



FreshConnect Prospectus

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Overview

FreshConnect is an innovative new service that combines the quality produce and community connection of a Farmers' Market with the convenience of delivery.

Because waiting for delivery isn't always convenient, we make it even easier by delivering orders to our refrigerated, secure FreshPods, which are similar to lockers. FreshPods are located in office buildings, apartment complexes, and transit hubs. We take advantage of existing high-traffic locations to bring fresh food where our members already are, saving both time and energy. Members simply place an order online and then pick it up from a FreshPod on their way home whenever it's most convenient for them.

FreshConnect is committed to partnering with local, sustainable growers and producers, running parallel to existing Farmers' Markets and Community Supported Agriculture (CSA). We showcase the best seasonal produce, supplemented with select groceries, bread, dairy, and meat — enough to complete full menus. We make it easy to eat creatively in any season with our weekly Seasonal Box, FreshPlus, and Buy a Recipe options.

A vital part of FreshConnect is our online information center and social network, an interactive community that creates conversations between members and growers, and promotes seasonal and sustainable eating. Members can get inspired, share advice, and find menu and recipe ideas. Our tools also benefit growers and producers, who can create relationships with customers, promote local agriculture, track trends, and manage inventory.

FreshConnect offers the quality of a Farmers' Market, the support of a community, and a connection to the food we eat...all with maximum convenience.

Our mission:

- *Provide our members with easy access to fresh, affordable produce.*
- *Build an interactive community of members and growers that creates conversations and relationships.*
- *Reconnect consumers to food by educating about seasonality, cooking, and the food system.*
- *Support and expand local, sustainable agriculture.*
- *Reduce environmental impact of food shopping and delivery.*
- *Help our members be more healthy.*

Sustainability and Values

FreshConnect is rooted in social and environmental responsibility. We strive to incorporate ecologically conscious practices into every aspect of our business.

We will support local agriculture by purchasing the majority of our produce, meat, and dairy from producers that use sustainable, organic, and biodynamic methods. Our service provides steady income year-round for growers and producers, and our large wholesale contracts enable small farms to qualify for much-needed loans to capitalize their businesses. We will also encourage growers to align their production with long-term environmental goals, and to share resources and best practices.

We will complement existing direct marketing methods such as Farmers' Markets and CSA boxes, partnering with the same growers to increase their sales base rather than undercut it. Direct marketing provides a 65% greater profit margin for producers than traditional retail sales — while FreshConnect will take a portion of this, we will more than replace this loss through the volume and benefits we can offer our growers.

We promote the cause of local and sustainable production by facilitating connections between and within agricultural and consumer groups. By belonging to our community, members support organic farming practices that are healthy for both the people and the environment. They also have the opportunity to eat the freshest, most nutritious produce available with added convenience and preparation guidance. Our newsletters and online content will help our members better understand why it is important to support small growers, and our products will be identified by farm to encourage loyalty.

We encourage members to think more about what they cook and eat, and to enjoy sharing food with friends and family. FreshConnect will support outreach activities,

including educational tours of participating farms, school group visits, and other community Slow Food events that celebrate food and educate about seasonality, sustainability, and cooking.

One of our most important benefits is the reduction of the environmental impact of food transportation. Growers can deliver smaller quantities to us more regularly by combining trips to our wareroom with their existing Farmers' Market and CSA routes, and we will also help coordinate growers who can combine trips to our facilities. Our delivery service will also be coordinated for maximum efficiency, with technology-driven truck routing. Lastly, consumers will make fewer trips to the store with our service, and most FreshPods will be located at strategic hubs along common travel routes.

We will reduce waste by sourcing all physical service components for durability and long life. We will utilize sturdy, reusable bags for customer orders, as well as reusable crates for our packing and trucking. As the service grows, we will continually reevaluate how to further reduce the use of single-use items such as produce bags. We will minimize food waste by keeping small inventories, allowing members the option to delete unwanted items from our standard selections, and donating food not sold or picked up to local food banks. Unsaleable products will be composted and offered back to our growers.

We are particularly excited about our magnetic refrigeration process, a cutting-edge technology currently being developed in Denmark that uses significantly less space and energy, and emits dramatically less greenhouse gases.

What We Offer

The core of our offerings will be our standard selections, which will change weekly and reflect seasonally available products:

Seasonal Box

The absolute freshest seasonal produce (fruits and vegetables) from our CSA growers. By working with a group of growers instead of just one, our boxes have greater variety and quality throughout the year.

Fresh & Fruity

A sampling of the different types of fruits in season. Perfect for healthy snacks and packing school lunches.

Fresh Plus

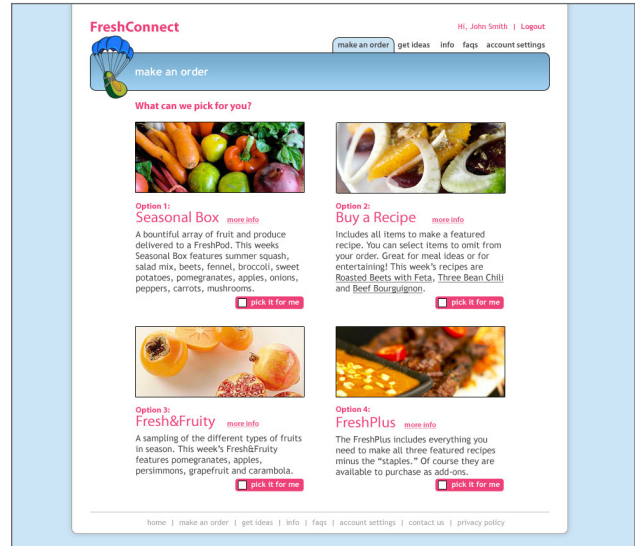
Meal planning made simple! You get all the great items in our Seasonal Box, plus additional fresh items that will help you turn your box into meals. Recipes and planning ideas can be downloaded or included in your order.

Buy the Recipe

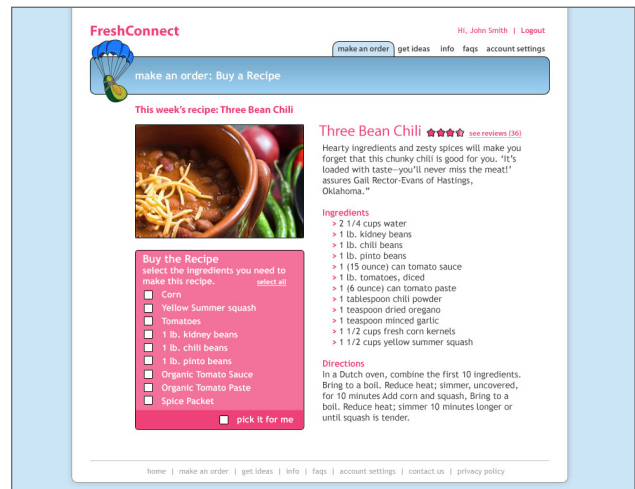
Every week we offer 3 unique and fun recipes utilizing best of what's in season, available as a meal-in-a-bag option. We provide easy-to-follow recipes and everything you need to cook a great meal for four.

Our members are not limited to our weekly selections. A quality selection of additional groceries, meat, dairy, and bread are also available to purchase. Additionally, our selections can be modified to accommodate preferences and allergies.

WEEKLY SELECTIONS



BUY A RECIPE



Order and Delivery

Overview

Ordering from FreshConnect is easy! Our online system manages order placement, tracking, and delivery notification.

After an order is placed, our system will confirm the order and location details, and advise the member of the estimated delivery time. Orders placed by midnight will be delivered the following day by 3pm. (Orders placed between midnight and 10am may be eligible for same day delivery, depending on capacity.)

FreshConnect will fill and deliver the order to the host location requested. When the order is delivered, the bin will register its location, which completes the order and triggers payment processing. The member then receives notification via SMS and/or email that the order is ready for pick up and stating the FreshPod unit number.

To pick up an order, simply place the key fob near the unit to unlock, and take out the order. The bins roll out for easy removal of the FreshConnect bags. Members can return bags from previous orders to the bin for cleaning and reuse.

Component Details

FreshHouse

A warehouse (or wareroom) will provide a place to collect from participating growers and supplemental suppliers, including bakeries and general grocers. This facility will also be used to sort and bag orders.

