicable)

_____, 2015
Second Name Date

_____, 2015
Second Name Date

Please mail this signed Pledge Sheet to:
Attn: Muskoka North Good Food Co-operative, Inc.
PO Box 5271
Huntsville, Ontario
P1H 2K6