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5/31/11

Dear People's Food Co-op Member,

Cooperation is hard work. People's Food Co-op has been a local success story due to the dedication and loyalty of members like you. In 2004 we were able to reap the benefit of many excellent decisions by past Boards and our former GM to expand our store to better meet the needs of our members. That in turn has allowed us to welcome many more members into our community. Our success has led many people over the past six years to ask us to put new co-op stores in other communities around the area. We've spent time and money researching options...Onalaska, Holmen, and West Salem. But the numbers just haven't worked out, so we listen to the proposals and bide our time until the right opportunity comes along.

Early this year our General Manager, Michelle Schry, was approached by a developer about a great site for a co-op store in Rochester, MN. Michelle immediately said, "There's already a co-op in Rochester. You should talk to them. We wouldn't go into a community and compete with another co-op, and as a matter of fact, I think they've been looking to relocate to downtown." Michelle then called the GM and the Board President of the Good Food Co-op in Rochester to alert them to what she believed was an excellent development opportunity.

The Board of the Rochester Good Food Co-op (RGFC) met with the developer and agreed with Michelle's assessment. It was an excellent opportunity. But they lacked the financial and organizational resources to take advantage of that opportunity. So they came back to the People's Food Co-op (PFC) to discuss a partnership.

The Boards and GMs of the PFC and the RGFC have met and had many discussions. They posed many questions to one another including, "What would be the benefit to members of both PFC and RGFC if the organizations joined forces to put a new store in downtown Rochester? What impact could we make together on the local food scene if we put our volume together? Does it make sense for us to join our co-ops across state lines? If we worked together, what would that really mean for each of our co-ops?"

Those discussions revealed that such a project would fit well within the missions and long-term goals of each organization and would fit within the Sixth Cooperative Principle—Cooperation among cooperatives. Pending final approvals of the PFC Board and the RGFC membership, our co-ops would combine our memberships to form a single organization, sharing an administrative structure and a single Board of Directors. PFC would then work with the members and staff of the Rochester co-op to transition their store to PFC's systems over the next year in order to prepare for a move to a new development in downtown Rochester in the fall of 2012.

That development, on the corner of 1st Avenue SW and 6th Street SW is one block off of Broadway, three blocks from the Mayo Clinic campus and one block from the newly renovated Rochester YMCA. The University of Minnesota Rochester Campus is slated to expand to sites directly across the street from the proposed co-op location. Market studies of the site predict that the co-op will be able to more than double its sales within the first year of operation. Within five

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years it is projected that the La Crosse and the Rochester locations would be generating nearly identical sales volumes.

So what would be the benefits of this “unification” for PFC’s members? There are many. PFC will reach market “maturity” within the next five years. That means that growth will slow due to constraints on our site (most notably parking, physical store size, etc.). Additional volume brought to the table by a Rochester site has the potential to bring the following to the relationship:

- Better pricing on national brand items while providing a larger outlet for local products from the Driftless Region.
- A stronger economic engine to provide additional resources for mission-related work.
- Expanded administrative depth to provide more comprehensive marketing, member services and educational opportunities.
- Patronage rebates based on a larger revenue base.
- Demonstrate for the food co-op sector nationally another mechanism to strengthen and grow the cooperative economy within a regional food shed.

The development timeline necessitates an aggressive schedule to ensure that the co-op can sign a lease by the end of August 2011 to secure space in the development. Important dates this summer:

- PFC Board hosts member information meetings on June 4th, June 8th and July 1st at our annual summer member event in Cameron Park.
- The PFC Board will vote on the merger proposal its July 14th board meeting.
- RGFC’s members will vote on the proposal in August.
- If our board and the RGFC members both vote in favor, PFC will sign a lease for the new Rochester site with the developer at the end of August.
- PFC assumes daily operations of the RGFC by September 26, 2011.
- New Rochester site would be built for occupancy in the fall of 2012.

For a more detailed timeline and additional information go to the PFC website at www.pfc.coop.

The Board of the People’s Food Co-op would like the opportunity to discuss this endeavor with you. We invite you to attend a special membership meeting on Saturday, June 4th, at 10 a.m. or on Wednesday, June 8th, at 6:30 p.m. in the PFC community classroom. We’ll also be holding public meetings in Rochester with the members of the Good Food Co-op and interested community members.

We look forward to hearing your thoughts and ideas as we continue to explore this opportunity.

Yours in Cooperation,

The People’s Food Cooperative Board of Directors

John Knight

Bentley Lein

Kathie Tyser

Beth Moore

Ana Skemp

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