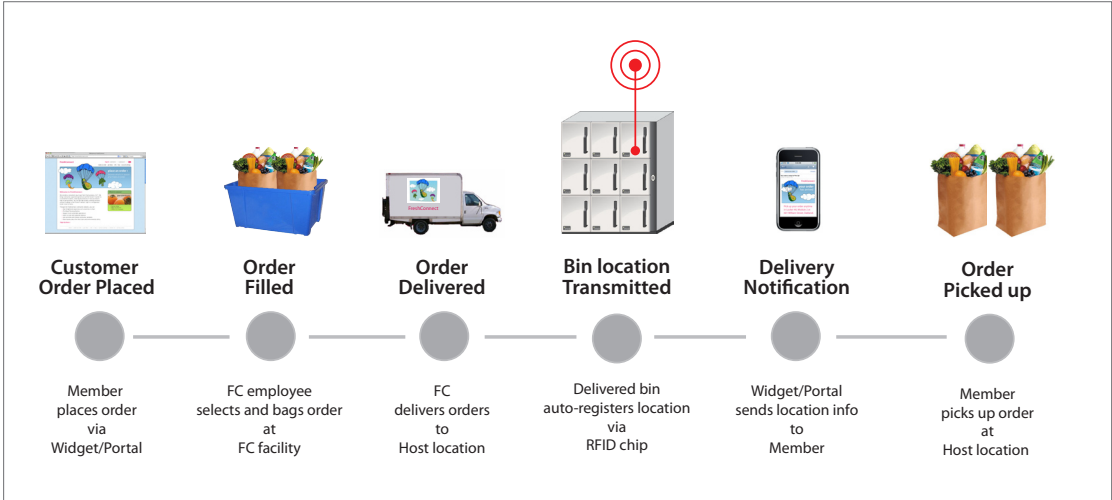
Reusable bags

Orders will be packed in sturdy, reusable bags which will promote FreshConnect and are designed for comfortable shoulder and hand carrying. The bag is made of special materials to keep the fresh produce fresh. We encourage members to return these bags to a Pod for reuse, where they will go through an eco-friendly sanitation process to clean and limit cross contamination.

Bins

After the food is sorted into custom bags, they are put into bins and sent out for delivery. When a bin is inserted into a locker, it snaps into place on a rolling tray so the customers are able to pull the bin out easily and remove their bags). The

CUSTOMER ORDER AND DELIVERY PROCESS



bins contain an RFID chip/barcode which is scanned when inserted into the locker, and used to track the location of the order by the company and the customer.

FreshPods

Our FreshPods are refrigerated modules comprised of individual compartments. Initial Pods will have 9 units holding 1 bin (1-2 bags) each. In the future, depending on the demand/use of the customers, the compartments may come in sizes to accommodate smaller and larger orders. Pods will be cleaned regularly.

Host Locations

Our Pods are housed at Host locations, which are strategically located to take advantage of existing concentrations of people and travel patterns. Our lockers will be placed in public and private areas that have sufficient traffic, security, and available space, such as office buildings, residential communities, transit hubs, schools, and community centers.

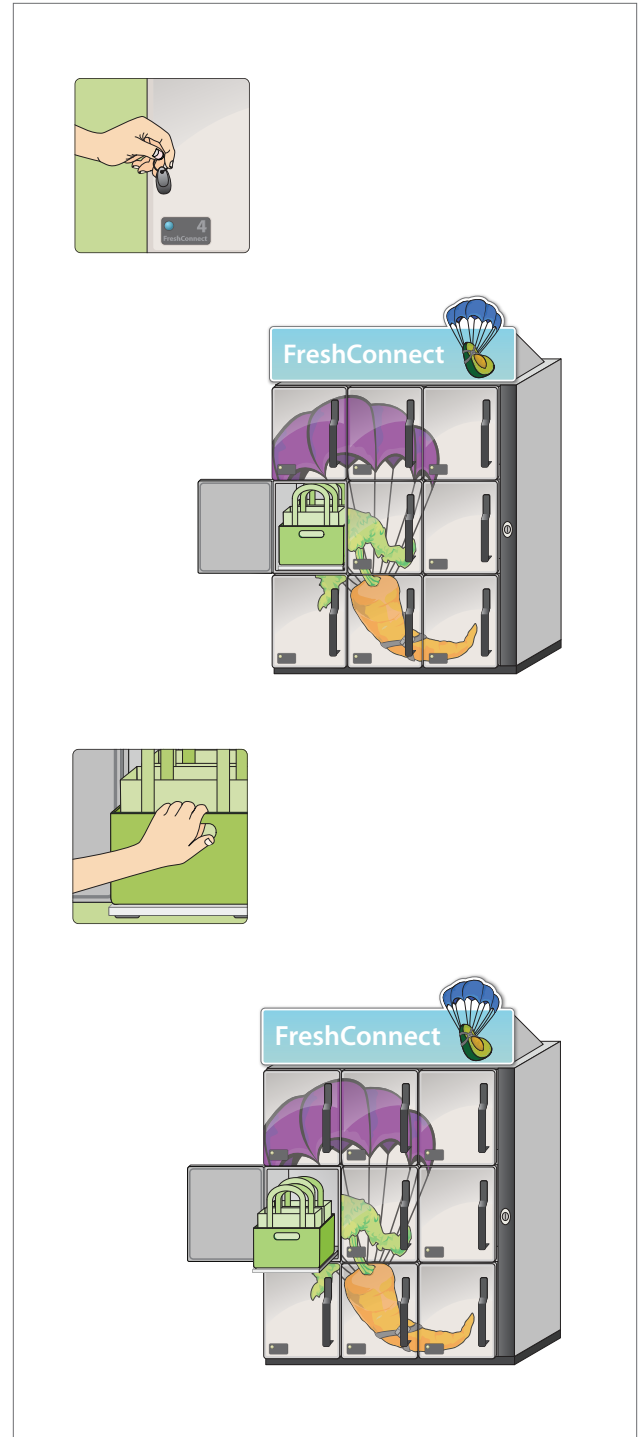
Kiosk

Some locations will feature an interactive kiosk. Used primarily as an introduction piece to the service in new location, it is also an added information portal access point for service users. The touch screen interface introduces new users to how the service works, as well as to its community. Recipes can be printed out on the spot.

Key Fob

Members of the service will receive a personal RFID key fob. While its primary use is to unlock the compartment, it also serves as a guide to the location of the compartment.

ACCESSING A FRESHPOD



Web Tools

Technology is a vital part of the FreshConnect service, facilitating member services, information exchange, inventory controls, and community conversations. (See diagram, below.) Some highlights:

- Provides delivery notification and location via email, SMS, or phone.
- Supports an online community of growers, members, and the general public.
- Allows planning with growers for current and upcoming seasons.
- Meal planning, advice, and recipes to support deliveries.

Social Network

We will create a social network for members, growers, and the public to promote sustainable agriculture, the slow food movement, education and cooking. The site will include forums with topics such as recipes and cooking tips, public policy, growing techniques, and other issues pertaining to our service and core values.

Orders

Members manage orders and receiving tracking and delivery information using our tools. The database also manages inventory, estimates demand, and optimizes delivery efficiency throughout our system.

Grower Tools

FreshConnect offers a turnkey order and inventory management system to our growers. Our suppliers can post their offerings and receive wholesale orders using our web-based application.

Through data collection and community interaction, growers are given an opportunity to identify consumer needs and trends that will help them be more profitable.

Inspiration and Education

We provide tools that help our members eat seasonally and become more comfortable with cooking. Our seasonal chart helps members plan, and our tips and recipes encourage them to try new things. By connecting members and growers, we encourage connection and knowledge sharing.



FRESHCONNECT WEB TOOL FUNCTIONS

GROWER HOME WITH QUICK SALES DATA

FreshConnectGrowers Sign In [user name] [password] GO

Interact with consumers | update inventory | account settings

become a supplier >
learn about supplying to FreshConnect

Reach consumers and participate in a community.
FreshConnect is a convenient service that offers farm-direct food delivery to strategically-placed "food lockers" at office buildings, residential communities, and transit hubs. Members simply place an order online and then pick it up from a secure locker on their way home...any time of day or night. At FreshConnect, we:

- > Provide easy access to fresh, affordable produce.
- > Create conversations between members and growers.
- > Help consumers learn about seasonality, cooking, and the food system.
- > Support sustainable agriculture.

