



Food Co-op Initiative's

# Capital Campaign Workbook

A Guide to Raising Member Capital  
for Retail Food Co-ops



**FOOD CO-OP  
INITIATIVE**

New co-ops start here.

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Revised 2016 by Ben Sandel and Leslie Watson



# Acknowledgments

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Stuart Reid  
Executive Director



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# Capital Campaign Workbook

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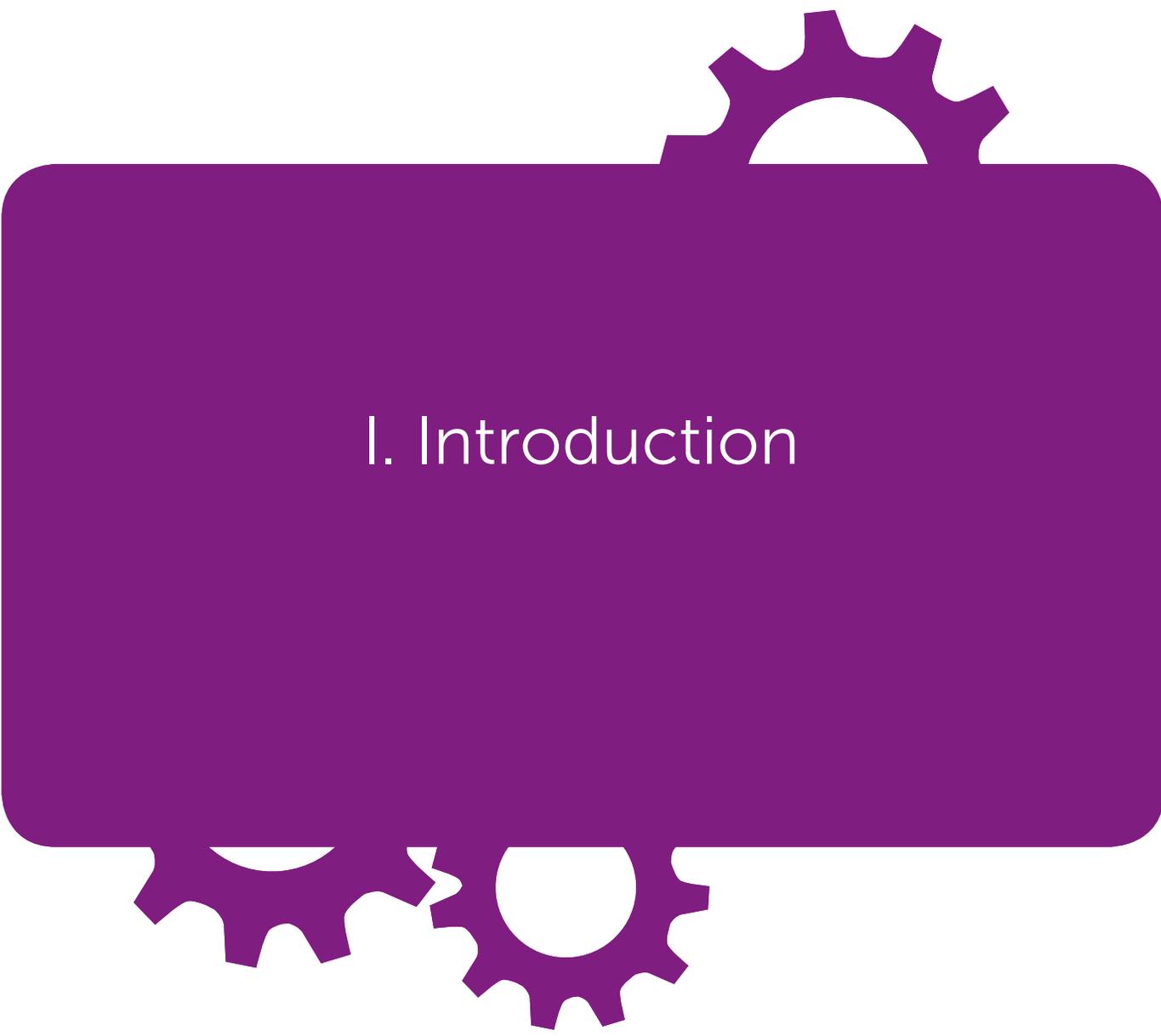
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# I. Introduction



Raising capital from members<sup>1</sup> to fund a co-op project — whether a startup or an expansion — is an essential expression of the cooperative business identity. In a capital campaign, the co-op calls upon the people who use and benefit from the business to invest<sup>2</sup> together to help it to grow and thrive. In this way, a co-op is like any business that needs its owners to contribute capital to fund its development. But unlike in a conventional business, people choose to invest in their cooperatives not just for personal financial gain, but because they believe that their investment will support an ethical, community-oriented enterprise that aligns with their values and benefits both themselves and others.

And yet, despite these positive attributes, raising member capital is no simple task. Indeed, a member capital campaign is a highly detailed undertaking that requires a co-op's leaders to stretch themselves, learn new skills, and connect with members in unaccustomed ways. The purpose of this Workbook is to help guide consumer-owned food co-ops through that complex process so that they can design and implement successful capital campaigns that engage their owners effectively, and successfully meet their capital needs.

<sup>1</sup> Food co-ops vary in their preferred term to denote the voting shareholder in the cooperative: “members”, “owners” and “member-owners” are all commonplace. For consistency, we generally use the term “member” in this Workbook.

<sup>2</sup> Throughout this Workbook, you will see reference to member “investment.” The term encompasses both member loans and members’ purchase of nonvoting preferred stock, and its use is intentional, to make clear that a member’s decision to lend or purchase a share is not a donation.

## How to Use this Workbook

This Workbook provides a roadmap for organizing co-op capital campaign, from the earliest planning through implementation and the celebration of final success. The Workbook breaks down each phase of a capital campaign into manageable segments so that you can make and follow a plan that allows you to move confidently through your current phase while preparing for the next. Throughout the Workbook, you will find helpful tips, recommended best practices, and examples from other co-ops to bring to life some of the concepts and strategies discussed. The appendix to the Workbook also includes a number

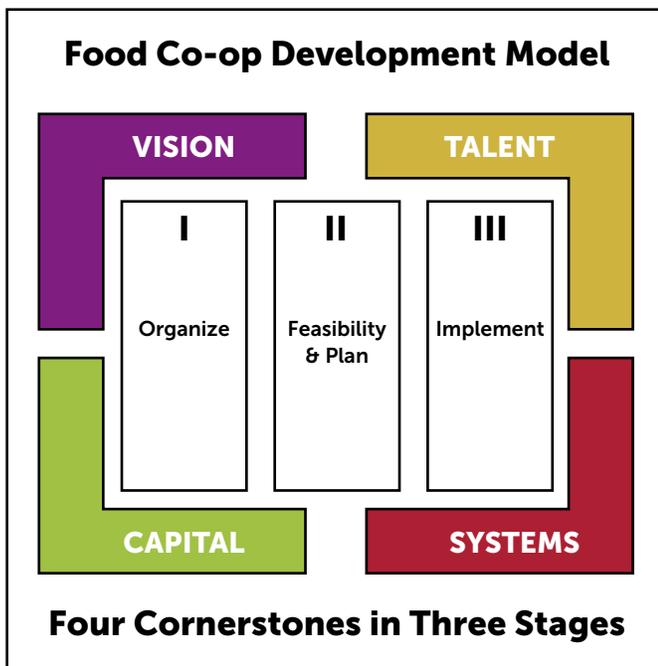
of templates and sample documents that you can use as a starting point in designing your campaign.

While each food co-op has a different situation and set of needs, the Workbook reflects our continued learning from the common challenges and approaches that more than 100 food co-ops have experienced in raising member capital over the past 25 years. The Workbook will walk you through some of the core, proven processes for successful campaign, from establishing a detailed and realistic timeline, to recruiting an effective team, to developing effective campaign materials that comply with legal

requirements, to remaining disciplined and focused throughout the implementation phase.

The Workbook provides guidance to both start-up food co-ops and established food co-ops that are expanding, relocating or adding a new store, tailored where appropriate to reflect their different situations. In start-up food co-ops, prior to management being hired, the primary and initial audience will be board members or key volunteers who are helping lead the capital campaign. In established food co-ops, the audience will be the general manager, board members, and other staff and volunteers involved in the campaign.

Newly forming food co-ops should be familiar with the **Four Cornerstones in Three Stages** food coop development model, which is a framework that consumer food co-ops use to guide their organizing efforts. Capital campaign planning usually begins during the planning part of Stage II, while the campaign will formally launch during Stage III, Implementation. Established co-ops may use different terms to identify their progress, but, the 4 cornerstones of Vision, Talent, Capital, and Systems will be essential to every co-op that seeks to develop successfully. Throughout this Workbook, we will refer to the 4-in-3 model as a foundation for co-op development.



This Workbook builds upon and updates the original 2009 edition of the *Member Loan Toolbox* in several key ways:

- Updated and expanded to include the increasingly common practice of including nonvoting preferred stock and other forms of equity.
- An overview of new and creative sources of capital that co-ops are accessing to augment their financing, frequently leveraged by member capital, and including emerging strategies for raising capital in lower-income communities.
- Recommendations for campaign outreach in light of the continued evolution in telephone and online communications
- Updated timelines, roadmaps, and step-by-step descriptions of the capital campaign process.
- New templates and case studies from successful campaigns over the last several years.
- **Coming in late 2016:** Conversion of the Workbook to online format, with an updateable library of examples and templates from successful co-op capital campaigns.

We recommend that you and the rest of your campaign team begin by reading the Workbook in its entirety to familiarize yourself with the arc of an entire campaign. From there, you can start to develop your co-op's campaign timeline, using each section of the Workbook as a reference point.

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## II. Planning the Member Capital Campaign

# Laying the Groundwork

If an individual or a small group of people wants to open or expand a business, they will invest their own money. They do this because it is their business and they believe in it, and also because they hope to get some kind of return. Co-op members will also put their money to good use in their co-ops — businesses they own — **if asked**, and if shown the benefits to them and the co-op. Co-ops benefit from capital from members because that capital:

- Is generally lower cost than bank or credit union (1st position) financing,
- Is subordinate to 1st position financing,
- Can more easily be extended or renegotiated than 1st position financing,
- Can be acquired even before the co-op has established any credit history,
- Appears as equity on the balance sheet, if structured as preferred shares, and,
- Represents tangible support of the members of the co-op that can be used to persuade banks and credit unions to provide 1st position financing.

Co-op members benefit when they invest in their co-ops by:

- Receiving a modest rate of return appropriate for a social investment,
- Helping to expand options for fresh, local food for themselves and their families,
- Having an investment vehicle that reflects their values, and
- Getting the satisfaction of knowing they are putting their money to work doing good in their co-op and community.

There are 3 primary ways members can help capitalize (i.e. provide funding to) their food co-op:

1. **Fulfill the member share requirement:** The member either makes a one-time equity investment, or an annual equity investment until her/his share requirement is met.
2. **Make an additional investment:** Either as additional non-voting equity, typically in the form of preferred shares, or debt in the form of member loans.
3. **Shop at the co-op:** This contributes to the co-op's profitability, with a portion of the profits being retained as capital, and reinvested in the cooperative business.

In order to raise significant amounts of capital quickly, member loans and preferred shares have become increasingly popular and necessary choices for food co-ops. Over the past 30 years, established food co-ops have used member capital as an essential component in financing expansion/relocation projects. In the last decade, start-up food co-ops have also raised significant funding through member capital programs to open new co-ops throughout the country. Successful member capital campaigns are producing financing in the \$300,000 to \$2,000,000 range, and sometimes even more.

Member capital represents commitment and engagement in the co-op by its members. Not every member will invest, but member capital is nevertheless a very

strong indicator of member buy-in and support for the proposed future direction of the co-op. Such investment illustrates that the members value the co-op's services and are willing to invest sizable amounts of money in the co-op, even when clearly understanding the risks involved. Individual member investments typically range from \$1,000 to over \$50,000. Average investments can range from \$3,000 to \$10,000.

Member capital is a critical ingredient in the cooperative's financial mix because it serves to leverage bank or credit union financing. Lenders will be impressed by a co-op's ability to raise member

capital. Financial institutions often view both preferred shares and member loans favorably, since both types of member investment are subordinate to bank or credit union loans.

Member capital is also patient capital for the co-op. Member loans are typically paid back in a four to ten-year period of time, while preferred shares can be structured to be held until the co-op is in a position to redeem them.

Finally, member capital is a unique opportunity for members to put their money to work for something that reflects their values. The opportunity to invest is a benefit and incentive of membership.

## Legal and Long-Term Financial Considerations

In the passion and pursuit of a member capital campaign, it is important to focus on the immediacy of the challenges at hand. It is also important to be certain that all legal contingencies are covered, and that the campaign operates within the context of a long-term capital plan. Finding a competent, trustworthy attorney who is sufficiently versed in both co-op and securities law of your state is vitally important, and legal fees will be a necessary early line item on your campaign budget.

### Legal Issues

A very early step in planning your campaign is to review your co-op's existing articles and bylaws to understand the current capital structure, including whether the co-op has the ability to issue nonvoting preferred stock or whether any amendments are needed to permit the capital campaign to move forward as planned.

Offering any kind of investment opportunity is an activity that is highly regulated by both the state and federal government, in a body of law known as "securities laws." These laws were passed in the early 1900s to protect people from swindlers selling worthless investments. This is a complex area of the law, but the general rule is you cannot offer any type of investment to the

public without registering the offering with both state and federal securities regulators, unless you qualify for an exemption from registration. For this reason, it is important to consult with an attorney well versed in both state and federal securities law and in your state's cooperative law during the planning phase of a capital campaign. The co-op and its directors and managers need to obtain careful advice regarding compliance with federal and state securities laws, which may either require registration of the campaign with the applicable agencies, or require a notice filing in order to claim the benefits of an exemption from securities registration.

Food co-ops are often able to rely on a combination of exemptions under state and federal law to avoid the expense and burden of registering their investment offerings. On the federal level, a co-op will often qualify for the so-called "intrastate exemption," which applies where an entity conducts most of its business in a single state and accepts investments only from residents of that state. Many states also have a special registration exemption for co-ops under the state securities law. State securities laws vary widely, however, which is one of the many reasons why you must consult with a qualified attorney before launching your capital

campaign. (If your co-op is formed under another state's cooperative statutes, for instance, then it might not qualify for the federal intrastate exemption or for your home state's exemption for cooperatives.)

Your lawyer will provide guidance specific to your co-op and state, but some typical advice includes:

- Pay attention to details. You can potentially destroy your exemption by allowing even one non-state resident to invest.
- Disclose fully. Even if you qualify for a federal exemption, you must still comply with the anti-fraud provisions of federal securities law and fully disclose relevant details to prospective investors. Most co-ops do so by preparing an offering memorandum, also called a disclosure statement, that provides full details of the offering, the risks, and the co-op's current and projected financial performance. (See [Appendix E](#).)
- Solicit with care. Any exemption typically applies only to invitations to existing owners to invest. This means that a co-op cannot ask people to invest unless they are already members and meet state requirements. For this reason, co-ops must tread carefully in any external communications about the investment campaign. Describing the campaign in a newsletter or having signage in the store that reports progress might be acceptable, but an open call on Facebook for anyone to invest in the co-op is much more likely to cross the line. Your attorney can help you to make sure that your solicitation of prospective investors complies with the applicable law.

When working with an attorney in planning your campaign, be sure to allow adequate time for drafting and review of legal documents — at least six weeks.

