

**River Valley Market**  
**5th Annual**  
**Member-Owners Meeting**

**Thursday, November 20, 2003**  
**6:30 - 9:00 p.m.**  
**Florence Civic Center**

**A G E N D A**

6:30 - 7:30 .....Potluck & Social Hour  
7:30 - 7:35 .....Welcome, Agenda Review,  
and Call for Ballots  
7:35 - 7:40 .....Approve Minutes  
7:40 - 8:15 .....President's Report, Treasurer's  
Report, General Manager's Report  
8:15 - 8:55 .....Open Forum Q & A  
8:55 - 9:00 .....Announce Board Election Results  
9:00 .....Adjourn Meeting

**2003 ANNUAL REPORT**  
TO THE MEMBER-OWNERS



**FACT:** *As each goose flaps its wings, it creates an "uplift" for the birds that follow. By flying in a "V" formation, the whole flock adds 71% greater flying range than if each bird flew alone.*

**LESSON:** *People who share a common direction and sense of community can get where they are going quicker and easier because they are traveling on the thrust of one another.*

From *Lessons from Geese* by Milton Olson



## President's Report

Amy Martyn

The co-op's mailing about the annual meeting and Board elections is just reaching your homes as I write this report, which means that member responses to the

mailing are just bouncing back to Board members and Rochelle. The first two responses I got were interesting.

First I ran into a neighbor who said, more or less, "Great to hear about the co-op. Everyone's still working on it? I'm so happy you all are still committed." The second response was an e-mail that went more like, "I am frustrated that the co-op is not yet open and I question the Board's decisions."

These two responses resonated within me throughout the workday and the RVM Board meeting that followed that evening. Both are familiar, because I've experienced both of those reactions myself. When a planned project doesn't go as we wish, it is natural to be discouraged or frustrated and to question the path we've chosen to reach our destination. It is reasonable and responsible to review our tools and maps to see whether we really have what we need to forge forward, and to see if there's a better way to go.

At our Board meeting that night, as at all of our Board meetings since we encountered the roadblock of the deed restriction on the site at the Pot Pourri Mall, we did just that. What else can we be doing? Who else should we be contacting? Should we engage some other of our array of identified strategies? What do we need to communicate to our members, and when?

By the end of the meeting, I was more in tune with the first response to the annual meeting mailing: faith, trust and gratitude in our mission and the group of people who are grappling with the hard realities of real estate, financing, and keeping 1,575

members on the journey with us. I also appreciate that a healthy aspect of a community-wide group of owners working together includes questions and differing opinions. This helps us to make the best decisions we can at each step of the process and provides opportunities for improved communication among our many member-owners.

Elsewhere in this report you'll read about how very much we did accomplish this year. Huge amounts of work occurred that Rochelle will detail in her report. Ed will review for you the financial activity of the year and the financial position we now find ourselves in.

What remains for me to do is to speak to the "ends" that we hold as our vision. "Ends" is policy  
(Continued on page 6)

### Dear Friends,

*River Valley Market began with a vision and a dream and we still have both. Yes, there have been setbacks along the way, yes we have been frustrated by the pace of the progress, but every single day Co-op Board members and other volunteers continue to work on the goal of opening a member-owned co-op — a place that will enrich our lives and strengthen our community.*

*Do not think work on The River Valley Co-op is stalled — the work being done daily to make our vision a reality is not highly visible but it is moving us forward, step by step. I am excited by the dream we share, inspired by the work of the Board and other volunteers, committed to seeing this co-op up and running, and energized by the values upon which this dream is built. Stay with us, remain involved, help us carry the vision and maintain momentum.*

*With gratitude,*

Andrea Ayvazian, Advisory Board  
River Valley Market

## Treasurer's Report For Fiscal Year 2002-2003

Ed Maltby



The year ending June 30<sup>th</sup>, 2003 has been a roller coaster experience in the development of the market. We are into our fifth year of operations as a new cooperative to open and operate a natural foods grocery in Northampton. The start of the fiscal year saw an

increase in activity as we invested in architectural plans, negotiated a letter of intent, developed financing and fundraising proposals, prepared store layout and design for the market, prepared staff training plans, and undertook a massive amount of work to write a successful \$400,000+ green buildings grant.

