

MANNA Food Co-op's Owner Investment Program:

Description of Offering, Financial Disclosure, and Statement of Risks



**MANNA Food Cooperative
823 Washington Avenue
Detroit Lakes, MN 55601
218-844-4211**

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No person has been authorized by us to give any information or to make any representation concerning the Co-op other than as contained in this Disclosure Statement, in connection with this Preferred Share offering, and, if given or made, such other information or representation must not be relied upon as having been authorized by us. The delivery of this Disclosure Statement at any time does not imply that information herein is correct as of any time subsequent to its date.

We reserve the right to accept or reject subscriptions in whole or in part. We reserve the right in our discretion, and for any reason whatsoever, to modify, amend or withdraw all or any portion of the Preferred Share Offering. We shall have no liability whatsoever to any offeree and/or lender in the event that any of the foregoing shall occur, except in the event we reject a subscription, all funds with respect to such rejected subscription shall be returned to the subscriber.

This disclosure statement includes financial projections and other forward-looking information. All financial projections and forward-looking information are based on assumptions as to future events that are inherently uncertain and subject to the risks described in this disclosure statement. We make no representation or warranty as to whether we will actually attain any projected financial results. All projections of our future performance are based on uncertain assumptions and the actual results may materially and adversely vary from the projected results.

The securities offered hereby cannot be sold, assigned or transferred, except back to the Co-op with the Co-op's consent and upon terms and conditions established by the Co-op's board of directors.

This Disclosure Statement is only an offer to sell these securities to current owners of MANNA Food Co-op who are Minnesota residents, and it is not soliciting an offer to buy these securities from any other persons from any other jurisdiction.

Securities in the MANNA Food Cooperative have not been registered under the Federal Securities Act of 1933, as amended, or any state securities laws, and are being offered and sold under a claimed exemption from registration requirements of such laws. Neither the Securities Exchange Commission nor any state securities authority has made an independent determination that MANNA Food Co-op shares or owner loans are exempt from registration. Any representation to the contrary is a criminal offense.

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Introduction

This document describes MANNA Food Co-op's investment offering to owners who want to bolster our mission of supporting local food producers and improving health and wellness in our community through support of our next chapter of development. This will include a relocation to 801 Washington Avenue (Beug Hardware building) in downtown Detroit Lakes, a redesign of the store, 1,800 square feet of additional space, and construction of a shared commercial kitchen, all of which will provide greater capacity to serve the Co-op's mission and ongoing growth in shoppers and sales. To meet these ends, the Co-op has undertaken a \$300,000 capital campaign. The Co-op will continue its offering until it reaches its goal.

An expanded MANNA will provide the community with access to more fresh, local and organic products, grow the market for sustainably produced food, and increase access to more health and wellness education. Ultimately, a successful expansion will allow the Co-op to better achieve its mission to be at the forefront of a prosperous and fair cooperative economy, and to cultivate a thriving community, including a vibrant downtown business district of Detroit Lakes.

By supporting the expansion through direct investment, MANNA's member-owners are doing what all business owners must do: investing in their business so that it can grow and prosper. All potential investors need to understand, however, that there are risks involved in making an investment in the Co-op, which will carry a significant debt load for a number of years following expansion. A detailed description of these risks can be found on page 10. See also the condensed financial statements on pages 12-14.

A full description of this Offering can be found on page 8, but essentially it consists of one option:

- **Preferred shares** — Owners can purchase **1 or more** shares of Class B non-voting, preferred stock at \$500/share, earning a potential dividend of 4% in years when the Co-op has sufficient profits and declares a dividend.

Even though preferred shares are the one option for member-owners to invest in the co-op, members and non-members can provide a charitable contribution if they wish to donate to the co-op. The Cooperative Development Services Fund is our fiscal sponsor and any donation will be tax deductible. The Fund meets the requirements for a charitable and educational institution as described in Chapter 501(c)3 of the federal tax code and demonstrates compliance by filing annual financial statements (Form 990) with the IRS. Any charitable contribution to the co-op through this means is not the same as member-ownership. No item of value (e.g. membership share, voting rights, member discount, etc.) will be provided to donors of charitable gifts.

In this document, you will find the information necessary to appreciate the social value of your investment, while understanding the associated risks. We urge you to read the statement thoroughly, including all of the financial data provided in the financial statements, and to weigh carefully whether you can afford the risk that accompanies a Preferred share purchase from the Co-op. Thank you for your interest and support!

ABOUT MANNA FOOD CO-OP

MANNA Food Cooperative is a cooperative organized under Minnesota Statutes, Chapter 308A, and owned and governed by its member-owners. The co-op incorporated in fall of 2015, after being initiated by Wendy Gordon. Her vision was to provide an outlet for local farm operators and their products as well as be a community resource for health and wellness education. A member drive ensued, and the co-op obtained nearly 500 memberships by the time the store first opened in August, 2017. When it opened, MANNA Food Co-op became the first and only retail food co-op operating in Detroit Lakes.

As part of its startup, the Co-op leased a 1,600-square foot building on Barbara Avenue, on the north side of Detroit Lakes and adjacent to Highway 34. At the time, it was the most viable property available with ample parking, a small space suited to a start-up business, and reasonable rent.

After three years of operations at its original store, the co-op expanded and relocated to 823 Washington Avenue in the Norby Flats building, downtown Detroit Lakes. The move to a primary shopping district gave the co-op significantly more visibility and the store garnered new customers. Sales at the original location fell short of breakeven, yet the expansion downtown did set the store on a trajectory to profitability, reached in 2023 by sales alone (see graph below). The co-op also reached its 5-year sales goal of \$660,000 in year three of operation in its current location.