For an overview of other legal issues surrounding member loans and other forms of co-op equity, see the Legal Primer for the Formation of Consumer-Owned Food Co-ops, available for free download at: <http://www.foodcoopinitiative.coop/sites/default/files/LegalPrimer.pdf>

## Long-Term Capital Plan

The Capital Campaign must not operate in a financial vacuum; it must be a reasoned part of a long-term capital plan. Member debt and equity should be a line item in the financial pro forma for the start-up or expansion project, with other capital sources planned as part of the financial package. Member equity should also be considered in the context of a capital plan that covers at least 10 years. Some questions to consider:

- What are the long-term capital needs of the co-op? How much will come from retained earnings? Membership capital? Member loans? Investor shares? Outside debt?
- How will the co-op's asset size and debt-to-equity situation change in the 10 years following the project?
- Will the co-op be able to service both its debt and its owners' invested capital in the coming years?
- If the co-op is issuing preferred shares, has care been taken to build in flexibility for a future orderly redemption of those shares, such as by issuing shares in series of predefined amounts?

Finally, a prudent co-op will consult with its primary lender about the proposed capital campaign to ensure that the equity structure meets the lender's requirements and that there are no additional conditions or concerns to address before launching the capital campaign.

## Comparison of Member Loans and Preferred Shares

Early in your campaign planning, you will need to decide whether to raise the necessary member capital through member loans, nonvoting preferred shares, or a combination of both. For either loans and shares, you must determine:

- The type and level return on investment to offer owners;
- The conditions under which the co-op will pay out the interest or dividends
- The long-term plan for retiring either the loans or the shares.

As noted above, these decisions will require a careful analysis of the long-term financial implications, informed by an understanding of what is possible under your state’s law and your co-op’s articles and bylaws, your co-op’s ability to administer the investment program over the near- and long-terms, and your ability to “tell the story” of the investment options to your members. To help guide that consideration, the following table identifies some common features of loans versus preferred shares, as well as a few factors to keep in mind:

COMPARISON OF MEMBERS LOANS v. PREFERRED SHARES		
	Loans	Preferred Shares
When does the co-op have to pay back the money?	After a fixed number of years, determined when the loan is made. The co-op generally offers a range of options for members to choose from, such as loan periods from 5–10 years.	Varies, but the co-op will usually structure so that shares can only be “redeemed” (that is, bought back by the co-op) at the board’s discretion, and then only if the co-op is financially able.
How is the investment reflected on the balance sheet?	Listed as a liability (but some lenders will treat as equity).	As member equity.
What is a typical return on investment?	Typically simple interest within a range of 1–5%. Interest is usually paid to members in a lump sum when the loan comes due. The co-op will be required to issue a 1099-OID or similar document during the years in which interest is accruing; consult your tax adviser.	Typically annual dividends, usually at a predetermined rate (although it can be variable). Dividends can be structured to be discretionary (that is, only paid in years when the board declares dividends). Dividends can be structured to be declared but not paid until a later date (cumulative). The co-op will issue a 1099-DIV for dividends; consult your tax adviser for details.
Other factors to keep in mind:	<ul style="list-style-type: none"> <li>■ Members have more control over terms and conditions</li> <li>■ May be more familiar and easier to explain to members</li> <li>■ Simpler paperwork and potentially a lower administrative burden</li> </ul>	<ul style="list-style-type: none"> <li>■ Provides greater flexibility in financial planning (especially if dividends are discretionary)</li> <li>■ Helps to balance equity and debt</li> <li>■ More complicated and harder to explain to members</li> <li>■ Potentially a higher administrative burden</li> </ul>

## Alternative Methods of Raising Capital

This workbook focuses on traditional capital campaigns in which co-ops raise money from members through the offering of loans, special classes of nonvoting stock, or both. In recent years, however, strategies have begun to emerge to allow co-ops to access new and expanded sources of capital, beyond their members and traditional lenders. This has happened for a number of reasons. With the cost of both startups and expansion projects mounting ever higher, co-ops increasingly must be resourceful and leave no stone unturned to find adequate funding. Also, co-ops in some states have encountered legal obstacles in their ability to undertake a traditional capital campaign, and so have had to look to other options. Meanwhile, the internet and the rise of social media have created new opportunities for businesses and nonprofits to connect with supporters of social causes and projects and raise money from them directly. Finally, as co-ops have become more adept at telling the story of their community impact and benefits, some have been able to secure support from the public and philanthropic sectors, such as through grants and other funding from economic development or food access programs.

A comprehensive exploration of these additional methods of raising capital is beyond the scope of this Workbook, but below is a brief description of the most common, as well as suggestions about where to find additional information if your co-op wishes to explore them:

1. **Direct Public Offerings (DPOs).** A DPO is a way for a business to “go public” with an investment offering, but with a much lower burden of registration and reporting than in a traditional public offering. While DPOs must still register with both federal and state securities regulators, the requirements are significantly less extensive and less expensive. In most cases, both accredited and unaccredited investors can participate in a DPO, and the offering can be registered in more than one state. This makes a DPO a possible option for a co-op that operates in

more than one state and/or that has a number of members from across state lines.

In a DPO, the co-op develops a detailed offering document that describes the co-op, the investment opportunity, and its terms. The co-op also drafts the necessary legal documents and filings. The offering document will disclose the co-op’s financial condition sufficiently to allow potential investors to evaluate risk. The offering and all the associated documents must then be filed with securities regulators in every state in which the offering will be made. After filing, the co-op must wait to receive formal approval, which can take anywhere from weeks to months. Once the offering is approved, the co-op can open it up to investors, subject to any conditions imposed by the regulatory authorities. Typically the approval extends for a limited time period, such as one year. Much more information about the DPO process can be found on the website for Cutting Edge Capital, a company that supports nonprofits and businesses in developing DPOs and other types of democratic capital strategies, [www.cuttingedgecapital.org](http://www.cuttingedgecapital.org).

2. **Private offerings.** A “private offering” or “private placement,” is an investment opportunity that is offered without public advertising and only to a small pool of chosen investors. A co-op might look into this possibility if it planned to reach out only to a small group of pre-identified high-wealth people to invest (“accredited investors”), rather than undertake a full-blown capital campaign. Significant legal restrictions apply, and a co-op should always consult an attorney before pursuing a private offering.
3. **Crowdfunding.** Crowdfunding is a method of raising money from a large number of people making many small donations to a project or cause, typically via an online funding platform, and often in exchange for a small gift or “perk.” Some common crowdfunding platforms include Indiegogo, Kickstarter, GoFundme and RocketHub, but there are many others. (Not all of these platforms allow

businesses to participate, and most take a portion of the money raised as a fee.) A successful crowdfunding campaign requires (a) an engaged and supportive audience that you can reach via social media; (b) a realistic target amount, typically tied to specific project or initiative; (c) a highly engaging and well-told story about your project or initiative; and (d) energetic and sustained outreach to your audience to build enthusiasm and momentum. Several food co-ops have run successful crowdfunding campaigns for specific project or startup expenses in the \$5,000 to \$10,000 range, but many others have fallen flat. Because funders are making donations and do not expect a financial return, crowdfunding would not normally entail securities regulations. A good source for more information is the Resources section of the Shareable website, <http://www.shareable.net>. Running a crowdfunding campaign simultaneously to a capital campaign is not recommended because of the risk of overlapping messaging and confusion.

4. **“Crowdinvesting” (sometimes called “Equity Crowdfunding”).** Crowdinvesting is similar to crowdfunding in its use of an online platform, but instead of donations, investors are able to purchase equity interests in a qualifying startup or existing business and receive a financial return. The opportunity to invest is open to both unaccredited and accredited (or high wealth) individuals. Businesses must submit detailed financial information and all investments must occur through an online portal, but the disclosure and reporting are much less burdensome than securities registration. Crowdinvesting at the federal level will become available in late 2015, but a number of states already have state-based versions in place. For more information, see, for example, the North American Securities Administrators’ website, <http://www.nasaa.org/industry-resources/corporation-finance/intrastate-crowdfunding-resource-center/>

5. **Grants, Donations, Co-op to Co-op Support, and Economic Development Funding.** Many food co-ops have been able to secure grants, no-interest or forgivable loans, and various other creative forms of funding from the philanthropic and public sectors.

Occasionally, co-ops from outside the food co-op sector have provided friendly financing to support a co-op startup or expansion . A few examples:

- The Hub City Co-op, a startup in Spartanburg, South Carolina, received City funding of \$350,000 (a \$200,000 low-interest loan and a \$150,000 grant) toward its \$2.8M startup costs.
- The Sugar Beet Co-op in Oak Park, IL, received \$500,000 in tax increment financing from the Village of Oak Park to support the \$1.8M budget for its new store.
- The BisMan Cooperative in Bismarck, ND, received a \$50,000 investment from the Basin Electric Co-op to support its startup.
- In the Twin Cities, the Eastside Food Co-op, Mississippi Market, and Seward Community Co-op all obtained federal New Markets Tax Credit financing on their recent expansion projects, based on their locations in lower-income neighborhoods.
- Established co-ops have successfully run “round up at the register” programs to augment a capital campaign, as a way to give all shoppers a chance to support the expansion, even those who are unable to make a formal investment.

Still emergent but worth watching is the small but growing number of foundations that are embracing “impact investing,” in which they commit to investing a portion of their endowment in socially responsible enterprises. See, for example, the University of Denver’s Impact Investment Center website, <http://www.impactfinancecenter.org/>.

The availability of these and other types of financing is highly specific to your co-op and your location. Although they vary widely, each requires that you build relationships beyond the membership, and tell a compelling story of the value that your co-op brings to your community. And most of these strategies will be much more effective if you can simultaneously demonstrate your members’ commitment to the co-op and its project through their own investment in a capital campaign!

## Considerations for Raising Member Capital in Low Income Communities

This workbook is applicable for member capital campaigns in any community where feasibility research indicates a co-op can be successful. If your community has a low median income or other challenging economic factors, you may adjust your financial plan and campaign strategy accordingly. Some considerations for capital campaign in low income communities:

- Aggressively leveraging any grants, tax credits and business development funds can reduce the amount of member capital required.
- Carefully weigh reducing the minimum loan or investment size. A lower minimum can open the campaign to more people in your community but will also require more overall loans or investments to reach the goal.
- Don't assume your community will not support a robust capital campaign. Lower income communities may have limited options for healthy food and for local investment. A well-planned and implemented co-op capital campaign may resonate strongly and yield excellent results.
- Even if a large amount of community initiative funds are available, there is still great benefit to member capital. Co-ops with little member capital invested have a lower record of success.

## Overview of a Member Capital Campaign

A member capital campaign has two distinct, major phases: planning and implementation. This section presents action lists for each of these phases. Each action list represents a summary of the steps that are needed to plan and execute a successful campaign. While the steps are in a sequence, they are not intended to imply a rigid sequence. The detail for most of these steps is contained in the remainder of this workbook.

### Phase 1: Planning

The planning for a member capital campaign typically takes at least 4 to 6 weeks but can take much longer to gain appropriate legal advice from an attorney experienced in co-op and securities law. Common primary components of the planning phase of a campaign, broken down by theme for easier assignment are:

#### Financial

1. Determine the total amount to be raised (with a particular focus on the minimum amount needed to allow the expansion or start-up to move forward), and by what date.
2. Determine whether to use member loans, preferred shares or a combination, and if using a combination, the amount of each type to be raised.
3. Determine the goal for the average size investment. Set a level for a minimum size investment, keeping in mind that the minimum loan size may be different from the minimum preferred share investment.
4. Establish the basic terms for the member loans and/or preferred shares (interest rate, length of term, dividend amount). The table comparing Member Loans and Preferred Shares on page 7 compares some of these terms. Consult with your financial feasibility consultant and your lawyer to determine what is allowable and sensible for your co-op.
5. Create a budget for the member capital campaign, and create a timeline for both the planning phase and the implementation phases of the campaign. Revise budget and timeline as necessary.
6. Gain early commitments prior to the launch of the campaign for at least 10–15% of the goal from the present and past core leadership team, including board of directors and management team.

## Legal and Consulting

1. Review the history of member investments at your co-op or other co-ops that you are familiar with (especially if your co-op is a start-up co-op). Pay special attention to investment campaigns recently implemented in your own state.
2. Arrange for legal consultation and review of all written materials that will be distributed to members.
3. Arrange for professional consultation to support your planning and implementing of the member capital campaign.
4. Verify whether registration is required in your state and if so, approximate lead time and materials required.

## Team Building and Training

1. Organize the team with defined roles to cover coordination, calling, communicating, collecting, large investor outreach and administrative support.
2. Develop administrative capacity to manage the member investments on an ongoing basis.
3. Develop and implement a training program for callers, including creating a script, guidelines, a list of frequently asked questions (FAQs), and talking points.
4. For existing food co-ops, develop and implement a training program for staff so they are informed about the capital campaign and able to guide interested members.
5. Establish a schedule for team trainings and regular meetings throughout the campaign.

## Targeting and Tracking Systems

1. Create target lists of members based on relevant criteria. Startups will target all members.
2. Develop a separate strategy and target list for seeking larger member investments (for example, those above \$20,000).
3. Develop a physical or electronic system for tracking all calls and conversations with each target member.

4. Develop an email group for the campaign team that will be used for very regular updates on progress, materials, success stories etc.
5. Develop and test a monitoring and tracking system that can be used from Day 1 of the member capital campaign.
6. Create a campaign timeline that includes legal, printing and mailing lead times and a launch date that is achievable and meshes with the communications and other possible milestones or announcements.

## Printed and Electronic Materials and Communications

1. Develop printed materials for mailing to members (appeal letters and envelopes, brochures, testimonials)
2. Develop member loan information packet, subscription agreements, promissory notes and/or other legal and financial paperwork your state and form of investments may require. Use competent legal and financial consultants to assist in developing these materials.
3. Write newsletter articles, create renderings/photos, community or in-store displays, a “carrot” or other graphical means of showing financial progress and informal thank you cards.
4. Develop a strategy for website, Facebook and all public social media communications.
5. Develop a separate strategy for email updates and solicitation of members. This may require cleaning your email list to make sure it includes only qualifying members, as securities regulations may limit solicitation to only current members who reside in your state.
6. Organize the initial mailing, including hand addressing of envelopes.

See appendices for examples of many of the materials noted above.

These components are intended to ensure good communication, use energy wisely, build momentum and support and have fun!

## Phase 2: Implementation

The key facets of successful member capital campaigns are capturing the attention of your membership, building momentum, and closing the deal. If well organized and planned, the implementation phase can be completed in six to eight weeks:

- a 4-week active outreach period (with an additional 2-week overrun allowance if needed) and
- two more weeks to finish closing and collecting all the investments.

While some campaigns end up taking longer, the longer the implementation phase takes, the more stressful and challenging it becomes.

With an intense, time-limited, well-organized and coordinated member capital campaign it is possible to raise a large amount of money in a relatively short period of time.

Typical primary components of the implementation phase include:

### Capturing Attention

1. Build awareness of the campaign with articles in the co-op's newsletter, e-mail updates and social media updates.
2. Make a written appeal via a mailing to all members, including the target list.
3. Show the progress of the member capital campaign in the store (or the community, if no store exists yet) through a visual display that can be updated regularly.
4. Gain commitments through follow-up phone calls to the target list.

### Launching and Sustaining

1. Start the outreach! Monitor caller performance and refine your strategy, approach, and support materials based on responses after the first 10 calls and throughout the campaign. Retrain callers and reallocate prospect lists as needed.
2. Pursue large investments by making personal contact with co-op members who have been identified as having the potential for larger financial participation.

3. Show responsiveness and build confidence by having a system to quickly respond to members who express interest in, or ask questions about, the member capital campaign. These questions may be directed to staff and/or the campaign team.
4. Monitor campaign progress daily with a tracking and record-keeping system that is updated regularly and from which reports can be compiled.

