

## ***MNFC's***

# ***Member-Owner Loan Campaign, 2016!***

## **Frequently Asked Questions**

### **FAQ's**

**Q.** Why does the Co-op need member loans?

**A.** Member-owner loans provide co-op owners with a good, local investment they can visit every day, and provide co-ops with cost-effective financing. Co-ops across the country use member loan campaigns as part of their overall financial strategy for funding new stores or expansions. We don't have a corporate parent to provide expansion funding like some of our competitors!

**Q.** Is the Co-op financially successful?

**A.** Yes, the co-op has a long history of financial success. Co-ops across the country use capital campaigns as part of their overall financial strategy for funding new stores or expansions. Capital campaigns provide co-op owners with a good, local investment they can visit every day and provide co-ops with cost-effective financing. We don't have a corporate parent to provide expansion funding like some of our competitors!

I'm happy to send you our investment packet that has financial information in it, and if you have more questions about our finances I can connect you with people in the co-op who are more knowledgeable than I am!

**Q.** Can I make a loan now and still make another one later?

**A.** Yes, but we encourage you to loan as much as you're comfortable committing now.

**Q.** What if I don't have cash immediately available?

**A.** Some owners 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. If you have money you'd like to loan that won't be available until after a specific date, let us know about that and we'll see if we can work out a plan with you.

**Q.** Isn't my membership enough? Why is an owner loan needed now?

**A.** The co-op needs funds to build the much-needed addition to our store. Member-owner investment programs are a long-standing method used by co-ops to raise money and community support for their stores. Member-owner investment demonstrates the commitment of loyal customers, convinces banks to loan additional money, and reduces debt service, making the business stronger.

Making a loan does not affect your membership status, whether or not you make a loan.

**Q.** Has this offering been reviewed by legal counsel?

**A.** An attorney highly experienced in co-op owner investment law has reviewed all of the legal documents, and we believe that they are appropriate.

**Q.** What is the likelihood that loans will be repaid?

**A.** Our business development consultant has experience with hundreds of co-ops across the country. Like all unsecured loans, there is a risk with this, but the Co-op has a strong history and has paid back all previous loans fully and on time. Although there is risk, as with all unsecured loans, the last time MNFC asked members to invest, back in 2003, all loans were paid back, with interest, within 7 years.

**Q.** What is the term, or payout, of the member-owner loans?

**A.** To be sure the Co-op is able to repay owner loans, the loans are

scheduled to come due over 8 years, with member-owner investors selecting between 4 and 8 years. Loans will be distributed among the five different terms, on a first-come, first-served basis.

**Q.** What interest rate will MNFC pay on its member-owner loans?

**A.** The Co-op offers four options from which each member-owner selects the interest rate on his/her loan: 0%, 1%, 2%, and 3%.

**Q.** Are you using sustainable and green building practices?

**A.** Yes, as much as our budget and available technology will allow. Our commitment is to build the additions to our store without increasing our current carbon footprint. It will be tough, but our architects and we are working hard to make it happen.

**Q.** When will MNFC's be store expansion be complete?

**A.** We hope to open as early as October 2017

**Q.** When will construction begin? Will the Co-op remain open for business during construction of the additions?

**A.** Yes, it will remain open. The current schedule has us breaking ground this coming spring, March 2017. We will maintain operations as much as we possibly can. It is possible that we will have to close for 1-3 days over the construction to allow major renovations to occur safely.

**Q.** If I move or just decide to quit the Co-op, do I get my money back?

**A.** A member's voting share is returned to the Co-op when ownership 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. Your loan, however, will not be repaid until its due date.

**Q.** Can the Co-op continue to be financially successful after the expansion?

**A.** We have done extensive financial planning and believe our co-op can be more competitive, more successful and do more for our members and community after our expansion.

**Q.** If I make a loan and for some reason the Co-op cannot pay its debts, do I get my money back?

**A.** If the Co-op ever goes out of business its assets will be liquidated and funds will be used in the following order: liabilities to banks or other institutional lenders will be paid first and the remaining cash will be distributed to member-owners. We researched existing co-ops and built pro forma financial statements to confirm for ourselves and for potential investors that an expanded store can be successful. We have a high degree of confidence in the future of the Co-op, and yet the investment has risk.

**Q.** What will the co-op do with my money until you go ahead with the project?

**A.** We are holding it in a separate account from our operational (day-to-day) funds.

**Q.** Do you really think we will be able to raise \$1 million?

**A.** Yes. For years co-ops around the country have been raising money from their member-owners in order to expand stores. Increasingly, in recent years, co-ops nationally raise \$1 million in member loans. In fact, a smaller co-op that ours near Buffalo, NY, recently raised over \$2 million in member loans! We think our owners will be motivated to invest to be rewarded with a better co-op.

**Q.** What happens if we don't raise enough?

**A.** If we don't raise enough money we may not be able to expand our store. But we're confident we'll reach the goal if you will help!

**Q.** I want to do something, but I don't have the minimum investment amount!

**A.** Unfortunately, we have very little time to secure the financing and move forward, and if we lowered the minimum, it would take us much longer to raise the money.

There are, however, a number of other ways for you to participate:

- You already participate by being a member and paying for your ownership share. If you have not paid your share in full, it is very helpful if you finish that during our capital campaign.
- Telling everyone you know that we need help to get our expanded store financed would be a big help! Have them call or email the co-op for more information or, if you'd like to give me their name and phone number, I'll call them myself.
- Shopping at the co-op helps. A lot! Doing more of your shopping at the co-op will help us with our expansion financing.

**Q.** Can't I donate?

**A.** No, unfortunately we do not have a way to accept charitable donations. Hmm ... Last time we expanded, we did accept some donation amounts, but we are not a 501C3 non-profit, so this is no tax benefit for the donor.

**Q.** Do I have to take a packet; I don't want all that paper!

**A.** Yes, we are legally required to give you the detailed information and risks involved in making a loan.

**Q.** What happens to my investment if I die?

**A.** Your investment is part of your estate and is treated like the rest of your assets. Consult with your financial advisors about it.

**Q.** What happens if I need the money back early?

**A.** You should not expect to get the money back early. You can contact the board should you have an extreme circumstance, but loan redemption is always at board discretion.