Through the FreshConnectGrowers community website, you can:

- > Encourage consumers to purchase from your farm, promoting awareness and connection to food
- > Reach busy consumers
- > Share your farm's story
- > Join activities with fellow community members including consumers and other growers

Sign Up Now >

home | make an order | get ideas | info | faqs | account settings | contact us | privacy policy

MEMBER HOME WITH FEATURED ITEM AND GROWER

FreshConnect Sign In [user name] [password] GO

make an order | get ideas | info | faqs | account settings

place an order >
browse what's in season and make an order

Farm-direct groceries on your way home.
FreshConnect is a convenient service that offers farm-direct food delivery to strategically-placed "food lockers" at office buildings, residential communities, and transit hubs. Members simply place an order online and then pick it up from a secure locker on their way home...any time of day or night. At FreshConnect, we:

- > Provide easy access to fresh, affordable produce.
- > Create conversations between members and growers.
- > Help consumers learn about seasonality, cooking, and the food system.
- > Support sustainable agriculture.

Through the FreshConnect community website, you can:

- > Gain heightened awareness and connection to food
- > Find Meal Planning Options
- > Support local sustainable agriculture
- > Learn to cook with seasonal produce
- > Join activities with fellow community members
- > Have lessons about the food chain and environmental ethics

Sign Up Now >

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GROWER INVENTORY MANAGEMENT

FreshConnectGrowers Hi, Green Gulch Farms | Logout

Interact with consumers | update inventory | account settings

update your inventory

Add New Items

Item 1:
Select an item from the dropdown below:
Apples - Braeburn

Enter the quantity and unit below:
25 lbs. Add This Item

Item 2:
Select an item from the dropdown below:
Select an item

Enter the quantity and unit below:
Add This Item

Item 3:
Select an item from the dropdown below:
Select an item

Enter the quantity and unit below:
Add This Item

Item 4:
Select an item from the dropdown below:
Select an item

Enter the quantity and unit below:
Add This Item

Current Items in Inventory

- > 200 lbs. of Fuji Apples edit | remove
- > 35 bunches of Arugula edit | remove
- > 52 lbs. of Green Beans edit | remove
- > 89 bunches of Beets edit | remove
- > 121 lbs. of Broccoli edit | remove
- > 34 heads of Cabbage edit | remove
- > 21 lbs. Endive edit | remove
- > 45 lbs. Fennel edit | remove
- > 48 heads of Garlic edit | remove
- > 73 bunches of Leeks edit | remove
- > 121 heads of Lettuce edit | remove
- > 87 lbs. of Yellow Onions edit | remove
- > 23 lbs. of D'Anjou Pears edit | remove
- > 45 lbs. of Red Plums edit | remove
- > 110 lbs. of White Potatoes edit | remove
- > 126 lbs. of Zucchini edit | remove

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SEASONAL GUIDE AND PRODUCT DETAIL

FreshConnect Hi, John Smith | Logout

make an order | get ideas | info | faqs | account settings

get ideas: what's in season?

Seasonal Guide
Use our seasonal guide (below) to see what's in season in the Bay area. Click on any fruit or vegetable to launch a popup where you can get more info, a picture, and recipes. If you are looking at this month, you can click "pick it for me" and the item will be added to your next order automatically.

APRILS
ARTICHOKES
ASPARAGUS
BEANS
BEETS
BROCCOLI
BRUSSELS SPROUTS
CABBAGE
CARAMBOLA
CARROTS
CAULIFLOWER
CELERY

What is it?
The Carambola or Star Fruit is an orange and heart-shaped fruit that is very sour to mildly sweetish and tastes something like a mix of apple, pineapple, and kiwi fruit. Slices cut in cross-section have the form of a star.

november december january

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PRODUCT PROFILE, INCLUDING SEASON AND GROWERS

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Info: food profile

Carambola (Star Fruit)

The Carambola or Star Fruit is a unique and flavorful fruit. The fruit's flavor ranges from very sour to mildly sweetish and tastes something like a mix of apple, pineapple, and kiwi fruit. Slices cut in cross-section have the form of a star.

Available Growers
Alistar Organics, Big Oak Farms, Blackberry Farm, Cortlan Ranches California, Drake's Bay Family Farms, Draper Farms, Fresh Run Farm, Green Gulch Farm, McEvoy Ranch, Mt. Barnabe Farm

Seasonality
Carambolas are available in California during October, November and January.

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COMMUNITY FORUMS

FreshConnect Hi, John Smith | Logout

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get ideas: FreshConnect community

Search recipes [] Enter Search Term GO

FreshConnect Community

- + browse members
- + browse topics
- recipe exchange
- requests
- get advice
- + browse by food items
- + upcoming events

Get Advice: Ask a Grower

Q: I love figs but I only know how to prepare them a few ways. What are some unconventional ways to prepare fresh figs?

A: They go well with the plants that grow around them in their Mediterranean homelands, such as Mediterranean herbs and olive oil, as well as salty cheese, such as feta, and prosciutto ham.

Our suggestions for using fresh figs:

Grilled: Cut figs lengthwise in half, brushes them with olive oil and grills them cut-side down over hot coals for about five minutes, which concentrates their sugars and imparts a smoky flavor.

Poaching: poach figs half-submerged in Darjeeling tea at a very low simmer for 10 or 15 minutes.

Braking: Braise fatty types of fish, such as swordfish or salmon, on a bed of figs and onions with rosemary and a little garlic, salt, pepper, and enough white wine to moisten the mixture. The liquid left in the pan can be reduced to a sauce.

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FreshConnect Members



"It saves me a lot of time to have my order ready and waiting for me to pick it up on my way home, and the quality is so much better than what I can get at the supermarket."

We're On Your Way Home

FreshConnect offers the quality of a Farmers' Market, the support of a community, and a connection to the food we eat...all at your convenience.

Best of all, you don't need to waste time shopping or waiting around for delivery — instead, we'll have your order waiting for you in one of our FreshPods, which are secure, refrigerated lockers located near your work or home. We have locations in office and residential buildings and other community centers. You simply place your order online and pick it up the next day on your way home.

We know you'll love being able to have fresh food delivered right to you several times a week, without spending time traveling to the store.

What We Offer

Enjoy California-fresh fruits and vegetables from small producers, delivered where and how you want. Add to that a quality selection of meat, dairy, and other groceries and we're your one-stop choice for a creative selection of healthy, seasonal food.

You can customize our weekly selections, such as our Seasonal Box and Buy a Recipe, to take out the items you don't want or need — not only do you get exactly what you want, but this also reduces waste. However, we hope you'll try something new once in a while! One of the best parts of our service is access to unique items, and we provide lots of helpful information to make trying new things easier.

Quality and Convenience

FreshConnect works directly with Community Supported Agriculture (CSA) farms to bring you the largest variety of produce year-round. You can feel good about supporting small farms and the local economy.

You can feel even better about the fact that local, freshly-picked produce lasts longer and tastes better than standard supermarket fruits and vegetables, which were picked days ago and shipped long distance. We offer better quality and convenience at the same prices you'll pay elsewhere.

Social Network

Your membership allows you to contribute to our social networking site. Put up a profile, get advice and help from members and growers, and find inspiration. Connecting with growers is an important part of our network. Community events with live chats with expert such as "Ask a Grower" will be held regularly.

While connecting online is great, we also hope our members will use our online space to plan and join community events offline, too!

News and Information

Our site hosts forums for topics our members are interested in, such as recipe exchanges, cooking tips, public policy, and growing techniques, and tons of information about everything we sell. We offer recipes, menu plans, and planning information to help you make the most of what you buy.

Our tools show you what's in season and — more importantly — what to do with it. We know it can be challenging, so we make it easier by providing lots of information and resources to make eating seasonally fun and interesting. We produce a weekly newsletter filled with recipes, produce storage tips, listing of upcoming events and special offers.

Membership

We want everyone to be able to afford FreshConnect, so our membership fee is only \$5 per month, plus a \$25 deposit for the key fob and locker use. We hope you'll use our service regularly, so we don't charge a delivery fee as long as you order the \$25 minimum.

Member Benefits

- *Freshly harvested, quality produce, plus produce, meat, dairy, bread, and other basic groceries.*
- *Secure and convenient pick-up location of your choosing along your regular route. Reduce time-consuming trips to the store!*
- *Recipes and meal planning available online or delivered with your order.*
- *Great tips on how to select, store, and prepare seasonal products.*
- *Online community of members and growers where you can share recipes, get advice, and join activities.*
- *Educational content help you learn about growing, nutrition, biodiversity, sustainability, and seasonality.*
- *Support sustainable, local farmers.*
- *Ability to know which farm the fresh produce comes so you can re-order your favorites.*

Partnerships with Growers



"FreshConnect's easy to use inventory tools have helped us expand our family farm and become profitable. Their innovative network of growers and feedback from consumers really makes it a cooperative partnership."