### Building Momentum

1. Evaluate campaign progress at Day 10 with the possibility of a second appeal letter to be mailed immediately to all members to report campaign progress (especially if progress is slower than projected).
2. Keep members informed by sending regular and frequent e-mail, web, blog, and social media updates on a pre-set and intensifying schedule.
3. Watch your email open and click-through rates, and adjust delivery as needed to catch audiences at different times. (Do not be overly concerned at a modest level of click-throughs or unsubscribes, as this is common.)
4. Show appreciation to investing members by sending informal thank you cards to acknowledge investments.

### Finalizing Member Investments

1. Ensure commitments are fulfilled by establishing and executing a consistent, thorough, well-organized collecting procedure.
2. Continuously follow up with those still considering investing to persuade them to make a commitment.

## Campaign Structure and Process: The Central Role of the Campaign Coordinator

During the planning phase, it is essential to determine who exactly will be filling the many roles in the campaign. It may be helpful to think of your capital campaign as a theater production. When putting on a show, every member of the cast and crew will be specifically chosen for their skills and ability to perform a specific role in the production. Taking the same approach to ‘casting’ the roles in your capital campaign will increase the chance for success.

As a first step, each co-op will have to determine who will bear overall responsibility for leading the campaign. For a start-up co-op, the board of directors is likely to have initial and major responsibility, although they can delegate to a working group, task force, or committee.

In an established co-op, either management or board may bear responsibility for planning and implementing the campaign. Who is best to fulfill that role will depend on the co-op’s size, available resources and the talents and capacity of its leadership. Even in situations where the management has been charged with implementing the campaign, the board will still have a critical role to play. The board needs to be visible to the members in some fashion throughout the campaign, such as through direct contact, tabling, newsletter articles and on social media. The board also has the authority and responsibility to authorize the co-op to issue investment shares and/or borrow money from the members and to approve the disclosure made to those members when capital is sought. In addition to their legal responsibilities, directors can assist the campaign by identifying and cultivating investors from their personal networks.

Regardless of who bears responsibility for the member capital campaign, there are key roles that need to be filled. The primary roles in a capital campaign are **Coordinator**, **Caller**, and **collector**. Secondary roles include the **Communicator** and the **Large Investor Connector**.

It is best to have one lead person in each role, rather than having lead people fill multiple roles. Of course, there can be exceptions to this, but the pitfalls of leading multiple roles can include: inability to devote adequate time to each role, lack of clarity and purpose, diminished accountability and ultimately a less successful campaign. If campaign skills and capacity are lacking in your co-op, paid help may need to be pursued.

The member capital campaign will likely require the efforts of 7 to 10 people and possibly more. For the purposes of this workbook, this group of people will be called the capital campaign team. The capital campaign team is assembled by those in the co-op who bear responsibility for the campaign: the board or management, or a combination as noted above. The Campaign team will likely include members of the board or management, and may also include staff and others with special skills that are pertinent to the campaign. During both the planning and implementation phases, the campaign team will find it valuable to meet regularly, and as often as weekly.

Brief descriptions of the primary roles of the Campaign team are in the “Building the Campaign Team” section.

### Other team members

In addition to the primary roles of Coordinator, Caller and collector, and the secondary roles of Communicator and Large Investor Connector, other members of the Campaign team can provide volunteer coordination, administrative support, assistance with mailings, assistance with communications, data entry, the website, and community or in-store displays.

While the approach we recommend and describe in this workbook has been used successfully by a number of co-ops, we understand that each co-op’s unique situation may require innovation and deviation from this approach. Whether you find the need to modify your campaign or not, some key lessons have been learned from other member capital campaigns:

**Maintain clarity of roles:** A lack of discipline around role clarity most often leads to confusion, chaos, and dysfunction, resulting in the campaign taking longer or not being successful in reaching its goals. Sharing responsibilities without clarity of roles and tasks, or everybody doing a little bit of everything can lead to items falling through the cracks: “That’s not my responsibility” and “I thought someone else was going to do that.” Define and document roles, and regularly check to see if the definitions and assignments are working well for the campaign.

**Be frank and prompt in assessing the performance of callers:** In situations where there are larger numbers of callers — such as the full Campaign Team or the board of directors — uneven results can be evident. For example, all the commitments might come from one section of the alphabet. Often a smaller group will emerge as the most effective callers, but meanwhile the team will have burned their way through the target list with a lack of positive responses. Caller performance must be checked daily and changes such as additional training or moving to another role in the campaign must be made swiftly.

**Ensure an effective monitoring process:** Capital campaigns are harmed by the lack of an effective and timely monitoring process that is able to revise strategy based on results and feedback, including checking progress after the initial set of calls. Member capital campaigns must be flexible, fluid, and disciplined in approach rather than being rigid. Rigidity in a capital campaign can easily result in failure. Monitoring needs to be both informal (ongoing) and formal (at the end of team meetings). In successful member capital campaigns, the team identifies and addresses the areas that need improvement in a timely and efficient manner.

In summary, given the short period of time involved in the planning and implementation of the member capital campaign — and the importance of building momentum combined with the urgency of meeting timeline goals — it is important that the process of the Campaign Team is effective and functional. Clear communication with and support of team members is essential. Take time on a regular basis to evaluate and assess how effectively you are working together and how well individuals are doing their tasks.

# Building the Campaign Team

Once the campaign's leadership is in place, a team must form to carry out the work of the campaign. Experience has shown that a dedicated and passionate group drawn from staff, board and volunteers are required for capital campaign success but this group may be assisted or supplemented by people hired specifically for the capital campaign. If you are hiring temporary people for any of the roles in the campaign, contracts should be used to promote role clarity and accountability. The information and scope of work for each campaign position shown below can be adapted and used in those contracts.

## Coordination and Communication

Roles and responsibilities are defined and decision-making authority and criteria need to be developed as early as possible in building the capital campaign team. One approach is to have the board or management determine the role of the coordinator, and then the coordinator determines the roles of the other participants on the team. Another is for the team members to work out the roles and responsibilities among themselves. In this case, most of the frustration a team experiences revolves around authority, accountability and lines of communication. These areas must be defined and documented early in the Planning stage, and refined as needed throughout the campaign. member capital campaigns are time-sensitive, intense and very dynamic so there needs to be a balance between making group decisions and giving individual team members the authority and responsibility to make decisions when necessary. This balance needs to be considered and reinforced often and should be a part of the regular team meetings.

The campaign team decides how the team will work together and what kind of internal communication

system team members will need to keep informed of progress, including how they will report and debrief.

The campaign coordinator is responsible for launching the member capital campaign and for maintaining the pace and momentum of the campaign. The coordinator oversees the campaign planning and timeline, the completion of campaign objectives, the development of campaign resources and may be a part of determining overall and large-investor strategy. Although the coordinator is responsible for making sure all aspects of the campaign are working well, the majority of the work will be delegated to others. Thus, many aspects of the coordinator's scope of work may be delegated.

It is very important for all campaign team members to make the largest personal financial commitments they can. No one should be excluded from being a team member if they are unable to make a financial commitment, but greater combined team financial participation almost always results in greater overall campaign performance.

## Coordinator

The coordinator guides the overall campaign — both the planning and implementation — and reports to either management or the board of directors. The coordinator will facilitate and organize the process from beginning to end, providing direction, support and encouragement to other members of the campaign team. The coordinator is also often responsible for organizing the strategy and approach to pursue large investments (for example, investments over \$20,000). Being the coordinator requires good communication and delegation. During the implementation phase of the campaign, the coordinator can be a 20-hour-per-week position.

### Coordinator's Scope of Work:

#### Planning

- Recruits, or oversees the recruitment of all other campaign team members from the co-op board of directors, staff and co-op members.
- Develops and regularly updates a campaign timeline.
- Prepares campaign budget.
- Oversees development of all legally-required campaign materials, including the disclosure statement, promissory notes, subscription agreements, appeal letters, etc.
- Oversees the development of all promotional campaign materials, including brochures, email updates, in-store materials, public campaign progress indicator, etc.
- Oversees the development of support materials for callers, including FAQs for the campaign and co-op, calling scripts and talking points.
- Establishes effective communication among the team and with the co-op's management and/or board of directors.
- Works with the board and other key campaign staff to develop the overall and large-investor strategy.
- Coordinates the gathering of pre-commitments from staff, board and a select few key co-op supporters.

- Oversees the development of systems to track campaign progress, caller and collections performance and communications.
- Oversees the development of target lists for the overall campaign and for large investments
- Arranges for caller training.
- Works with the Large Investor Connector to implement a large investor strategy.

#### Implementation

- Reports co-op updates and campaign status to callers and the rest of the team at least twice weekly, preferably daily.
- Reports large investments to the team as they occur.
- Ensures data from callers, collectors and other sources is entered promptly, preferably daily
- Ensures regular team meeting are held, with agendas and facilitators.
- Oversees and supports caller performance, including providing additional training and support as needed and repositioning under-performing callers.
- Assesses all aspects of the campaign and adjusts strategy, timeline and budget as needed
- Promotes an upbeat and celebratory campaign atmosphere.

## Callers – 3 to 8 people

The callers are responsible for contacting the members on the targeted call list, with the exception of the targeted large lenders. Have one lead caller who is confident and experienced with fundraising, and who can coach and mentor the other callers. Shortly after the campaign launches, it is not unusual for some callers to find that they do not like the work or are not suited to it. Plan accordingly so you have an appropriate number of callers to get through the number of targets you have. Because of the increasing challenge of reaching people by phone, more callers are often needed to handle the volume of calling needed to be effective. Quality is more important than quantity,

however. A small group of highly skilled callers can yield better results than a large group of tentative or unenthusiastic callers. The callers should meet the following criteria:

- Like to ask people for money and are good at it
- Can instill credibility quickly in a phone conversation
- Are able to devote many hours to calling during the implementation period

The goal of the caller is to gain a verbal commitment from the member to make an investment in the co-op. If possible, the caller should also get the member to specify a dollar amount. If loans are part of the campaign, getting a desired interest rate and length of term is also a goal of the caller. The caller must document all of this and any other information they get from the call and, if the info is not entered immediately into an online tracking system, pass this information on to the collector and complete the log sheet for that member. Callers can expect to work 5-10 hours per week for at least 4 weeks.

### **Caller's Scope of Work:**

- Attends caller training.
- Sets aside substantial time in the prime calling hours for making assigned campaign calls.
- Keeps accurate records of calls made and all information gathered on those calls, including no-answers, bad numbers and voicemails.
- Transmits or delivers calling records promptly.
- Supports other callers and helps create an upbeat atmosphere that fosters success
- Completes calling assignments in a timely manner.

### **Collectors – 1-2 people**

The collectors are responsible for collecting the funds and making sure all of the paperwork is in place and appropriately signed. The collectors verify that the member has reviewed the member capital disclosure materials provided to the member and is still

comfortable with her/his verbal commitment.

Depending on the nature of the verbal commitment given to the caller, the collector may need to work out remaining details with the member related to dollar amount, and interest rate, and term if applicable. The collector develops a system whereby the collection and the closing of the investment is done by an in-person meeting between the collector and the member, or by mail, or a combination of the two. The collector will likely do the collecting and closing in person with some members and by mail with other members. Collectors may devote as much as 20 hours per week for 4 to 6 weeks.

### **Collectors' Scope of Work:**

- Contact all members who have made verbal commitments to the callers and make arrangements to complete the investment, either by phone or in person as appropriate.
- Ensure that the lender has received and reviewed the Member Investment Information Packet, including the investment memo and disclosure document. (See [Appendix E-F](#).)
- Provide additional information and clarification to investors as needed.
- Finalize all investment details including amount of the investment, term, and interest rate if applicable.
- Collect and review all paperwork for accuracy and completeness.
- Encourage all investors to remit their investment funds to the co-op promptly.
- Keep accurate records of all communications with investors and progress of all investments and transmit or deliver this information promptly.
- Retain and safeguard all documents and records needed for the co-op's accountant and operations.
- Deposit all funds received.

### **Communicators – 1-2 people**

The communicators set the tone and help build momentum in the campaign by establishing the

aesthetic theme and frequently providing information and updates across all media. They need to be able to craft strong, upbeat, concise messaging and quickly get it into multiple media (website, blogs, Facebook, Twitter, email, in-store materials, mailings etc.) and out to the members. Communicators should be prepared to devote 3-6 hours per week from a few weeks before implementation to the end of the campaign.

### Communicators' Scope of Work:

- Oversees the development of all promotional materials including the visual treatment of the appeal letter, campaign brochure, in-store merchandising, public progress indicator and email updates.
- Establishes a communication schedule that intensifies and builds momentum as the campaign progresses.
- Oversees very frequent updates of all social media platforms including Facebook, Instagram, Twitter, Pinterest etc.
- Ensures co-op members and interested non-members receive separate, targeted and frequent emails updating them on the campaign progress and, in the emails only to co-op members, asking them to make their investment.

### Large Investor Connectors – 1-2 people

The large investor connectors' primary role is to connect the co-op to people of means in the community. They must be connected to and respected by some wealthy community members so they can setup meetings to discuss the co-op's capital needs and ask for investments and further introductions to other people of means. Depending on how deeply involved the large investor connectors are with the co-op, they may set up meetings where two people from the co-op meet with the potential large investor: one to foster the personal relationship and the other to effectively address any financial questions that potential large investor may have. Large investor connectors may include board members, GM and campaign

coordinator. The time commitment for this role may vary widely but expect at least 6 hours per week starting early in the campaign.

### Large Investor Connectors' Scope of Work:

- Create target list of potential large investors. Identify at least two prospective targets for every desired investment.
  - Establish customized strategy for each potential large investor.
  - Gain audience with potential large investors to pitch the co-op's capital campaign and ask for further introductions.
  - Work with coordinator to craft messaging and materials tailored to potential large investors.
- Job descriptions including these scopes of work should be developed for these positions and should be provided to the people filling these positions. This further defines the roles and responsibilities of each position so that the greatest role clarity and accountability is achieved.

## Establishing a Strong Team Culture

Respect and appreciation are very important qualities that people on the team need to extend to each other. It is important to value team members more than any particular aspect of the work. When someone holding major responsibility on the team leaves the team, momentum is lost. Additional energy will be needed to fill the gap. Spending time with new team members, and providing them with all pertinent materials, helps to bring them up to speed quickly and integrates them into the team.

All team members must feel free to offer suggestions. A team climate must be created where each team member takes responsibility for the well being of other team members, being prepared to help others when work overload or extreme pressure requires it. This is essential as a team-building experience, and allows work to be done efficiently. As a result, the whole team has ownership in ensuring a successful member capital campaign.

During the planning and implementation phases, coordination and communication are enhanced by having a work space where all the administrative work can be done, including preparing for the initial mailing, and all the subsequent follow-up work through the implementation phase.

### Working with Volunteers: Recruiting, Appreciation and Celebration

Unless your co-op is well established and resourced, volunteers will be essential to the success of your capital campaign. As noted in the scopes of work above, some of the jobs in a capital campaign require specific skills and substantial time. In order to attract volunteers who can fulfill the needs of the campaign, those needs must be clearly articulated and written down. Along with the scopes of work and job descriptions, individual tasks may also be noted as 'entry points' for new volunteers. Providing this information allows potential volunteers to understand how they might best fit in and select a job, with the coordinator's help, that matches their skills and interests. If a job is not

immediately available for a volunteer, the coordinator should maintain contact with her/him, and connect them with an appropriate job when it becomes available. Volunteers who self-identify what they would like to do are more likely to be successful and be valuable members of the team.

Although volunteer recruitment and oversight is sometimes handled by the coordinator, it may be advantageous to have someone in the role of volunteer coordinator who can keep track of all potential volunteers, provide guidance and accountability and express appreciation on behalf of the co-op for the volunteers' hard work.