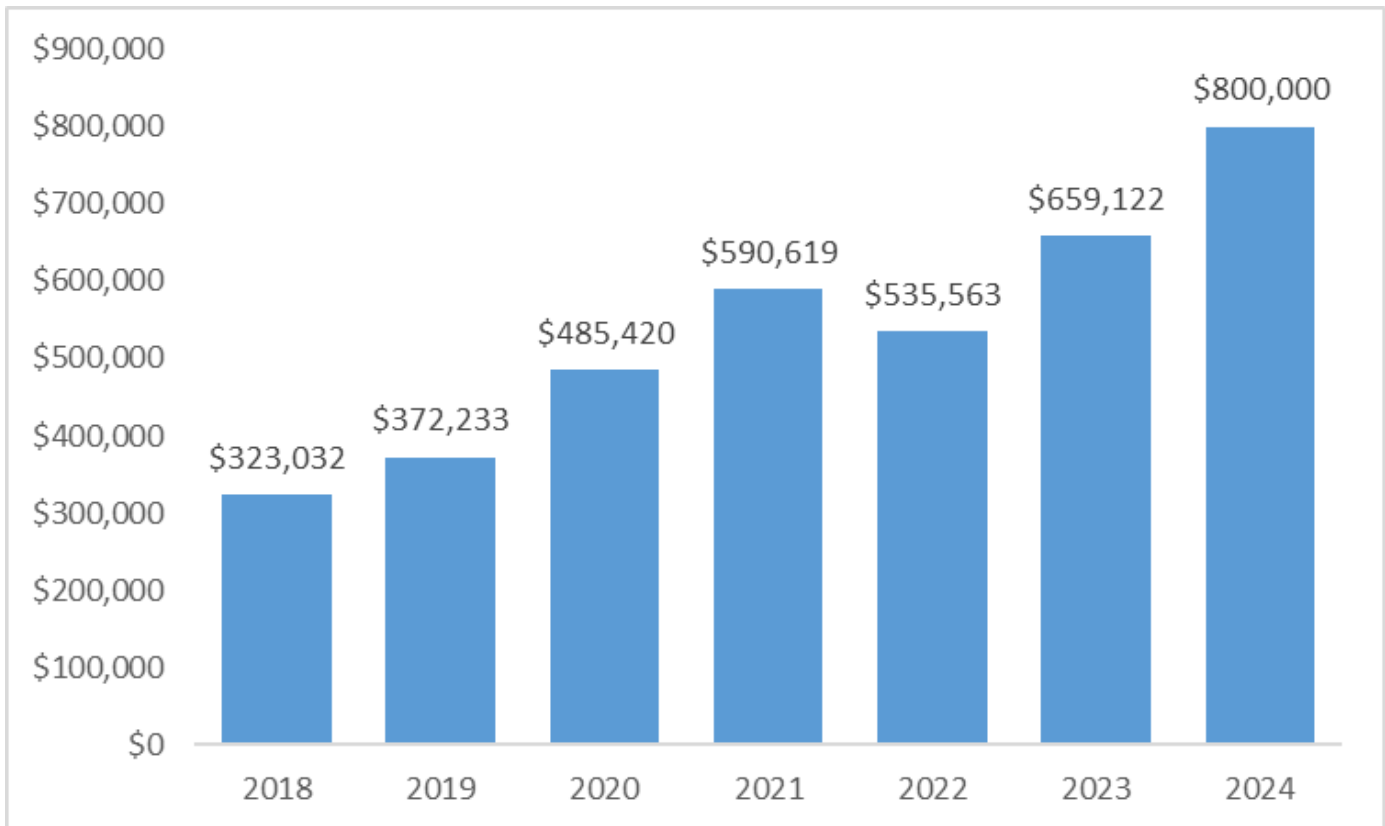


Figure 1: Income at original store (2018-2020) and current store (2021-2024)

During the past three and a half years at its current location, the store has attracted a loyal shopping base and started several initiatives to meet its mission of featuring and promoting local foods from the region:

1. **Meal Kits:** MANNA managed a meal kit program as a partner with White Earth Nation which received a federal grant to improve food access and improve food literacy. This initiative reached new audiences and met the co-op's mission of improving health and wellness in the area while also featuring local foods and local cooks and chefs.
2. **Infra:** In 2023 MANNA became the first retail food co-op in the nation to join Infra, a national grocery purchasing cooperative for independently owned natural food stores. This greatly improved the wholesale pricing that MANNA received and gave us access to Infra Deals, a national monthly deal program. These monthly discounts and associated marketing materials, including a monthly flyer brought new customers into the store and improved the basket size of shoppers.
3. **Member Basics:** The board also revamped our member benefits in 2023 to provide everyday discounts to all members including select staples and 10% off all produce every day. Named Member Basics, this program provided a tangible benefit to members, increased our membership, and increased loyalty.

Like growing small business, however, MANNA faces challenges. The co-op's current location at 823 Washington Avenue has greatly improved the store visibility over our original location and increased sales but the location is very limiting in space with few prospects to expand within the Norby Flats commercial space (the building which houses our current location) With our current space, co-op buyers and management are unable to fill customer requests for new products or properly merchandize existing products. In addition, the co-op's current square footage allows for aisles and layout which fall short of industry standards even for small stores, limiting customer flow throughout the store and ability for staff to observe customer needs. A relocation to 801 Washington Avenue will provide more space, a better layout and store flow, and a long-term location with great visibility and a path for ownership by the co-op. Sales growth and expansion are important for the Co-op to remain viable in a highly competitive marketplace, but they are not ends in and of themselves. Rather, growth will allow the Co-op to secure and expand its role as a cooperatively-owned and deeply community-oriented enterprise that sells local and sustainably-produced goods; follows ethical business practices; offers a workplace that promotes fair and respectful relationships; and operates efficiently for the long-term benefit of employees, owners, and the community. The Co-op's business model is rooted in the International Cooperative Principles and is governed by its articles of incorporation and bylaws, both of which are available online at <https://mannafoodcoop.com/about-us/>

OVERVIEW OF PLANNED RELOCATION AND EXPANSION

At the end of 2023, after a 22% growth in sales over 2022 and an increase in products and inventory to meet customer needs, the board and management at MANNA Food Co-op inquired with its current landlords about expansion in the space adjacent to the current location in Norby Flats. At the same time, the Beug Hardware property at 801 Washington Avenue came on the market for rent. When the potential expansion potential at Norby Flats was declined, an investigation and negotiation for the Beug property ensued.

For the long-term viability of the co-op, both the board and staff agreed that more space was necessary, and that near-term occupancy issues and financial opportunities warranted that any plans for expansion happened before the end of 2024:

- Expansion at the current location was not possible in the short term.
- Even, if possible, an expansion at Norby Flat's would increase our occupancy costs as a percentage of sales significantly.
- Manna's current 5-year lease ends in January 2026 with an expected increase in rent in the 5-year renewal.
- One-time federal funding to support local food development was available into the first half of 2024.

From November, 2023, to April, 2024, our treasurer, Ryan Pesch, negotiated possible long-term lease or purchase options with the Beug Family Trust, owners of the Beug hardware building at 801 Washington Avenue in Detroit Lakes. After multiple offers, Bruce Beug, trustee, accepted the final offer of Ryan Pesch to purchase the building under a contract for deed arrangement. The terms of the contract are good and the location will provide both more space and great visibility. During negotiations, Ryan presented scenarios which would work for the co-op to expand in this location and the board approved the expansion scenarios and a future lease at a board meeting on March 11, 2024 subject to future approval of lease and final terms.

Some major components of the property which provides for an expansion of the co-op include:

1. **6,000 square feet of space on main floor:** The total space on the main floor alone is more than double the 2,700 square feet designated in our lease at our current location. This will allow the co-op to double its retail space, build a shared commercial kitchen, locate the store's primary cold storage on the main floor, and generally better store design and layout with wider aisles a proper space for deli seating and merchandising of products.

