

In case of the death of a Member-Owner holding a Note, the Note will transfer to the Member-Owner's heirs or estate, irrespective of the residency of such transferee(s) or whether such transferee(s) is a Member-Owner of the Co-op.

Caution: Investing in this Offering involves significant risks. Please see "Risk Factors" beginning on page 6 for important factors you should consider before investing in our Notes.

THE SECURITIES BEING SOLD IN THIS OFFERING HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION ("SEC") OR ANY STATE SECURITIES AUTHORITY, NOR HAS THE COMMISSION OR ANY STATE SECURITIES AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY CONTRARY REPRESENTATION IS A CRIMINAL OFFENSE.

**NEW
INVESTOR PACKET
COMING SOON!**

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WARNING REGARDING FORWARD-LOOKING STATEMENTS

This Memorandum and the documents it references contain forward-looking statements that involve future events, our future performance and our expected future operations and actions. In some cases you can identify forward-looking statements by the use of words such as “may,” “should,” “anticipate,” “believe,” “expect,” “plan,” “future,” “intend,” “could,” “estimate,” “predict,” “hope,” “potential,” “continue,” or the negative of these terms or other similar expressions. These forward-looking statements are only our predictions and involve numerous assumptions, risks and uncertainties. Our actual results or actions may differ materially from these forward-looking statements for many reasons, including the risks described in this Memorandum and events that are beyond our control. We are not under any duty to update the forward-looking statements contained in this Memorandum. We cannot guarantee future results, levels of activity, performance or achievements. We caution you not to put undue reliance on any forward-looking statements, which speak only as of the date of this Memorandum.

You should read this Memorandum and the documents that we reference in this Memorandum completely and with the understanding that our actual future results may be materially different from what we currently expect. We qualify all of our forward-looking statements by these cautionary statements.

IMPORTANT NOTICES TO INVESTORS

This Memorandum contains important information about us that you should read and consider carefully before you decide whether to invest in our Notes. The principal sections of this Memorandum are located on the pages referenced in the Table of Contents. Some of the documents related to this Offering are included in the Appendices to this Memorandum. If you have any questions regarding the information in this Memorandum, please contact the Rooted Carrot Co-op Market by telephone at 319-535-0281 or by email at info@rootedcarrot.coop.

We urge you to read this Memorandum carefully. You will be required to verify in writing that you were given the opportunity to ask questions regarding the information in this Memorandum and either did so or waived such opportunity by completing the enclosed subscription agreement.

The contents of this Memorandum and any prior or subsequent communications from or with the Rooted Carrot Co-op Market, or any professional associated with the Rooted Carrot Co-op Market, are not legal, accounting or professional tax advice. Rooted Carrot Co-op Market and its directors, officers, and any other representative of the Co-op do not assume any responsibility for economic or tax advice or consequences concerning this investment.

This Offering involves a high degree of risk. Prospective participants should consider all of the risk factors set forth in this Memorandum.

This Offering is limited to Member-Owners of the Cooperative who are residents of the State of Iowa. The information contained herein shall not be deemed an offer to sell to, or a solicitation of an offer to buy securities from, any person who is not both a Member-Owner of the Cooperative and a resident of the State of Iowa.

We have not registered the Notes with the SEC or with any state securities commission. We are offering the Notes pursuant to claimed exemptions from registration provided by the Securities Act of 1933, as amended, and applicable state securities laws. The Notes are restricted securities under federal and state securities laws. This means that you cannot transfer the Notes except pursuant to exemptions from the registration requirements of such laws, and that you must purchase the Notes for your own account and for investment purposes only.

We may reject your subscription, in whole or in part, for any reason, and your subscription is subject to the subscription procedures we have established for this Offering. To accept your subscription, one of our officers will notify you and countersign a copy of your subscription agreement and return it to you. Payment of the total subscribed amount must be made to the Co-op no later than fourteen (14) business days following your completion of the subscription agreement. This is the only way we will accept your subscription. Please read the more detailed information about subscribing under “Plan of Offering – Subscription Procedures.”

We have not authorized anyone to give any information or to make any representations with respect to the Notes except the information contained in this Memorandum. ***You should only rely on this Memorandum in making***

Merchandise Sales	\$ 4,690.74
<u>Total - Income</u>	<u>\$ 227,680.67</u>

Expenses

Advertising/Sponsorship	\$ 5,152.18
Contracted Employees	\$ 75,428.50
Dues and Memberships	\$ 500.00
Food and Drink	\$ 1,738.08
Gifts/Campaign incentives	\$ 8,354.78
Insurance	\$ 6,763.00
Meeting Space Rent	\$ 7,073.50
Membership Overpayment	\$ 720.00
Merchandise	\$ 4,639.77
Miscellaneous Costs	\$ 1,205.35
Pay Pal Fees	\$ 3,469.41
Postage and Mailing	\$ 2,874.48
Printed Materials	\$ 9,749.20
Professional Development	\$ 4,742.72
Professional Services	\$ 38,967.89
Rent	\$ 1,659.00
Sales Tax & Government Filings	\$ 364.00
Supplies	\$ 1,231.72
Technology	\$ 4,691.03
Travel	\$ 4,859.26
<u>Total - Expenses</u>	<u>\$ 184,178.81</u>
<u>Net Profit (Loss)</u>	<u>\$ 43,499.80</u>

We are proud of the support that this community has given to our start-up Co-op. We are pleased that we have been able to preserve our equity capital.

VI. Capital Campaign

The purpose of this Memorandum is to provide necessary information for you to consider in deciding whether to provide financial support to help the Rooted Carrot Co-op Market move towards a store opening. This Offering is intended to raise significant proceeds for the funds necessary to open the store in Cedar Falls, Iowa and begin operations. This will include, but not be limited to, leasing the physical space the store will occupy, making any necessary changes or remodeling to the space, hiring management and staff, purchasing equipment – such as shelves, freezers, cash registers and signage – and inventory, and assisting with marketing efforts to communicate the Co-op’s opening and to drive business to the store. The more capital we raise from our Member-Owners through this Offering, the less we will need to rely on outside, institutional lenders.

The capitalization of the Rooted Carrot Co-op Market relies on a broad base of funding including; from Member-Owner investment of equity (\$200 per Member-Owner), proceeds from the sale of Notes being offered in this Offering, and charitable donations. Investing in the Rooted Carrot Co-op Market through the purchase of Notes provides essential funds for the store opening. The capital investment we receive from this Offering will demonstrate community support for the opening of a cooperative grocery store and will reduce the Co-op’s overall cost of capital, which we believe will benefit the Co-op and all Member-Owners in the long run. Such an investment will also support the local economy by keeping capital investments and earnings on such investments local.

7.1 The Offering

We are offering Member-Owners of the Cooperative who are residents of the State of Iowa the opportunity to purchase unsecured subordinate Notes with a minimum principal amount of \$2,000. The terms of the Notes were determined by our Board based on discussions with others in the food Co-op sector and were not based on customary valuation procedures.

Accepted subscriptions by investors will require a cash payment equal to the total subscription amount upon notification of acceptance to the investor by our Board. All subscriptions are subject to approval by our Board and acceptance by us, and we reserve the right to reject any subscription in whole or in part for any reason in our sole discretion.

Investors who desire to purchase a Note will be required to read, complete and sign a subscription agreement in the form attached as Appendix A to this Memorandum. The subscription agreement shall indicate the investor's intent to purchase the Note and shall include the terms (principal amount and interest rate) of the Note the investor agrees to purchase (the "Commitment"). The Commitment shall require payment of the principal amount in exchange for the Note. Upon receipt of the subscription agreement, our Board may, in the Board's sole discretion, accept the subscription agreement and notify the investor of its intent to require payment within 14 days of such notification in exchange for the Note, with or without prior notice to the investor. The Board may cancel the subscription agreement in its sole discretion at any time prior to accepting payment from the investor.