In addition to articulating needs and placing those who come forward into their most appropriate roles, it is also wise to recruit for specific needs. The coordinator and other key leaders of the campaign may reach out to people in their personal networks and people in the co-op or community known to have skills advantageous to the campaign. Volunteers need to have:

- A strong connection to, or passion for, the co-op
- A desire to be part of the campaign's growth and success
- Experience and skills in, or time and ability to learn quickly, the areas of the campaign where help is needed
- A positive attitude
- Ample time and energy to devote to the campaign

Define time commitments and expectations clearly for volunteers, and be sure that they understand them. Having volunteers commit to doing something small, and exceeding expectations, is much more beneficial than having people commit beyond what they can do and then be unable to meet those commitments.

Once volunteers are in place, pay continuing attention to building and maintaining relationships with them. The campaign or volunteer coordinator must help volunteers be successful by providing feedback and communicating with them regularly. Special care

needs to be taken to receive ideas in a spirit of openness so that volunteers feel heard and valued, and if the ideas are appropriate for the campaign, can be put into action with as few restrictions as possible. It is important to create a positive working environment and to be mindful of volunteers' time and energy availability. Frequent acknowledgement of people for their contributions helps to do this. It is important to acknowledge the work that volunteers are doing on the campaign, and to celebrate victories throughout the campaign. When the campaign objectives are achieved, a special celebration event can occur for all of the people who worked on the campaign.

### Tips

- Remember people are generously donating their time.
- Help people to find the right fit on the team. Create opportunities for people to work on specific tasks in ways that will work for them.
- Keep track of volunteer hours, if possible.
- Provide encouragement and acknowledgment often.
- Acknowledge all ideas from volunteers and quickly assess if the idea is helpful to the campaign.
- Ask questions and make suggestions and requests, rather than give orders.

- Create a way to share good ideas, milestones and accomplishments among the volunteers to build camaraderie.
- Communicate with volunteers clearly, positively and often.

### Cautions

- Volunteer work sometimes progresses more slowly and with less structure than in a paid environment. Accountability can be challenging with volunteers.
- There may be more good ideas than you know what to do with, and some volunteers are more oriented to ideas than action.
- Some volunteers may require more attention and energy than the work they provide merits. It may be necessary to move them to a different role or task.
- Being a caller is a big commitment; be honest with people about how much time it will take
- With so much activity there may be gaps in planning; keep your eyes open for them.
- Watch for overlapping responsibilities and unclear accountability.
- If a task needs to be done, it needs to have someone assigned to it by name; if no name is attached, it probably won't get done.

## Effective Team Meetings

Weekly capital campaign team meetings during both implementation and planning phases are an indispensable part of a successful campaign. Regular team meetings serve a number of critical functions:

- They help keep everyone informed and up to date on campaign developments;
- They provide an opportunity to evaluate and adjust strategy as the campaign unfolds;
- They build camaraderie and a sense of shared purpose; and
- They offer a safe place for people to work through

the stress or frayed nerves that can develop in the thick of the campaign.

Set a regular meeting time so that people can build it into their schedules. In-person meetings are preferable, with team members joining by conference call if they cannot be present in person. Some groups are able to hold productive meetings entirely by conference call, but there is really no substitute for gathering together in person, so strive for that as your norm.

The campaign coordinator will typically set the agenda and facilitate the meeting. Each meeting should have a clear, predetermined agenda with set time limits

for each item so that you can move through the necessary business in an efficient way. A formal agenda helps to respect everyone's time and avoid the risk of a meeting that spirals into meandering and unproductive conversation. A formal agenda does not mean that the meetings can't include time for both open conversation and some light-hearted fun — to the contrary, you should build both into the agenda and into your meeting culture.

### Typical Meeting Agendas

A typical meeting will last 45-60 minutes, with an agenda that might include:

- A “check-in,” in which everyone at the meeting briefly shares their state of mind, a piece of personal news, a burning question, or something similar. (5 min.)  
*This is a good general meeting practice that helps people to focus on one another and get ready to work.*
- A big picture update of developments since the last meeting, with an opportunity for people to ask clarifying questions, and a round of applause for good news! (5-10 min.)
- Focused time for discussion and decision-making in key issues. Each should be a separate item on the agenda. (10-15 min. total)
- An open forum to reflect on what is going well with the campaign or to raise concerns. (10-15 min.)
- A review of the next steps in the campaign timeline or upcoming decisions at the next meeting. (5 min.)
- A brief review of this week's tasks and commitments by everyone present. (5 min.)
- A closing “check-out,” in the form of an evaluation of the meeting. (5 min.)

### Tips for Successful Meetings

The following practices can help you plan and run successful team meetings:

- Share the agenda a couple of days in advance, along with any materials that people will be discussing at the meeting.
- Send an email in advance of the meeting with the latest numbers or other updates, and ask everyone to

commit to reading updates beforehand so that you need not spend meeting time rehashing information that has already been shared. (But if someone occasionally arrives unprepared, take a moment to update them briefly so that they can participate fully.)

- Hold the meeting in a comfortable place where everyone can see each other and distractions are minimal. Teams can meet at a coffee shop, in a library meeting room, someone's living room or office, or even at a brewpub — whatever works for your group is just fine, but do try to find a place where you can meet consistently, rather than switching things around each week.
- Have someone create a brief written summary to document key discussions, information, and decisions made during the meeting. Formal minutes are not necessary, but it is very helpful to have a written record to document the group's work. (You could even document highlights on flip chart paper during the meeting and take a quick snapshot as your record.)
- Pay attention to the different communication styles of team members. If communication becomes challenging or breaks down, pause the meeting to acknowledge what's going on, and ask the group to help identify what needs to happen to address it, and whether it should be done immediately or outside of the meeting.
- Throughout your meetings, strive to create an environment in which people can honestly express both appreciation and concerns or frustrations. A culture of ongoing appreciation can lift up everyone, while letting frustrations simmer can drag down the campaign in subtle and not so subtle ways.
- A potluck meal can be a great way to bring people together, but at minimum do not hesitate to build a line item in your campaign budget for plates of cookies or bars of chocolate at team meetings!

# Targeting Sources and Developing Strategy

## Identifying Investment Targets

As capital campaign goals have grown, it has become customary to break the capital requirement down by the three target groups of the co-op membership:

1. The core leadership group made up of board, key staff and a select few other strong co-op supporters: 10 to 15% of the campaign total.
2. Large investors from a target list of co-op members thought to have adequate net worth to invest \$20,000 or more: 30 to 40%+ of the campaign total.
3. For startups, the third target group is all other co-op members. For established co-ops, this group will be 1500 or more members who shop the most often and/or spend the most money at the co-op.

### General Strategic Considerations

Through observing the experience of multiple co-ops over the years, some strategic planning steps and guidelines have emerged:

- a. After determining the goal for your campaign, through the creation of pro forma financial statements and a project sources and uses budget, establish a minimum size for an investment. For some time the minimum has typically been \$1,000 but may be set higher, especially for large campaigns at well-established co-ops. Setting a minimum that seems “high” serves to stretch people’s consideration, reduces tracking and paperwork and increases your

likelihood for success. On the other hand, co-ops in lower-income communities may consider a lower minimum to allow more people to participate. In those communities, the campaign team will need to consider how to bridge the gap with additional resources. (See Eastside Food Co-op case study, [Appendix V](#).)

- b. Set a goal for the average investment size. Average investments can range from \$3,000 to over \$10,000, dependent largely on demographic characteristics of the membership base and the financial need. Setting a goal for an average investment size serves to further stretch people’s consideration.
- c. Divide the total investment goal by the average investment size to determine the number of investments needed. You can assume that 1 in 4 members who are spoken to directly will invest in a well planned and executed capital campaign, so multiply this number by 4 to determine the number of targets you will need from the membership roster. In the example represented by the table below, with a goal of \$1,000,000 in total investments and an average investment size of \$5,051 it will take 198 investments. If 1 of every 4 members agrees to make an investment, you will need to speak to at least 792 members.
- d. Create an investment breakdown table based on the information described in ‘c’, above. An example is shown below. This breakdown will also be used to

track campaign progress, but in the planning stage it is used as a “reality check” to gauge whether the member capital campaign plan is realistic. Questions to consider include:

- Do we feel our projected average is achievable?
- Do we have, or are we targeting, enough members to reasonably get as many investments as we’re projecting?
- Is our minimum too low?
- Are we overly dependent on large investments?

\$ Amount	# of Investments	TOTAL
\$100,000	2	\$200,000
\$50,000	3	\$150,000
\$25,000	5	\$125,000
\$20,000	5	\$100,000
\$15,000	3	\$45,000
\$10,000	8	\$80,000
\$7,500	4	\$30,000
\$5,000	6	\$30,000
\$3,000	16	\$48,000
\$2,000	46	\$92,000
\$1,000	100	\$100,000
<b>TOTAL</b>	<b>198</b>	<b>\$1,000,000</b>
<i>Average</i>		<i>\$5,051</i>

If your campaign is using both loans and preferred shares, you will need to create investment break-down tables for both investment vehicles.

- e. For start-up food co-ops, which are constantly growing their memberships, you might not initially have enough members to meet your overall goal, assuming a 1-in-4 or 1-in-5 response rate. If not, consider a membership campaign before launching the capital campaign.
- f. For established food co-ops, there will usually be more members than targets needed. Divide the membership roster in two:

- **The targets** (created by brainstorming and selecting members who patronize the co-op the most) and the non-targets. An appeal letter will go to both groups, but the target list will be informed that there will be a follow-up phone call.
- **The non-targets.** You will encourage people on this list to contact the co-op if they are interested in further information about making an investment.

In established co-ops, perhaps 80% of your member investments will come from the target list and 20% from the non-target list.

- g. Not all of the people who initially agree to make investments will follow through. Assume that up to 10% of the verbal commitments will be retracted before the investment is finalized.

Experience shows that the number of members who respond to a request for investments varies widely. As many as 1 out of 3 members have responded positively in co-ops with a small, strongly committed group of members. More typical is a 20 to 25% positive response rate. Achieving this requires a campaign that actively engages potential investors. A few co-ops have been successful with low-key programs that depend largely on member initiative to respond, but most co-ops have found that success depends on activities that require person-to-person response from many, if not all, members. Response rates might be significantly lower in very large co-ops where this is not possible, or in co-ops that have not maintained a strong sense of member ownership and involvement. A co-op considering a member investment campaign should make an estimate of the response rate that it believes will be achieved and compare results to that expectation.

## Developing Strategy for Each Target Group

Given insight into the size of the campaign, the team can develop strategies for each of the three target groups that are informed by the numbers. For example, the 792 prospects in the example above should be broken into two groups — the 762 who are estimated to invest less than \$20,000 and the 30 prospects who are estimated to have the potential for investments of \$20,000 or larger. In addition, the small group who are expected to make pre-commitments would require a third strategy.

Although every co-op should form strategies that match their unique situation and community, there are some common themes for the three sets of targets.

### Core Leadership Group

Capital commitments from the core group, or an expanded core group, should be obtained just prior to the implementation phase of the campaign but after the key disclosure information about the co-op and the member capital campaign has been established by the board of directors. These early commitments demonstrate to members the critical message that the leadership of the co-op, in asking members to put their money at risk, is also willing to put their own money at risk. Although it is highly preferable and a strong indicator of potential campaign success to raise 10 to 15% of the campaign total from the board, key staff members and a small inner circle of members who are very involved with the co-op, it is not always possible to raise that much from that group. If this is the case, then the inner circle (of leadership) should be carefully expanded so that at least 10 to 15% of the total goal is pre-committed prior to the launch of the member capital campaign. Care must be taken to ensure this expanded core group is not ‘poaching’ funds that would otherwise be raised from the large investors or from the general membership.

Not all board members or core group members may be able to make a member investment, and it should be stressed that investment is not an expectation of board

service, as it sometimes is in non-profit organization board service. If some board or core group members are unable to, or choose not to make an investment, they should not be stigmatized or made to consider resigning from the board or the campaign team.

Because the people who will be approached for pre-commitments should be strong supporters who are already aware of the capital campaign, a simple strategy is sufficient. Once the financial need is known, and when the legal paperwork is nearly ready, the coordinator can ask the following question of all members of the core leadership team:

*“Do you have an idea of how much you are planning to invest, once you’ve had a chance to review the legal paperwork and assuming you find it acceptable?”*

You should ask the question in person, but answers can be provided confidentially in one-on-one conversations or by putting amounts on paper and “passing the hat.”

### Large Investors

Potential large investors are often asked to be financially involved with many projects, some offering recognition and tax benefits. Because member capital campaigns generally don’t offer either of those, it is helpful to leverage personal connections to build trust, make a good case, and then ask. To effectively court large investors, a personalized strategy should be used. The core leadership team should create a list of twice the number of targets as the number of large investments desired. This target list should be people who:

- Are thought to have the means to make a large investment, sometimes indicated by their financial involvement in other projects in the community.
- Have values aligned with the co-op, again sometimes evidenced by their involvement with other organizations or causes in the community that have similar or aligned values with the co-op.

- Are already members of the co-op or who could be approached to become members of the co-op before beginning the conversation about investing.

Consult the campaign team members to see who has a personal, professional or other relationship with the targets. Friendships, board service together, mutual friends and work associates may be good ways to gain a trusted introduction. Once the introduction has been made, ask for an in-person meeting to build trust and connection and to brief the target on the co-op and the campaign, and to hand deliver the materials. For some prospects, it can be helpful to make a strong business case and/or stress the community benefits of the co-op. It may take more than one conversation and more than one visit to reach a point where asking for the investment seems appropriate.

Have a dollar amount in mind for the 'ask' and ask confidently. Be respectful but direct. Offer time to consider the investment but try to set up the next meeting as soon as possible. Regardless of the answer, be sure to show appreciation for the time and attention the person has given you.

### General Membership

The strategy for the larger group of these prospects is more general as it has to reach many people quickly. Start by building interest in the co-op and the campaign beforehand through a series of email and other electronic communications about the campaign. Next, send an initial mailing containing an appeal letter, brochure and testimonials. Follow up with phone calls and regular email updates. Depending on initial campaign progress, you may need to send a second appeal letter around day 10 of the campaign (see 30-day Implementation Plan.)

# Developing Campaign Materials

Materials supporting a member capital campaign can be developed from scratch locally but it can save time and money to adapt and use materials developed over the years by teams from other co-ops, with careful modification to accurately describe the particular situation and circumstances of the co-op conducting the campaign. If adapting materials from other campaigns, start with the most recent examples from co-ops in your state, and always have all materials intended for members reviewed by a lawyer who is familiar with securities law in your state. Examples and templates for many of these materials are included in the appendices.

Every co-op needs to make its materials reflect its community's style and expectations in aesthetics and narrative. In addition, materials must be clear, concise and consistent with legal advice.

In preparing for the member capital campaign, materials fall into three main categories:

1. Materials for members
2. Materials for callers
3. Materials for campaign operations

## Materials for Members

The initial mailing to co-op members should introduce and explain the capital campaign, ask for their investment, and inform them how you will be following up with them. Your letter and your materials should have a professional look and be well designed. Be careful not to overwhelm members with too much information in the initial mailing. Hand-addressed envelopes are more likely to be opened and the contents read, than envelopes with printed address labels. A letter that is hand-addressed is opened with a different mindset. Note that three to four sheets of paper (depending on weight) can be sent in a standard business envelope under one first-class stamp.

A typical mailing would include:

- An appeal letter, single-sided and containing the elements shown in the sample letter in [Appendix A](#).

