

“THIS IS THE END MY FRIENDS*” --- Last Report from Temagami Co-op

(*lyric courtesy of The Doors)

An Open Letter to all customers and members:

For those of you who attended the Annual General Meeting of Temagami Co-operative Inc. (TCI) back on August 18th, 2010 at the Municipal theatre, you may recall my closing words in my President's Report: *“We (the Board) and our management team and our staff do sincerely appreciate the continued support by our regular and faithful members, customers and community leaders. We will do our part, to the best of our ability; we trust you will do the same by shopping at the store and indeed promoting the store --- after all, it's YOURS! That's the best way to keep our doors – OPEN!”*

On Friday November 5th, 2010 at 6:00 p.m. the Co-op Store closed our doors for the last time. How did it come to this you might ask and how come the members were not informed?

Surely, though, people are not surprised. Have you not seen the writing on the wall? The time worn phrase: “use it or loose it” comes to mind does it not?

We are truly sorry it has come to this, but the Co-op Board of Directors and our dedicated managers & staff, ever since the AGM in August, have been struggling with the stark reality of dramatic falling sales at the Co-op Store, so much so that we came out of the summer of 2010 in worst shape than 2009 and 2008, with very little reserves to carry us beyond Labour Day. We have been living from week to week from Labour Day, through Thanksgiving, 'til now, with a growing list of unpaid suppliers and other creditors. We have tried paring expenses and staffing costs, and keeping our re-stocking orders to an absolute minimum, yet still maintain a decent level of service to our customers. However, our fixed costs to run this Store exceed significantly what we can achieve in profit margins from sales all across our inventory line.

By mid-October we were hitting a financial wall we could not get over. The Board of Directors, meeting in emergency session, had to make some hard decisions, facing this reality – to try to find a “friendly buyer” to take over the Store perhaps (to this date, no such interested party has stepped forward with money in hand), or, close the Store and file for receivership into bankruptcy as soon as possible.

The reality of which I speak - I have now come to the sad conclusion that this "Co-op store" model does not work in Temagami and that the claim that such a store is, as is often stated, "a *vital and essential business for our community*" is perhaps our own version of an "urban myth". The majority of our residents and members, 860+ seasonal and permanent, clearly did their main grocery shopping before they left home or on the way up to the Lake Access Roads, or out of town where they work, go for entertainment, have dentist/doctors appointments, other shopping excursions and the like, and only gave us minor consideration, almost like a "convenience store". While a dedicated core of such residents and members, in town and on the Lakes, did indeed shop mostly at the store, which has been very much appreciated, it was simply not enough! Such overall shopping patterns, along with a tendency to “shop the flyers” for “specials”, did not sustain the Co-op Store. There are all sorts of excuses why this was so, but they are not the sort of excuses that fit the "essential service" definition I submit. We simply cannot justify going further and further into debt to keep the doors of the Co-op Store open, debt we cannot pay for!

We met with our financiers – the South Temiskaming Community Futures Development Corporation (STCFDC) and TemFund. While they were sympathetic and supportive, as always, all recognized that “throwing good money after bad” was simply not prudent. Our re-financed debt load, taken on in the last year and a half, had reached well over \$700,000+ alone!

We sought the advice of our legal counsel and met with a firm from North Bay who specialize in business restructuring and insolvency. We even began preparations to call a *special

members/shareholders meeting (the envelopes were made up, but we had no extra monies available to pay the postage), keeping in mind that according to our own Bylaws we must give between 10 and 50 days notice, to all members in Canada and beyond.

Once one or two of our major suppliers started demanding payment on accounts, or else cash on delivery, and we could not meet their demands, suppliers for such essentials as dairy products (Farquhar's Dairy) and bread (Canada Bread) started cutting us off during the last week of October. By the first days of November we finally could not meet our current account with Loblaws, the final straw.

I traveled down to meet with the Loblaws' executive officers early in the morning of November 2nd, in the hope that perhaps some go-forward solution could be found. However, the outcome of the meeting was a foregone conclusion ... there are no more miracle cures for this Co-op Store of ours. Loblaws Group is absolutely not interested in taking over such a small store in such a competitive corner of the N-E Ontario marketplace ... they themselves describe the present grocery business across the country as "depressed". Loblaws has now exercised their rightful first security over all inventory and equipment in the Store and directed that the Store close on Friday November 5th at 6:00 p.m. They are coming in to do a final inventory count and move out the remaining inventory and supplies to another store in their chain. All this took place in the few remaining days before closing ...not much chance for any of us to get the word out, beyond posting a notice on our front doors.

The next stage is for a retained Receiver in Bankruptcy, who will take over to sell off the remaining assets of TCI, the building and property, to realize some settlement of all our outstanding debts (close to \$900,000. !). The distribution of proceeds of such liquidation will be determined by him and the insolvency laws. Since indeed this retaining of a trustee/receiver has been initiated by the TCI Board as a "voluntary" action, acting responsibly as we must in the circumstances, with due regard to our dire financial situation, it is hoped such trustee/receiver will advise us how we may be able to have a meeting with our members/shareholders as soon as possible as part of this final process.

What of the future? Beyond knowing that the sun still comes up every morning, and seeing that some other local businesses have started to fill in some gaps to sell grocery staples such as milk, bread, eggs, etc. (our thanks goes out to them and may they prosper!), we can only hope that once the "financial dust-bunnies" are perhaps cleared away, some phoenix may arise out of the ashes of the "Little Store That Tried".

Sincerely yours,

Paul Middleton

President, TCI
on behalf of the Board of Directors.