In the latter part of the fiscal year we put our development on hold as we investigated the deed restriction that Stop & Shop holds on the Pot Pourri Mall. We are currently in a holding position with enough cash in hand to finance at least six months of activity at our current level.

We contracted with Joe Wolkowicz, CPA, of Boisselle, Morton & Associates, LLP, to complete a review of our accounts for the year ending June 30<sup>th</sup>, 2003. The reviewed financial statements, which include expenses since inception, are included in this report (see pages 12-15). Our thanks to Green Fields Market for doing our monthly bookkeeping so efficiently.

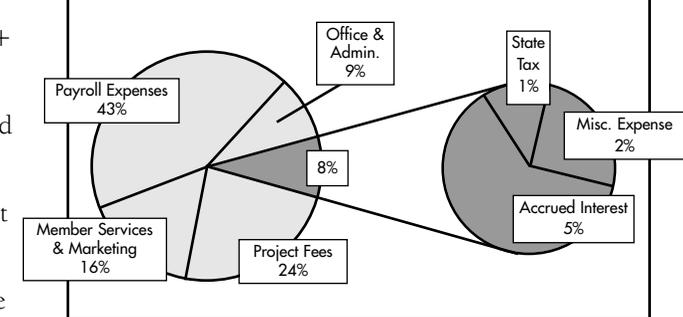
Cash income for 2003 was \$33,469, which included a pre-construction grant of \$25,000 from MassDevelopment, which helped reimburse us for site development expenses incurred the prior year on the Hill and Dale location. We spent a total \$131,703 on our operations, 43% on payroll, 24% on project fees, 16% on member services and marketing of membership, 9% on

office and administrative expenses, 5% on accrued interest, less than 1% on state income tax and about 2% on miscellaneous costs.

On learning of the Stop & Shop restriction, the Board took preventive steps to minimize our expenses, by laying off Rochelle, our General Manager, and stopping any work by architects and other consultants. We have remained in that operating mode and have cut our monthly operating expenses dramatically and have reduced our cash outlays to an average of \$3,000/month, (including payments from prior periods' activities that have come due). Our largest expense has been lawyer's fees as we investigate our options and protect our investments.

The member loans of \$196,500 are in a separate escrow account at the Easthampton Savings

### 2003 Fiscal Year Operating Expenses



Bank and are accruing a modest amount of interest. Approximately half our member-loans are interest-free and the average interest rate is approximately 3% with an average 5-year term. All but one of these member-lenders has agreed to forgo any interest payments until after the store is open. These loans are in a restricted reserve fund and will not be used until a lease is signed per our agreement with the lenders.

Membership increased at a very steady rate after our huge growth in 2001 from our Phase I Member Drive. We launched Phase II of our

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## Manager's Report

Rochelle Prunty



Few new food co-ops have opened in the past ten years because few communities can sustain their commitment through the time-frame that the process entails. If it were easy, there would be new independent

food co-ops everywhere, but it isn't.

We sustained our momentum despite the collapse of our developer's real estate deal with the Hill and Dale location in 2002. With membership support we were able to proceed to secure a new site in the same area in the fall of 2002. Just as we were closing in on finalizing the construction plans in preparation for working with the landlord on the bidding process, new information that Stop & Shop restricted the deed on a portion of that site preventing grocery and department store product sales there from 1960 through 2010 came to light.

This setback has delayed our progress over the past seven months. We've stopped all other work to focus concurrently on working to resolve the issue with Stop & Shop and to explore alternative options. To date we have not been successful in reaching agreement with Stop & Shop to release their restriction. We are exploring alternatives, although progress on those other developments are too preliminary to discuss any of the specifics.

This truly is a roller coaster process with many ups and downs and unexpected twists and turns along the way. Through it all, the strength of membership support (in spite of the frustration we share) is what has moved our progress forward through each step. The challenges we face will require additional time, commitment, and money.

I continue to be inspired by how well community members have worked together on this project. The co-op began with an idea, that turned into a conversation, which expanded into

community-wide vision, which resulted in grass roots organizing of friends and neighbors joining together to start this new business. We are now 1,575 co-op member-owners starting a new business which we all own together. We are a powerful force for building a significant new community-oriented institution that will serve thousands of members for years to come. You've inspired me to share the dedication you've demonstrated. With continued membership and Board support I am willing to keep volunteering on this project until we get the traction needed for funding to go full speed ahead again.