- A member capital brochure, tri-fold single sheet printed on both sides. This does not need to be “slick,” but should be neat and attractive (see [Appendix B](#)).
- One sheet, single-sided of member endorsement quotes or testimonials (See [Appendix C](#)). These 4 or 5 quotes should be testimonials from members who have committed or are planning to make a member investment. They should not just be from members who like the co-op.

In addition, if weight allows or you have room on the back of the appeal letter or testimonials, you might consider including:

- Frequently asked questions, about the capital campaign, the co-op or the project (See [Appendix D](#) for an example, plus a longer selection of FAQ's)

- A one-page list of history and accomplishments of the co-op
- A sheet outlining benefits of the investment, inserted into the brochure
- A “What your loan can do” sheet that shows examples of what different size investments may pay for

After reviewing the progress of the first 10 days of the campaign, your team may decide to send another mailing, to help build momentum and reinforce the importance of the campaign. In addition to some of the optional sheets noted above, additional mailings may include:

- A second appeal letter that has similar information and refers to the first appeal letter (see [Appendix G](#)).
- An update with results from the campaign to date.
- Additional member endorsement quotes.
- Thank you and appreciation for their interest, support and pledges.

Once a “yes” or “maybe” response is received from a member, the following additional materials should be sent:

- Letter of appreciation with instructions on how to complete the investment. This letter can be sent from the board president
- A brief, personalized, informal thank-you note from the caller. This can be as simple as “Mary, thanks for your time on the phone and your commitment to the co-op. Bob.”
- Member Investment Information Packet, including an investment memo and disclosure document, similar to a prospectus (see [Appendix E–F](#)). This Member Investment Information Packet is not an appeal or promotional document. It provides straightforward information and details the risks of investment. It is this packet that legally serves as the basis for each member’s decision to invest in the co-op. In fact, the subscription agreement that each member-investor must sign to make an investment in the co-op includes a representation on behalf of the member-investor that they have received and

had the opportunity to review the disclosure materials as the basis for their decision to invest money in the co-op.

- Whatever other material your legal counsel has determined is required to complete the transaction.
  - Addressed and stamped return envelope
- Occasionally, members will follow the directions on the instruction sheet and correctly complete the paperwork and send their funds. More often, they will find the paperwork confusing or will incorrectly complete it. If the paperwork and funds aren’t received within a week of the caller getting the commitment, the collector should contact the member and arrange a time to meet with the member to complete the paperwork and receive the funds (see [Appendix H](#) for process flow).

### Electronic Versus Printed and Spoken Communications

It is tempting to attempt to do the communication and document transmission of the capital campaign electronically. Since co-ops began doing capital campaigns we’ve seen cell phones become ubiquitous, home phones become fewer, and electronic communications of all kinds become a dominant force. Those facts, however, underscore the value of paper and phone calls: a physical letter, sent with a hand-written address, and a familiar local voice are experienced less often and thus stand out and almost always carry more weight. Certainly all forms of electronic communication and social media must be used to build the message and momentum of your campaign, but experience has shown, repeatedly, that nothing is more effective than sending physical letters and making phone calls.

In addition, because the loans or preferred shares you are soliciting from your members are generally considered securities and may fall under state and federal securities rules, signatures on paper and retention of physical documents may be required.

## Materials & Systems for Campaign Operation

The member list, either as a spreadsheet or database is a core element of campaign operations. Often co-ops have non-members on their contact lists, to notify them of special events, sales, or to track potential new member prospects. Whether your co-op is a startup or long established, there are two important requirements for the member list:

1. The list must be able to be sorted so that physical and electronic appeals can be made **ONLY** to members, to avoid violating securities exemptions. Additional communications can be sent to the non-member contacts or to the entire list but a clean, members-only list must be maintained
2. Take care to protect confidential member data (like credit card or social security numbers) and to maintain the integrity of the list. When callers get updates to member addresses and phone numbers it may create a risk of data corruption if they make their updates directly into the master member list. It may be preferable to have all changes forwarded to a single responsible person.

For the use of the capital campaign, the member and contact lists may be electronic or physical. Using shareable online systems, such as Google Desktop, will make it easier for important updates and data to be entered promptly and accurately.

Typically, callers will work off of printed or electronic sheets that they will update or fill out during or *immediately* after every call that is made. The callers should have fields to capture or update the following information:

- The callers name, for tracking of caller performance
- Name, address and phone number of the member, to verify for the co-ops records and for mailing of campaign materials
- Date and status of *every call made* whether it is a voicemail, wrong number, no longer in service, no answer etc.
- Whenever a member is spoken to, a rating of their commitment as either “Yes”, “Strong”, “Maybe” or “No”

- Additional information, notes or questions the member may provide
- The date when the investment materials and thank you note were sent
- If a member has made a commitment, the dollar amount. If the member gives an amount, use that. Otherwise use the minimum investment amount. This is done for members who have said “Yes” only
- If applicable, the term of loan the member desires
- If applicable, the interest rate the member desires
- Checkboxes to verify it was explained that:
  - member investments are unsecured
  - member investments are subordinate to 1st position debt

In addition, as these tracking materials are often used for collectors too, they should have fields for:

- Date investment documents were received by the co-op
  - Date check received
  - Date completed investment documents were returned and Campaign thank-you sent
  - Date check given to bookkeeper
- Tracking reports that can be derived from the database or spreadsheet include the following:
- Calling assignments by caller with status for each member assigned
  - Calling status summary by caller for all callers
  - Number of calls assigned
  - Number of members called
  - Number of prospects needing callback (Busy, No Answer, “Please call later”, etc)
  - Number of “Yes”, “Strong”, “Maybe” and “No” responses
  - Number for which a voice mail message was left
  - Number with loan completed

Campaign analysis reports that can be derived from the database or spreadsheet include:

- Total amount of committed investments
- Loan interest rate and terms, if applicable

- Caller success rate as noted in the “Caller Tracking and Assessment” section later in this document
- Projected campaign results based on current status

## Materials for Callers and Collectors

A concise set of materials, assembled in a binder and distributed to all callers and collectors, is vital for making sure everyone on the campaign team has both consistent and sufficient information to communicate effectively to members in their respective roles. Clear, well organized information is a critical part of building a support system for everyone on the campaign team so that they can do their work well. The coordinator will typically be responsible for creating and updating these binders. You will likely maintain these materials in a digital form, such as in a shared online file storage platform, but most callers and collectors will also need a printed information binder to have on hand during calls and/or personal visits with members.

### Information binder for callers:

The callers’ binder should include everything needed to work through the calling lists, to tell the great story of the co-op project and the investment opportunity, to answer questions from members, and to document calls for follow up. A typical caller binder would include:

1. Significant dates and events of the campaign.
2. A page to update the latest campaign totals (updated weekly if not daily)
3. A sample calling script (see [Appendix I](#)).
4. A copy of all mailings and other promotional materials shared with members
5. Summary table of investment options and terms (see [Appendix N](#)).
6. Capital Campaign FAQ (see [Appendix D](#)).
7. Startup or Expansion FAQ (see [Appendix D](#)).

8. Calling strategy tips (see [Appendix J](#)).
9. A list of contact info for everyone on the Campaign Team.
10. A caller tracking sheet that includes the caller’s assigned contacts (see [Appendix O](#)).
11. Instructions on how to ensure proper call follow-up (see [Appendix K](#)).

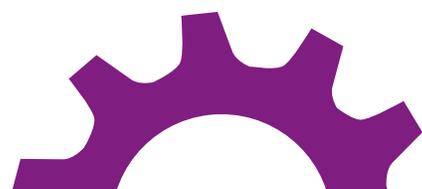
### Information binder for collectors:

The collector’s binder should be sufficiently polished and organized so that she or he can share it with prospective investors during in-person meetings, as part of conveying the vision of the co-op project as well as substantive information about the investment opportunity. (While callers will not need this full set of information in their role, it can be helpful for callers to have a chance to review a copy of the collector binder, to help them more fully envision the project and how to talk about it with others.)

Typical components of a collector’s binder include:

1. A cover with co-op logo and binder title
2. Co-op mission or Ends statement
3. A copy of all mailings and other promotional materials shared with members
4. Full color copies of architectural renderings of the co-op project
5. High level synopsis of the market study (excluding confidential information)
6. High level synopsis of the project financing, including sources and uses

7. One pager with testimonials and/or endorsements from other lenders or community members (see [Appendix C](#)).
8. Startup or Expansion FAQ (see [Appendix D](#))
9. Brief summary of the co-op's history / startup story (see [Appendix F](#)).
10. Capital campaign FAQ (see [Appendix D](#)).
11. Summary table of investment options and terms (see [Appendix N](#)).
12. A complete copy of the Disclosure Statement / Offering Memorandum (see [Appendix F](#)).
13. Extra copies of blank promissory notes and/or share subscription agreements.
14. A basic script for thank-you notes plus cards, envelopes and stamps.
15. A list of contact info for everyone on the campaign team.



### III. Implementing the Capital Campaign

# Launching the Campaign

If you have had success in the planning phase of the Member Loan Campaign, and if you are well prepared and organized, you are positioned for success in the implementation phase.

## Timing

As discussed earlier, campaign planning is a distinct phase from implementation, when things “go public” and active outreach begins. The two phases might happen in close sequence, but it is not unusual for planning to be completed weeks or even a couple months beforehand, so that everything is ready to go at just the right moment.

Of course, identifying just the right moment to launch is a bit of an art, and may require balancing some competing factors, including a major announcement about the project (typically the securing of a site), the time of year, and less often, pressure to meet requirements of your outside lender or other funder.

A startup co-op will typically (but not always) launch a capital campaign when its site is secured, which occurs at the end of Stage II-B of the Four Cornerstones in Three Stages timeline. At this point, the co-op has a contingent lease or purchase agreement in place and is ready to announce the store location to members and the public. Planning for the capital campaign would have happened during Stage II-A, “Feasibility.” An established co-op following the four-stage Expansion Timeline in the Expansion Toolbox ([http://www.cgin.coop/toolbox/re\\_pub](http://www.cgin.coop/toolbox/re_pub)) would secure a site at the end of Stage 1, also called

“Feasibility.” Planning would also occur during the Feasibility stage, and the campaign launch would mark the beginning of Stage II, “Preparing for Leasehold Improvements or Construction.”

In most communities, the best time to implement a Capital Campaign is September 15 to November 15, when summer is over and school has resumed. The next best time is January 15 to March 15, after the holidays and before tax season. The third best time is May 1 to June 30, after tax season and before summer vacations begin. Summer campaigns can be very challenging, but are possible as a matter of last resort. Campaigns from November 15 to December are not recommended. Your timeline for securing the rest of your financing might not coincide cleanly with any of the three best time periods. However, by planning ahead and preparing you might create flexibility to launch the campaign at an optimal time.

## Phasing

Some co-ops — especially startups — might intentionally choose to run two phases of the capital campaign. Phase 1 would launch before the site is secured, to help build the capital necessary to keep moving forward on site selection. Phase 2 would occur once the co-op has its site locked down. While not as common, the two-phased approach offers some potential advantages:

- Phase 1 targets core members, who are willing to commit regardless of store location. This early investment can empower the board to move ahead with site selection more confidently.
- Phase 1 allows you to introduce members to their responsibility to help capitalize the co-op, beyond their member equity investment. Even if they decline to make an investment during Phase 1, you have planted a seed that may sprout at a later date.
- Phase 1 tests the waters of the co-op project, and if successful will lend greater credibility to the startup effort and instill confidence in board members about continuing to move ahead. If response is lukewarm or even cold, you will have gained valuable feedback that you can use to modify your strategy.
- A two-phase approach can mean less time pressure in Phase 1, which might have a goal of reaching 40–60% of your total goal.
- Phase 1 allows you to raise some of the needed capital among existing members, even as you continue to add new ones. By the time Phase 2 rolls around, a startup will have many more members, and a fresh group of people to consider an investment.
- The launch of Part 2, after a site has been secured and announced, will allow you to present the capital campaign in a new light, with renewed excitement.

A two-phased approach has definite disadvantages: it takes more time, energy and resources, and requires a more sustained approach and commitment from the

campaign and co-op leadership. In addition, a co-op will need to prepare updated disclosure materials if the campaign moves into more than one phase. At minimum, the updated disclosure statement must provide information on the capital raised during Phase 1, changes in key staff or leadership, and any decisions regarding site selection or other material updates to the project development. Consult with your attorney to ensure that any updates to the disclosure statement meet legal requirements.

Of course, both existing and startup co-ops can find themselves forced into a two-phased approach (or even a three-phased approach, as described in the case of the Eastside Food Co-op in [Appendix V](#)), because they do not meet their initial goal. This can happen when the campaign falters for various reasons, or when the goal represents a very large financial stretch for the community.

# Effective Phone Calling

## Caller Training

As noted earlier, one decision you will make during the planning phase is how many callers it will take to reach everyone on your contact list in four weeks. The number will depend on your ability to recruit skilled people with sufficient available time. Some co-ops pay callers. While sometimes that can be effective, co-ops have had less success using hired professional fundraisers for this vital piece of outreach. For co-op capital campaigns, it appears to matter equally that callers have both a personal connection to the co-op and effective communication skills.

Regardless of how you build your calling team, you will want to be sure that they are adequately prepared and trained. Quality training is essential to providing the information, encouragement, and support that calling team members need to do their job well. The coordinator will typically take charge of organizing the caller training, perhaps with assistance from the lead caller. The training should be led by a team member with fundraising experience or a professional trainer. It should take place no more than a week before calling begins and can be expected to last up to 3 hours. The training should cover the following:

1. An overview of the co-op project and the rationale for owner capital in a cooperative business
2. The capital campaign process and timeline;
3. Development of the caller's personal story for the campaign.
4. A review of all the materials in the caller information binder (see page \_\_\_)
5. The process and stages in asking for an investment.
6. Training on calling protocols, pitch delivery and closing strategies, including:
  - Working from a script without being obvious (see [Appendix I](#))
  - The first 20 seconds of the phone call
  - Developing and utilizing a list of talking points
  - Using the FAQ (see [Appendix D](#))
  - How to close on an investment
  - Call follow-up procedures, including when to leave messages and try back.
7. A basic understanding of relevant legal considerations around raising owner capital
8. Last but definitely not least: Role playing and practice calls with others on the team. Practice calling is an excellent way to help people become comfortable with the calling materials in a comfortable environment, and can also provide the Coordinator with an early opportunity to see callers in action and determine if they have the right skillset.

All callers and collectors, including those involved in outreach to large investors, should attend the training. Consider including board members as well, even if they are not playing any of those roles, as it is a great oppor-

tunity to deepen their familiarity with the campaign.

Finally, as noted earlier, before the actual calling begins, canvas the board of directors, and all callers and other Campaign Team members to determine their collective level of investment. This amount

will be key messaging during the campaign launch, and provide a foundation upon which to begin building energy and momentum.



## A Word about Calling Campaigns in a Wireless World

The last decade has seen a profound change in how people use phone technology to connect with one another and the rest of the world, and this has certainly reduced the ability of any fundraising campaign to reach people by phone.

In a world in which caller ID and call screening are ubiquitous, and texting and emailing is a preferred alternative for many, some co-ops have questioned whether phone outreach still has a place in a capital campaign. The answer to that question is an emphatic *yes* — or, more accurately, a “yes, BUT.” A phone call remains one of the most effective ways to communicate the story of the co-op’s project and the capital campaign, once you actually get a member on the line. And even those who never pick up the phone are still likely to listen to a voice mail message about the campaign, or to read a follow-up email from the caller. *The effort to call every member matters.* It signals that the co-op is serious about reaching out to

everyone, and raises people’s awareness of the campaign. Members who receive a phone message about the campaign are more likely to track campaign progress on Facebook, read the next email, stop by a table at an event, and eventually decide to make an investment.