2. **6,000 square feet of space in basement:** This space will allow for significant storage, including an area for a grain cooler and possible rental income from other food entrepreneurs in need of small production or storage space. The basement, once finished according to the food code for storage, will also allow for co-op volunteers and staff to assemble our own products such as meal kits which we currently do in a hallway after hours in Norby Flats.
3. **High visibility:** Near the intersection of Highway 10 and Washington Avenue, this property is arguably one of the most visible in downtown Detroit Lakes. The broad side of this building faces highway 10 and allows for our signage to reach a wide audience.
4. **Improved receiving and parking:** The location of the Beug hardware building on a corner lot allows for more convenient parking along Front Street and behind the building in addition to the city lot immediately behind. Downtown parking is a perennial issue, but compared to our current location, this is an improvement. Likewise, the location is also more accessible for our wholesale drivers who currently suffer to drop off with a truck trailer in the middle of the block, especially during a busy summer season.
5. **Potential partnership for top floor:** The 6,000 square feet upstairs includes 8 vacant apartments in need of serious repair. After ruling out any possibility of the co-op itself or the Pesch family of taking on such a project in the near future, Ryan Pesch has been in negotiation with potential partners who could develop the upstairs, and, thereby, make any lease terms with the co-op more favorable.

What will the new space and an ‘improved’ store look like?

The Beug property will provide MANNA not only double its current retail space—making the store less cluttered and crowded—but also a distinct look through the historical features of the 1920’s building including accent windows on the northside, brick exteriors, and a classic tin ceiling nearly 15 feet in height.

The co-op board and staff recognize the challenges of our current location and fitting up a fresh space will allow some well-needed improvements, including:



Figure 2: Inspiration for improved deli serving area from Mississippi Market, St. Paul, MN

- A proper check-out lane to streamline and speed up check out
- At least one additional freezer to display and store frozen products such as local meats
- A grab-and-go reach in cooler to improve display and amount of deli foods such as salads and sandwiches that will compliment other downtown dining
- Merchandising equipment to better display and organize produce, bread, and bulk food
- An expanded deli with seating to allow for eating in, including a possible stand up bar overlooking Washington

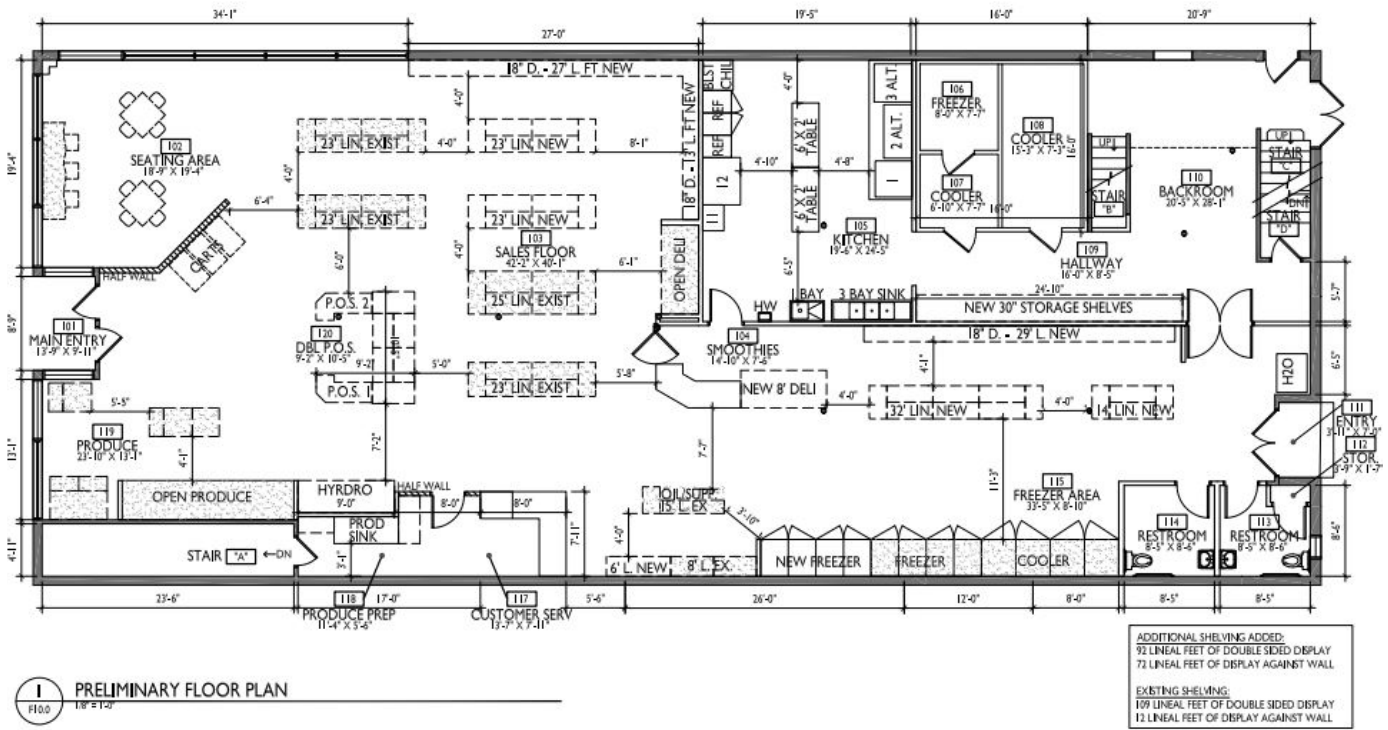


Figure 3: Proposed layout by Manna design committee, Thiesen Designs

In addition to the planned improvements, the new space will have two entrances, one on Washington Avenue and one in the back via a common hallway with access to the city-owned parking lot. Even though on-street parking can be difficult to find at times, the city lot adjacent to the building does provide ample space—especially when the police station moves to its new location—and, in addition, the four spaces nearest the Norby’s building will be reserved for tenant parking.

Some of the projected benefits of MANNA’s expansion project include:

- | | |
|--|-----------------------|
| ■ Retail square feet | 3,500 (up from 1,400) |
| ■ Annual sales (by 2026) | \$1.2 million |
| ■ Annual sales of local products (by 2026) | \$165 thousand |
| ■ Annual wages and benefits (by 2026) | \$124 thousand |
| ■ Co-op member-owners (by 2026) | 1,200 |

OFFERING DESCRIPTION AND TERMS

The purpose of this offering is to raise \$300 thousand from MANNA’s owners to help fund (1) the relocation and expansion costs and (2) provide the necessary equity to access additional debt in case of construction cost over runs. The total project cost is approximately \$600 thousand. The remaining \$300 thousand in funds are budgeted to come from USDA’s RFSI grant, which we were awarded by Minnesota Department of Agriculture in spring of 2024 (see Sources and Uses table on page 15). If the goal of \$300 thousand is not reached, the current plan for relocation can still move forward with as little as \$200 thousand. This minimal goal will affect how quickly the co-op will reach profitability and pay out both dividends to preferred shareholders (see projection scenarios on pages 13 and 14).

Relying on owners to provide long-term, patient capital is part of what makes co-ops unique, and has been a critical part of almost every successful retail food co-op expansion.