In the event our Board decides we are unable to go forward with this Offering for any reason, proceeds from the Notes will be returned to lenders with a pro rata share of all interest accumulated (if any) on the funds during the period that they were held by the Co-op.

This Offering will close upon the earlier of its termination by a resolution of the Board or on August 1, 2021, subject to the right of the Board to extend this Offering one or more times order to reach our target of raising a minimum \$1.6 million from our capital campaign. We reserve the right to terminate the Offering at any time, to waive conditions to the purchase of Notes, and to reject subscriptions for Notes in whole or in part for any reason in our sole discretion.

Our Notes will be sold directly to investors on a best efforts basis without the assistance of an underwriter. No commissions will be paid to any person in connection with this Offering. Volunteers will sell the Notes in this Offering on our behalf directly to investors on a best efforts basis without the assistance of an underwriter. We do not consider our officers or Directors to be brokers under the Securities Exchange Act of 1934 because they have not been, and will not be, in the business of effecting transactions in securities for the accounts of others. Their participation in the Offering of securities is limited to this Offering and not part of a general business of effecting securities transactions. Each of these individuals has substantial operational responsibilities to us during and after the Offering. They have not received, and will not receive, any compensation or commissions based, directly or indirectly, upon the sale of the Notes.

The Notes represent our unsecured promise to repay both the principal and simple interest of the loan. Simple interest on the Notes will be paid annually on the principal balance outstanding during each year of the Note's term. Principal repayment will begin in year 11; twenty percent (20%) of each loan's principal amount will be repaid at the end of years 11 through 15, such that the loan's principal and interest, collectively, will be fully repaid at the end of year 15.

A lender may request that the Note be prepaid after year five, and such request may be accepted or denied, in whole or in part, at the sole discretion of the Co-op. However, the Co-op may, in its sole discretion, prepay the principal balance and/or accrued interest (if any) on the Note, in whole or in part, at any time prior to the end of year 11, or from time to time, without penalty, premium or additional interest. By purchasing a Note, you are lending money to us.

Prior to your purchase of Notes, you will be required to complete the subscription agreement attached as Appendix A to this Memorandum, which is considered to be your Commitment to purchase the Note. The subscription agreement sets forth the principal amount of your purchase, the interest rate and certain other information regarding your ownership of the Note. Once the Co-op receives your subscription agreement and payment, and once it is accepted by the Co-op, the Co-op return a countersigned subscription agreement to you. Funds paid by the Subscribers will be deposited into a dedicated escrow account with a federal insured depository institution. All funds will remain in the escrow account until the conclusion of the capital campaign. Once sufficient funds are raised through our capital campaign to proceed with the opening of the store, the Co-op will break escrow, execute and deliver your promissory note in the form attached as Appendix B to this memorandum and will begin to use the funds. In the event that the campaign fails to generate the required funds, all funds held in escrow will be returned to the Subscribers.

Notes must be for an amount greater than or equal to \$2,000. The Notes carry an interest rate that varies with the amount of the Notes, and such rate may be selected by the investor within the limits set forth below. The Notes may be subordinate to other loans obtained by the Cooperative and are unsecured. For more information on our Notes see,

“Description of Notes.”

Loan Amount	Interest Rate
\$2,000 to \$9,999	Up to 2.00%
\$10,000 to \$19,999	Up to 2.50%
\$20,000 to \$49,999	Up to 3.00%
\$50,000 to \$74,999	Up to 3.50%
\$75,000 & Above	Up to 4.00%

These are modest returns. It is presumed that the social benefit of the investment rather than financial return is the motivating factor for lending. Member-owners may elect to receive a rate lower than the maximum prescribed in order to support the Co-op’s efforts to minimize interest expense.

Notes are unsecured and may be subordinate to other loans.

Notes may not be transferred to third parties without the Board’s approval. However, in case of the death of a Member-Owner holding a Note, the Note will transfer to the Member-Owner’s heirs or estate, irrespective of the residency of such transferee or whether such transferee is a Member-Owner of the Co-op.

7.2 Suitability for Investors

The Notes are being offered to Member-Owners who are residents of the State of Iowa. See “Plan of Offering – Investor Qualifications and Suitability” in this Memorandum and the subscription agreements contained in the Subscription Packages attached as Appendix A to this Memorandum for a full definition of those potential investors who qualify. Subscribers for Notes will be required to represent in the applicable Subscription Agreement that they meet the criteria for investment. The Notes are speculative, are unsecured and involve a high degree of risk. Accordingly, the Notes are suitable only as a long-term investment for persons who can afford to lose their entire investment. The Board reserves the right to reject any subscription, in whole or in part, for any reason.

7.3 Completion of Subscriptions

In order to purchase Notes in this Offering, you must:

1. Read, complete, sign, and electronically submit the subscription agreement(s) included in the Subscription Package in the form attached as Appendix A to this Memorandum.
2. Deliver funds to the Co-op no later than fourteen (14) days following completion of the agreement. Checks made payable to: Rooted Carrot Co-op Market, P.O. Box 1002, Cedar Falls, Iowa 50613.
3. Upon completion of the subscription agreement, a designated officer of the Co-op will countersign a copy of your subscription agreement and return it to you. Additionally, upon completion of the campaign and settlement of escrow, the Co-op will execute and deliver your Promissory Note in the form attached as Appendix B.

In your subscription agreement, you will be required to make representations to us that you are a Member-Owner and an Iowa resident, that you have received this Memorandum and the Appendices and any supplements to this Memorandum, that you understand the risks associated with an investment in the Notes, that you are aware that the Notes are subject to significant restrictions on transfer and that an investment in the Notes is suitable for you. You should review these representations and other provisions of the applicable subscription agreement carefully before signing it. The subscription agreements also require you to provide information concerning the registration of your Notes, your residence, and your social security number, and the subscription agreement shall be documentation of your Commitment.

7.4 Securities Exemptions

We have not registered the offering and sale of the Notes with the Securities and Exchange Commission or the securities authorities of any state. We are offering and selling the Notes in the State of Iowa in reliance on exemptions from state registration requirements.

Prospective investors must rely upon their own analysis of the terms of this Offering, the terms of our Notes, the terms of our Articles and Bylaws and potential prospects of our business; and must independently assess the risks involved in making a decision to invest in our Notes. An investment in our Notes is suitable only for investors who can assume the financial risks of an investment in us for an indefinite period of time and who can afford to lose their entire investment. We make no representations or warranties of any kind with respect to the likelihood of the success of our business, the fairness of the terms of our Notes, any financial returns that we may generate or any tax benefits or consequences that may result from an investment in us.

7.5 Contacts for Information

Prospective investors and their representatives are invited to contact us for additional information and to ask questions of us with respect to this Offering. We will be pleased to respond to questions and provide additional information if we have the information requested or can acquire it without unreasonable effort or expense, and if we are permitted to provide such answers or information under applicable securities laws. If you have questions or wish to request additional information, please contact the Rooted Carrot Co-op Market by telephone at 319-535-0281 or by email at info@rootedcarrot.coop.

7.6 Governance Documents

The rights associated with the Notes will be governed by our Articles of Incorporation (“Articles”) and our Bylaws (“Bylaws”). These are the legal documents that will govern the rights associated with our Notes and the management of our internal affairs.

7.7 Determination of Terms

The terms of the Notes do not have any direct relationship to the assets, earnings, book value or other measurable criteria of value of the Cooperative. We make no representations, whether express or implied, as to the fairness of the terms of the Notes offered hereby.