So calling is important, but cannot be the only way that the co-op reaches out. A combination of all forms of outreach — phone, snail mail, email, social media, face-to-face meetings and events — are what it takes to snag enough members’ interest and help them to grasp the complex but compelling story of why they should invest in their cooperatively owned businesses. The goal should be for the capital campaign to be *inescapable* during the intense four to six weeks of the implementation phase, so that every member becomes aware that it is happening, whether by land, by sea, or by phone line.

*“When we first started the calling I wasn’t entirely convinced, but as time went along I realized that the phone calls are absolutely critical — it’s where you really have a chance to talk with people, answer their questions, and build that relationship that will lead to an investment. And it was fun!”*

— Janet Zahn, Capital campaign coordinator for the Eastside Food Co-op’s \$1 million capital campaign

## Caller Schedules

Before calling begins, ask callers to review the target calling lists and identify any members whom they know and would like to contact. Randomly assign all remaining names to callers, and distribute the complete set of Call Tracking Sheets to each caller with their assigned contacts. Many campaigns use an electronic format such as GoogleDocs for sharing these and other calling materials, although it can be helpful for callers to also have a hard copy of their Call Tracking Sheets to use during calls. (See [Appendix O](#) for a sample Call Tracking Sheet.) Callers will need to develop their own calling schedules to ensure that they can reach everyone on their assigned list of contacts during the campaign.

The best times to call are generally from 6:30 to 9:00pm on Monday through Thursday,

12:30 to 5:00pm on Saturday afternoon, and 12:00 to 8:00pm on Sundays (weekend afternoons tend to be less successful during the summer months.) Follow-up calls can be scheduled at times outside of these ranges if they are convenient to the member.

While results in any given session will fluctuate, callers might expect to dial 15–20 numbers per hour, actively reaching perhaps 1 in 8 members and leaving messages with everyone else. Callers should leave a succinct and upbeat voice mail message on their first try. In addition, a personal email from the caller to the member can help catch people’s attention and make them more likely to accept the call on the next try. Callers should call back several times throughout the campaign, but should not leave an additional voice mail message until the final days of the campaign.

## Caller Parties

In addition to participating in the weekly team meetings, callers should gather together regularly for “calling parties” in which they work through their call lists in the company of other callers. While some calling will occur on people’s own time, strive to hold group sessions as often as possible, and at least twice per week during the active calling phase of the campaign.

Group calling sessions are beneficial in a number of ways:

- Many people find it energizing to be in the room with other callers. It allows them to hear others’ techniques, to ask questions of one another, and to share calling stories with each other, whether for inspiration or support.
- For existing stores and startups with their own phone number it can be very effective for calls to be placed from the co-op’s phone number, as the caller ID is more likely to catch the attention of owners than an unknown phone number.

- Calling parties are a great opportunity to snap photos and do some social media storytelling about all the amazing, dedicated volunteers who are working so hard on the campaign.

Be sure to start each calling session with a comprehensive report of progress to date. As with team meetings, the occasional investment in chocolate or pizza can help to contribute to a positive atmosphere. At the close each session, remind everyone to turn in all their call reports, and ask each person to give a quick debrief or share any highlights or ask any questions. And always close with a group cheer or high five so that people leave feeling encouraged and incentivized to keep going.

## Caller Reporting

Callers should tabulate the results of every call in the appropriate field on their Call Tracking Sheets, and make sure that this information is reported to the campaign coordinator after each calling session.

- For co-ops that rely on electronic recordkeeping, this happens automatically as long as the caller keeps timely and accurate updates and they are entered in the shared electronic file.
- Co-ops that rely on a paper form will need a system to ensure that the Coordinator or collector makes any appropriate follow up (sending out a packet, scheduling a personal visit or follow-up call with someone who has committed to making an investment, updating contact info, etc.) See, e.g., the paper “Follow-up Form” in [Appendix L](#).

Reporting on the outcome is a vital way to close the loop on connecting with prospective investors, yet it is one of the most frequent places where a campaign can break down. Pay careful attention to developing a strong system for recordkeeping and information sharing, and be sure that everyone on the team understands its importance and follows the plan.

# External Communication Strategies

To make the capital campaign inescapable amidst the maelstrom of information we all experience takes a well-planned and executed strategy, to be carried out by the communicator(s) noted above. It echoes the concepts of capturing attention, launching and sustaining, building momentum and finalizing member investments. Examples of a number of the communications mentioned in this section can be found in the Appendices.

Capturing attention begins well before the capital campaign with shorter posts on social media noting some exciting things coming up soon at the co-op along with longer website, blog and newsletter articles that provide background on what the co-op is working on that will require capital, why the co-op will be raising capital from its members, when the campaign will be happening and how it will occur. It also should include press releases to local news outlets shortly before the beginning of the campaign announcing the kickoff, and during the campaign reporting on the progress. Public, co-op and member events can also be used to raise awareness and spread information about the upcoming campaign, but use caution as events can require a lot of energy, time and money that may be better spent in other parts of the campaign.

The appeal letter, brochure and testimonials that are mailed to either the 1500 target members of established co-ops or all the members of startup co-ops signal the launch of the campaign and help to raise awareness and get co-op members thinking about the campaign.

Momentum is built by creating an atmosphere of progress, fun and excitement. Much of the momentum building communication is very short — social media posts and brief emails touting the progress in dollars, percentage of goal, number of members investing, average investment and other data-points that demonstrate action and progress. These must be distinct from all other communications from the co-op, not added on to already occurring newsletters or emails. Pictures are very helpful to build excitement and momentum. Capture many moments of the campaign, silly and serious.

Finalizing investments doesn't happen directly from the external communications, but is strongly supported by the email updates noted above, the appeal letter(s) and other communications that go ONLY to members and thus include a very direct request for members to make their investments as soon as possible to help the co-op reach its goal. Consider the 'NPR Ask' — a direct request: "Call now to make your pledge so we can keep bringing you your favorite programs" that is asked over and over, in different voices, at different times but all including that inescapable request for financial support. Some may consider this level of communication obnoxious, or over the top, but it yields results.

In all communications, maintain an upbeat, friendly tone that includes humor and appreciation. As the campaign progresses the communications should get shorter and more frequent.

# Other Implementation Strategies

Successful capital campaigns are those that can sustain a sense of positivity, persistence, confidence, and fun — including during the inevitable low points, when it seems like investment has stalled out, even though everyone on the team is working hard. No other factors are more important to your success than faith in each other, in the project, and in the ability of your community to raise the capital necessary for its cooperatively owned grocery store to thrive.

Commit yourselves to an all-out effort to reach your goal in four weeks, building momentum and energy that you can ride to success. But, as mentioned earlier, keep an extra two weeks in your back pocket, and be prepared to give the team the option of extending the campaign by those two weeks if momentum is beginning to really build and you are drawing close to your goal. Extending the campaign beyond six weeks is riskier, as the longer the implementation drags out, the more likely you are to lose momentum and energy — not to mention volunteers. If you have only reached 50% of your goal in 6 weeks, it might be time to take a break, regroup, and plan for a second (or third) phase.

Other strategies for a successful campaign include:

**Conditionality.** Prior to launch, clarify the board's intent regarding the use of member capital. In communicating with members, state an exact formula under which the project will move forward (such as when the total goal is reached, when 80% of the goal is reached, when all financing is in place, etc.). This is called *conditionality*. For a startup, it is common to promise that member capital will not be

used until most or all of the financing is in place and the project is assured of moving forward. An established store may have a lower threshold for using members capital, or none at all. Clearly stated conditionality will increase the comfort level and help assure members that they will not be alone in lending money to the co-op and that adequate capital must be raised for the project to move forward. The board must be committed to honoring the conditionality, but be cautious about formally establishing an escrow account for member capital. A formal escrow account can add cost and create complications when it comes time to use the capital. If conditions change, or if an unexpected need for early capital arises, a board may need to reach out to members to ask them to waive the conditionality, which will be easier to implement without a formal escrow account in place. Whatever the planned approach, the board should carefully evaluate to ensure it is realistic. It may be appropriate to check in with your attorney as well.

**Matching Challenges.** Matching investment challenges can be a powerful motivator during a capital campaign. Actively seek and cultivate matching challenges from individual members or a group of supporters, whether named or anonymous. For example, a member might pledge to invest \$50,000 if other members pledge an additional \$50,000 in the next week, or a group of local businesses might “chip in” to create a \$50,000 matching investment challenge (assuming your co-op

permits businesses to join as members). A matching challenge can fuel social media messaging, give callers something to talk about, and infuse energy into the campaign. Be sure to have a plan in place if the challenge is not met — ideally one that retains the match at the end of the campaign. If one strategy does not work, evaluate, adjust, and try again.

**Awareness of your community's fundraising norms and culture.** In many communities, there are a small number of individuals in informal networks who are approached by countless organizations seeking funds of a sizable amount. Some of these people might be willing to invest in the co-op, but they might also help you to connect with others in their network who are members in the co-op. At minimum, they might help you to identify potential large investors for you to contact. Be sensitive to the fact that some investors (large or small) appreciate visibility for their involvement while others will prefer a low profile and/or confidentiality.

**Adoption of nonprofit fundraising strategies.** Some of the techniques and training of professional fundraising can be helpful, but raising member capital for a food co-op is very different from soliciting donations in the nonprofit sector. Simply applying nonprofit fundraising techniques and tools to the food co-op sector, without adapting them, can be a waste of time and even hinder your chances for success. For instance, using a professional fundraiser as the frontline, visible contact with members has met with very poor results. “Perks” or incentives also do not seem to be as effective for co-op capital campaigns.

# Tracking and Assessing Performance

Successful campaigns track and assess performance constantly, many on a daily basis. Performance is tracked in two key areas, by caller and in the overall campaign. Prompt and accurate reporting is required to be able to support the callers so they can be maximally effective, and to make adjustments to the campaign systems and communications to ensure the goals are being met.

## Caller Tracking and Assessment

As noted in the “Materials and Systems for Campaign Operation” section, callers should be recording a variety of information for every call. Every conversation they have with a co-op member should be classified in one of four ways:

- **“Yes”** — The member has actually said “Yes, I’m going to invest” or made a statement of similar, unequivocal commitment. If the member has given a dollar amount, that should be recorded along with the “Yes”. If they have not, the minimum investment amount should be recorded.
- **“Strong”** — This assessment is for members who are enthusiastic and are strongly leaning towards investing. Typical language used is “I think we will invest but I need to check with my partner.” No dollar amount should be recorded for “Strong”.
- **“Maybe”** — Maybe is a far less enthusiastic response than “Strong” but there is not an outright refusal. An example of this response would be “I’m not sure but I’ll think about it.” No dollar amount should be recorded for “Maybe”.
- **“No”** — This is an outright refusal to invest in the campaign.

When reviewing caller tracking materials, 1 point is assigned for every “Yes”, .5 point for every “Strong”, .25 point for every “Maybe” and no point for “No”. Using this scale, callers that are achieving at least 3 points for every 10 members spoken to are effective. If a caller is not achieving 3 points per 10 member conversations, the coordinator or lead caller should check in with that caller to determine:

- Are they enthusiastic about, and enjoying the calling?
- Would they like to practice calling or get additional training?
- Do they have unaddressed concerns about the campaign or the calling?
- Are there other factors they’d like to express that are affecting their calling performance?

If a caller continues to not achieve satisfactory results, or is tentative or unenthusiastic about calling, they should be shown appreciation for their efforts but should not make any more calls. It can be damaging for a campaign to have ineffective callers plowing through their part of the member list. As soon as possible, member call lists should be shifted from ineffective callers to higher performing callers.

In addition to tracking investment results, callers should also be assessed on how many overall calls they are making and how many conversations they are

having, to determine whether they are devoting adequate time to the campaign.

## Campaign Tracking and Assessment

When looking back at the data from a successful member capital campaign, the actual breakdown of the number and size of investments rarely closely matches the initial expectations. It is still critical, however, to track incoming investments against the projected breakdown in order to make mid-course strategy adjustments and to improve the chances of campaign success. Occasionally, campaign teams will attempt to develop expectations of loan amounts for specific individuals (other than large investor targets). This can be a time consuming process, and may lead to frustration when members designated for higher amounts end up making smaller investments, or none at all. It also may lead to failure to ask all members for investments that meet the needs of the campaign, thus missing out on unexpected larger

investments from members not known to have greater means. Do not assume that the expectations will be met for each potential lender or, conversely, that not meeting the expectations for a given person means the campaign is failing.

However, the expectations must be met in aggregate or the campaign will not achieve its goal. Knowing how many investments of what amounts are being achieved in comparison to a preliminary analysis of investment potential provides valuable insight into campaign performance.

This simple table (Example A) shows how many total investments have been achieved and what the average is, and by noting the time elapsed and remaining in the campaign, can be used to project the

<b>Example A:</b>	<b>Member Investment Breakdown</b>			<b>Last Updated:</b>		
<p>This example of a Member Investment Breakdown Table (with actuals to be updated throughout the campaign) is adapted from the table shown in the Planning section.</p> <p><i>Note: Columns 2 &amp; 3 are estimates prior to the launching of the campaign, columns 4 &amp; 5 are actuals that will be updated as the campaign progresses.</i></p>	\$ Amount	# of Investments	TOTAL	Actual #	Actual TOTAL	
		\$100,000	2	\$200,000	0	\$0
		\$50,000	3	\$150,000	3	\$150,000
		\$25,000	5	\$125,000	2	\$50,000
		\$20,000	5	\$100,000	6	\$120,000
		\$15,000	3	\$45,000	2	\$30,000
		\$10,000	8	\$80,000	6	\$60,000
		\$7,500	4	\$30,000	5	\$37,500
		\$5,000	6	\$30,000	5	\$25,000
		\$3,000	16	\$48,000	12	\$36,000
		\$2,000	46	\$92,000	35	\$70,000
		\$1,000	100	\$100,000	66	\$66,000
		<b>TOTAL</b>	<b>198</b>	<b>\$1,000,000</b>	<b>142</b>	<b>\$644,500</b>
	<b>Average</b>		<b>\$5,051</b>		<b>\$4,539</b>	

total number of investments and total dollar amount of the campaign based on the current performance. That information can then be used to adjust strategy so that the goal can be achieved or changed, as needed.

Other information that should be tracked includes

the total number of calls made and the total number of members spoken to. All of these statistics can be valuable in internal and external communications to build interest and momentum in the campaign

## Adjusting Your Strategy

If the actual totals in the first 7 to 10 days of the campaign are significantly lower than your estimates, you may need to adjust your strategy and expectations. Possible assumptions include:

1. **The desired goal is beyond the ability of the members.** In this case you need to review the co-op's project plans and capitalization plan, revising the pro forma to match the expected outcomes. Many groups are tempted to make this assumption but often the campaign planning and execution are the reasons goals are not being met, rather than the goal being too high.
2. **Achieving the desired goal is possible but will require a larger effort than had been contemplated.** The team will need to commit to a greater effort and a stronger program in order to meet the original goal. This may require more or different people, and reevaluating the systems and approaches that have been tried.
3. **Both the goal and estimates must be revised with adjustments to the capital plan, member capital campaign and possibly the timeline.** This indicates deeper and multiple challenges to the campaign that require either rapid and comprehensive changes or a suspension of this phase to resolve the issues with the plan and/or implementation.
4. **The team believes the estimates are wrong but goes ahead with the member capital campaign anyway.** This is highly risky, and not recommended. The board must be able to justify its actions and show owners that their investments in the co-op are sound. Ignoring and bypassing inconvenient data does not reflect due diligence.