Supporting Local and Sustainable Agriculture

FreshConnect's partnership with small family farms raises the visibility of organic and sustainable farming. Interest and participation in Community Supported Agriculture is expanding every year, and our members are part of this growing movement.

FreshConnect was founded to give local farmers an opportunity to expand profits in a way that complements their existing direct marketing efforts. Most importantly, our wholesale contracts enable small farms to qualify for bank loans and to plan for expansion. In this way, FreshConnect members are literally providing valuable "seed money" to small farms.

With a growers' network to maximize your resources and production, and a social network allowing for direct feedback from consumers, FreshConnect offers many tools that maximize small farm viability.

Manage Inventory

The greatest benefit to becoming a FreshConnect grower is access to our innovative web tools that can help you better manage your production and distribution.

Our suppliers can post their offerings and receive wholesale orders using our FreshConnect web-based application, either as a standalone application or integrated with existing order and inventory systems. This is especially valuable to our smaller suppliers with few or no existing tools. Your participation in our system gives you the efficiency and accuracy of an enterprise-level system without any startup or licensing costs.

FreshConnect uses RFID for inventory and tracking. With a wireless scanning transmitter, growers can further supply information about inventory. By combining your supply with that of many other growers, we are able to smooth

over production inconsistencies and provide a greater variety over time.

We can also help you manage your surpluses. If you know a bumper crop is coming up, let us know and we can help promote that item with our Buy a Recipe option and online information. Using our data tools, you can also find out where certain items are (or aren't) selling to shift your supply through other selling channels and plan for future seasons.

Improve Visibility

Even though we create a combined virtual inventory, we keep close track of what comes from each farm. We keep each item separate and let members know who they are getting their produce from. This way, growers have the name-recognition of direct marketing, without having to do all the work themselves.

To maintain your farm's reputation, our FreshHouse warerooms ensure proper handling and the crisp, fresh storage of your quality produce.

Outreach and Promotion

Our growers have an opportunity to become a featured grower on our site, raising your profile. You will not only be featured on our site and in our newsletter, you can also participate in our online "Meet the Grower" session with our members and the public.

FreshConnect also has various community events throughout the year inviting the greater public to learn about local agriculture, sustainable growing and nutrition. There are many ways to market your farm through our partnerships.

Our social network also facilitates connections between our growers and members, to create conversations and relationships that will build loyalty and repeat business.

Grower Benefits

- *Wholesale contracts guarantee income.*
- *Cooperation with other farmers to increase variety and share resources.*
- *Single delivery point reduces transportation expenses compared to typical CSA deliveries.*
- *Improve visibility of local agriculture.*
- *Track trends, predict demand, and manage surpluses.*
- *Expand your sales base.*
- *Farm-promotion programs and events.*
- *A helpful web tool to help you manage inventory of your farm*

Hosts and Sponsors



"We've had to make tough decisions to cut back, including our free lunch program. Adding FreshPods to our office is an affordable way to provide a great benefit and continue promoting healthy eating."

For our pilot program, we will partner with large businesses and residential communities that see FreshConnect as a valuable amenity for their employees or residents. We will later expand to additional high-traffic locations that have sufficient traffic, security, and available space such as:

- Office buildings
- Residential communities
- Public transit stations
- Schools and universities
- Community centers
- Post Offices
- Corner stores
- Libraries

Our 9-unit FreshPods are small-scale and modular, to take advantage of unused spaces. We can install them in groups, or distributed around your facility in hallways, storage rooms, or wherever space is available.

Become a Host!

Offer FreshConnect as an amenity for your tenants, employees, or neighborhood.

By installing FreshPods, businesses enable employees to have their groceries delivered while they are at work, then simply grab and go on their way home, regardless of the hour.

For residential buildings, FreshConnect targets busy professionals who have an awareness of sustainability and a commitment to their community, but who lack the time go shopping — exactly the type of tenants most property owners want to attract to their buildings as well as recruiters and advertisers.

We hope to expand to smaller individual outlets, such as corner stores in “food desert”, to bring fresh foods to the communities that have the least access. Carrying fresh produce has proven to be a difficult task for smaller venues because of logistical challenges and small margins.

Be Green

Be a part of the slow food and sustainable agriculture movement! At a time when energy prices are sky high and the economic forecast is gloomy, supporting the local economy is even more critical. Our items travel over less distance, saving on transportation expenses, and the money stays local, which benefits all of us. Most importantly, our service is affordable to your residents, employees, and you.

To support our core values and lessen our impact on the environment, the locations will have a requirement to serve a minimum population so that deliveries are the most time, cost, and energy efficient. Furthermore, serving higher density populations helps us increase awareness of where our food comes from in urban cores, which are often disconnected from the farming industry.

Sponsorship Opportunities

There are many ways to show your support for a greener way of growing and eating through sponsorship of our FreshPods and at our events!

Limited targeted advertising is also available on our web site and newsletter. Our unique web site is the center of our service, and both growers and members interact with it daily.

Host Benefits

- *Offer FreshConnect as an amenity for your residents, employees, or neighborhood.*
- *Promote healthy food choices.*
- *Support sustainable agriculture.*
- *Show your commitment to the local economy and community.*
- *Make an investment in local businesses.*
- *Create loyalty and increase sales with higher traffic*
- *Sponsorship and other marketing opportunities*

10-Year Financial Projection

We have created financial projections that demonstrate the viability of the FreshConnect service. We based these financial estimates on similar services, products and industry standards.

During our first year, we will be running a pilot program that serves 5 locations and 250 member. Our total expected revenue from year 1 will be \$1.19 million, and our projected expenses will be \$1.49 million. Depending on the success of our pilot year, we will expand the service to gain more members. In year 2 we plan to expand our service to 15 locations, serving 750 members, and increasing our expected revenue to \$3.56 million and costs to \$3.54 million. By year 3, we plan to expand to serve 2,250 members with 45 locations. If we meet this projected growth, FreshConnect will have \$10.68 million in revenues, and \$10.29 million in expenses.

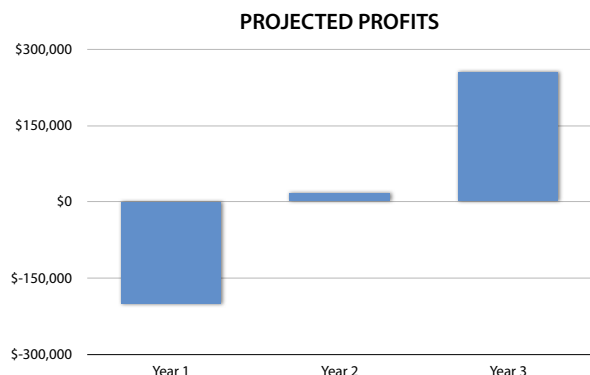
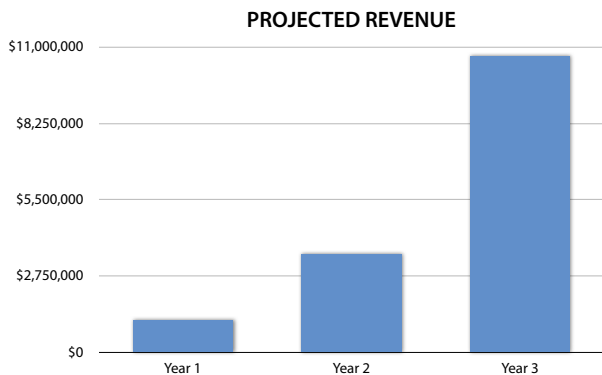
These projected figures translate to net profits, after taxes, of -\$200,151 for year 1, \$16,164 for year 2 and \$255,492 for year 3. The food industry has thin margins, with a typical net profit margin of 1 to 2%. By year 3, we anticipate a net profit margin of 2.39%.

By year 10, we hope to expand to 200 locations, serving 10,00 members. We anticipate net profits will reach over \$5.37 million, at a net profit margin of 11%.

As the FreshConnect member base and revenue stream grow over time, our service will provide value to our members and growers, hosts and investors.

In order to get FreshConnect fully operational, we will have to set up our distribution center, purchase equipment, build our online tool and accompanying databases, as well as additional capital-intensive expenses. To begin our pilot program, FreshConnect will need approximately \$1 million in investments.

Investores will receive not only financial dividends, but will also be supporting a viable, sustainable business model that provides benefits to members, growers, and supports the community as whole.