7.8 Market for Notes; Restrictions on Transfer

There is no established public trading market for our Notes, and we do not expect one to develop in the foreseeable future. The Notes are being offered and sold in this Offering in accordance with exemptions from registration under federal and state securities laws that require subsequent sales or transfers of the Notes be registered or exempt from such registration requirements. As a result, you may not be able to complete a transfer that you wish to make and may be required to assume the risks of an investment in us for an indefinite period of time.

VIII. RISK FACTORS

An investment in our Notes will involve a high degree of risk. An investment in our Notes is suitable only for investors who can assume the financial risks of an investment for an indefinite period of time and who can afford to lose their entire investment. Prospective investors must not construe this Memorandum as constituting investment, legal, tax or other professional advice. Before making any decision to subscribe for Notes, you should read this entire Memorandum, including each of its Appendices, carefully consider the Risk Factors set forth below, and consult with your own investment, legal, tax, accounting and other professional advisors.

The Risk Factors described below are those that the Co-op currently believes may materially and adversely affect us. Additional risks not presently known to the Co-op, or that the Co-op currently considers immaterial, may also materially and adversely affect the Co-op. If any of these Risk Factors occur, our business, financial condition or results of operations could be harmed, which could cause the value of your Notes to decline, and you could lose all or part of your investment.

Each prospective investor is advised that we will assert that the investor has been advised of and has accepted the risks described in this Memorandum if a claim is brought against us or any of our Directors, officers, employees, advisors, agents or representatives in connection with this Offering or otherwise.

8.1 Risks Related to this Offering

Forward-Looking Statements. This Memorandum contains forward-looking statements that reflect the Co-op’s current views and intentions and beliefs about the store opening project and the anticipated financial results of the same. Such forward-looking statements are inherently uncertain, and there can be no assurance that the assumptions underlying them will prove to be valid. As such, actual results could differ materially from those

contemplated by the forward-looking statements because of certain factors, including, but not limited to, those disclosed under these “Risk Factors.” Also, if a sentence contains words such as “anticipates,” “assumes,” “believes,” “expects,” “intends,” “may,” “plans” or similar words or uses the future tense, it may be a forward-looking statement.

Subscription Agreements. After you submit your subscription for Notes, you will not be allowed to withdraw your subscription for any reason unless a material change in this Offering requires us to make a rescission offer to investors. Upon acceptance by us of your subscription (considered to be your Commitment), your cash payment will be due and invested in Notes, as applicable.

8.2 Risks Related to Notes

The Notes are speculative. Investment in our Notes is a speculative investment. The Notes do not include any liens or security interests for lenders in Co-op property. Lenders may not realize any return on their investment. In fact, lenders could lose their entire investment. In addition, lenders may have difficulty in enforcing their Notes due to the cost of legal proceedings.

The Notes are a subordinated investment. In the event of a liquidation, payment on the Notes would occur only after our other liabilities (e.g., external bank loans) have been satisfied. As a result, in a liquidation, Note holders would very likely lose some or all of their investment in the Notes. Additionally, if we default on our indebtedness, we may not be able to make required payments of principal and interest on the Notes, whether when originally due and payable or upon acceleration after a default, which could substantially decrease the market value of the Notes.

The Notes are not registered with the SEC or any state securities commission. The Notes have not been registered under the Securities Act of 1933, as amended, or the securities laws of any state. Any representation to the contrary is a criminal offense. Lenders should not expect to be able to liquidate their investment quickly, even in case of an emergency. Because the Notes have not been registered with the SEC or with any state securities commission, lenders do not have the benefit of review of this Memorandum by the SEC or any state securities commission. There is no public trading market for our Notes, and we do not expect one to develop in the foreseeable future. As a result, the Notes will not be readily marketable and you may be required to hold the Notes until maturity.

8.3 Risks Related to our Business

There are general risks inherent in the startup of a business. Many of these start-up risks are beyond management’s control. The likelihood of the Co-op achieving successful opening of the store and adequate growth and financial profitability after completing construction and opening its store must be considered in the light of potential difficulties and unforeseen problems encountered in such efforts. In addition, store opening costs could increase for a variety of factors unknown to us.

We are a start-up cooperative with no operating history and our projections could be wrong. Because we are a start-up, the terms of the Notes may have little or no relationship to the book value of the Co-op. Accordingly, any financial projections included in this Memorandum are the result of estimates by the Co-op’s Board and advisors, are not based on past performance, are subject to a high degree of uncertainty and have not been audited by a third party auditor. They are based upon estimates of future events and circumstances that may or may not ultimately prove to be true or accurate. The estimates and assumptions underlying the Co-op’s projections are subject to significant economic and competitive uncertainties and contingencies, many or all of which are beyond the Co-op’s control. The Co-op can make no representation or warranty as to the accuracy of these assumptions.

The planned store may not be successful. The planned store may not be successful if the actual costs exceed the estimates, if the Co-op’s ability to complete the store opening is significantly delayed, or if the store does not operate as expected.

We rely on a limited number of advisors. The Co-op relies on a limited number of contract staff and its Board, none of whom has any legal or contractual obligations regarding his or her length of service with the Co-op. The Board is comprised of community members who are volunteers and will act with care and loyalty to the Co-op, but who have no guarantee of grocery, retail, or other experience. There is no guarantee that the Co-op will be able to recruit and retain qualified personnel with the skills and experience that might be needed by the Co-op.

We may not obtain sufficient financing. Assuming that we obtain all of the sources of funds described in “Sources

and Uses of Funds” below, we believe that the proceeds of this Offering will be sufficient to fund the Co-op’s start-up plans and capital requirements. Although we expect to obtain other financing, we do not yet have any binding commitment for any loans. The Co-op cannot assure investors that such financing will be available to the Co-op on favorable terms or at all. From time to time, the Co-op may also seek additional sources of funding, including debt and equity investments. In addition, if additional financing is obtained from institutional lenders, the Co-op’s ability to repay the Notes could be impaired.

Our industry is highly competitive. Competition in the retail food business is intense. Our business faces competitive challenges from larger grocers with lower cost structures than us. Competition with other grocers could negatively affect our sales and business position and thus reduce the value of your investment in us. In addition, food consumption and buying trends could change in a manner that hurts our business.

8.4 Risks Related to Tax Issues

EACH PROSPECTIVE INVESTOR SHOULD CONSULT THE INVESTOR’S OWN TAX AND ACCOUNTING ADVISOR WITH RESPECT TO THE FEDERAL AND STATE TAX CONSEQUENCES OF AN INVESTMENT IN US AND IMPACT ON THE INVESTOR’S TAX REPORTING OBLIGATIONS AND LIABILITY.

8.5 Risks Related to Priority of Interests

Our Directors and officers have other interests that may include family, financial, and other matters that could receive a greater share of their time and attention than they will devote to us. This could adversely affect management and governance, which in turn could affect our operations, financial results and the value of your Notes.

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IX. LEGAL PROCEEDINGS

From time to time and in the ordinary course of its business, we may be named as a defendant in legal proceedings related to various issues, including worker’s compensation claims, tort claims and contractual disputes. We are currently involved in no such legal proceedings and are not aware of any potential claims that could result in the commencement of legal proceedings. We carry insurance that provides protection against certain types of claims.