I want to briefly outline the key activities undertaken over the July 2002 - June 2003 fiscal year for this annual report.

### Preferred Site Selected

The Board of Directors Site Search Committee chaired by Ed Maltby was established to provide support and guidance to me in the site search process as well as to assist in communications with the full Board and membership about real estate issues and our progress. The Site Search Committee, including Amy Martyn, Don Michak, and Kathryn Tracy assisted with the review of numerous sites in the area.

In June 2002 we announced that our developer had walked away from the deal with the owner of the Hill and Dale site. A member survey was launched in July 2002, to gather feedback from the membership about potential shifts in our vision for a store site due to the shortage of real estate options that met our criteria. Feedback was gathered on several potential directions including less convenient sites outside Northampton both east and west of the river, smaller locations, and staying the course waiting for a Northampton site that met our criteria. There was strongest support for options including a somewhat smaller site in Northampton where we could offer a scaled back version of our original plan for full service grocery specializing in fresh local and organic foods. The Pot Pourri site met that criteria, the market study was favorable, and the negotiations and legal work

(Continued on page 6)

## Dear Friends at River Valley Market,

*We send you our heartfelt support, encouragement, and empathy. We too have had to struggle to make our vision a reality. We have been in our current store for about ten years. It is small (2500 square feet), not visible to the community, and limited in what it offers our members. We began plans for expansion over four years ago. We have had many delays and setbacks. I am happy to tell you that we just announced our new site at the October Annual Meeting. A Co-op member has purchased a vacant lot to develop and lease to us. She has hired a green architect who will incorporate sustainable design concepts. We are still a year away from actually moving, but our plan is in place. We will have a new store, not because we got lucky, but because a group of people were tenacious, committed, and determined.*

*We have often turned to River Valley to help us along the way. We look at your membership numbers and are inspired to try your ideas, and to believe that people will respond. Hang in there River Valley – you have the expertise, commitment, community, and tenacity to make this happen. Northampton will have a co-op!*

*Yours in cooperation,*

Val Hall, General Manager  
Concord Food Co-op, NH

(Treasurer's Report, continued from page 3)

member drive in December 2002 and cut it short in the Spring of 2003. At the end of June 2003, we had increased our membership by 298 new members for the previous 12-month period to a total of 1,565 members.

In addition to the dollar costs of our efforts, we should all acknowledge the hundreds of volunteer member hours that went into the member drive, member survey, store design, grant writing, site search, fundraising, Board of Directors, and general management. These member volunteer hours have stretched the member equity investments enabling them to go much further toward reaching our goals than the dollar investments could have done alone. Membership effort doesn't show up on the balance sheet, but it is an

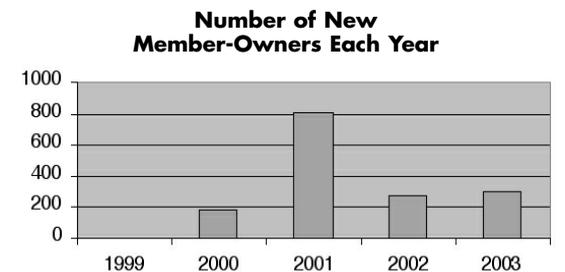
extremely important asset for opening a new food co-op. Thank you for all your help, large and small.

As you can see our available cash reserves have been largely invested in our efforts to date. We received approval on a \$400,522 green building grant, which we hope to maintain upon finalizing our site. We have a significant balance in the member loan fund, which in combination with the investments made to date will help us secure new sources of funding upon securing our site. New funding will include member equity, preferred shares, loans, and grants.

Our prolonged start-up timeline has added to our projects soft costs with nearly \$300,000 invested in this project over the past 5 years and only about \$80,000 in income. This has added about 7% to our original project cost projections. We have capitalized about \$72,000 in project expenses, which will be depreciated annually

over the first term of our lease. \$29,839 has been booked as a reduction in equity because of the costs of getting the memberships (newsletters, ads, brochures, staff time, etc.). The remaining \$194,143 project expenses have been expensed and our losses will be carried forward,

(Continued on page 10)



**I believe in the success of this project** because of the incredible passion, teamwork, and commitment I've witnessed in the people involved. The co-op will become a reality despite the challenges we have encountered because of these people and the strong foundation of community support on which the co-op has been built.