MANNA’s owners can support the co-op’s relocation and expansion in two ways:

1. By purchasing 1 or more Preferred shares (Class B, 2020 series) at \$500 each, bearing a discretionary, non-cumulative dividend rate of 4% per annum.
2. By providing a charitable donation

Both Preferred shares and donations are important ways to support the Co-op’s relocation and expansion. For households who itemize their taxes and a significant deduction would impact their tax burden, a charitable donation to the co-op through our fiscal sponsor may provide greater financial benefit than future benefits of preferred shares, however a person should inquire with their tax preparer. Preferred shares, in contrast, are investments and have the potential to return both dividends and the original investment if the co-op performs well. Preferred shares are more beneficial to the Co-op because it is not required to pay dividends or redeem shares at any particular time and the full value of any investment becomes equity of the co-op, whereas between 6-10% of donations will be paid to our fiscal sponsor for administrative fees.

Preferred Shares vs. Donation Comparison Chart			
Investment Type	Term	Interest/Dividends	Minimum Investment
New Preferred shares <i>(2024 series)</i>	Indeterminate <i>(could be 8-10 years or more)</i>	4% <i>(only if Co-op can afford and board authorizes; non-cumulative)</i>	\$500 (1 share)
Donations	<i>None</i>	None	None

Preferred shares are preferred, non-voting stock.

Preferred shares (Class B shares) are *preferred stock*, which means that if the Co-op were to dissolve or go bankrupt, they would be paid back before regular membership shares (Common Class A Shares). However, the Co-op's lenders would be paid back before Class B holders. Preferred shares are non-voting, which means that they do not include any right to cast additional votes on Co-op matters. Regardless of how many Preferred shares you own, you still have only one vote.

For the 2024 series of Preferred shares, the Co-op is issuing shares in numbered blocks of \$50,000 to allow for orderly future redemption. This means that owners who purchase Preferred shares first will be in an earlier block.

Preferred shares earn dividends, but only in years that the Co-op can afford to pay them.

The board has set a dividend rate of 4% for the 2020 series of Preferred shares. The Co-op will pay dividends only in years in which it can afford to do so. If dividends are not paid, they do not accumulate for payment at a later date.

Preferred shares can only be redeemed if authorized by the board of directors.

These shares cannot be *redeemed* (that is, sold back to the Co-op by the shareholder) without the board of directors' authorization. Under our articles of incorporation, the board cannot authorize the redemption of Preferred shares unless the Co-op has sufficient capital reserves and working assets. Under current projections, the Co-op anticipates that redemption may begin in the year 2028. ***However, actual performance may differ materially from these projections and there is no guarantee about redemption dates.*** Once redemption begins, the Co-op will likely redeem Preferred shares in a "first in, first out" order, so that those who purchase shares first will be given the first opportunity to sell them back to the Co-op. In short, there is no guarantee that investors will be able to sell their Preferred shares back to the Co-op anytime soon, and they should be viewed as a long-term investment. These shares also cannot be sold to anyone other than the Co-op.

Administrative Details

Each year, the board determines whether a dividend is to be paid on Preferred shares by the declaration date of February 15. If declared, dividends are paid on any stock held on the official record date of January 1 of that year.

When members purchase a Preferred share, MANNA Food Co-op maintains a formal record of the purchase in electronic database form. In years when a dividend is declared, members receive an account statement reflecting the number of preferred shares that they own, notice of the board's decision whether to declare dividends, and the amount of any dividend the member is to receive. If members who share a household membership wish to purchase shares jointly, the Co-op will issue such stock in joint ownership form, and pay any dividends or redemptions accordingly.

DISCLOSURE OF RISKS

Investors should be aware that an investment in Preferred shares is speculative, non-liquid, and involves a significant degree of risk. While the Co-op has listed all of the known risk factors, there may be additional, unrecognized risks. An investment in the Co-op is suitable only for people who can afford the loss of their entire investment. Accordingly, in making their investment decision, investors should carefully consider the following risk factors, as well as other information supplied by the Co-op.

This Disclosure Statement contains “forward-looking statements” within the meaning of United States federal securities laws. Such statements involve risks and uncertainties and can be identified by the use of forward-looking terminology, such as “may,” “will,” “expect,” “anticipate,” “estimate” or “continue.” Actual results could differ materially from those projected in the forward-looking statements due to a number of factors, including those identified in this section and elsewhere in this Disclosure Statement.

General Risks. There are general risks inherent in any business expansion of this nature, many of them beyond management’s control. The likelihood of the Co-op achieving successful growth and financial profitability following its expansion must be considered in the light of potential difficulties and unforeseen problems encountered in such efforts.

Risk of long-term minimal profitability. The Co-op has achieved profitability in its current location but not enough yet to begin paying dividends due to difficult 2022 financials brought on by inflation and new competition as well as servicing of debt. Post-relocation financial projections anticipate that the Co-op will be profitable in year 1 in its new location if the Co-op meets its \$300,000 goal. Even if the Co-op reaches its goal, it will not be in a position to begin paying dividends on B Shares until 2027 after paying down existing debts. There is **no** guarantee that these projections will be accurate, or that the Co-op will have sufficient profitability to allow the payment of dividends on B Shares in any given year.

Unsecured and Subordinate Position of Loans & Shares. Class B shares are unsecured and are subordinate to all debt financing and would be even would be only paid after all secured debt, if at all, in the event that the Co-op were to dissolve.

Risk of unforeseen catastrophic events. While the Co-op maintains normal insurance coverage, there is no guarantee that it will be able to recover from the financial consequences that might accompany major losses.

Competitive conditions. The retail food industry is highly competitive, and many of the Co-op’s competitors are owned by large, diversified food companies with far greater resources. At this time, the co-op has weathered the increased competition when Aldi opened in 2022 in Detroit Lakes. Aldi impacted our produce department the most and management both decreased our produce space and implemented a 10% off everyday discount for members as part of its Member Basics program to remain competitive. Also our joining Infra, a national purchasing cooperative, in 2023 greatly improved our ability to compete through

better pricing. At this time, no other large national natural grocery chain like Natural Grocers or Whole Foods is planning an expansion into Detroit Lakes. The two other stores that offer natural and organic foods in the community are Wal-Mart and Central Market. From the time of the co-op's incorporation to its opening, Central Market did expand and make improvements to its natural foods section and could do so again to more directly compete if threatened by our expanded store. Since both Wal-Mart and Central Market are in more dominant positions in our market than our relatively small store, either could use their market positions to directly compete with us via pricing or advertising and hamper our projected sales.

Financing Risks. Assuming that we obtain all of the sources of funds described in "Statement of Sources and Uses" (page 15), we believe that the proceeds of this offering will be sufficient to fund the Co-op's expansion plans and capital requirements. Although we expect to be reimbursed from other sources described in the "Statement of Sources and Uses", we do not yet have any legally binding commitment for such reimbursements.

Reliance on key personnel. The Co-op relies on the management staff and its board of directors, none of whom has any legal commitment about their length of service with the Co-op.