X. ARBITRATION AND DISPUTE RESOLUTION

Any controversy or claim arising out of or relating to this Offering or the breach thereof, shall be settled by arbitration administered by the American Arbitration Association/ under its Commercial Arbitration Rules. The number of arbitrators shall be one. The place of arbitration shall be Cedar Falls, Iowa. Iowa law shall apply. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

XI. CONFIDENTIALITY

THIS MEMORANDUM IS SOLELY FOR THE OFFERING OF NOTES DESCRIBED HEREIN AND MAY NOT BE REPRODUCED OR DISTRIBUTED TO ANY PERSON. ANY DISTRIBUTION OF THIS MEMORANDUM, IN FULL OR IN PART, OR THE DIVULGENCE OF ANY OF ITS CONTENTS TO ANY PARTY, IS UNAUTHORIZED. BY ACCEPTING POSSESSION OF THIS DOCUMENT, YOU AGREE TO THE FOREGOING TERMS AND ALSO AGREE THAT IF YOU ELECT NOT TO PURCHASE NOTES, YOU WILL IMMEDIATELY RETURN THIS DOCUMENT, AND ALL RELATED MATERIALS, TO THE COOPERATIVE WITHOUT RETAINING ANY COPY OR REPRODUCTION.

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XII. PLAN OF OFFERING

12.1 General Terms of the Offering

We are offering Notes with a principal balance of at least \$2,000 to Member-Owners of the Cooperative who are residents of the State of Iowa. The terms of the Notes were determined by our Board based on discussions with others in the food Co-op sector and were not based on customary valuation procedures.

If subscriptions are accepted by the Board, investors will be required to make a cash payment equal to the total subscription amount upon notification of acceptance to the lender. We reserve the right to reject any subscription in whole or in part for any reason in our sole discretion.

Investors who desire to purchase a Note will be required to read, complete and sign a subscription agreement in the form attached as Appendix A to this Memorandum. The subscription agreement shall indicate the investor's intent to purchase the Note and shall include the terms (principal amount and interest rate) of the Note the investor agrees to purchase (the "Commitment"). The Commitment shall be subject to the final determination of our Board at a future date to accept the investor's subscription agreement. Payment of the Commitment shall be made no later than fourteen (14) business days following the investor's completion of the Agreement. Upon receipt of the subscription agreement and payment, our Board may, in the Board's sole discretion, accept the subscription agreement. The Board may cancel the subscription agreement in its sole discretion at any time prior to accepting payment from the investor. Upon completion of the campaign and settlement of escrow, the Co-op will issue a promissory note to the investor in the form attached as Appendix C to this Memorandum.

The Offering will close upon the earlier to occur of (1) our termination of the Offering by a resolution of the Board, or (2) August 1, 2021, subject to the Board's authority to extend the Offering one or more times in order to reach our target of raising a minimum \$1.6 million from our capital campaign. We reserve the right to terminate the Offering at any time, to waive conditions to the purchase of Notes, and to reject subscriptions for Notes in whole or in part for any reason in our sole discretion.

Volunteers will sell the Notes in this Offering on our behalf directly to investors on a best efforts basis without the assistance of an underwriter. We do not consider our officers or Directors to be brokers under the Securities Exchange Act of 1934 because they have not been, and will not be, in the business of effecting transactions in securities for the accounts of others. Their participation in the Offering of securities is limited to this Offering and shall not be part of a general business of effecting securities transactions. Each of these individuals has substantial operational responsibilities to us during and after the Offering. They have not received, and will not receive, any compensation or commissions based, directly or indirectly, upon the sale of the Notes.

12.2 Investor Qualifications and Suitability

The Notes are being offered only to Member-Owners of the Cooperative who are residents of the State of Iowa. An investment in our Notes is speculative and involves a high degree of risk. It will be difficult for any investor to sell or otherwise dispose of Notes because there is likely to be no public trading market. Accordingly, the Notes are suitable only as a long-term investment for persons who can afford to lose their entire investment. Our Board reserves the right to reject any subscription, in whole or in part, for any reason, including if the Board determines that an investment in the Notes is not suitable for any investor.

12.3 Subscription Procedures

In order to purchase Notes, investors must: (1) complete and sign the subscription agreement included in Appendix A, attached to this Memorandum, which shall be considered the investor's Commitment to purchase the Note on the terms in the subscription agreement; (2) completion of the agreement shall be conducted using an electronic document system known as "DocuSign"; and (3) when the Board notifies the investor of its intent to accept the subscription agreement and require payment in exchange for the Note, the investor must mail the payment within 14 days of such notification to us at the address below.

Rooted Carrot Co-op Market
P.O. Box 1002
Cedar Falls, Iowa 50613

Upon our receipt of the subscription agreement and our Board's to accept your payment for the Note, your subscription will be immediately at risk. The subscription agreement, when signed and delivered electronically by an investor to us, will be an irrevocable offer by the investor to purchase a Note in the amount provided in the agreement. Investors may not revoke their subscription agreements.

Investors should review the representations and other provisions of the subscription agreement carefully before signing it. In the subscription agreement, each investor will be required to make representations to us that the investor has received a copy of this Memorandum, the Appendices and any supplements to this Memorandum; that the investor understands the risks associated with an investment in the Notes; that the investor is committing to purchasing Notes for the purpose of investment and not for resale; that the investor is aware that the Notes are subject to significant restrictions on transfer; that the investor has no agreement or arrangement to sell or otherwise transfer or dispose of the Notes or any interest in the Notes to any other person; that the investor has been encouraged to rely upon the advice of the investor's legal counsel, tax experts and accountants or other financial advisers with respect to the tax and other considerations relating to an investment in our Notes; and that an investment in the Notes is suitable for the investor.

The subscription agreement also requires information about the registration of the investor's Notes, the nature of the investor's ownership, the investor's residence, and the investor's taxpayer identification or social security number.

If you have any questions regarding the subscription process, please contact the Rooted Carrot Co-op Market by telephone at 319-535-0281 or by email at info@rootedcarrot.coop.

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**NEW
INVESTOR PACKET
COMING SOON!**

**ROOTED CARROT CO-OP MARKET
UNSECURED SUBORDINATED NOTES**

SUBSCRIPTION PACKAGE

**NEW
INVESTOR PACKET
COMING SOON!**

NOTICES TO INVESTORS

This package contains execution copies of the documents required to be signed and submitted to Rooted Carrot Co-op Market (the “Company”) in order to purchase unsecured subordinated notes (“Notes”) of the Company in the offering (the “Offering”) made by the Company’s Private Placement Memorandum dated February 1, 2021, as the same may be amended or supplemented subsequent to that date (the “Memorandum”).

You should read the Memorandum, including the Appendices attached and any supplements thereto, carefully and thoroughly for a full description of the Company and the Notes.

Please direct any questions regarding this Offering or the subscription process by mail at the Rooted Carrot Co-op Market, P.O. Box 1002, Cedar Falls, Iowa 50613, by phone at 319-535-0281, or by email [at info@rootedcarrot.coop](mailto:info@rootedcarrot.coop). We reserve the right to reject your Subscription for any reason in our discretion. If we reject your Subscription, we will return your Subscription materials to you.

INSTRUCTIONS

TO SUBSCRIBE FOR NOTES IN THIS OFFERING YOU MUST:

- A. **Subscription Agreement.** *Review carefully and complete* this Subscription Agreement.
Complete the Subscription as provided by the Rooted Carrot Co-op Market.
- B. **Payment.** Payment of the note amount for which you have committed to subscribe shall be made by Subscriber and sent via postal mail to the Company no later than fourteen (14) business days following the Subscriber’s completion of the Agreement.

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THE SECURITIES TO WHICH THIS SUBSCRIPTION AGREEMENT RELATES ARE NOT OFFERED IN ANY STATE OR JURISDICTION OTHER THAN IOWA.