Susan Kimball, Member-owner  
River Valley Market

*(President's Report, continued from page 2)*

governance speak for mission. This is what the Board revisits regularly, but particularly at this challenging time. "What will be/is different because of the existence of the Co-op," the Board asked ourselves when we crafted our ends policy. After hours of debate and discussion we answered, "A just marketplace that nourishes the community."

This has been our touchstone as we've faced difficult times this year. We want a different kind of grocery store, co-operatively owned, offering a unique mix of products and services including fresh local and natural foods, responsive to the needs of our members and staff, and providing a democratic, values driven economic and environmental model for our community. We believe this is what our members have directed us to do, as we've gathered input from three member surveys over the last five years and from many member meetings and forums.

To those of you who are frustrated or discouraged that we have not yet realized this goal, I say: I know how you feel! This is not the path any of us would have chosen. However, the vision we have honed over the years is grounded in sound business practice, while at the same time reflecting values that are important to hold firm to and not to compromise. The road is challenging, but we will get there.

At this point in our journey, we are now in semi-hibernation mode, having laid off our general manager in the spring, and with no site option at this moment that meets our member goals, is supported by market analysis, and is secured and ready for us

to move forward. While we continue to pursue the Pot Pourri option, we are also connected with several developers who are hoping to open other retail spaces in Northampton, which includes space that would meet River Valley Market's criteria. We will let you know as soon as possible of any substantial progress in clearing the deed on the Pot Pourri Site or in securing an alternative site.

The only thing that will stop us in our tracks is if our members tell us they no longer want us to continue. Until then, we will stay on this path, adapting to the circumstances we face, continually reflecting on our vision and using it to help us steer a course to the goal of a business that is a true alternative and one that will help our community realize a reality within which we all wish to live.

This report would be incomplete without an enormous thank you to Rochelle, who has persevered with us through this time of transition, now on a volunteer basis. Every time I thank her, or the Board thanks her, she comes back with a thank you of her own – speaking to the strengths of our community and how that sustains her. This lets me know that we could not have found a better general manager; I know we all look forward to the time when we can get her back on the payroll.

And a final thank you to our members for your questions and concerns as well as for your faith in and commitment to this project. Please come and connect with us at the annual meeting and help us forge the next steps of this journey. ■

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*(General Manager's Report, continued from page 4)*

resulted in a letter of intent signed with the landlord in November of 2002 to secure the site while developing site construction plans and a lease agreement.

The Site Search process began prior to walking away from the Hill and Dale in 2002 and continues through the present time. We are relying heavily on member input about needs as well as professional market research and site specific financial projections in the evaluation of potential

**On Monday October 27th,** the members of Berkshire Co-op Market opened our new store. As I looked around at the excited shoppers, staff, and Board, I thought of the nationwide co-op community. Many hands and hearts brought us here.

In 1996 when a superb downtown site became available in Great Barrington we did our first market study. However, we weren't internally strong enough to move. In 2001 another site opened up and we leased it, even with our GM planning on leaving the area. In 2002 we hired a new GM, by 2003 had raised the financing, and this past July began the reconstruction.

It has been seven years since we knew we needed to move and the last six months of planning and opening the store have been exhilarating.

As Board President I often looked to Northampton for inspiration. We learned from your member loan program, membership drive, newsletter, pancake breakfast, bingo, sponsoring shopping carts, lawn signs, sister store initiative, truck sale and, above all, spirit.

Thanks for being there.

Beth Skinner, Board President  
Berkshire Co-op Market, Great Barrington

sites. Our goal is to concurrently work toward both a Plan A and Plan B and keep working on ideas for Plan C until a deal is finalized. The timeline is frustrating because so many issues are not in our control; however, the process is underway and the full Board is engaged in working with me while exploring all our options.

**Green Design Committee**

The Green Design Committee (affectionately known as the Green Team) was begun by Timo McNerney who did lots of great research into green building issues related to grocery stores very early in the co-op organizing process. The Green Team has expanded to eight members who met regularly with our architect and me to work through the design issues.