FINANCIAL STATEMENT

	Pilot Year (1)	Year 2	Year 3	Year 10
Number of Members	250	750	2,250	10,000
Expected Revenue	Pilot Year (1)	Year 2	Year 3	Year 10
Membership Fees	\$ 15,000	\$ 45,000	\$ 135,000	\$ 600,000
Order Revenues	\$ 1,123,200	\$ 3,369,600	\$ 10,108,800	\$ 44,928,000
Host Subsidization	\$ 48,000	\$ 144,000	\$ 432,000	\$ 1,920,000
Advertisements	\$ 5,000	\$ 10,000	\$ 15,000	\$ 50,000
Total Revenue	\$ 1,191,200	\$ 3,568,600	\$ 10,690,800	\$ 47,498,000
Expected Costs	Pilot Year (1)	Year 2	Year 3	Year 10
Wholesale cost of Food	\$ 842,400	\$ 2,527,200	\$ 7,581,600	\$ 33,696,000
FreshPod Units	\$ 180,000	\$ 360,000	\$ 1,080,000	\$ 900,000
Trucks (Leased)	\$ 18,000	\$ 54,000	\$ 162,000	\$ 540,000
Fuel, labor, tires and maintenance	\$ 17,745	\$ 53,235	\$ 159,705	\$ 532,350
Advertising & Marketing	\$ 5,000.00	\$ 10,000.00	\$ 15,000	\$ 30,000
Rent: wareroom/office	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000
Wareroom & Office Buildout	\$ 20,000	--	--	--
Wareroom Equipment	\$ 15,000	\$ 20,000	\$ 40,000	\$ 20,000
RF-ID & Bin System	\$ 12,500	\$ 37,500	\$ 112,500	\$ 500,000
Reusable Bags	\$ 1,000	\$ 3,000	\$ 9,000	\$ 40,000
RFID key fobs for members	\$ 1,250	\$ 3,750	\$ 11,250	\$ 50,000
Repairs & Maintenance	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Technology System Implementation	\$ 100,000	\$ 25,000	\$ 25,000	\$ 25,000
Database maintenance	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Office Manager & Procurement	\$ 35,000	\$ 36,050	\$ 37,132	\$ 38,245
Drivers	\$ 46,800	\$ 93,600	\$ 327,600	\$ 1,123,200
Pickers	\$ 45,760	\$ 91,520	\$ 228,800	\$ 457,600.00
Payroll Taxes	\$ 19,134	\$ 33,176	\$ 89,030	\$ 242,857
Worker's Comp. Insurance	\$ 76,536	\$ 132,702	\$ 356,119	\$ 971,427
Liability Insurance	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
Utilities	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000
Other Expenses	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Total Costs	\$ 1,499,125	\$ 3,543,733	\$ 10,297,735	\$ 39,229,680
Net Profits after taxes	\$ (200,151)	\$ 16,164	\$ 255,492	\$ 5,374,408

Innovation Process

Background

FreshConnect is the result of an extensive research and development process.

We began with this statement: Food is needed by all communities and individuals. It is of vital, daily importance, and the large volume and frequency of food transactions provide broad opportunities for improvement.

We assembled a four-person, multi-disciplinary research and design team to identify an opportunity space related to food access, and address these needs with a new service or product. Our team conducted research, performed needs analysis, developed a range of different solutions and chose to develop a new grocery delivery service that would create greater convenience while at the same time realizing significant cost and energy efficiencies through the innovative use of technology and logistics methodology. Sustainability and design excellence remained key goals for this service.

Discovery

Rather than searching for solutions, our initial research focused on identifying needs, and the effects of these needs, related to how food is created for, distributed to, or obtained by people living in the San Francisco Bay Area.

Both primary and secondary research methods were employed throughout. We performed an online study of approximately 150 participants to gauge general consumer habits; we interviewed experts in retail, logistics, and farming; we performed individual interviews with a diverse group of consumers; and we utilized existing studies to provide a baseline of information about agriculture, consumer trends, and transportation. The United States Department of Agriculture was a major source of secondary research.

Consumer

We investigated consumer habits, motivations and preferences in order to determine which factors were most important in making food buying decisions. We were especially interested in finding the disconnect between what people want or say they want, and what they actually do. From this we could identify latent needs and barriers that provide opportunities for innovation.

Key results:

- 90% of respondents use a car for grocery shopping; 56% walk; and 16% use public transportation.
- 89% of respondents make trips to more than one location for fresh foods.
- 83% of respondents shop for fresh foods at least once per week, and 61% shop multiple times per week.
- Accessibility to food is a problem in certain areas
- Respondents stated convenience took precedence other preferences.
- Method of payment (credit/debit card, EBT) sometimes determines retail location.
- Ease of shopping experience a key factor; a sector of the population do not attend the Farmers' Market because of timing and distance barriers.
- Quality and selection of groceries preferred included interest in fresh and sustainably grown produce, though access or lack of understanding of it did exist.

Retail

To better evaluate our consumer data, we studied various retail channels, including warehouse, supermarket, boutique, and corner store environments, where we gathered information about how retailers perceive and attempt to meet consumer demand.

Key results:

- Retail managers believe consumers come for quality, regardless of the store type.
- One of the challenges of providing fresh produce is controlling the rate of shrink.
- Different types of retail locations have different shrinkage rates, ranging from 1% to 10%.
- Many retail locations receive daily produce deliveries.
- Profit margins in the food industry are slim; typically 1-2%.

Grower Direct Marketing

We also studied fast-growing agricultural direct marketing trends such as Farmers' Markets and Community Supported Agriculture (CSA) to ascertain where we are on the trend curve and what the limitations and expansion possibilities of these models might be.

Key results:

- There has been a 265% increase in farmers' markets since 1994. A key message of successful Farmers' Markets is that they are the "center of the community."
- CSA farmers have a different demographic than traditional farms: 50% women-owned, compared to 27%, and significantly younger, representing a new group using direct marketing as a way to break into farming.
- A trend among CSA farms is "co-opetition", where farms both support and compete with each other.
- CSA production is nearly 100% organic
- Farmers' Markets attract customers by offering one benefit (shop local, freshest food) but retain them by demonstrating a second (make friends with growers, good prices, community experience).
- Small farms have difficulty obtaining bank loans to capitalize operations without wholesale contracts.
- Sixty-three percent of farmers reported higher per unit profit margins from direct marketing sales relative to conventional marketing channels. The mean net profit

difference was 65%.

- Farmers' Markets must find solutions for accepting EBT (debit-card food stamps) in order to serve the customers who most need access to fresh foods.

Transportation

Since all of these solutions are constrained by or depend on transportation, we investigated transportation logistics as they relate to food distribution. We attempted to ascertain the impact of the changing economy and oil availability on future food transportation.

Key results:

- Food has unique logistical requirements. Meeting them efficiently is regarded as a key source of competitive advantage within the food industry.
- Shelf life and shrinkage are affected by storage and transportation conditions, speed-to-market, and accurate ordering and inventory management.
- New federal requirements are emerging to track produce from farm to store due to recent food safety concerns.
- Reduce transportation costs and increase speed to market benefits both transportation and sales goals.

Community Activism

For a different perspective on meeting consumer needs, we studied the efforts of grass roots community organizations that are attempting to address gaps in the market. These solutions include mobile markets, urban gardening, Farmers' Market organizers, and neighborhood development groups.

Needs Analysis

We collected our findings and identified common needs across all research segments:

1. Convenience: People routinely choose convenience above other factors. Many consumers are willing to pay more and/or accept less if something is convenient.

2. Community Connection: Many people feel a desire for community interaction. People are willing to spend more and accept greater inconvenience if they feel there is a social good.
3. Familiarity: People choose what they know and avoid what they are unfamiliar with.
4. Selection: People want a large selection to choose from.
5. Reduction in Transit Impact/Cost: A reduction in transportation time and expense is highly desirable.
6. Quality/Trust: People want quality. A delivery service needs to demonstrate it can be trusted to choose as well as the customer would.
7. Profits: Growers and retailers need a viable business model.

Concept Generation and Refinement

The seven points above created the parameters for our ideation process. We used our findings to define a solution space, and then we conceived a number of different approaches to working within that space.

We utilized multiple concept generation sessions, performing both group and individual work to maximize both quantity and quality of results. We generated solutions for any and all needs, but pursued only those that met multiple needs.

Brainstormed ideas were sorted into affinity groups, which then allowed us to see patterns and identify the features, potential, underlying nature of each group. Using a democratic voting system, we individually identified groups we felt had the most relevance, innovation potential, and practical application. We then deconstructed and re-explored the selected groups to find overlooked ideas and better understand the solution spaces.