In the best case, the total of the estimates exceeds the pro forma goal and the actual totals follow suit. The hypothetical campaign represented in the table shown above is on track for success if it still has 1/4 to 1/3 of the time remaining in its implementation period. The initial estimates appear sound, and the strategy seems to be generally successful. The low average in the actual column indicates that either more large investments or a greater than forecast total number of investments will be needed to meet or exceed the goal of \$1,000,000. Prior to launch, the investment table helps determine the amounts of materials to be printed, the number of contacts required, etc. These estimates are some of the factors the team requires to build the budget and timeline of the campaign. For example, if the team estimates that 1 in 4 contacts will produce an investment, using the figures in the estimated number of investments column of the Member Investment Breakdown Table above, 198 loans requires that approximately 792 prospects be contacted.

## What to Do if Your Campaign is Struggling

Despite great effort, some campaigns don't go as planned. There are many reasons for this but the outcome is the same: The campaign is not on target to achieve its financial goal in the desired timeframe. Here are some tips on what to do if your campaign is struggling.

### Objectively Assess the Issues

Most campaigns that struggle face a number of issues. Some common campaign issues include:

- **Bad timing** — the campaign started later than planned or in a challenging time of year.
- **Poor internal communication** — team members may be unclear on what is expected of them.
- **Inadequate external communications** — communication to members may have been confusing, of poor quality, or of inadequate frequency.
- **Poor quality or lack of supporting materials** — printing or design delays, inaccuracies, or underestimating the time required for development can be factors.
  - Inability to develop momentum
  - Lack of team cohesion and enthusiasm
  - Underestimating time and energy required
  - Lack of large investments
  - Low pre-commitments
  - Inadequate budget

Frank assessment of the range of issues facing the campaign is essential to getting the campaign back on target. The coordinator and other campaign leaders should do this assessment, with input from other team members. The issues should be prioritized so the most critical are identified.

### Make Resolution Plans

Different issues will require different actions. Some may involve additional training, money, people, expertise and other factors. Create a plan for each issue to be resolved and note what factors are required for each resolution. Strive for simple answers that can be implemented quickly so that the capital campaign is not delayed.

### Re-commit, or Take a Break

If you know what the issues are and have plans to resolve them, you need to determine whether they can, or should, be resolved now or whether the campaign should be put on hold so another phase can be started after the current issues are resolved. Significant delays may force a break.

Lack of commitment or enthusiasm on the part of the campaign team may require a break in order to adjust personnel or strategy so the team can be fully committed to the campaign.

When a campaign is struggling, the reasons may be unclear and the situation can be extremely stressful. Professional consulting is recommended to help assess the situation and assist with resolution.

# Budget

Capital campaign budgets vary, especially between startups with limited funds and established co-ops with many resources, and potentially staff time, that can be devoted. Plan for a campaign budget of 5% to 10% of the total being raised. Smaller campaigns may have a budget on the higher end of the percentage because costs such as printing and postage will be similar regardless of the size of the campaign. An example of a budget for a \$1,500,000 campaign is shown below:

Capital Campaign Budget				
	Unit cost	Quantity	Ext. cost	Description
<b>Consulting</b>	\$15,000.00		\$15,000.00	Ongoing campaign consulting
<b>Events</b>	\$7,500.00		\$7,500.00	Kickoff, informational, success celebration
<b>In-store Merchandising</b>	\$4,000.00		\$4,000.00	Design and production
<b>Legal</b>	\$12,000.00		\$12,000.00	
<b>Misc</b>			\$10,000.00	
<b>Postage</b>				
<b>Appeal Letters</b>	\$0.49	3000	\$1470.00	qty. varies — 2nd letter may be needed
<b>Packets</b>	\$1.20	750	\$900.00	
<b>Printing</b>	\$0.10	15000	\$1,500.00	
<b>Design &amp; Promotion</b>	\$10,000.00		\$10,000.00	Brochures, social media updates, small events, posters etc
<b>Staff Time</b>	\$6,000.00		\$6,000.00	
<b>Volunteer Recognition</b>	\$1,000.00		\$1,000.00	
<b>Misc/Overrun Allocation</b>			\$10,000.00	
		<b>TOTAL</b>	<b>\$69,370.00</b>	

# CAPITAL CAMPAIGN IMPLEMENTATION CALENDAR

## WEEK 1

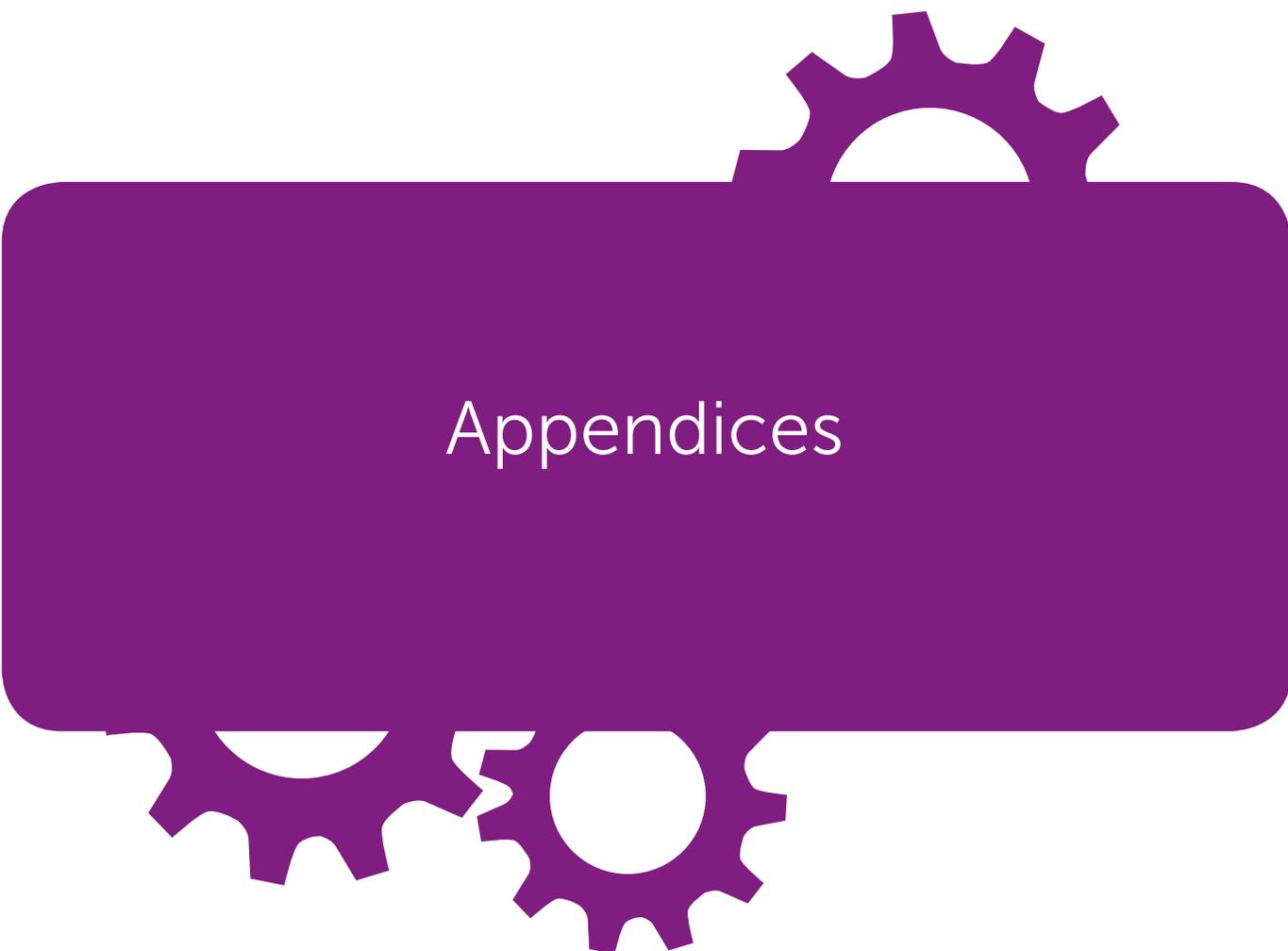
<p><b>Day 1:</b></p> <p><b>Mail an appeal letter to members. (Appendix A).</b> Established co-ops may send two versions (1) one to targeted list promising follow-up phone call; and a second to all other members that just asks people to respond. Startups call everybody. Letters should be hand-addressed.</p> <p><b>Ready for launch of communications plan</b> (regular email, daily social media, challenges, promotions, events).</p>	<p><b>Day 2:</b></p> <p><b>Hold caller training.</b> Distribute calling lists, a suggested calling script (Appendix I), and Frequently Asked Questions (Appendix D). Include communicator, closer, large investor connector, and board members in training.</p>	<p><b>Day 3:</b></p> <p><b>Test monitoring and reporting systems:</b> <b>(a) Public progress meter</b> (e.g., "fill the carrot-o-meter"; online via website, Facebook, Instagram; also in-store for existing co-ops) <b>(b) System for collecting and following up with interested people.</b> Store staff and/or volunteers are trained to collect and report names to coordinator or communicator <b>(c) Daily Monitoring Report (DMR) to evaluate calling progress (Appendix O)</b></p>	<p><b>Day 4:</b></p> <p><b>Begin calls, ideally with group calling party.</b> After 7–10 calls, stop and assess results &amp; feedback and determine any strategy adjustments. <b>Callers submit initial call results to coordinator,</b> who compiles and tracks overall outcomes via DMR. <b>Implement system for thank-you notes and acknowledgements</b> to reinforce verbal commitments/pledges.</p>	<p><b>Day 5:</b></p> <p><b>Calls continue.</b> Rigorously monitor progress through the DMR. <b>Carefully track distribution of Member Investment Packets</b> (see Appendix O) to those who request more info. Send out packets daily. <b>Begin large investor outreach.</b> <b>Get ready for roll out of matching challenges</b> (or other investment incentives) for week 2 and beyond.</p>	<p><b>Day 6:</b></p> <p><b>Calls continue.</b> Ongoing update and evaluation through DMR. <b>Hold second calling party and other team-building &amp; encouragement activities.</b> <b>Begin collection/closing process.</b> Follow up with all who have received disclosure materials and/or committed to investing. Goal: Collect on commitments ASAP, and within 30 days at the latest.</p>	<p><b>Day 7:</b></p> <p><b>Calls continue.</b> Assess progress via DMR: Are you at 35% of goal? <b>Draft second appeal letter</b> if campaign is slow or otherwise seems needed; circulate for review. 2nd letter (Appendix G) will focus on progress, thanks, emphasis on goal/timeline. <b>Work communications plan.</b> Continue group email every 2-3 days and daily social media updates. <b>Organize team meeting</b> (for day 11.)</p>
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## WEEK 2

<p><b>Day 8:</b></p> <p><b>Calls continue.</b> <b>Update and share results from DMR.</b> <b>Revise 2nd appeal letter.</b> Prepare for hand addressing &amp; mailing. <b>Evaluate progress of large investor campaign roll-out.</b></p>	<p><b>Day 9:</b></p> <p><b>Calls continue.</b> Calling party. <b>DMR update.</b> Evaluate caller performance to determine if people are on track to achieve goals; replace callers if needed. <b>Print 2nd appeal letter and prepare mailing.</b> <b>Continue working communications plan:</b> Announce weekly challenge, if any.</p>	<p><b>Day 10:</b></p> <p><b>Calls continue.</b> <b>DMR update.</b> <b>Mail 2nd letter.</b></p>	<p><b>Day 11:</b></p> <p><b>Calls continue.</b> <b>DMR update.</b> Are you at 35-50% of total goal? If not, reassess and refine strategy. <b>Team Meeting.</b> Check in on morale, celebrate progress, strategize for next phase, have fun! <b>Plan for Week 3 challenge / incentive.</b></p>	<p><b>Day 12:</b></p> <p><b>Calls continue.</b> Calling party. <b>DMR update.</b> <b>Large Investor campaign in full swing.</b></p>	<p><b>Day 13:</b></p> <p><b>Calls continue.</b> <b>DMR update.</b> <b>Email push to meet weekly challenge.</b></p>	<p><b>Day 14:</b></p> <p><b>Calls continue.</b> Calling party. <b>DMR update.</b> <b>Organize team meeting</b> (for day 18) <b>Work communications plan.</b> Group emails will increase frequency to daily over the coming week; daily social media updates on progress continue.</p>
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WEEK 3					
<b>Day 15:</b> Calls continue. DMR update.	<b>Day 16:</b> Calls continue. DMR update. Continue working communications plan: Announce weekly challenge, if any.	<b>Day 17:</b> Calls continue. Calling party. DMR update.	<b>Day 18:</b> Calls continue. DMR update. Are you at 50-65% of total goal? If not, reassess and refine strategy. <b>Team Meeting.</b> Check in on morale, celebrate progress, strategize for next phase, have fun <b>Plan for Week 4 challenge / incentive.</b>	<b>Day 19:</b> Calls continue. Calling party. DMR update. Begin actively closing large investor commitments.	<b>Day 20:</b> Calls continue. DMR update. Email push to meet weekly challenge.
<b>Day 21:</b> Calls continue. Calling party. DMR update. Organize team meeting (for day 25)					
WEEK 3					
<b>Day 22:</b> Calls continue. DMR update.	<b>Day 23:</b> Calls continue. DMR update.	<b>Day 24:</b> Calls continue. Calling party. DMR update.	<b>Day 25:</b> Calls continue. DMR update. Are you at 75% of total goal? If not, reassess and refine strategy. Consider two-week extension if necessary. <b>Team Meeting.</b> Check in on morale, celebrate progress, strategize for final phase, have fun! <b>Plan for final (?) week's challenge / incentive.</b>	<b>Day 26:</b> Calls continue. Calling party. DMR update. Final push for large investor commitments/closing.	<b>Day 27:</b> Calls continue. Calling party. DMR update. Will you meet goal by day 30? If you are close, plan for final push. If not, plan for two-week extension. <b>Work Communications Plan:</b> Emails to members should be daily by now and communicate urgency!
<b>Day 28:</b> Calls continue. Calling party. DMR update.					
WEEK 3					
<b>Day 29:</b> Calls continue. Calling party. DMR update.	<b>Day 30:</b> Calls continue. (Final?) Calling party. DMR update. If you made it: Celebrate and give thanks! If you are extending: Celebrate and keep going!	<b>And Beyond:</b> If you are extending: Continue calling, DMR evaluation, and large investor outreach as above, with special attention to incentives and messaging to motivate and incentivize people to act. Whether you reached goal or are extending: Work rigorously to close on all commitments. All commitments should be closed within two weeks of last calls.			





# Appendices

In the pages that follow you will find actual examples of letters, brochures, reports and forms used by a number of co-ops in successful member capital campaigns during recent years. As you read through these documents you will not only get ideas for your own campaign materials, but will learn quite a bit about the co-ops themselves.

These documents are freely shared with the expectation that you will modify and use them for your own capital campaigns. Although the contributing co-ops were careful to meet legal and ethical standards for their work, it is important that you have your documents reviewed by an attorney who is knowledgeable in retail cooperative law. Every state has different

statutes and your requirements may also be impacted by the way in which you incorporated. Neither Food Co-op Initiative nor the authors can take any responsibility for the suitability of this material for any specific co-op's situation.

The online version Workbook will be updated from time to time with new information and sample materials on the Food Co-op Initiative website, [www.foodcoopinitiative.coop](http://www.foodcoopinitiative.coop). Please let us know if there are additional templates and examples that would be helpful to you. We also welcome submissions of documents that your co-op has created when they can be used to demonstrate new ideas or better systems.