Committee members included a variety of professionals who brought expertise in green buildings, solar power, energy co-ops, engineering, renewable energy and grant writing, as well as other co-op members with a high level of knowledge and interest in energy efficiency and environmental design. We also hired professional consultants in the field of environmental design, but the volunteer efforts helped to minimize those expenses.

Over the winter the Green Team devoted hundreds of hours to store design. The committee worked with the co-op's architect, Chuck Bomely, and I to help research green design issues and elements and review plans as they progressed. A green design charrette, facilitated by Lynn Benander of the Cooperative Development Institute in Greenfield, was held last December to establish the group's values, priorities, and goals for incorporating green and energy efficient elements into the facility plans.

A key accomplishment of the Green Design Committee is that we completed a grant proposal to the Massachusetts Renewable Energy Trust to greatly expand our financial capacity to incorporate green design measures in our building. We were notified that our grant application was approved for \$406,522, the total amount requested. This figure includes funding to:

- install a 30 KW system for commercial level solar power generation
- install a HVAC system which reclaims heat from the store refrigeration system for heat and hot water
- use energy efficient daylight to reduce energy used for electric lighting
- install extra insulation
- use high efficiency lighting
- recycle rainwater
- use green building materials and finishes
- institute air quality measures

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We all owe special thanks to the Green Team volunteers for their dedicated service to this project. Committee Co-chairs Timo McNerney and Gary Schaefer kept us on-track throughout the process. This group of members dared to dream big and then found the financial resources to fund the dream. It takes a lot of work to turn values and ideas into a working plan, and it takes even more work to fund the plan to take it from a dream to a reality. Special thanks to Lynn Benander from CDI and to Apple Ahearn and Lynn DiTullio for the hundreds of hours of work on the grant proposal itself. Also, thanks to the leadership of the Massachusetts Technology Collaborative for making these green buildings grants available to promote a better future for us all.

**Ahhh patience.** *We would all love to have a co-op up and running in Northampton right now, and perhaps we felt like it would be a reality by this time, and feel disappointed. I know I feel that way sometimes. It is discouraging to have this siting process take soooo long, and having vast corporate megalithic beasts stymie our efforts. Yet the dream is worth pursuing. My partner Lori and I tried to get cohousing going in different places for years and experienced many delays and even stops due to siting issues. Ultimately, a group of us found an amazing piece of land with many beneficial features, including "location, location, location," the cliché of real estate. I now take the "long view," as in chi-gong, with my eyes focused on a distant point on the horizon. We'll get there. Yes, we will. And it will be worth ALL the waitin', an' hopin', an' prayin'!!*

Rob Catlin, Member-owner  
River Valley Market

### **Big Sister Co-op Supporters Contribute over \$30,000**

In January we launched a membership campaign called Big Sister Co-op Supporters in which we sought support from our sister co-ops across the country. 32 food co-ops nationwide pledged over \$32,000 in member equity and over \$30,000 has been received so far. Co-ops from near and far have joined as founding member-owners of River Valley Market, including Green Fields Market, Brattleboro Food Co-op, Berkshire Co-op Market in Great Barrington, Wild Oats Co-op in Williamstown, Putney Food Co-op in Putney, Vermont, Concord Food Co-op in NH, Hanover Food Co-op also in NH and many others in the Northeast Region as well as co-ops in California, Washington, Pennsylvania, Maryland, Tennessee, Georgia, Wisconsin, Nebraska, Minnesota, and more. These co-ops invested an average of \$1,000 each in membership ranging from \$150 from smaller co-ops to \$5,000 from the Hanover Food Co-op.

At the annual June CCMA conference (Consumer Co-op Managers Association) in Lexington Kentucky, attended by over 300 co-op staff and Board members from across the country, we saw many of our Big Sister Supporters sporting River Valley Market t-shirts and proudly spreading the word about our work in Northampton to other co-ops. Several other co-ops asked me how they could join the Big Sister Supporters as a result.

Our Big Sisters have already provided a tremendous amount of support in the form of inspiration and knowledge from all their years of work and development. There has never been a better time to start a new co-op; the collaboration over recent years has resulted in the development of ever better systems in all aspects of co-op operations. There is more support available than ever before to help co-ops implement best practices.