Nonliquidity of shares and loans. Preferred shares cannot be transferred or sold to any party other than the Co-op. Preferred shares cannot be redeemed until authorized by the board of directors. The board cannot call any shares for redemption until the Co-op has the financial capacity to do so, which includes achieving sufficient profitability, working capital, and reserves. The Co-op currently projects that it might be in a position to begin redeeming shares starting in 2028, although actual results may materially differ from those projections. Redemption is likely to occur over a period of several years, beginning with shareholders in the earliest \$50,000 blocks of 2020 Series of Preferred shares. The decision of whether and when to call shares for redemption is at the discretion of the board, and can only occur if and when the Co-op has sufficient funds to adequately finance the business.

Suitability standards. The opportunity to purchase preferred shares is only available to persons having a pre-existing relationship with the Co-op, and who are fully-paid members and bona fide residents of the State of Minnesota. It is only suitable for those who understand the nature of the risks involved and can afford to assume them; who can afford to sustain a loss of their investment; and who have adequate financial means and no need for liquidity in any funds invested. Dividends and interest are taxable and will be reported with a 1099DIV to the federal government. If you have any questions, you should talk to a tax advisor or an attorney.

CONDENSED FINANCIAL INFORMATION

This condensed financial information provides a snapshot of the co-op's financial performance from the first three years of operations at its current location (2021-2023) years and projections for the next three (including the current year, 2024). While we have made every effort to base these projections on reasonable and prudent assumptions, there is no guarantee that they will prove to be accurate. We will gladly provide detailed financial statements to prospective investors upon request.

Balance Sheet as of 8.31.24

ASSETS		LIABILITIES AND EQUITY	
Current Assets		Liabilities	
Bank Accounts		Current Liabilities	
10100 Cash on Hand	\$600.00	Accounts Payable	
10105 Checking	\$29,850.95	20100 Accounts Payable	\$23,577.26
10110 Savings	\$1,014.01	20105 Equipment Payable	\$0.00
13105 Paypal	\$0.00	Total Accounts Payable	\$23,577.26
Total Bank Accounts	\$31,464.96	Other Current Liabilities	
Accounts Receivable		20103 Sales Tax Payable	\$967.00
11100 Accounts Receivable	\$0.00	21110 Line of Credit	\$0.00
Total Accounts Receivable	\$0.00	21111 Line of Credit-MMCDC	\$0.00
Other Current Assets		21112 MIDWEST LOC	\$0.00
12100 Inventory Asset	\$48,344.89	21120 N/P - PPP Loan	\$0.00
15106 Undeposited Funds	\$0.00	25101 WCIF Loan	\$12,851.72
Total Other Current Assets	\$48,344.89	25110 Pesch Loan	\$15,117.00
Total Current Assets	\$79,809.85	Total Other Current Liabilities	\$28,935.72
Fixed Assets		Total Current Liabilities	\$52,512.98
14115 Equipment	\$142,731.93	Long-Term Liabilities	
14116 Furniture and Equipment	\$1,000.00	25100 Start-up Loan	\$183,078.31
14117 Start up Costs	\$22,094.22	Total Long-Term Liabilities	\$183,078.31
14120 Accumulated Depreciation	-\$107,403.45	Total Liabilities	\$235,591.29
14145 Leasehold Improvements	\$27,770.00	Equity	
Total Fixed Assets	\$86,192.70	30100 Member Equity	\$294,363.70
Other Assets		30101 Opening Balance Equity	\$0.00
14150 Accumulated Amortization	-\$11,005.00	30102 Unasig Jewel Scholarships	\$0.00
15105 Security Deposits Asset	\$2,000.00	31100 Retained Earnings	-\$406,804.52
16000 Investment in Co-Ops	\$500.00	Net Income	\$34,347.08
Total Other Assets	-\$8,505.00	Total Equity	-\$78,093.74
TOTAL ASSETS	\$157,497.55	TOTAL LIABILITIES AND EQUITY	\$157,497.55

Cash Flow for previous 3 years with Projections for 2024-2026

Scenario 1: Capital campaign raises \$150,000 and finances \$150,000

In this scenario, the co-op will take on a \$150,000 loan at 10 years at 7.5% interest rate. This will add enough additional expense of both interest and principal to set the cooperative cash flow negative in 2025 and barely above breakeven in 2026. The first eight months of sales in 2024 provide a strong trend pointing to \$800,000 in total sales for the year. We estimate a 30% increase in sales when relocating, an increase similar to the jump we experienced when changing locations from 105 Barbara Ave to our current location at 823 Washington Ave.

Manna Food Co-op							
Profit and Loss							
	ACTUALS				PROJECTED	PROJECTED	PROJECTED
	2021	2022	2023	2023 % of sales	2024	2025	2026
Income							
Merchandise Sales	602,025	535,563	659,122		800,000	850,000	1,100,000
Sales Tax Incl in Sales		-9,301	-11,007	-2%	-13,360	-14,195	-18,370
Total Income	602,025	526,262	648,115		786,640	835,805	1,081,630
Cost of Goods Sold							
Cost of good sold	417,469	362,279	429,292	65%	521,047	553,612	716,439
Gross Profit	184,556	163,983	218,823		265,594	282,193	365,191
Expenses							
Payroll	108,183	97,968	113,128	17.2%	125,000	130,000	165,000
Outside services	7,240	5,777	6,066	0.9%	7,000	7,700	8,470
Insurance	4,918	4,798	5,882	0.9%	5,900	6,077	6,259
Licenses+permits	374	375	629	0.1%	629	629	629
Rent (5.5% of sales)	35,746	35,152	48,457	7.4%	44,000	45,000	60,500
Overhead costs (insurance/taxes)							15,000
Utilities	9,644	9,842	9,876	1.5%	10,000	10,000	14,000
Bank and finance charges	318	412	1,314	0.2%	400	400	400
Credit Card Fees	9,919	8,873	11,972	1.8%	14,531	15,439	19,980
Repairs + maintenance	4,377	600	255	0.0%	500	500	500
Supplies + small equipment	5,582	8,408	7,212	1.1%	8,753	9,301	12,036
Telecom/internet	2,818	2,582	2,465	0.4%	2,500	2,500	2,500
Accounting	2,399	1,565	1,818	0.3%	2,000	2,000	2,000
Dues + subscriptions		290	830	0.1%	800	800	800
other /discrepancy	4,309		80	0.0%			
Advertising + marketing	480	1,247	4,273	0.6%	4,000	4,000	4,000
Income Tax		404	440	0.1%	534	567	734
Interest	6,357	7,162	8,537	1.3%	13,796	25,603	24,803
Total Expenses	202,664	185,454	223,234	33.9%	240,344	260,516	337,612
Net Operating Income	-18,108	-21,471	-4,411		25,250	21,677	27,580
Other Income				0%			
Memberships/equity	8,300	4,650	4,200	1%	5,500	6,600	7,920
Cleaning income	9,167	10,167	12,133	2%	11,196	11,196	0
Co-op dividends (frontier/infra)	387		450	0%	850	850	900
Total Other Income	17,853	14,817	16,783	3%	17,546	18,646	8,820
Net Income	-255	-6,654	12,373	2%	42,796	40,323	36,400
Principle payment Start up Loan	27,427	33,768	33,804		21,600	21,600	21,600
Principle payments WCIF					4,800	4,960	1,260
Principle payment Pesch loan					10,000	7,000	
Principle payment NEW LOAN						10,700	11,600
Income minus principle payments	-27,682	-40,422	-21,431		6,396	-3,937	1,940

Scenario 2: Capital campaign reaches goal of \$300,000

In this scenario, the co-op will cover all estimated direct costs of relocating including store and equipment upgrades as outlined above and not take on additional financing for relocation and expansion. In this scenario, the cooperative will continue its trend of profitable operations and cover all debt obligations. The sales in this scenario are the same as scenario 1 and the only difference relates to the change in debt obligations (both interest and principal).