At this stage, we were left with these main themes:

- Planning and shopping aids that address familiarity issues, such as smart receipts that offer recipe information, in-store kiosks, and shopping list applications.
- Technology solutions that increase convenience of cooking and shopping, such as recipe “helper wizards” and Farmers’ Market availability trackers and navigation aids.
- Solutions that increase user-friendliness of Farmers Markets, such as tour guides, prep services, electronic payments, cooking demos, and “best of market” grab-and-go selections.
- Container gardening products that encourage victory gardens, such as “grow your own soup” kits that would engage kids and parents while providing basic instruction on how to grow vegetables.
- “Veggie Lockers” which would provide convenient vending machine or locker delivery for produce.

Concept Selection

To choose our final concepts, we identified evaluation criteria reflecting interests, realistic parameters and other variables:

- Increases convenience for shoppers
- Promotes community connection
- Improves efficiency of food distribution
- Provides education about food options and origins, cooking, and menu planning
- Scalable, repeatable model
- Minimal environmental impact
- Manageable in a limited amount of time

Individual criteria were weighted and scores were generated relative to existing retail models, the supermarket and Farmers’ Market.

We then integrated the two highest-scoring solutions, an online community fostering social connections and

information, and a locker-based delivery system. What resulted was a service that addresses convenience and efficiency of shopping, purchase and delivery of groceries. Our model is based on the combination of farm-direct produce with web based ordering and inventory management supported by social networking applications which effectively add value and connection to the food chain from grower to table.

Prototype

In prototyping we began to build our basic concept. In this phase we focused on the big picture of identifying our goals and values, and ensuring our solution supports and furthers them throughout.

We introduced the product to a series of small focus groups to gather feedback during this phase. Further research in a form of competitive assessment took place to understand both existing and previously failed solutions to make sure our solution was both viable, in demand, and realistic. Analyzing this data allowed our service be further defined: critical of failures and scrutiny on successes.

Modeling

In this modeling phase, the focus became more concentrated on logistics and how the service would take place, be maintained while incorporating the feedback received in the previous phase.

Finalizing

To finalize the concept we refined it to include any remaining concerns and balance financial findings to make our business profitable. Product differentiation, marketing direction were all thoroughly considered. With this substantial research done during the design process, aggressively identifying key differentiation from existing services, we are here able to offer you an opportunity today in supporting us to develop this service which we can proudly and confidently say will be in-demand.

Competitive Differentiation

Based on our competitive assessment, our service differs from traditional grocery delivery in these key ways:

Connection

Like a farmer's market, the focus of our service is based on an open exchange between growers and consumers. We accomplish this with the use of web-based social networking applications, which enables dialogue between both growers and consumers allowing each to better understand each other's needs and desires. Coercive marketing and sales advertisement is thus replaced by direct communication and disclosure of growing and production methods, increasing consumer confidence, value and loyalty. We see this as an opportunity to better serve customers and improve market responsibility and responsiveness resulting in better products that better serve customer needs.

Convenience

We create convenience by streamlining food ordering and delivery. Our use of a web based interface allows people to place orders from any computer or cell phone that has internet connectivity. User profiles allow building of preferences and lists that can be accessed through an efficient, clear user interface. Our deliveries can be tracked and go to central locations that are chosen to be easy to access.

Sustainability

Unlike many delivery services, we deliver to central locations that effectively decrease the number of miles driven for groceries. Our inventory tracking and ordering systems promote waste reduction.

Research Sources

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Interview with Manager, Whole Foods Market, Oakland. Conducted by Erica Meade, September 2008.

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<http://www.shapeupsf.org/>

Collective Roots

<http://www.collectiveroots.org/>

Common Ground

<http://commongroundinpalto.org/>

Ecology Center

<http://www.ecologycenter.org/>

California Heartland

<http://www.californiaheartland.org/index.htm>

Project for Public Spaces

<http://www.pps.org/>

The California Backyard Orchard, A University of California Resource for Fruit and Nut Crops

<http://homeorchard.ucdavis.edu/>

City Farmer News

<http://www.cityfarmer.info/>

Urban Chickens

<http://www.urbanchickens.net/>

"MyPyramid.gov"

<http://www.mypyramid.gov/index.html>

"Whole Grain is More Than Fiber"

http://www.generalmills.com/corporate/health_wellness/your_health_detail.aspx?CatID=7781&SelectCatID=7781§ion=yourhealth

"Separating the Whole Grain From the Chaff"

<http://www.hsph.harvard.edu/nutritionsource/what-should-you-eat/separating-the-whole-grain-from-the-chaff/index.html>

"WIC Farmers' Market Nutrition Program"

<http://www.fns.usda.gov/wic/fmnp/FMNPfaqs.htm>

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The Ethicurean: Chew the Right Thing

<http://www.ethicurean.com>

"Food Stamp Program"

<http://www.fns.usda.gov/fsp/>

<http://www.fns.usda.gov/oane/menu/Published/FSP/FILES/Participation/Trends2000-2006Sum.pdf>

WIC Food Package – Maximum Monthly Allowances

<http://www.fns.usda.gov/wic/benefitsandservices/foodpkgtable.HTM>

People's Grocery

<http://www.peoplesgrocery.org/>

fresh&easy neighborhood market

<http://www.freshandeasy.com/home.aspx>

Bloom Market

<http://www.shopbloom.com/>

Scarcity in Abundance: Food and Non-Food

http://findarticles.com/p/articles/mi_m2267/is_1_66/ai_54668881/pg_11?tag=artBody;col1

Granny Carts

<http://www.cities21.org/granny.htm>

20' Portable Commercial Refrigeration System

<http://www.coldcontainer.com/20newcoldboxes.html>

What's In Season?