Even so, few brand new co-ops do get off the ground. It is challenging for currently operating co-ops to open new stores. As you know, the road is bumpy with unexpected twists. Few communities can maintain the momentum required to get

### **I just want to empathize**

*with what River Valley Market member-owners must be going through. Our own co-op has invested a lot over two years in our Plan A for an expansion of our store. Now in the final stages, it has gotten seriously bogged down and we don't know what the outcome will be. When I talk to other co-op managers about our situation, they've told me their own stories about how things went wrong. But, they have also encouraged me that it is important to keep working toward your goals, even though it is hard, perseverance does lead to progress. We know we need to keep moving forward despite our uncertain timeline and found the stories of others who've been through this before encouraging.*

*It's good to know we are not alone.*

*I know from my work with Rochelle through CGANE how hard you have all been working to open your co-op for business. I understand you too have experienced a serious setback and I want you to know that there is a lot of support for your work in the wider co-op community. Opening new co-ops is important work and we applaud your efforts and encourage you to keep working toward your goals. Hang in there, you are not alone!*

Glenn Lower, General Manager  
Middlebury Natural Foods Co-op, VT

to the point of opening for business without the benefit of a currently operating storefront. The Big Sister Co-op Supporters are our symbolic currently operating storefront to help keep us going through the hard times. Their membership investments will provide at least 10% of the membership equity required for our project. This is very real financial support which demonstrates how co-ops are linked together for our mutual success. I expect in the future we will in turn provide similar support for other new co-ops in the process of opening.

### **Store Design and Member Needs**

Some of you may remember the 2002 member survey. The survey process was led by The Store Advisory Group, a group of member-owner volunteers who are responsible for advising management on member input process on an ongoing basis. The Store Advisory Group is chaired by Elizabeth Bibeau. The member survey, which included over 700 responses, was a key tool for

the design of the store.

The Store Advisory Group met with me numerous times over the last year to review the survey results, identify key services and values related to store design from the survey, and plan for member communication related to the store design plans. Last Spring our progress came to that abrupt halt just as we were in the process of planning a store design member forum to review how the member needs identified in the survey were incorporated in our store design. However, our work together and store plan development will be utilized upon moving forward on our site.

### **Outreach Committee Launched Phase II of Our Member Drive**

The largest of our volunteer committees is the outreach

committee and they do a huge amount of work. This group is responsible for community outreach efforts and has many both standing and ad hoc sub-committees including member drive planning, e-mailing list management, brochure production and distribution, event planning, website maintenance, newsletter production, founders coffee mug design and distribution, yard sign distribution, tabling, and more. This committee has been co-chaired by: Marci Linker, Jade Barker, Molly Hale, and Susan Lockwood over the last year. Currently Marci and Jade are co-chairs. Accomplishments of this group over the last year include:

- Launching Phase II of our Member Drive including new brochure designs and expanded distribution, member mailings and e-mailed updates, website updates, advertising, yard signs, tabling, membership phone banks, and many more networking efforts by many members.

(Continued on next page)

### To the Dedicated Members of River Valley Market,

*I continue to be impressed with your vision and commitment. The heightened challenge that you are facing in securing a site for your new food co-op will require extensive commitment and perseverance, along with talent and capital. The participation and leadership demonstrated by your members, Board of directors and manager has already made a wonderful contribution to the cooperative community across the United States.*

*It is not unusual for a start-up co-op to take many years to turn its dream into reality. Your co-op, even without a store, has already accomplished a great deal in building a community and a culture that will be the foundation of your long-term success. Your approach to planning and preparedness, under the leadership of your Board of Directors and general manager, has been exemplary. Food cooperatives across the country will be motivated and nourished by your eventual success. Your co-op will be a model for many other communities that have the seeds of the dream that your founders had.*

*The northeast neighborhood of Minneapolis has worked for over 10 years to organize their community, create a food co-op and open their store. At long last, they are scheduled to open in early December. Last night I attended their annual meeting held in their new site (under construction). The excitement, pride and celebration their members generated at the meeting was truly inspiring. I encourage you to hang in there, buy preferred shares as soon as you can, and don't give up your dream and vision. Cooperators and communities all over the United States are rooting for you. We need you.*

Bill Gessner, Business Developer  
Cooperative Development Services, Minneapolis, MN

*(Treasurer's Report, continued from page 5)*

reducing our taxable income in future, healthier fiscal years with operating profits (see the balance sheet on page 12 for details). The bottom line is that adding 7% to our project in soft costs adds to our challenges, but it does not sink our overall project.