Manna Food Co-op								
Profit and Loss								
	ACTUALS				2023	PROJECTED	PROJECTED	PROJECTED
	2021	2022	2023	% of sales	2024	2025	2026	
Income								
Merchandise Sales	602,025	535,563	659,122		800,000	850,000	1,100,000	
Sales Tax Incl in Sales		-9,301	-11,007	-2%	-13,360	-14,195	-18,370	
Total Income	602,025	526,262	648,115		786,640	835,805	1,081,630	
Cost of Goods Sold								
Cost of good sold	417,469	362,279	429,292	65%	521,047	553,612	716,439	
Gross Profit	184,556	163,983	218,823		265,594	282,193	365,191	
Expenses								
Payroll	108,183	97,968	113,128	17.2%	125,000	130,000	165,000	
Outside services	7,240	5,777	6,066	0.9%	7,000	7,700	8,470	
Insurance	4,918	4,798	5,882	0.9%	5,900	6,077	6,259	
Licenses+permits	374	375	629	0.1%	629	629	629	
Rent (5.5% of sales)	35,746	35,152	48,457	7.4%	44,000	45,000	60,500	
Overhead costs (insurance/taxes)							15,000	
Utilities	9,644	9,842	9,876	1.5%	10,000	10,000	14,000	
Bank and finance charges	318	412	1,314	0.2%	400	400	400	
Credit Card Fees	9,919	8,873	11,972	1.8%	14,531	15,439	19,980	
Repairs + maintenance	4,377	600	255	0.0%	500	500	500	
Supplies + small equipment	5,582	8,408	7,212	1.1%	8,753	9,301	12,036	
Telecom/internet	2,818	2,582	2,465	0.4%	2,500	2,500	2,500	
Accounting	2,399	1,565	1,818	0.3%	2,000	2,000	2,000	
Dues + subscriptions		290	830	0.1%	800	800	800	
other /discrepancy	4,309		80	0.0%				
Advertising + marketing	480	1,247	4,273	0.6%	4,000	4,000	4,000	
Income Tax		404	440	0.1%	534	567	734	
Interest	6,357	7,162	8,537	1.3%	13,796	13,796	13,596	
Total Expenses	202,664	185,454	223,234	33.9%	240,344	248,709	326,405	
Net Operating Income	-18,108	-21,471	-4,411		25,250	33,484	38,786	
Other Income				0%				
Memberships/equity	8,300	4,650	4,200	1%	5,500	6,600	7,920	
Cleaning income	9,167	10,167	12,133	2%	11,196	11,196	0	
Co-op dividends (frontier/infra)	387		450	0%	850	850	900	
Total Other Income	17,853	14,817	16,783	3%	17,546	18,646	8,820	
Net Income	-255	-6,654	12,373	2%	42,796	52,130	47,606	
Principle payment Start up Loan	27,427	33,768	33,804		21,600	21,600	21,600	
Principle payments WCIF					4,800	4,960	1,260	
Principle payment Pesch loan					10,000	7,000		
Income minus principle payments	-27,682	-40,422	-21,431		6,396	18,570	24,746	

Sources & Uses for Expansion Project

The sources and uses are our best estimate currently for the project's financing and costs.

Sources:	
Cash from fundraising events	\$ 10,000
Cash from donations	\$ 65,000
Preferred share member equity investments	\$ 188,750
New member equity (common share purchases)	\$ 22,500
USDA Grant (RFSI)	\$ 304,000
DL Façade grant	\$ 3,000
AURI 50% cost share for technical assistance	\$ 6,750
TOTAL SOURCES	\$ 600,000
Leasehold Improvement	
Wall Construction for Deli	\$ 24,000
Painting/drywall	\$ 22,000
Plumbing	\$ 30,296
HVAC	\$ 40,000
Flooring	\$ 67,331
Electrical	\$ 69,397
Signage/façade improvements	\$ 10,000
Ceiling	\$ 3,000
Glass for storefront	\$ 55,000
Subtotal Leasehold Imp	\$ 321,024
Equipment Invest - Adds Value to Co-op Business	
Lozier Shelving	\$ 4,000
Grab and go low-rise refrigeration case	\$ 7,000
Walk in Cooler/freezer	\$ 51,748
Shared kitchen equipment	\$ 125,376
Ventilation hood	\$ 40,000
Other kitchen fixtures	\$ 15,000
Produce/grocery merchandisers	\$ 15,000
2 doors freezer	\$ 9,000
2 door refrigeration	\$ 7,000
Moving/reinstalling existing equipment	\$ 15,000
Subtotal Equipment	\$ 289,124
Other Costs	
IT moving of POS	\$ 3,000
Design Services: Thiesen Design	\$ 8,500
Infra design assistance	\$ 5,000
Subtotal Other Costs	\$ 3,000
TOTAL RELOCATION AND EXPANSION COSTS	\$ 613,148

Management Discussion of Financial Position

MANNA Food Co-op has reached a new plateau in 2024 as a small business, having transitioned from a start-up business struggling to find its niche in the marketplace and enough consistent customers to breakeven to a small business with a consistent positive cash flow and consistent customer traffic. These positive changes came with our membership in Infra which has given us competitive pricing in the marketplace, visibility from our current location, and consistent quality staffing and management for positive daily customer experiences. At \$660,000 in income in 2023, the co-op broke even and had a positive net income on its profit and loss statement, but not a positive cash flow when principal payments were taken into account. This year, however, total income during the first eight months of 2024 is 31% greater than the first eight months of 2023 (\$559,079 compared to \$426,494). Today MANNA is meeting its accelerating debt payments, keeping a solid 15 days of working capital on hand to cover operating costs, and making minor investments to improve operations with cash.

Current Financial Position

The initial investment of co-op member-owners in common stock allowed the co-op to leverage a \$250,000 loan and \$100,000 line of credit from Midwest Minnesota Community Development Corporation (MMCDC) to fit up a location and start operations in 2017. Starting a new business and attracting the necessary market share to support a retail business takes time, and, as of the end of 2019, the co-op had used the full \$250,000 start-up loan and nearly all of its line of credit available from MMCDC. During MANNA's first capital campaign in 2020-21, MMCDC converted its outstanding \$100,000 line of credit to equity via preferred shares and members contributed a \$209,893 between preferred share investments, membership purchases, and donations. With this cash on hand, the co-op was able to cover construction costs for leasehold improvements and make prudent investments in equipment to fit up the current location. The increase in sales between 2020 and 2021 also allowed the co-op to begin paying on its start-up loan from MMCDC which previously had been interest-only. From 2021 through August 2024, the co-op has paid the start-up loan down to \$183,000 down from \$250,000. In addition, the co-op has the cash flow to also pay on the outstanding Pesch loan originating in 2019. Monthly sales in 2024 more than cover operating costs and debt obligation in our current location.