**ROOTED CARROT CO-OP MARKET
SUBSCRIPTION AGREEMENT
UNSECURED SUBORDINATED NOTES**

This Subscription Agreement (this “Subscription Agreement”) by and between **Rooted Carrot Co-op Market** a Iowa cooperative corporation (the “Company”), and the undersigned subscriber (the “Subscriber”) is made effective as of the date on which the Company accepts this Subscription Agreement by executing the Acceptance form below. This Subscription Agreement shall be considered the Subscriber’s commitment to purchase the Note (the “Commitment”), in the amount and on the terms described in this Subscription Agreement, upon the Company’s acceptance of this Subscription Agreement.

Memorandum. The Subscriber understands that the offering of Notes of the Company to which this Subscription Agreement relates is being made only pursuant to a Confidential Placement Memorandum, including the appendices and any amendments or supplements thereto (the “Memorandum”).

1. Commitment and Subscription for Notes. The Subscriber hereby offers and agrees to loan the Company the amount set forth on the execution portion of this Subscription Agreement at the purchase price of the Note on the terms and conditions herein provided. The Subscriber understands that the receipt of this Subscription Agreement by the Company shall confirm the Subscriber’s Commitment to purchase the Note in the amount and on the terms described in this Subscription Agreement.

2. Acceptance of Subscription. The Company reserves the right to reject this Subscription Agreement, in whole or in part, for any reason, in its sole discretion. If the Company accepts this Subscription Agreement, one of its officers or Directors will countersign this Subscription Agreement to indicate its acceptance. A copy of the executed subscription agreement shall be provided to the Subscriber. This is the only way the Company will accept this Subscription Agreement. Payment of the note amount for which you have committed to subscribe shall be made by Subscriber and sent via postal mail to the Company no later than fourteen (14) business days following their completion of the Agreement.

3. Representations and Warranties of the Subscriber. In consideration of the Company’s acceptance of this Subscription Agreement, by his, her or its signature on this Subscription Agreement, the Subscriber hereby represents and warrants to the Company as follows:

a. The Subscriber, or the Subscriber’s representative, has had an opportunity to obtain, and has received, any information and has had an opportunity to ask such questions of, and receive answers from, the Company or an agent or representative of the Company, to the extent the Subscriber deemed necessary in order to form a decision concerning an investment in the Notes. The Subscriber understands that the Memorandum contains important information about this offering, the Company, its proposed operations, and an investment in a Note.

b. The Subscriber has not relied on any statements not contained in the Memorandum. No person has been authorized to give any information or to make any representation not contained in the Memorandum in connection with the offer and sale of the Notes.

c. The Subscriber certifies, under penalties of perjury, that the Subscriber is NOT subject to the backup withholding provisions of Section 3406(a)(i)(C) of the Internal Revenue Code of 1986, as amended. (Note: You are subject to backup withholding if: (i) you fail to furnish your Social Security number or taxpayer identification number herein; (ii) the Internal Revenue Service notifies the Company that you furnished an incorrect Social Security number or taxpayer identification number; (iii) you are notified that you are subject to backup withholding; or (iv) you fail to certify that you are not subject to backup withholding or you fail to certify your Social Security number or taxpayer identification number.)

d. The Subscriber acknowledges that the Notes are being acquired for the Subscriber’s own account and for investment and without the current intention of transferring any rights with respect to or reselling or redistributing the Notes. The Subscriber understands that no public market currently exists or is expected to develop for the Notes, and that the Notes will not trade on any stock exchange or automatic quotation system.

e. The Subscriber is a Member-Owner of the Company and a resident of or, if an entity, has its principal place of business in, the State of Iowa.

f. The Subscriber has such knowledge and experience in financial and business matters that the Subscriber is capable of evaluating the merits and risks of an investment in the Notes, or the Subscriber has obtained, to the extent the Subscriber deems necessary, the Subscriber's own professional advice with respect to the risks inherent in an investment in the Notes, and the suitability of an investment in the Notes in light of the Subscriber's financial condition and investment needs. The Subscriber understands that an investment in the Notes is not suitable for the Subscriber if:

(i) The Subscriber cannot afford to lose the Subscriber's entire investment.

(ii) The Subscriber will need to resell or liquidate the Subscriber's investment in the near term (the Notes are an illiquid investment because no public trading market exists).

(iii) The Subscriber cannot tolerate the market and industry risk that is inherent in the retail grocery industry.

4. **Securities Law Compliance.** The Subscriber and the Company acknowledge that the offer and sale of the Notes has not been registered under the Securities Act nor under the securities laws of any states. Accordingly, the Company will not accept subscriptions to purchase Notes unless subscribers are Member-Owners of the Company and residents of the State of Iowa (or, in the case of a business or other organization, are primarily located in the State of Iowa).

5. **Transferability.** The Subscriber understands and agrees that the Notes may not be transferred to any third party except with the Company's prior written approval. As a consequence, the Subscriber understands that the Notes may be prohibited from sale or transfer for an extended period of time, that the Subscriber must bear the economic risk of an investment in the Notes for an extended period of time and that the Subscriber may have extremely limited opportunities, if any, to dispose of the Notes.

6. **Binding Effect.** Neither this Subscription Agreement nor any interest herein shall be assignable by the Subscriber without the prior written consent of the Company. The provisions of this Subscription Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and permitted assigns.

7. **Representations to Survive Delivery.** The representations, warranties and agreements of the Company and of the Subscriber contained in this Subscription Agreement will remain in full force and effect and will survive the payment of the purchase price pursuant to Section 2 above, the registration of the Subscriber as a holder of Notes in the records of the Company and the delivery of the Note.

8. **Governing Law.** This Subscription Agreement shall be governed by and construed in accordance with the laws of the State of Iowa, excluding its conflict of laws rules.

9. **Headings.** The section headings in this Subscription Agreement are for convenience of reference only and shall not limit or affect the interpretation of the provisions hereof.

10. **Definitions.** Any capitalized term used herein shall have that meaning accorded to it in the Memorandum, unless otherwise expressly indicated.

RELIANCE BY COMPANY

The Subscriber understands that the Company is relying on the representations, warranties and other information provided by the Subscriber in this Subscription Agreement with respect to the offer and sale of the Notes. By signing below, the Subscriber certifies that all information provided by the Subscriber in this Subscription Agreement is accurate and complete as of the date listed below and, if not an individual, that the Subscriber is duly organized, validly existing and in good standing and has full authority to execute and agree to this Subscription Agreement. The Subscriber understands and agrees that this Subscription Agreement is irrevocable. Subject to the terms of this Subscription Agreement, the Company will return the Subscriber's Subscription Agreement only if the Company rejects this Subscription Agreement.

CAUTION

This Subscription Agreement is a legal contract between the Subscriber and the Company concerning the Commitment to purchase the Notes. The Company urges the Subscriber to read carefully this entire Subscription Agreement and the Memorandum, including each of its Appendices, for a complete description of an investment in the Notes. The Subscriber should obtain the Subscriber's own professional advice with respect to the risks inherent in an investment in the Notes, and the suitability of an investment in the Notes in light of the Subscriber's financial condition and investment needs.

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SUBSCRIPTION AND SUBSCRIBER INFORMATION

Subscription for Notes

Amount of Note: \$

(Minimum loan amount is \$2,000)

Interest Rate: %

(Investor may select a rate between 0% and the maximum “up to” Interest Rate for the selected Amount and Term pursuant to table below, to be rounded to the nearest 0.50 percentage point)

Loan Amount	Interest Rate
\$2,000 to \$9,999	Up to 2.00%
\$10,000 to \$19,999	Up to 2.50%
\$20,000 to \$49,999	Up to 3.00%
\$50,000 to \$74,999	Up to 3.50%
\$75,000 & Above	Up to 4.00%

Subscriber Information *(Notes will be registered in the name(s) printed below)*

Name(s) of Subscriber(s):

Form of Ownership – check applicable box:

- Individual
- Joint Tenants with Right of Survivorship (all signatures must appear below)
- Corporation, Limited Liability Company, Partnership or other entity (corporate or limited liability company resolutions or partnership agreement must be enclosed)

Subscriber Name:

Joint/Additional Subscriber Name:

Subscriber Address:

Joint/Additional Subscriber Address:

Telephone Number:

Telephone Number:

Social Security or Taxpayer ID Number:

Social Security or Taxpayer ID Number:

State of Residence:

State of Residence:

(*Note: If more than one social security number is provided, the Company will deliver notices to the Subscriber and address associated with the first social security number.)