<http://www.sfma.net/consumer/inseason.shtml>

Straight from the Farm

<http://straightfromthefarm.wordpress.com>

Kidron Ultra Temp Hybrid Refrigerated Trucks

http://www.kidron.com/ultra_temp.html

San Francisco Apartment Association

<http://www.sfaa.org/>

Council of Supply Chain Management Professionals

<http://cscmp.org/default.asp>

Food Logistics Magazine

<http://www.foodlogistics.com/>

Ikan Grocery Scanner & Shopping Portal

<http://www.storeikan.net/>

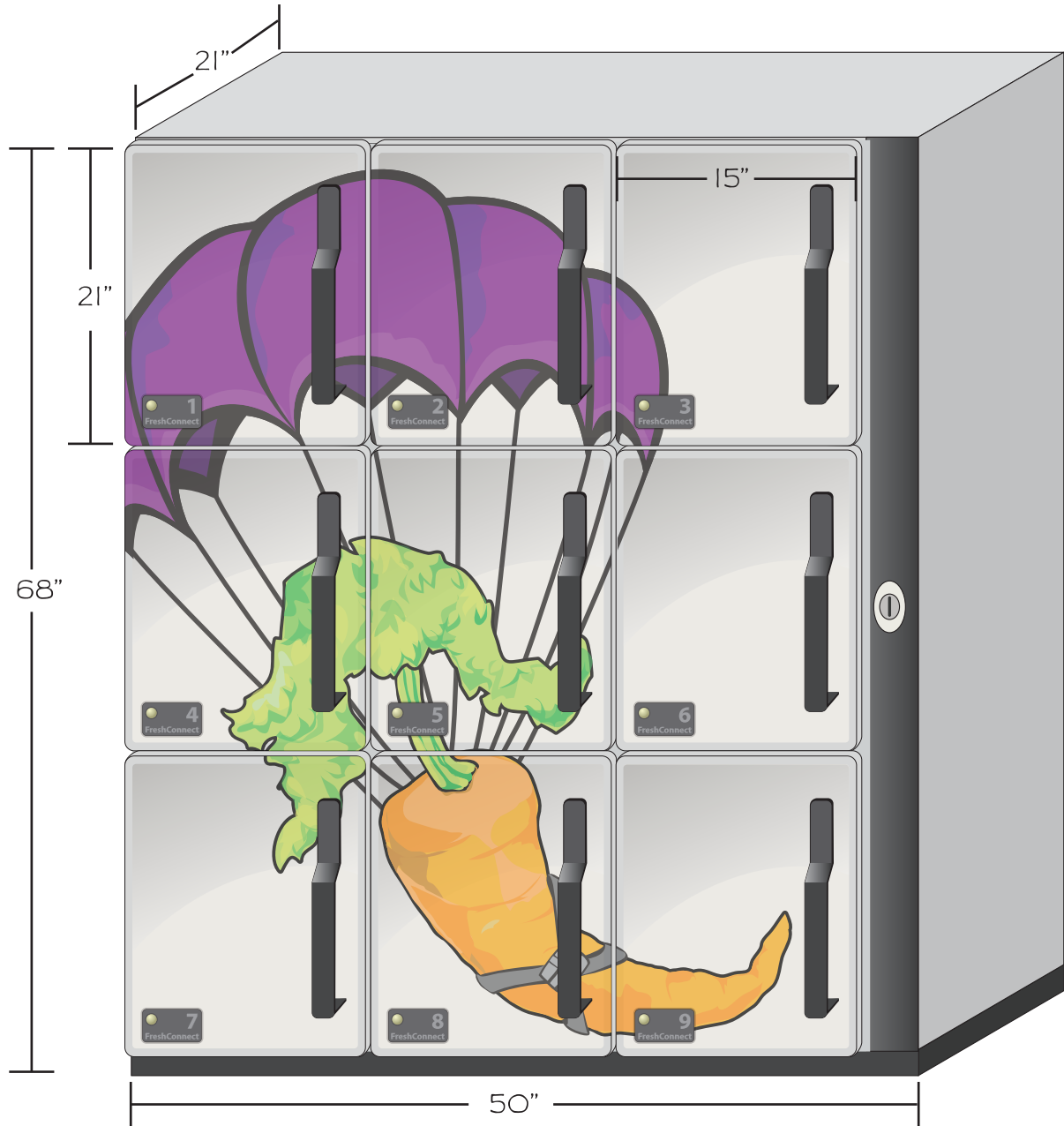
Pandigital 15" Kitchen LCD HD TV

http://news.cnet.com/8301-10784_3-9893490-7.html

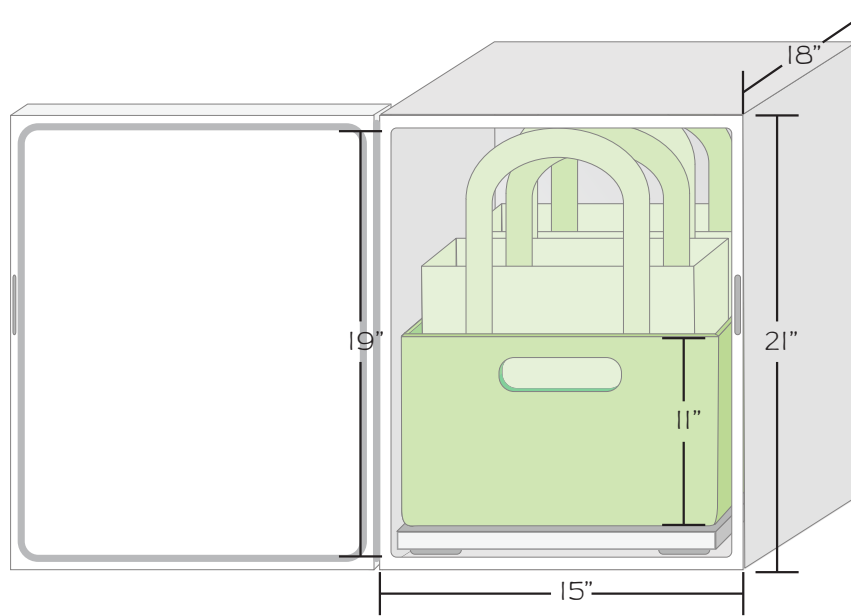
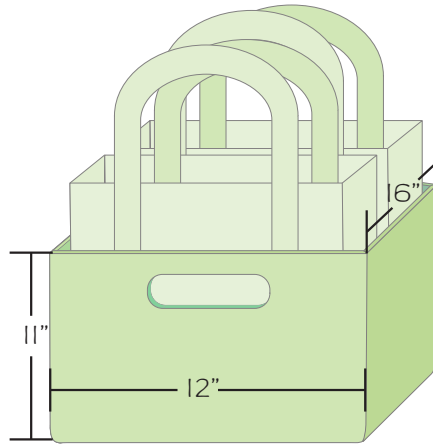
Community Food Security Coalition

<http://www.foodsecurity.org/>

FreshPod dimensions, 9-unit module



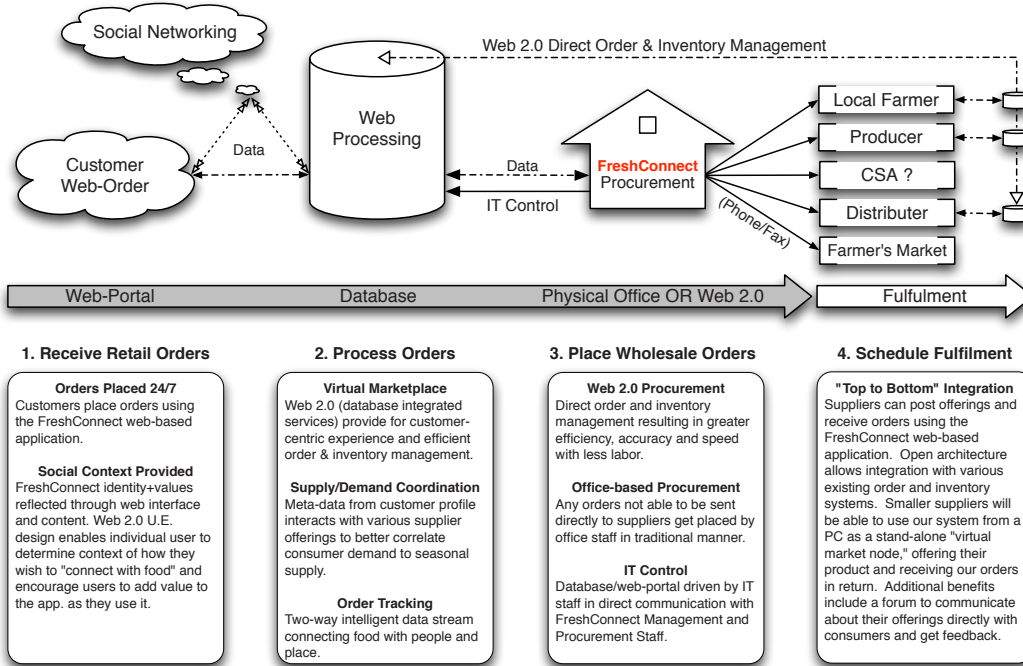
FreshPod dimensions, individual unit



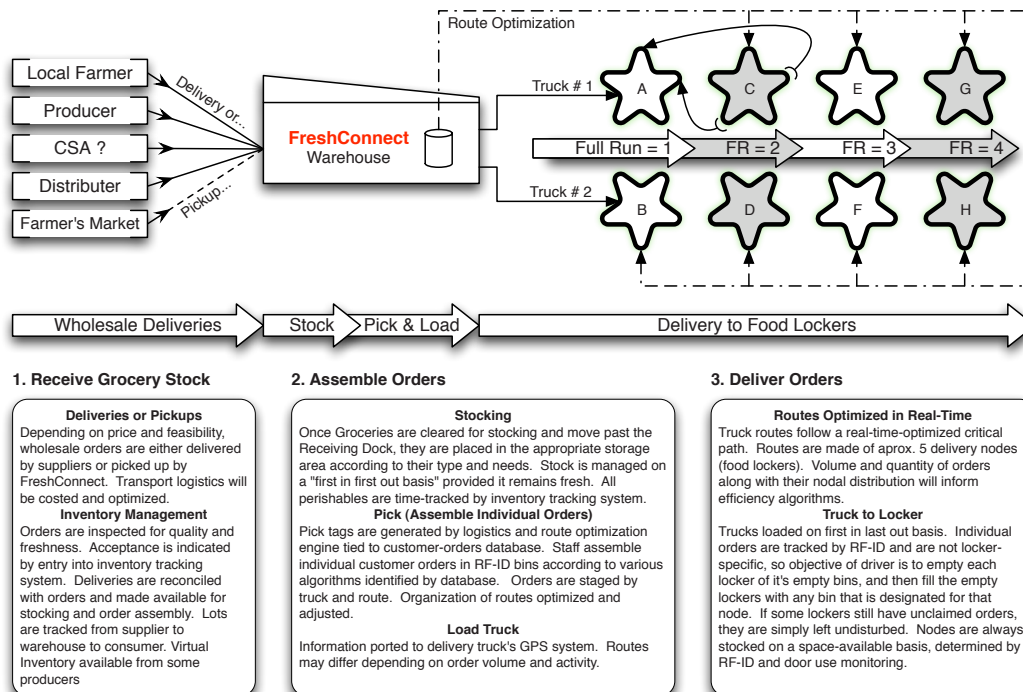
POD VOLUME:
2.62 CUBIC FEET

Order System Logistics

FreshConnect Order Management System



FreshConnect Order Fulfillment System



Member FAQs

Why should I become a member of FreshConnect instead of joining a CSA?