Despite these positive operations and sales trends, the co-op does not have the necessary financial resources on hand to afford necessary relocation expenses and significant equipment investments. This reality drove the board of directors to initiate a capital campaign for fall 2024.

Capital Raise and Impacts on Financial Position

As presented in these disclosures, the Co-op has a great opportunity before it to make a significant change which we expect will improve its sales and position the organization for long-term profitability. However, such a move is not possible without members making investments in the capital campaign. If the co-op needs to finance a large portion of expansion expenses, the constraints on cash flow will not only impact the ability of the co-op to provide investors dividends and meet debt obligations, but, more importantly, even constrain operations such as purchasing inventory or staffing. These operating costs will allow the co-op to take the most advantage of its bigger store and garner additional sales and customers. Falling short of the goal of covering most of the expansion costs could handicap operations, and, in turn, the member-owners and the ability of the co-op to meet its mission. Meeting our capital campaign goals of \$300,000, on the other hand,

should allow the co-op to be cash flow positive in its first year in the new location according to our projections. This scenario would be preferable to both the co-op and member-owners alike as MANNA would be in a much stronger financial position and can reward members for their investments.

CO-OP STRUCTURE AND MISSION

MANNA Food Cooperative is a member-owned, natural foods cooperative. Each member household is entitled to vote for directors, to vote on other matters as mandated by our by-laws and articles of incorporation, and to participate in policy discussions concerning Co-op business.

MANNA adheres to the Rochdale Cooperative Principles:

- Voluntary and Open Membership
- Democratic Member Control
- Member Economic Participation
- Autonomy and Independence
- Education Training and Information
- Cooperation among Cooperatives
- Concern for Community

MANNA Food Co-op operates under a set of policies developed by the board of directors that guide the Co-op's operations and governance. Among those policies is the Co-op's mission, a statement that embodies the long-range vision for the Co-op and drives every initiative undertaken by management.

MANNA's current mission statement states:

MANNA Food Co-op is a community owned and operated retail storefront and deli which supports health and wellness, builds a sustainable food system, and supports the local economy in the Detroit Lakes area. We are dedicated to offering quality local, natural, and organic foods.

KEY PERSONNEL

Maree Pesch, General Manager. Maree is a graduate of Gustavus Adolphus College and St. Thomas University. She was a special education teacher in the Twin Cities before moving to Otter Tail County. She raised three kids while building up a vegetable farm operation with her husband, Ryan. As a lifelong co-op shopper and organic farm operator, she brings over 20 years of experience in natural foods and entrepreneurship to the co-op. She is the primary grocery buyer for the store and oversees staff and scheduling.

Cortney Brodsho, Assistant Manager. Cortney received a degree in psychology from Moorhead State

University in 2021. She joined the co-op as staff in 2021 and has risen through the ranks as the hardest-working member of the team. In her role as assistant manager, she helps oversee the deli and is the primary contact and buyer for local suppliers and farm operators.

BOARD OF DIRECTORS

MANNA Food Cooperative is governed by a board of directors democratically elected from among the membership. The board of directors oversees the Co-op's fiscal health, sets policy, hires and holds accountable the General Manager, and represents the membership. The board of directors currently includes:

Zachary Paige, President. Zach is the proprietor of North Circle Seeds Organic vegetable seed company and Food Systems Coordinator with the Regional Sustainable Development Partnership, a division of University of Minnesota Extension. He holds a Master of Science in Plant Breeding at Iowa State University. Zachary is passionate about seed saving, growing garlic and local food systems. He is on the Lake Agassiz chapter board of the Sustainable Farming Association of MN as well as the state board. As a small organic farmer, Zachary believes in local food and is passionate to do his part in cultivating a place where the Detroit Lakes local foods community can gather and share knowledge and delicious food and culture.

Bonnie Guyer-Graham, Vice-President. Bonnie has been a food co-op member at five different co-ops since the '80s. Being new to the community, she became a MANNA Food Co-op member right away and wondered how she could volunteer and be part of the Co-op. Then COVID hit and everything was disrupted. Having joined the board in 2022, Bonnie is interested in how we can reach out and connect more, build our relationships and build back our community. For her, MANNA Food Co-op can be a place to meet like-minded folks, to volunteer, to grow new skills, to help our local food producers, to go local, and to build a better world. In her work life she has worked with volunteers and helped them find a way to share their passion and skills with their communities and she is looking for ways to bring those skills to us.

Ryan Pesch, Treasurer is a founding board member and has been MANNA's Treasurer for the last two years. He is both an Extension Educator for the University of Minnesota in community economic development and a certified organic vegetable grower who operates Lida Farm. Since 2000 he has been involved in commercial vegetable production and sold at farmers markets, farm stands, wholesale, and via CSA. Ryan worked on staff for four years in grocery and produce at Mississippi Market Food Co-op in St. Paul and brings that experience to both the board and staff. Ryan received a Master's in Urban and Regional Planning from U of M's Humphrey School of Public Affairs and a BA in Classics from Gustavus Adolphus College, where he and his wife, Maree, discovered the wonder of cooperative development through the St. Peter Food Co-op

Alexa Stelzer, Secretary. Since working at a food co-op in college, Alexa has been passionate about the values and mission associated with co-ops. She has a strong tie to the food industry from years of working as a dietitian and previous food service manager and feels that MANNA can help us all eat better and

healthier. She dreamed of starting a food co-op in DL many years ago now and had the opportunity to help with initial fundraising and organizing efforts of MANNA in 2016-17. After her children were born, she stepped away from involvement with the co-op but has eagerly reengaged now as a board member.

Diane McCarthur, Member at Large. Diane's professional background is in Nutrition and Dietetics, and she has a passion for good food and currently works in education at White Earth Tribal and Community College. As someone who grew up on a farm with plenty of home-grown meat and produce, Diane feels that food should be available to all who seek it.

Janna Setterholm, Member at Large. Janna made Detroit Lakes her home in 2013 after leaving a career in the wine industry, with her last stop as General Manager of a winery in Mankato, MN. She is a certified aromatherapist and owner/operator of Koru Essential Oils. She markets her products both in store and online. Janna has a passion for supporting other small businesses and great entrepreneurial experience building her own business from scratch.

Geralyn Lyseng, Member at Large. Geralyn has been a career K12 educator, with decades of experience in music education. She highly values people coming together to bring their ideas and concepts to collaborate for improved health and a cherished quality of life, setting long term priorities and working together for the common good.