Precarious as our cash position is right now, we still have a strong balance sheet because of the nearly \$200,000 in member loans. By continuing our efforts until we reach our goals we can earn back our sunk costs over time. The best news is that while we have had two major project site setbacks, we have the will and capacity to continue. We have money in the bank, a committed Board and manager, increased membership, green construction plans, store floor plans, and a business plan. We are in a strong position to continue with your ongoing support. ■

*(GM Report, continued from previous page)*

- City approval of a new batch of co-op yard signs.
- A successful December Founders Day Celebration at the Pot Pourri Mall in celebration of our new site and the anniversary of the founding of the cooperative movement December 21<sup>st</sup>, 1844 in Rochdale, England.
- A successful 2<sup>nd</sup> Annual BINGO FUNdraiser in January. Special thanks to Susan Kimball!
- Production of 4 newsletters and printing and distribution of 3 (the presses were stopped on the spring newsletter when the deed restriction came up). Special thanks to Sharon Rudnitzky, Deb Chandler, and Fran Schneid.
- Increased overall co-op membership by 298 for the year.

### Staff Training Programs Planned

Co-op Human Resources Consultant Carolee Colter worked with me to develop a two year staff training plan. We outlined the staffing plan by department and the special needs of each department as well as the overall needs for staff skills and knowledge. The plan includes programs to bring our newly hired staff up to speed about our co-op and to enhance skill development on an ongoing basis. With assistance from Johanna Hall, we are preparing a grant proposal to assist with the training program development costs. We are now prepared to complete the proposal upon identifying a new opening date for the co-op.

Carolee also helped River Valley in the previous year by volunteering her time to conduct a 3-day Co-op Best Practices in Human Resources Retreat in Northampton. This was attended by many of the leading food co-op HR managers in the country to help guide our planning process in this area and we used much information from that session in developing our training plans.

### Preferred Shares Plan Approved by Membership

We worked with co-op attorney and CPA Laddie Lushen to develop a plan to add preferred shares to our equity base. The reason for this is to strengthen our balance sheet ratios to qualify for better loan rates. The addition of preferred shares required an amendment to our articles of incorporation. In the state of MA, there is a requirement for a supermajority quorum to vote in favor in order to change articles of incorporation which meant that we needed to get over 66% of our total membership to vote in favor of these changes. In December we reached our goal on the membership vote with: 879 votes cast, 877 in favor and 2 opposed. Thank you for your attention to a rather dry subject. We are now prepared to develop our preferred shares campaign upon securing a site.

These are the key activities we were engaged in over the last year. It was a lot of work by a lot of people and I wish our position was much closer than it is to being able to open for business.

However, we are still here, still working, and we did lay some excellent groundwork for our future project efforts despite the setbacks we've been faced with.

**Thank you for your support! ■**

### I have worked with several other food co-ops

*to find or build a new store. Their search for sites had a lot of the same characteristics that River Valley is experiencing now — delays, deals falling through, unreasonable demands by prospective landlords, to name a few. It is often a very discouraging process. In the end, however, the wait and the worry were always well worth it!*

*Northampton deserves a great food co-op — it has potential for success from a market standpoint and thanks to the experienced manager that you will have running it. Don't give up!*

Alex Gyori, General Manager,  
Brattleboro Food Co-op, VT

## NORTHAMPTON COMMUNITY COOPERATIVE MARKET, INC.

(A Development Stage Company)

Balance Sheet

June 30, 2003

Assets

Current assets	
Cash	\$ 229,370
Total current assets	<u>229,370</u>
Other assets	
Construction in progress	72,657
Liquor license	<u>17,009</u>
Total other assets	<u>89,666</u>
Total Assets	\$ <u>319,036</u>

Liabilities and Members' Equity

Current liabilities	
Accounts payable	\$ 4,344
Accrued interest	15,191
Accrued liabilities	<u>912</u>
Total current liabilities	<u>20,447</u>
Long-term liabilities	
Member loans	<u>196,500</u>
Members' equity, net of deficit accumulated during the development stage of \$113,457	<u>102,089</u>
Total Liabilities and Members' Equity	\$ <u>319,036</u>

