






WCM Overall Reconciliation

“Why has it taken so long and what about my membership fee?”

In a nutshell, Wasatch Cooperative Market, LCA decided at its outset that to succeed, it would follow a stringent planning, development, and outreach protocol, even though it might take much time and money. It did, but getting our ducks in a row has paid off!

The experiences of over 350 food co-ops across North America, many of them start-ups just like ours, prove that it normally takes years and most or all of the initial member fees and usually more just to get to the storefront stage. It is very difficult to found a grocery store from *grass roots* effort (just us MOs). Here are some reasons why it's been hard for us:

-  All co-ops must begin by building a volunteer base and amassing membership. Wasatch Cooperative Market has sometimes struggled to get strong, reliable volunteer support. There is a direct correlation between volunteer-supported outreach and the rate of growth and development. Building membership takes a lot of time and ultimately money that must be spent on tabling space, professional services like printers, lawyers, etc. Economic feasibility depends on reaching a threshold membership with attendant funds from joining fees. *We have achieved that!*
-  Our economy has skyrocketed the cost of everything, especially real estate. In Salt Lake City, commercial real estate has been especially “tight”, meaning it is exceptionally difficult to find an appropriate place. *But we have found a perfect one!*
-  Generally, it is difficult to make profit selling food. Corporate stores do it by being very large (effect of scale), selling many non-food items, mergers, and other mechanisms. Co-ops have the advantage of a simple and local management and therefore a much lower overhead, but still face the quandary of low profit. Hence, great care is required in planning and appropriately scaling the store. *We have done that!*
-  Establishing a storefront normally takes several times the amount of money that can be raised by a threshold number of membership fees; a capital campaign is typically required to generate the final funding to plan, design, build, equip, staff, and stock the store before doors open. This is typically several million dollars. [In modern times, in most places, and under normal conditions, it is simply impossible to start a co-op from a very small (say, 1000-2000 sq. ft.) store space, although decades ago this was often done.] Sometimes bank loans can help, but most banks are reluctant to loan to co-ops and the interest on repaying the loan makes profitability especially problematic. We have opted to avoid a loan, although this raises pressure to raise money by other means, like our Capital Campaign. *We are doing it!*
-  Not every community is co-op supportive. We have faced a significant challenge in trying to found a co-op in a very conservative and provincial area. Our city may seem “blue” compared to the rest of the state (with exceptions of a handful of other municipalities) but it is “red” compared with other major Western cities that already host co-ops. Our lengthy campaign and just the fact that SLC has never had a real co-op speak to this point. *But we have overcome this!*

We have had to pay to complete most of these activities. Donations have helped. Through careful budgeting, we still retain in our account (before our Capital Campaign) approximately 10% of the cumulative MO joining fees. See our activities list, below, for more details and Projected Use of Proceeds for how we will use our Capital Campaign money.

Activities Funded by Member/Owner Fees (“Class A Shares”) Since Inception

1. Orchestrated about 30,000 hours of volunteer work!
2. Signed up 960+ MOs as of October 2023 (Each Member/Owner join has required around 20 hours of volunteer work)
3. Formed and registered the business with the State of Utah
4. Kept accurate accounts of all expenditures throughout.
5. Organized and ran an effective volunteer Board of Directors with membership varying from 7 to 12.
6. Managed an Outreach campaign that has participated in and/or orchestrated over 100 events aimed at signing up new MOs and informing the public about WCM.
7. Designed and distributed several types of outreach materials, including yard signs, buttons, swag.
8. Designed and implemented a website and then re-designed and re-released a successor website with professional services.
9. Developed an advance supplier contact list with volunteer work in contacting local producers, farms, etc.
10. Designed and managed an active Business Partner program, providing to MOs discounts on selected products, even before our store opens, while offering promotional service to partner businesses.
11. Sent BOD members to attend national co-operative meetings and to tour co-ops in neighboring cities and states to learn from the experiences of others.
12. Engaged actively in a prolonged search for a storefront site with the aid of MO-provided professional services.
13. Pursued an initial site, which was unsuccessful due to decisions of the property owner.
14. Located a second site with ideal characteristics in nearly every regard.
15. Arranged and signed a 15-year lease on the above property.
16. Worked with property owner to plan integration of WCM’s storefront with other businesses on the to-be-developed block.
17. Engaged professional services to assist in preparing a comprehensive proforma and initial floor plan for the store.
18. Orchestrated a Capital Campaign aimed at raising funds to complete the storefront to door-opening stage, including professional legal services and a co-op-specific digital tracking and communication program to facilitate outreach for this specific purpose. *See below for more detail.*
19. Organized a transition of accounting procedures to allow service for high-level accounting and tax preparation by a local professional firm.

Hopefully, you can see that your joining fee, your patience, the work and generosity of hundreds of volunteers plus careful planning have gotten us to the verge of success. Let’s keep going and open those doors!

Projected Use of Capital Campaign Proceeds Based on the Maximum Offering

We propose to use the Maximum Offering amount of \$1,300,000 for the following purposes in the following order of priority:

Interior Improvement	\$429,000
Organizational development.	286,950
Fees	191,000
Pre-opening Personnel	144,000
Offering Expenses	20,000
Capital campaign	65,000
Site Expense	56,000
Store design	35,000
Legal	25,000
Working capital	<u>48,050</u>
	\$1,300,000

Here this Use of Proceeds section merely indicate the proposed use of proceeds, and actual expenditures may vary substantially from these estimates. We may, in the future, seek additional funds through loans or other financing arrangements. Pending expenditures of the proceeds of this offering, we may make temporary investments in money market accounts, insured certificates of deposit and/or in insured banking accounts.