MANNA FOOD CO-OP'S CAPITAL STRUCTURE

MANNA Food Co-op's articles of incorporation authorize up to \$2,502,500 shares of stock, divided into two classes:

- Class A stock of up to 2,500 shares with a par value of \$0.01 per share.
- Class B Preferred Stock of up to 2,500,000 shares, with a par value of \$0.01 per share.

Class A stock is the "ownership share," and is the only class of stock that includes the right to vote. All member-owners purchase one share of Class A stock as part of their membership fee. No dividends are paid on Class A stock.

Class B stock may only be issued to holders of Class A stock, i.e., to member-owners. Because of restrictions under state and federal securities laws, purchasers of Class B stock must also be residents of Minnesota. Dividends may be paid on Class B stock at the discretion of the board of directors. Class B stock may be issued in series with any dividend rate up to eight percent per year. Dividends are not cumulative.

Redemption of outstanding Class B shares is at the discretion of the board, and can only occur if and when the Co-op does not require all of its funds to adequately finance the organization. The board may authorize redemptions upon death or for qualifying hardship exceptions, in a total amount not to exceed \$5,000 per year.

IMPORTANT NOTICE TO INVESTORS

The information in this Disclosure Statement is confidential. By accepting delivery of the Statement, you agree not to reproduce and to return it and all enclosed documents to the Co-op if you do not purchase any shares. Any reproduction or other distribution of this disclosure statement, in whole or in part, without the prior written consent of the Co-op, is strictly prohibited.

This Disclosure Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state other than Minnesota.

You should be aware that you will be required to bear the financial risks of this investment for an indefinite period of time, and that you cannot sell or transfer loans, Preferred shares or to any person or entity except the Co-op.

These loans, Preferred shares and have not been registered under the Federal Securities Act of 1933, as amended, or any state securities laws, and are being offered and sold under a claimed exemption from registration requirements of such laws. Neither the Securities Exchange Commission nor any state securities authority has made an independent determination that these securities are exempt from registration.

The Co-op reserves the right to reject any completed promissory note or Agreement to Purchase B Shares for any reason. The Co-op will be deemed to have accepted an Agreement to Purchase only when an authorized officer has signed the promissory note or agreement on behalf of the Co-op and returned it to the owner. *Deposit of an owner's check will not constitute acceptance.*

The Co-op and its directors, officers, and any other representative of the cooperative do not assume any responsibility for economic or tax advice or consequences concerning this investment.

The Co-op has supplied and is responsible for the contents of this Disclosure Statement. No one has been authorized to give any information or to make any representations other than those in this Disclosure Statement.

The delivery of this Disclosure Statement does not imply that there has been no change in the affairs of the Co-op since the date the Statement was written, or that the information in the Statement is correct at any time after that date.

We urge you to read this Disclosure Statement carefully. We will give each prospective investor an opportunity to ask questions of persons authorized to act on behalf of the Co-op, and will provide any additional information that we can to verify the accuracy of the information in this Disclosure Statement. If you desire additional information or documents to verify or supplement the Disclosure Statement, please contact Ryan Pesch, Treasurer, MANNA Food Cooperative, 823 Washington Avenue, Detroit Lakes, MN 56501, (218) 770-4398, lidafarmer@gmail.com. As part of any Agreement to Purchase preferred shares, investors will be required to verify in writing that they were given the opportunity to obtain additional information.

HOW TO PURCHASE PREFERRED SHARES

Preferred Shares: To purchase Preferred shares, complete the Agreement to Purchase in Appendix A and return it, along with your check, to Manna Food Cooperative, Attn: Ryan Pesch, 823 Washington Ave, Detroit Lakes, MN 56501. The Co-op reserves the right to reject any Agreement to Purchase for any reason, and to withdraw, cancel, or modify this offering at any time.

Thank you for your support!

AGREEMENT TO PURCHASE PREFERRED SHARES

To purchase preferred shares of Class B stock in the MANNA Food Cooperative (“the Co-op”), please complete and return the following form. When accepted by the Co-op, this Agreement to Purchase will constitute an irrevocable subscription for shares of preferred, nonvoting stock in the Co-op. A copy of the signed, accepted Agreement will be returned as a receipt and an electronic account will be established in your name. The Co-op will provide regular, written statements of your holdings at the address provided in the Registration Information.

I/we, _____ (“Purchaser”),

Member # (co-op staff will look up) _____ hereby agrees to purchase:

_____ **shares of 2024 Series Class B, preferred, nonvoting stock** in the MANNA Food Cooperative (“the Co-op”) at a price of \$500 per share

By signing this agreement, I acknowledge that the Co-op is relying on my representations in complying with its obligations under federal and state securities laws. Purchaser(s) makes the following representations:

1. I have relied only on the information contained in the Disclosure Statement provided by the MANNA Food Cooperative in evaluating this offering.
2. I have had an opportunity to review any documents that I requested from the Co-op to verify the information contained in the Disclosure Statement.
3. I am a fully-paid member of the MANNA Food Cooperative and a resident of Minnesota.
4. I have the knowledge and experience to adequately evaluate this investment.
5. I realize that these shares are sold pursuant to an exemption from federal and state securities laws, and that they are not freely transferable.
6. I have examined the Co-op’s financial disclosures and realize that the Co-op does not project paying annual dividends on these shares until at least 2027, and that it could be later, and that dividends are not cumulative from year to year. I further understand that the Co-op does not project offering to redeem these shares until at least 2027, and that it could be later.
7. I understand that the decision to pay dividends or redeem shares is at the discretion of the board of directors, and is dependent upon the co-op achieving sufficient profitability and having adequate financial capacity, as determined by the board.
8. I understand that this investment is highly speculative and involves a substantial degree of risk, including, but not limited to, the risk factors identified in the accompanying Disclosure Statement.
9. I understand that if the Co-op were to fail, my investment would be lost.

REGISTRATION INFORMATION: (Please print)	
Name of Purchaser(s):	Purchaser #1:
	Purchaser #2:
Street Address (Mail notices and reports to):	
City/State/Zip Code:	
Telephone Number(s):	
Email Address(es):	
Social Security Number: <i>(Note that 1099-DIV will be issued under SSN of Purchaser #1.)</i>	Purchaser #1:
	Purchaser #2:
Tax I.D. (If applicable):	
# Shares Purchased:	_____ Preferred shares @ \$500 per share (2024 series)
Amount of Funds Enclosed:	\$ _____

The Purchaser(s) is/are (check one):

- _____ A Corporation
- _____ A single person
- _____ A married couple, held jointly
- _____ Tenants in common
- _____ A married (man) (woman) as (his) (her) separate property

SIGNATURES (All Purchasers must sign.):

Purchaser #1: _____ Date: _____

Print name: _____

Purchaser #2: _____ Date: _____

Print name: _____

Please mail this completed Agreement along with your check or money order to: MANNA Food Cooperative, Attn: Member Investment Program, 823 Washington Ave, Detroit Lakes, MN 56501.

ACCEPTANCE BY COMPANY:

Subscription accepted this _____ day of _____, 2024, by MANNA Food Cooperative.

By _____

Treasurer, board of directors