We don't think of ourselves as in competition with Community Supported Agriculture (CSA) or Farmers' Markets. In fact, we partner with many of the same growers! With FreshConnect, you can choose a similar weekly seasonal box but also have the option to add spices, dairy, meat, and other staples that turn the same box into a week's worth of meals. We are simply offering an alternative that gives you more flexibility, a larger selection, and greater convenience, but still allows you to get farm-fresh produce and support local agriculture.

Is FreshConnect eco-friendly?

We strive to incorporate eco-friendliness into every aspect of our business:

- On the grower side, we partner with local farmers who use sustainable, organic, and biodynamic methods.
- We utilize reusable bags, as well as reusable crates for our packing and trucking. As the service grows, we will reevaluate how to further reduce single-use resources such as produce bags.
- We are particularly excited about our magnetic refrigeration process, a cutting-edge technology currently being developed in Denmark that uses significantly less space and energy, and emits dramatically fewer amounts of green house gases.
- We reduce food waste by keeping small inventories, allowing members the option to delete unwanted items from our standard selections, and produce that is not sold or picked up is donated to local food banks or composted.

If you would like to know more about our efforts, or would like to make a suggestion for improvement, let us know!

I don't have a FreshPod in my building. Can I schedule a pickup?

FreshConnect is only a delivery service. If there is no FreshPod in your residence or office and would like one, we suggest you ask your landlord or building manager to contact us. But just because there isn't one right in your building doesn't mean there isn't one nearby — you can use our PodFinder to find a FreshPod location close to your work, home, or other place you go often.

Where is my nearest FreshConnect location?

Most of our locations are located securely inside apartment and office buildings, but we also operate some public locations located throughout the Bay Area. To find one, use our PodFinder tool. If

your building is over 40 units, you can have your property manager contact us about having FreshPod unit installed.

What if I am going out of town?

Unlike subscription programs, your order will not be created by our staff Pickers until it is placed, unless you chose an automatic order. Automated weekly order settings for the Seasonal Box can be made in the Account Settings tab and canceled 48 hours before delivery.

What happens if I can't pick up within 48 hours?

We request that orders be picked up within 48 hours in order to maintain quality and make the FreshPod unit available for other customers. If an order is not picked up, we will donate those items to local food banks. However, once your order has been delivered you will be charged and we regret we are unable to offer refunds.

When is my order delivered? Do you offer same day service?

Orders placed by midnight will be delivered the following day no later than 3pm. Orders placed between midnight and 10am may be delivered same day, but we do not guarantee this or offer express delivery. Our goal is to maximize transportation efficiency so we can't make special trips.

We do our best to ensure that your orders are delivered by the next day — however, we also need to maintain a limited inventory to ensure freshness and quality. You will be notified if there is a delay with any item, and you can choose if you would like a partial delivery right away and the missing item later, or if you prefer to wait and have all items delivered at once.

What does it cost to be a member?

To become a member and receive FreshConnect deliveries, we charge \$5 a month plus a \$25 deposit for your key fob. Your membership includes free deliveries, the key fob to unlock the FreshPod, online orders and notifications, and access to special features of the web site.

Is there an order minimum?

In order to make the best use of our FreshPod and truck space, the minimum order charge is \$25. There are many items to substitute and staples available to purchase to meet this minimum.

I don't have a car. Will I be able to carry my order home?

Our average order is 10 to 15 pounds, or 1-2 bags worth of groceries. A lot of our members walk or take public transit and our bags are designed for comfortable hand and shoulder carrying. The service helps you get the freshest food as often as you like on your way home, saving you save time and extra trips to the market.

I have some physical limitations. Can I use your service?

Would you like lower or higher FreshPod compartment location? No problem, just enter your requirements into your profile and we'll follow your instructions. We will do our best to give priority to those with limited physical capabilities. You can send us an email if you have a question about a specific request. Most of the FreshPods have kiosks or phones nearby, and we will take telephone during business hours.

Is my food safe?

Absolutely! Remember, only you and a FreshConnect employee has access to your locker. While orders can be paid with any payment method, only the holder of the key fob can retrieve it. The automated delivery notification will notify only to the designated recipient through a member-selected notification method and by login of the time and location of the delivery. Since payment and retrieval is a separate transaction, if you like, you can easily give your key to your partner, roommates, or friends and have them pick up your food for you.

How do you clean the lockers?

Our refrigerated FreshPods are periodically sanitized by an environmentally-friendly steam cleaning process. Our delivery personnel are also able to do small surface cleaning at delivery, and has the ability to call for any necessary deep cleaning.

What about food contamination?

Our bags, bins, and Pods are regularly cleaned to prevent cross-contamination and bacteria growth. Additionally, our inventory is kept in separate bins so we can track the sources on all items. We comply with all health codes for food storage and distribution.

How do I get a FreshConnect bag?

Every time you shop with us, fresh food will be available in a FreshConnect bag, made of special materials to keep the fresh produce fresh. We encourage you to return these bags for reuse by putting them in the empty bins in your next order. The bags go through an eco-friendly sanitation process to clean and limit cross contamination.

I would like FreshConnect to automatically charge my credit card, but is it safe?

Certainly! FreshConnect has partnered with Verisign, the premier online payment processor, for this single reason. When you enter your payment information, we don't actually keep your payment information anywhere in our system. We keep a reference to your last transaction and when you have a new order, we make a request to Verisign to charge you the same way you were charged last time.

Therefore, we have absolutely no trace of your account numbers anywhere in our system.

How do I pay for your services?

Payment will be requested at time of order. Simply login to the web site, select your order and pay with your credit or debit card, or via electronic transfer from your bank account. If you select the convenient automatic payment option, Verisign will save your information to make checkout faster on future orders. Payment will not be processed until your order is delivered.

How do I change my payment account number?

If you would like to change your credit card or checking account number, you can go to "Account Settings". Select the "Payment Method" tab and enter your new credit card information.

I have food allergies, is there flexibility to refuse certain food items?

FreshConnect offers a variety of options to choose from. As a member, under the My Account Settings section, you can configure your food preferences to remember certain items to not be placed in your delivery. The produce and grocery items we receive at our FreshHouse wareroom are kept in separate bins to allow our staff Pickers to customize each order.

Can you accommodate special orders?

If there is a product that you would like us to carry that you don't see currently available on our web site, please send us an email and we will try our best to accommodate your request. One of the greatest benefits available to our members voicing their requests to our growers and producers and support local agriculture.

What if my FreshPod location is full?

FreshConnect does our best to monitor FreshPod use to ensure that there are always enough free lockers, and we will let you know what your options are if the order you are placing can't be delivered. If a location is constantly at capacity, we will talk to the landlord / business about adding an additional Pod module. We apologize for the inconvenience and hope that you will look to see if another FreshPod is convenient for you while we work on expanding your preferred location.

What if I want more than what will fit in a FreshPod?

Our lockers are designed to hold up to 2 large bags. If all of it does not fit into one unit, then we will use two units and notify you upon delivery the two unit numbers.

What if I lose my key fob?

If you lose your key fob, please let us know so we can make alternate arrangements to give you access to your FreshPod. Your \$25 deposit will be applied to a new key fob, which we will send to you immediately.

What if I don't have Internet access?

Our Web Tools are an important part of FreshConnect, and you must have online access to set up and manage your account. But if you don't always have access, we can help you place orders over the phone and at our kiosks, which are available at select locations. We can also arrange notification of delivery time and location by telephone.

What if I don't have a credit card?

Currently FreshConnect accepts payment with credit card, debit card or by electronic transfer through a recognized United States bank. We accept payment in US dollars only.

Can I store other items in a FreshPod unit?

As our units are shared and not designated to each user to maximize efficiency, we do not allow storage of other items. If we find any non-FreshConnect items, we will store the items for several days at our facility. If you would like to reclaim your property, please contact our customer service department.

Can I order fully prepared meals?

While we understand that prepared foods are convenient, at this time we do not provide them for two reasons: First, the quality of produce degrades much more quickly once cut and we value our produce's freshness and lifespan. Second, core goals at FreshConnect are to increase awareness of food and encourage people to get back to basics. We hope that our convenience, education, and support will help make cooking a part of your life.