Signature(s):

By signing below each Subscriber represents, warrants and agrees as provided in the foregoing Subscription Agreement and that the information provided in this Subscription Agreement, including the Subscription, Subscriber Information, and Signature pages is true, correct, and complete.

Individuals:

(Includes joint tenants, tenants in common and individual IRA beneficiaries)

Entities:

(Includes corporations, limited liability companies, partnerships, cooperatives, trusts and IRA custodians)

Name of Individual Subscriber

Name of Entity Subscriber

Signature of Individual Subscriber

Authorized Signature

Name of Joint Subscriber

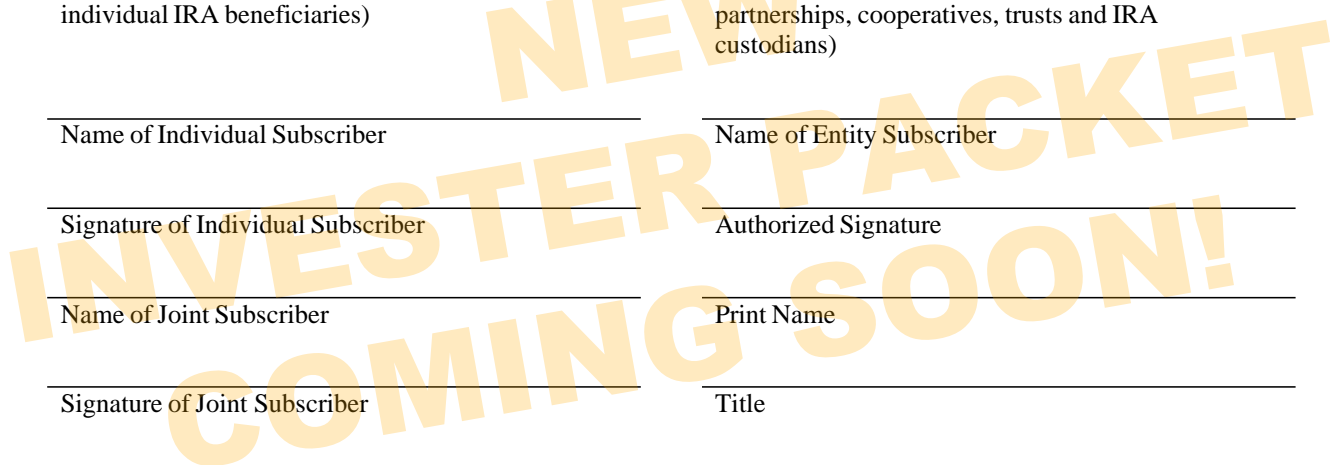
Print Name

Signature of Joint Subscriber

Title

Date

Date



**APPENDIX B
FINANCIAL PROJECTIONS**

Income Statement – Table 1

Balance Sheet – Table 2

Cash Flow Statement – Table 3

**NEW
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Income Statement November 30, 2020

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
GROSS SALES	\$2,933,471	\$3,559,244	\$3,775,447	\$4,058,605	\$4,261,535	\$4,368,074	\$4,477,276	\$4,589,208	\$4,703,938	\$4,821,536
COST OF GOODS SOLD	<u>1,936,091</u>	<u>2,313,508</u>	<u>2,397,409</u>	<u>2,577,214</u>	<u>2,706,075</u>	<u>2,773,727</u>	<u>2,843,070</u>	<u>2,914,147</u>	<u>2,987,000</u>	<u>3,061,676</u>
GROSS MARGIN	997,380	1,245,735	1,378,038	1,481,391	1,555,460	1,594,347	1,634,206	1,675,061	1,716,937	1,759,861
EXPENSES										
Personnel Costs										
Payroll & Salary Expense	539,025	620,643	622,949	669,670	703,153	720,732	738,750	757,219	776,150	795,553
Payroll Taxes & Benefits	<u>179,675</u>	<u>206,881</u>	<u>207,650</u>	<u>223,223</u>	<u>234,384</u>	<u>240,244</u>	<u>246,250</u>	<u>252,406</u>	<u>258,717</u>	<u>265,184</u>
Total Personnel Costs	718,700	827,524	830,598	892,893	937,538	960,976	985,001	1,009,626	1,034,866	1,060,738
Occupancy Expenses										
Rent	139,626	139,626	139,626	139,626	139,626	139,626	139,626	139,626	139,626	139,626
Snow Removal & Landscape	4,887	4,985	5,084	5,186	5,290	5,396	5,503	5,614	5,726	5,840
Repairs & Maintenance	4,400	7,118	7,261	12,176	12,419	12,668	12,921	13,179	13,443	13,712
Insurance	11,734	11,969	12,208	12,452	12,701	12,955	13,214	13,479	13,748	14,023
Utilities	31,028	32,579	34,208	35,919	37,715	39,600	41,580	43,660	45,842	48,135
Licenses & Permits	250	255	260	265	271	276	282	287	293	299
Building Services	500	510	520	531	541	552	563	574	586	598
Depreciation/Amortization	<u>504,618</u>	<u>200,184</u>	<u>201,132</u>	<u>202,727</u>	<u>208,061</u>	<u>209,722</u>	<u>211,318</u>	<u>80,431</u>	<u>82,450</u>	<u>84,112</u>
Total Occupancy Expenses	697,043	397,226	400,300	408,882	416,623	420,795	425,008	296,849	301,714	306,344
Operating Expenses										
Store Supplies	64,170	44,491	47,193	50,733	53,269	54,601	55,966	57,365	58,799	60,269
Credit Card Fees	39,602	48,050	50,969	54,791	57,531	58,969	60,443	61,954	63,503	65,091
Telephone/Internet	2,394	2,442	2,490	2,540	2,591	2,643	2,696	2,750	2,805	2,861
Small Equipment purchases	4,694	5,695	6,041	6,494	<u>6,818</u>	6,989	7,164	7,343	7,526	7,714
Trash/Baler	1,760	2,136	2,265	2,435	2,557	2,621	2,686	2,754	2,822	2,893
Bad Debt, Cash Over (Short), Bank Charges	293	356	378	406	426	437	448	459	470	482
Vehicle Expense	250	255	260	265	271	276	282	287	293	299
Miscellaneous	<u>5,867</u>	<u>7,118</u>	<u>7,551</u>	<u>8,117</u>	<u>8,523</u>	<u>8,736</u>	<u>8,955</u>	<u>9,178</u>	<u>9,408</u>	<u>9,643</u>
Total Operating Expenses	119,029	110,542	117,147	125,781	131,986	135,272	138,639	142,090	145,627	149,252
Administrative Expenses										
Office Supplies/Postage	18,217	14,735	15,630	16,803	17,643	18,084	18,536	18,999	19,474	19,961
Dues & Subscriptions	4,048	4,912	5,210	5,601	5,881	6,028	6,179	6,333	6,491	6,654
Legal, Acctng, Consulting Fees	36,193	22,103	23,446	25,204	26,464	27,126	27,804	28,499	29,211	29,942
Travel Expenses	<u>2,024</u>	<u>2,456</u>	<u>2,605</u>	<u>2,800</u>	<u>2,940</u>	<u>3,014</u>	<u>3,089</u>	<u>3,167</u>	<u>3,246</u>	<u>3,327</u>
Total Administrative Expenses	60,482	44,206	46,891	50,408	52,928	54,251	55,608	56,998	58,423	59,883
Governance/Member Expense										
Board of Directors	4,200	4,410	4,631	4,862	5,105	5,360	5,628	5,910	6,205	6,516
Newsletter Expense	1,750	1,925	2,118	2,329	2,562	2,818	3,100	3,410	3,751	4,126
Member Services	<u>1,027</u>	<u>1,246</u>	<u>1,321</u>	<u>1,421</u>	<u>1,492</u>	<u>1,529</u>	<u>1,567</u>	<u>1,606</u>	<u>1,646</u>	<u>1,688</u>
Total Governance/Member Exp.	6,977	7,581	8,069	8,612	9,159	9,708	10,296	10,926	11,603	12,330
Promotion Expense										
Advertising	52,802	46,270	47,193	50,733	51,138	52,417	52,608	51,629	52,919	55,448
Merchandising & Promotion	14,667	13,347	12,270	13,190	13,850	14,196	14,551	14,915	15,288	15,670
Contributions/Donations	<u>1,000</u>	<u>2,000</u>	<u>2,500</u>	<u>3,125</u>	<u>3,906</u>	<u>4,883</u>	<u>6,104</u>	<u>7,629</u>	<u>9,537</u>	<u>11,921</u>
Total Promotional Expenses	68,470	61,617	61,963	67,048	68,895	71,496	73,263	74,173	77,744	83,039
TOTAL OPERATING EXPENSES	1,670,701	1,448,696	1,464,968	1,553,624	1,617,129	1,652,498	1,687,813	1,590,662	1,629,977	1,671,586
INCOME FROM OPERATIONS	(673,321)	(202,961)	(86,930)	(72,233)	(61,669)	(58,151)	(53,607)	84,399	86,960	88,275
Other Revenue (Expenses)										
Interest Income	0	0	0	0	0	0	0	0	0	0
Interest Expense	0	0	0	0	0	0	0	0	0	0
Other non-operating Income	0	0	0	0	0	0	0	0	0	0
Other Non-operating (expense)	<u>(29,335)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Revenues (Expense)	(29,335)	0	0	0	0	0	0	0	0	0

