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## Outline of community finance context for Real Food: March 2011

Real Food owes its origins to a Transition Exeter Open Space meeting in February 2009 at which over 50 people worked to answer the question "How can Exeter Plan a Sustainable Local Food Economy"? The Real Food project thread arose from identifying the need for an affordable city centre retail outlet for local producers which was able to be run as a business for the benefit of producers and the community. The centre of Exeter is a genuine desert for local food – indeed for any food other than the middle to lower end supermarket offer. One excellent Thursday farmer's market is all that exists in a city of 120,000.

A group of about twenty met shortly after the Open Space to see how this project could be taken forward. From the meeting, a group of seven emerged and as a team started to meet fortnightly to plan the project. The same team is still totally intact. Six of the seven are the current Directors of the Board of Exeter Local Food Ltd, re-elected at the AGM on 26 February (see below).

A business plan was written in August 2009 describing the project as a group of four interlinking elements: an in-store artisan bakery, a store, café and 'events/education' space. It would be Exeter's only artisan bakery supplying the café and the store, with the café being a showcase for local produce, offering a simple, seasonal menu. The store would be always favouring locally sourced, seasonal and affordable food with a commitment to telling the story behind it. Where possible it would be organic. The events space would harness and develop a growing understanding of food issues and would be available for hire both at commercial and community rates.

In August 2009 we had no premises identified. Neither did we have a name, identity or web-site. We were variously describing the venture as a Community Food Hub, a Food Co-Op and variants on that theme.

Neither the lack of premises or name was of any great significance during this period, as the team met regularly to work through the possible figures, legal structure and 'ethics' of the business. For this important work we were joined by Paul Sander-Jackson and Sean Wheeldon of Wessex Community Assets who helped us shift our thinking from a Co-Op towards raising community finance: a model that was becoming increasingly used by communities of people to 'invest in what they want' rather than 'accept what they are given' – or in most cases not given.

This partnership with Wessex (for which we negotiated an acceptable fee based on a % of what subsequently became our community share offer subscriptions) led us to form 'Exeter Local Food Ltd' (ELF), a 'Community Benefit Society' incorporated under the 1965 Industrial and Provident Societies Act. The Company was registered on 02 December 2009.

The aims of the Society are incorporated in its rules as below:

- 2 What are the society's objects?
- 2.1 The society aims to:
- 2.1.1 Encourage the development of the local food economy of Exeter and its surroundings so that local people have better access to locally grown and produced food and so that the local economy benefits;
- 2.2 Examples of the ways in which the society may carry out its objects may include:



- 2.2.1 Provide local sustainable farmers and producers with a ready route to market for their products;
- 2.2.2 Develop and promote retail and catering outlets for local sustainably produced food;
- 2.2.3 Undertake education and marketing activities that encourage the consumption and appreciation of local sustainably produced food
- 2.3 Those objects are carried on for the benefit of the community. (The last clause (2.3) is the most important of all.)

The following brief chronology of events is helpful to get a sense of the time needed to follow-through to opening a project of this size.

December 2009	Company incorporation
January 2010	Identification of a single 800sq ft vacant city centre unit
February 2010	Identification of its next door neighbour, newly vacant.
Feb – July 2010	Continued negotiations with land lord (Land Securities) for a lease on both premises, with the intention of internal interlinking at ground and first floor levels.
March 2010	Trading name of Real Food agreed. Web-site building commenced in order first of all to plan and promote a community share issue.
April – May 2010	Various drafts of the Community Share Offer Document (the SOD) drawn up. Final version ready and printed within one week of the launch.
June 10 2010	SOD launched to nearly 100 people at a city centre Church. Invite list drawn up from the team's own various/overlapping food and related networks. A review of our subsequent investors shows that nearly 90% of those at the launch invested.
July 23 2010	Official close of the issue (ridiculous timescale). Only c. £40k raised (see figures below).
August 2010	Revised business plan (reduced kitchen/café-lite) approved by members. Lowering target from £190k to £135k
September 30 2010	Closure of second and final stage of share offer. £153k raised.
October 28 2010	Second members meeting: 80 attend.
November 2010	Agreement to lease of 11-13 Paris Street signed.
December 2010	Commencement of landlord's works
Jan to March 2011	Overlap of landlord's and Real Food's contractors on site
February 26 2011	First AGM of ELF Ltd (trading as Real Food)
March 29 2011	Opening of Real Food Store, Bakery and Café.
Preparation period by the Team of 7 August 2009 to June 2010 (10 months)	

We followed the community finance route because we had very good grounds for believing that there were in Exeter and its surrounds strong networks of people, known and unknown, and not just

10 June 2010 to 29 March 2011 (9.5 months)

From Share Launch to opening



'foodies', who would see this opportunity as a huge breakthrough for Exeter. We sensed also that they would part with money to make this happen and that people would talk about Real Food, encourage each other and become responsible for making it happen.

All members of ELF are subscribers. The Directors stipulated a minimum investment of one hundred one pound shares, and a maximum of twenty thousand. The latter is the maximum permitted under the relevant legislation. A breakdown of the share/size spread is attached as an appendix to this document and makes fascinating reading. The spread is regarded as fairly typical by the Community Shares/Baker Brown researchers. Investors were much encouraged by the hype and tempo towards the end: people piled in during the last three/four weeks.

Shares in a community benefit society are known as 'withdrawable' shares. They are not tradable outside the society. They remain valued at par. They could decrease in value if the enterprise fails. No withdrawal is permitted in the first three trading years. Thereafter the Directors may determine a percentage of the profits that can be applied to re-paying the withdrawable-share-holders who give the requisite notice. They then cease to be members. At the same stage the Directors may determine that a small 'rate of interest' can be payable on all shares held. The concept of a 'dividend' applies to tradable shares whose value alters on a daily basis. This is not applicable to a community benefit society.

No bonds were issued. Neither was there any desire to go through the application merry-go-round for grants. Commercial loans post-banking collapse and bail out would either have been unobtainable or at a ridiculous rate of interest (double digit) with all the Directors providing collateral. We never ever considered it. We may have obtained a commercial loan from Triodos, but again with the same interest rate and collateral requirements. The community shares the risk. And that makes it solid. The risks remain those identified in the SOD.

Our initial target was to raise £190k over a period of six weeks. In August 2010 we modified the business plan and reduced the requirement to £135k. By 30 September (close of the 2<sup>nd</sup> stage SOD) we had raised £153k.

The SOD was promoted through a gathering storm of well-presented stories and pictures in the local and regional press, networking, twitter, facebook a few easy stunts and a cheeky use of the empty windows of the premises. This proved to be a winner, as the footfall took to heart the 'pink cow' in the window and various banners that emerged from mid-August 2010 onwards. The Directors kept their nerve and found ways of using the site before we had raised the cash necessary to sign the lease.

The capital requirements of the business were calculated at £114k, and the trading capital to support cash flow during the first year a further £30k. Real Food has created 6.5 FTE jobs. The capital headings cover electrics, refrigeration, flooring, plumbing, kitchen equipment, extraction, shop-fittings and furniture, building works, EPOS and IT, café furniture, small goods etc.

Our members defy categorisation, although no doubt some post-code analyst can give a demographic breakdown that may turn out to mean little. Their financial circumstances are not to be assumed. Clearly our two biggest investors were exceptional but they were *entirely* unknown within our networks or from our knowledge of the city. Our members are passionate people, for some of whom £100 is a lot of money. They just wanted Real Food to happen.

David Mezzetti 14 March 2011