## NORTHAMPTON COMMUNITY COOPERATIVE MARKET, INC.

(A Development Stage Company)

Statement of Members' Equity

Period from July 6, 1999 (Date of Inception), to June 30, 2003

Common stock, \$1 par value, 50,000 authorized,	
3 issued and outstanding for the period ended December 31, 1999	\$ 3
184 issued and outstanding for the year ended December 31, 2000	184
808 issued and outstanding for the year ended December 31, 2001	808
272 issued and outstanding for the six months ended June 30, 2002	272
298 issued and outstanding for the year ended June 30, 2003	<u>298</u>
Total common stock, 1,565 issued and outstanding	<u>1,565</u>
Additional paid-in capital:	
For the period ended December 31, 1999	447
For the year ended December 31, 2000	29,342
For the year ended December 31, 2001	96,236
For the six months ended June 30, 2002	49,375
For the year ended June 30, 2003	<u>68,420</u>
Total additional paid-in capital	<u>243,820</u>
Stock issuance costs	<u>(29,839)</u>
Development stage income (loss):	
For the period December 31, 1999	(448)
For the year ended December 31, 2000	2,563
For the year ended December 31, 2001	(4,855)
For the six months ended June 30, 2002	(12,483)
For the year ended June 30, 2003	<u>(98,234)</u>
Total deficit accumulated during developmental stage	<u>(113,457)</u>
Total members' equity	\$ <u>102,089</u>

## NORTHAMPTON COMMUNITY COOPERATIVE MARKET, INC.

(A Development Stage Company)

Statement of Operations

Year Ended June 30, 2003, and the Period from July 6, 1999 (Date of Inception),  
to June 30, 2003

	Year Ended June 30, 2003	July 6, 1999 (Inception) to June 30, 2003
Revenue		
Grants	\$ 25,600	\$ 25,600
Donations income	2,365	24,456
Truck load sale income	564	20,121
Newsletter income	1,891	4,444
Other income	145	145
Interest income	2,904	5,920
Total revenue	<u>33,469</u>	<u>80,686</u>
Expenses		
Payroll and related	57,374	70,508
Grocery purchases	660	15,581
Office administration	10,440	14,920
Professional fees	1,329	2,744
Member services administration	4,945	9,400
Board of Directors	1,626	2,432
Marketing and membership	15,649	30,230
Interest	6,963	13,926
Income taxes	912	2,597
Bad debt expense	293	293
Project consulting expense	7,577	7,577
Project legal expense	11,016	11,016
Project design expense	12,919	12,919
Total expenses	<u>131,703</u>	<u>194,143</u>
Net loss	<u>\$ (98,234)</u>	<u>\$ (113,457)</u>

## NORTHAMPTON COMMUNITY COOPERATIVE MARKET, INC.

(A Development Stage Company)

Statement of Cash Flows

Year Ended June 30, 2003, and the Period from July 6, 1999 (Date of Inception),  
to June 30, 2003

	Year Ended June 30, 2003	July 6, 1999 (Inception) to June 30, 2003
Cash flows from operating activities		
Net loss	\$ (98,234)	\$ (113,457)
Investment devaluation	100	100
Changes in operating assets and liabilities		
Accounts receivable	10,686	
Liquor license	(12,000)	(17,009)
Accounts payable and accrued liabilities	2,048	5,256
Accrued interest	6,462	15,191
Net cash used by operating activities	<u>(90,938)</u>	<u>(109,919)</u>
Cash flows from investing activities		
Construction in progress		(72,657)
Investment in Northeast Cooperative		(100)
Members loans received		196,500
Net cash provided by investing activities		<u>123,743</u>
Cash flows from financing activities		
Issuance of common stock (net of stock issuance costs from inception of \$29,839)	68,718	215,546
Net cash provided by financing activities	<u>68,718</u>	<u>215,546</u>
Net (decrease) increase in cash	(22,220)	229,370
Cash - beginning of period	251,590	
Cash - end of period	<u>\$ 229,370</u>	<u>\$ 229,370</u>