Income Statement – Continued
November 30, 2020

Interest expense										
Co-op Loan Funds: CFNE/LEAF	6,025	5,520	4,989	4,429	3,843	3,224	2,576	1,894	1,177	423
Member Loans	20,800	20,800	20,800	20,800	20,800	20,800	20,800	20,800	20,800	20,800
Vendor Credit	1	(0)	1	0	0	0	0	0	0	0
Bank Debt	<u>26,531</u>	<u>24,331</u>	<u>22,012</u>	<u>19,567</u>	<u>16,991</u>	<u>14,277</u>	<u>11,417</u>	<u>8,403</u>	<u>5,227</u>	<u>1,881</u>
Total Interest Expense	53,356	50,650	47,801	44,796	41,634	38,301	34,793	31,097	27,204	23,104
PROFIT/(LOSS) BEFORE PATR.	(756,012)	(253,611)	(134,731)	(117,029)	(103,302)	(96,452)	(88,400)	53,302	59,757	65,172
PROFIT/(LOSS) BEFORE TAXES	(756,012)	(253,611)	(134,731)	(117,029)	(103,302)	(96,452)	(88,400)	53,302	59,757	65,172
Income Taxes	0	0	0	0	0	0	0	0	0	0
PROFIT/(LOSS)	(756,012)	(253,611)	(134,731)	(117,029)	(103,302)	(96,452)	(88,400)	53,302	59,757	65,172

NEW
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Balance Sheet
November 30, 2020

	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>	<u>YEAR 5</u>	<u>YEAR 6</u>	<u>YEAR 7</u>	<u>YEAR 8</u>	<u>YEAR 9</u>	<u>YEAR 10</u>
ASSETS										
CURRENT ASSETS										
Cash	252,040	236,020	292,330	365,553	423,173	492,682	569,367	615,712	688,178	763,663
Prepaid Items	0	0	0	0	0	0	0	0	0	0
Inventories	212,045	216,286	220,612	225,024	229,525	234,115	238,798	243,573	248,445	253,414
Accounts Receivable	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL CURRENT ASSETS	464,085	452,307	512,942	590,577	652,698	726,797	808,165	859,285	936,623	1,017,077
FIXED ASSETS										
Land	0	0	0	0	0	0	0	0	0	0
Building contingency	0	0	0	0	0	0	0	0	0	0
Building	0	0	0	0	0	0	0	0	0	0
Equipment	956,042	961,042	966,042	976,042	1,011,042	1,021,042	1,031,042	1,066,042	1,081,042	1,096,042
Leasehold Improvements	941,890	943,390	946,890	949,390	954,390	957,890	960,390	965,390	968,890	972,390
Accumulated Depreciation	<u>(199,370)</u>	<u>(399,554)</u>	<u>(600,687)</u>	<u>(803,414)</u>	<u>(1,011,474)</u>	<u>(1,221,197)</u>	<u>(1,432,515)</u>	<u>(1,512,945)</u>	<u>(1,595,395)</u>	<u>(1,679,507)</u>
Gross FIXED ASSETS	1,698,562	1,504,877	1,312,245	1,122,018	953,958	757,735	558,917	518,487	454,537	388,925
OTHER ASSETS										
Investments	0	0	0	0	0	0	0	0	0	0
Deposits	0	0	0	0	0	0	0	0	0	0
Organization Development Costs	305,248	305,248	305,248	305,248	305,248	305,248	305,248	305,248	305,248	305,248
Depreciation/Amortization	<u>(305,248)</u>	<u>(305,248)</u>	<u>(305,248)</u>	<u>(305,248)</u>	<u>(305,248)</u>	<u>(305,248)</u>	<u>(305,248)</u>	<u>(305,248)</u>	<u>(305,248)</u>	<u>(305,248)</u>
TOTAL OTHER ASSETS	0	0	0	0	0	0	0	0	0	0
TOTAL ASSETS	2,162,647	1,957,184	1,825,188	1,712,595	1,606,655	1,484,532	1,367,082	1,377,772	1,391,160	1,406,002

Statement of Cash Flow
November 30, 2020

	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>	<u>YEAR 5</u>	<u>YEAR 6</u>	<u>YEAR 7</u>	<u>YEAR 8</u>	<u>YEAR 9</u>	<u>YEAR 10</u>
OPERATIONS										
Profit (loss)	(756,012)	(253,611)	(134,731)	(117,029)	(103,302)	(96,452)	(88,400)	53,302	59,757	65,172
Depreciation (Gross Accumulated Dep	504,618	200,184	201,132	202,727	208,061	209,722	211,318	80,431	82,450	84,112
Interest Expense Add back	<u>53,356</u>	<u>50,650</u>	<u>47,801</u>	<u>44,796</u>	<u>41,634</u>	<u>38,301</u>	<u>34,793</u>	<u>31,097</u>	<u>27,204</u>	<u>23,104</u>
Subtotal	(198,038)	(2,777)	114,202	130,494	146,392	151,571	157,710	164,830	169,410	172,387
Changes In Working Capital										
Prepaid Items	0	0	0	0	0	0	0	0	0	0
Inventories	(4,158)	(4,241)	(4,326)	(4,412)	(4,500)	(4,590)	(4,682)	(4,776)	(4,871)	(4,969)
Accounts Receivable	0	0	0	0	0	0	0	0	0	0
Accounts Payable	132,609	25,851	5,747	12,315	8,826	4,634	4,750	4,868	4,990	5,115
Accrued Payroll and Payroll Taxes	13,821	2,093	59	1,198	859	451	462	474	485	498
Sales Tax Payables	3,056	652	225	295	211	111	114	117	120	122
BLANK	0	0	0	0	0	0	0	0	0	0
Income tax Payable	0	0	0	0	0	0	0	0	0	0
TOTAL	145,328	24,354	1,705	9,396	5,396	605	643	682	723	766
CASH FLOWS FROM OPERATIONS	(52,710)	21,578	115,907	139,890	151,787	152,176	158,353	165,512	170,134	173,153
INVESTMENTS										
Investments	0	0	0	0	0	0	0	0	0	0
Deposits	0	0	0	0	0	0	0	0	0	0
Organization Development Costs	0	0	0	0	0	0	0	0	0	0
Land	0	0	0	0	0	0	0	0	0	0
Building contingency	0	0	0	0	0	0	0	0	0	0
Building	0	0	0	0	0	0	0	0	0	0
Equipment	(2,500)	(5,000)	(5,000)	(10,000)	(35,000)	(10,000)	(10,000)	(35,000)	(15,000)	(15,000)
Leasehold Improvements	<u>0</u>	<u>(1,500)</u>	<u>(3,500)</u>	<u>(2,500)</u>	<u>(5,000)</u>	<u>(3,500)</u>	<u>(2,500)</u>	<u>(5,000)</u>	<u>(3,500)</u>	<u>(3,500)</u>
CASH FLOW FROM INVESTMENTS	(2,500)	(6,500)	(8,500)	(12,500)	(40,000)	(13,500)	(12,500)	(40,000)	(18,500)	(18,500)
CASH FLOWS FROM EQUITY ACTIVITIES:										
Member Equity	100,000	80,000	60,000	50,000	50,000	35,000	35,000	25,000	25,000	25,000
Preferred Shares	0	0	0	0	0	0	0	0	0	0
Dividends Preferred Shares	0	0	0	0	0	0	0	0	0	0
Allocated Retained Patronage	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
CASH FLOWS FROM EQUITY ACTIVITIES	100,000	80,000	60,000	50,000	50,000	35,000	35,000	25,000	25,000	25,000
CASH FLOW BEFORE DEBT SERVICE	44,790	95,078	167,407	177,390	161,787	173,676	180,853	150,512	176,634	179,653
DEBT SERVICE (Principal & Interest)										
Co-op Loan Funds: CFNE/LEAF	(15,910)	(15,910)	(15,910)	(15,910)	(15,910)	(15,910)	(15,910)	(15,910)	(15,910)	(15,910)
Vendor Credit	(6,930)	(6,930)	(6,930)	0	0	0	0	0	0	0
Bank Debt	(67,458)	(67,458)	(67,458)	(67,458)	(67,458)	(67,458)	(67,458)	(67,458)	(67,458)	(67,458)
Member Loans	<u>(20,800)</u>	<u>(20,800)</u>	<u>(20,800)</u>	<u>(20,800)</u>	<u>(20,800)</u>	<u>(20,800)</u>	<u>(20,800)</u>	<u>(20,800)</u>	<u>(20,800)</u>	<u>(20,800)</u>
TOTAL LONG TERM LIABILITIES	(111,097)	(111,097)	(111,097)	(104,168)	(104,168)	(104,168)	(104,168)	(104,168)	(104,168)	(104,168)
TOTAL CASH FLOW	(66,307)	(16,019)	56,310	73,223	57,620	69,509	76,686	46,345	72,466	75,485

**APPENDIX C
FORM OF PROMISSORY NOTE**

[See attached]

**NEW
INVESTOR PACKET
COMING SOON!**

THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW. NEITHER THIS SECURITY NOR ANY PORTION HEREOF OR INTEREST HEREIN MAY BE SOLD, ASSIGNED, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF UNLESS THE SAME IS REGISTERED UNDER SAID ACT AND ANY APPLICABLE STATE SECURITIES LAW, OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE AND THE COOPERATIVE SHALL HAVE RECEIVED, AT THE EXPENSE OF THE HOLDER HEREOF, EVIDENCE OF SUCH EXEMPTION REASONABLY SATISFACTORY TO THE COOPERATIVE (WHICH MAY INCLUDE, AMONG OTHER THINGS, AN OPINION OF COUNSEL SATISFACTORY TO THE COOPERATIVE).

PROMISSORY NOTE

Principal Sum: \$

Date of Issuance:

FOR VALUE RECEIVED, ROOTED CARROT CO-OP MARKET (the "Co-op" or the "Cooperative") hereby promises to pay to the order of _____ (the "Lender"), his, her or its successors and assigns, at the Lender's address as set forth in the "Subscription Agreement" (as defined below), or such other place as the holder hereof may designate in writing from time to time, the principal sum of \$_____, in lawful money of the United States, together with simple interest on the unpaid principal balance outstanding at the rate of _____% per year (calculated annually based on a 365-day year). Twenty percent (20%) of the principal and any remaining interest under this Note shall be due and payable at the end of each of years 11 through 15, such that the Note's principal and interest, collectively, will be fully repaid at the end of year 15. The Co-op agrees to pay on demand all costs and expenses of the Lender and all authorized future holders of this Note in connection with the enforcement of this Note, including but not limited to reasonable attorneys' fees and legal expenses.

1. Subscription Agreement. This Note has been issued pursuant to the terms and provisions of the subscription agreement, dated as of _____, 2021, between the Co-op and the Lender (the "Subscription Agreement"), and this Note and the holder hereof are entitled to all the benefits provided for in the Subscription Agreement, or which are referred to therein, to which the Subscription Agreement reference is made for a statement of the terms and conditions under which this indebtedness was incurred and is to be repaid. The provisions of the Subscription Agreement are incorporated herein by reference with the same force and effect as if fully set forth herein.

2. Prepayment. This Note may be prepaid in whole or in part, at any time and from time to time, without premium or penalty, at the sole discretion of the Cooperative. All prepayments on this Note and all other notes issued to other lenders to the Cooperative shall be applied first to payment of accrued interest prorated to the date of prepayment, and the balance shall be applied to principal.

3. Restriction on Transfer. In the event the Lender seeks to transfer this Note, the Lender shall provide the Co-op with written notice of such proposed transfer. Such notice shall specify the name and address of the transferee and the proposed effective date of the transfer. Any such transfer shall become effective only upon approval of such transfer by the Co-op's Board of Directors, which approval may be withheld in the sole discretion of the Co-op's Board of Directors; provided, however, that the Co-op's Board of Directors agrees it shall honor and approve any transfers occurring by operation of law.

4. Notices. All formal demands and notices to be given hereunder shall be delivered or sent by certified mail, return receipt requested; in the case of the Co-op, addressed to its cooperative headquarters; in the case of the Lender, addressed to the address set forth in the Subscription Agreement; and in either case, until a new address shall have been substituted by like notice. Notwithstanding the previous sentence, the Co-op may send payments of interest and principal to the Lender by first class mail, without certification or return receipt.

5. Subordination. Payment of the principal and interest, and all other rights under this Note, will be subordinated to the rights and claims of all of the Co-op's secured lenders and unsecured creditors, including trade creditors.

[SIGNATURE PAGE FOLLOWS]

**NEW
INVESTOR PACKET
COMING SOON!**

IN WITNESS WHEREOF, the Cooperative has caused this Note to be executed on its behalf by its duly authorized officer on the day and year first above written.

ROOTED CARROT CO-OP MARKET

Representative Name:

Title:

Signature:

Date:

**NEW
INVESTOR PACKET
COMING SOON!**