# Appendix A

## Initial Appeal Letter (annotated)

This sample campaign launch letter comes from a successful, established store about to embark on a large expansion involving a new location. Specific content will obviously be modified to fit your co-op but the essential principles remain the same, as outlined below:

### 1. Opening & Formatting:

- a. Use bold words and sentences judiciously and strategically to call the reader's eye to key content.
- b. Fit the letter to one page with 11–12pt font — even if you must sacrifice cherished eloquence to do so!
- c. Personalize the letter by using the owner's name in the greeting. While a big chore, a handwritten address label can mean the difference between the letter being opened and read right away, or being recycled without a second glance.

**2. Paragraph 1:** Lead off the letter with the big and exciting news that has precipitated the launch of the campaign. Grab your reader's attention!

**3. Paragraph 2:** Follow up with a reminder about the exciting benefits that the co-op will bring to that owner. For an existing co-op, that is often a message of “more of the things that you already love,” more parking, better access, etc. For a startup, it might be a revitalized downtown, a local gathering spot, and fresh and local foods for your family

- a. A flag that this is going to be an ask for members to invest (this doesn't count as one of your two big asks). This letter's initial ask is actually a little subtle; the request could even have been more plainly stated.

**4. Paragraph 3:** Storytelling about the journey to this point is always a great thing to share. For this existing store, it is a nod to history and how it has grown to this point. For a startup, it might be the work and membership growth since the co-op was just a first twinkle in someone's eye.

**5. Paragraph 4 (or earlier!):** This is the first direct ask for investment. It includes a definitive goal, a brief description of the investment options, perhaps a targeted average, and your anticipated range of investments, including a “stretch” figure (here, it is \$100,000). At minimum, you want to introduce the idea that there will be some very large investments. (A common mistake that co-ops make in their campaign messaging is to aim too low, and to not encourage owners to stretch.) You might also make a clear statement about the impact that will happen if this money is raised. You could be affirmative, or you might choose to have a statement that focuses on the conditionality: *“If we raise this money, then [good things] can happen . . .”* Provide any legal notice about the offering being limited to state residents, and **include contact instructions!**

**6. Paragraph 5:** Let people know what will happen next, which will typically be to expect a phone call. In a large, established co-op, the calling might only focus on 1000 or 2000 members who fit the “likely to invest” profile. In that case, you will send two versions of the letter: one to that group that promises a call, and another letter to the remaining owners that simply asks them to be in touch if they are ready to invest. A startup co-op should plan to call all members.

**7. Closing paragraph:** The closing paragraph (a) acknowledges that this goal and this project is a very big deal; (b) encourages everyone to take part; and (c) gives gratitude and thanks.

**8. Signature.** The letter should be signed by the GM and all board members, rather than simply the president. If you can, assemble everyone's signature in a .jpg file that you can attach to the letter. Otherwise, just list everyone's name. There are a number of reasons for this: (a) it conveys that the board is unified behind the campaign and the project; (b) it increases the chance that the reader will recognize at least one signer; and (c) it looks more credible and less “corporate.”

## SAMPLE LETTER — EXISTING CO-OP

**Greeting: Name recognition matters!** Use Mail/Merge to import individual names rather than a generic "Dear Member-Owner."

Dear [Name of Owner]

**Paragraph 1:** Share the big news!

September 15,  
20\_\_

**Paragraph 2:** "What's in it for me?" plus the first hint of an "ask."

**[New Location], here we come!** We are thrilled to take this next step in the goal of establishing a thriving co-op in every community that wants one. Our owners and neighbors in *[the new location]* have been asking for a store of their own for many years, and we're so excited to bring it to them.

**Paragraph 3:** A bit of story-telling

**Our [new location] store will be a larger version of the [existing location] store you love**, with more fresh produce, meat, cheese and deli; more parking (60 spaces!); and even an indoor eating area. **With your help**, our second store will quickly become a hub of *[the new community]*.

**[Our Co-op] is truly a grassroots success story.** Throughout our history, member-owners have invested in the co-op to help it grow. In 1970, our founders invested their time, passion and money to get their co-op off the ground. In 2000, owners invested \$500,000 to move the Co-op to *[current location]*. Since we opened that store, nearly 8,000 people have invested \$100 to become an owner of the co-op, and the combined investment of these owners financed our 2013 remodel.

Now we are asking you to invest in this opportunity to grow our co-op economy and serve more people than ever before. **We are seeking to raise \$1 million in loans and Preferred Shares in amounts from \$2,000 to \$100,000 by November 1<sup>st</sup>.** This money will help to leverage the support of banks and co-operative development agencies seeking to invest in our community. Investment opportunities in the *[Our Co-op]* are only available to member owners who are bona fide residents of *[our state]*. You can read more about the project and the investment program on our website, [www.ourcoop.coop/expansion](http://www.ourcoop.coop/expansion). **If you are a [our state] resident and are ready to invest in Preferred Shares or have questions, please email our Finance Manager, \_\_\_\_\_, at [campaign@ourcoop.coop](mailto:campaign@ourcoop.coop), or call the store at \_\_\_\_\_.**

**Paragraph 4:** The Big Ask! Include all the details, plus legal notice and contact info

**We will be calling you in the next 7 to 10 days to discuss our plans for the new store and the opportunity for you to put your money to work in our community.**

**Paragraph 5:** A head's up about what to expect next.

**Raising \$1 million by November 1<sup>st</sup>** will be a big challenge. It will take the energy and efforts of all of our owners to make this venture a success. We are truly grateful for the generosity and support of our community that has brought us this far, and look forward to taking this next leg of the journey with you!

Yours in cooperation,

GM and all board members should sign, if possible (digital signatures are ok!)

**Closing paragraph:** Acknowledge that it's a big stretch; express gratitude and optimism.

# Appendix B.1

## Campaign Brochure — existing co-op

Capital Campaign brochures are typically tri-folds so that they are easily printed and will fit into a standard business envelope. The capital campaign brochure should include:

- Design that is attractive and attention getting.
- Brief descriptions of both the project being financed and the capital campaign program.
- Contact information including phone, web address, email and contact name on the inside and outside of the brochure.
- Legal restrictions to participation.
- Other legal cautions or disclaimers that your lawyer may suggest.

### Side 1

**Owner Investment Program: Key Things to Know**

- This program is open only to fully paid owners of the Eastside Food Co-op who are also residents of Minnesota.
- All potential investors should read Eastside's Disclosure Statement for a complete description of the program, the expansion plan, and the risks in making an investment.
- Loans to the co-op are unsecured and subordinate to all other financing.
- Dividends cannot be paid on C-shares until Eastside has achieved sufficient profitability, which will be a number of years after expansion.
- Eastside does not project being able to redeem (or buy back) C-shares for a number of years. C-shares must be considered a long-term, non-liquid investment.

For more information and current updates, visit our expansion website at [cultivate.eastsidefood.coop](http://cultivate.eastsidefood.coop)

**THANK YOU FOR SUPPORTING EASTSIDE'S EXPANSION!**

**Our Vision & Values**

Eastside Food Co-op is at the forefront of a prosperous and fair cooperative economy. We provide access to healthy food, foster positive environmental impacts, *cultivate* a thriving community in our neighborhood, and educate members for a sustainable future.

2551 Central Avenue NE  
Minneapolis, MN 55418  
612-788-0950

[www.eastsidefood.coop](http://www.eastsidefood.coop)

**CULTIVATE YOUR CO-OP**

**Help Eastside GROW!**

*Invest today to cultivate Eastside's success for years to come!*



## Eastside Is Ready To Grow!

**MORE GREAT FOOD AND SERVICES, AND A STRONGER LOCAL ECONOMY — THAT'S GOODNESS WORTH CULTIVATING!**

- More **local, organic & fair trade** produce.
- A wider selection of **meat and seafood** — naturally raised and sustainable.
- A **full service kitchen** where our talented deli staff can *shine!*
- A **better shopping experience**, with wider aisles and more space for all — including more car and bike parking, thanks to our purchase of the neighboring lot!
- A **new addition along the front of the building**, with a spot to drink coffee, a sunlit community room, and an outdoor patio.
- A refurbished, cheerful exterior to bring **life and vibrancy to Central Avenue**.
- And an additional **20 livable wage jobs** in the neighborhood!

**THE EXPANSION WILL COST JUST OVER \$6 MILLION WITH \$1.5 MILLION NEEDED FROM CO-OP OWNERS. INVEST TODAY — MAKE IT HAPPEN!**

### CO-OP OWNERS ARE THE KEY TO EXPANSION!

Eastside is counting on its owners to invest \$1.5 million by early summer so the co-op can break ground this fall. Owners can invest in two ways:

#### ① C-shares

C-shares are nonvoting, preferred stock offering a dividend of 4% in future years. Minimum C-share investment is \$1,000.

#### ② Loans

Owners can make loans to Eastside for a term of 5 to 7 years, at an annual interest rate of 2%. Minimum loan amount is \$2,000.

**READY TO LEARN MORE?** Contact manager Amy Fields, amy@eastsidefood.coop, phone 612-843-5401, for a copy of our detailed Disclosure Statement.

# Appendix B.2

## Campaign Brochure – startup co-op

Capital Campaign brochures for startup co-ops are very similar to existing co-ops. As such they should include:

- Design that is attractive and attention getting.
- Brief descriptions of both the project being financed and the capital campaign program.
- Contact information including phone, web address, email and contact name on the inside and outside of the brochure.
- The amount of money to be raised.
- Legal restrictions to participation.
- Other legal cautions or disclaimers that your lawyer may suggest.

### Side 1

#### Member Loan Testimonials

“There are times in our lives when we have the opportunity to make a difference. For my family and I, one of those times occurred when we had the opportunity to provide a loan to the BisMan Community Food Coop. We recognize that our health is based on the food that we consume. The BisMan Food Coop will provide locally grown and raised healthy, nutrient dense, organic and all-natural foods; the kind of food that can lead to a healthier community. It was our pleasure to invest in our co-op and our community.”

-Gabe, Shelly, and Paul Brown

“I am a proud North Dakota Farmers Daughter who loves to support local. It is extremely important for me to know what is in my food and where it comes from. Food Co-ops make me feel alive, and that smell - healthy, earthy, green, vibrant! It is exciting to be part of the process to bridge that gap between producer and consumer. A Food Co-op in Bismarck-Mandan is long overdue and will have an incredible impact on our community and state.”

-Carmen Hoffner, BCFC Vice-Chair

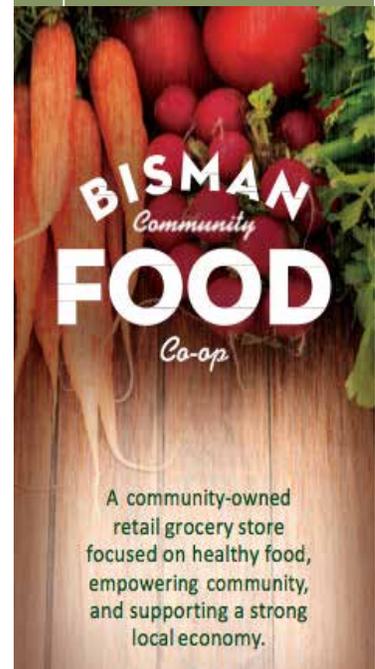


“I am very excited for this opportunity we have as a community to start a co-op. There is simply nothing more important we can do than to invest in the health of our families. Getting good quality food at grocery stores is becoming more and more difficult. As a community we now have the chance to invest in something that will provide an easy avenue to get local and organic food to our families. I could not be happier to make a member loan and promote the co-op here in Bismarck in any way I can. If you have not taken the time to invest or support the co-op please take the time to do so.”

**If you would like more information or would like a copy of our offering circular, please contact us: Heidi (701) 595-1263**

BisMan Community Food Co-op  
PO Box 22  
Bismarck, ND 58502  
bismanfoodcoop.com  
info@bismanfoodcoop.com

## Member Loan Campaign



Other considerations for startups:

- Member testimonials can build credibility.
- Design should not be too slick or out of character with the rest of the co-op's materials.

## Side 2

### The 7 Cooperative Principles

- 1) Open and Voluntary Membership
- 2) Democratic Member Control
- 3) Member Economic Participation
- 4) Autonomy and Independence
- 5) Education, Outreach, Training
- 6) Cooperation Among Cooperatives
- 7) Concern for Community

**Principle #3 defines the reason for this campaign. As a member-owner, you have a unique opportunity to invest further in your co-op.**



**Bisman Community Food Co-op Building Concept**  
March 2014



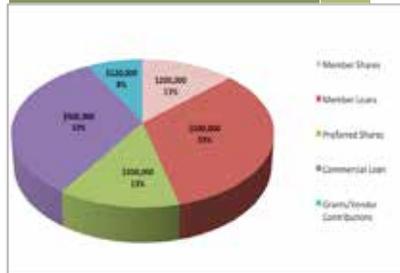
### Loan Terms, Considerations, and Conditions

The ability of member-owners to contribute to a project like this is part of the cooperative difference. Cooperatives have a unique ability to raise loan funds directly from member-owners and position the organization for success. BCFC has a goal of raising \$500,000 in funding from members. Each member will negotiate the specific terms of their loan to the co-op and will be issued a promissory note with a principal amount equal to the loan. Notes will contain the following terms:

- Interest on the loans will range from 0-4%
- Interest rates, once negotiated, will remain fixed for the length of the note.

- Loans will mature no sooner than four years and no later than 10 years.
- Interest will be calculated annually and will be paid, along with the principal, when the loan becomes due.
- Principal amount, interest rate, and maturity date will be chosen by each member-owner
- Our goal is to achieve an average loan of \$5,000, with a minimum loan of \$3,000, no maximum amount. We are confident there are 100 households out of our 630 members that could make a \$5,000 loan. Many start-up's have received loans of \$50k, \$100k, or more from one member!

### How the co-op is funded:



# Appendix C

## Owner Testimonials

One page with four or five testimonials is sufficient. They should include the person's name, and can also include their title or connection to the co-op and the community. Somewhere in the testimonial should be some variation on "I'm investing in the co-op" or "I'm loaning money to the co-op because..."

"I'm investing in the co-op because the premise that the co-op will not only offer fresh local food, but also impact our local economy on many levels is a concept that our community should support."

— Bob Smith, Owner, ABC Investments

"Our community has shown a strong desire for a downtown grocery store that will sell local and regionally grown, fresh and packaged products that also offers convenience to the downtown workforce and residents. It's all coming together now but everyone must understand that this is a partnership and to see our co-op open its doors they must be willing to invest in the project. That is why I'm loaning money to the co-op."

— Steve Jones, Economic Development Director, Our City

"My wife and I are excited to see a group of this size make a huge investment of both time and money to bring to our city a store that focuses on locally produced and sustainably sourced products. We wanted to invest to help drive its success."

— Don and Sally Stevens, Retired

"I loaned money to the Co-op because the idea of local, affordable, sustainable, healthy food is something that is important to me and my family. The opportunity to have access to all of this in our downtown is exciting and says a lot about how we envision the future of our community"

— Mary Roberts, Downtown Resident

# Appendix D

## Frequently Asked Questions

FAQs are for callers and other team members, and can also be adapted for publication on your website. For the callers it is helpful to group FAQs by subject matter: Co-op, Project, Investment. The FAQs shown below are samples that can be adapted. You must verify any statements with legal or other pertinent counsel.

### Frequently Asked Questions Owner Investment Campaign FAQ's

#### Questions Specific to the Investment Campaign

##### **1. Can the Co-op be financially successful?**

If you are interested in making a loan you will receive information containing financial information. We are willing to discuss them with you in detail. Statistics published in the Cooperative Grocer retail operations survey shows the financial performance of co-ops around the country has been extremely good.

##### **2. Can I make a loan now and still make another one later?**

Yes. For some households, temporary conditions limit their current lending ability. Arrangements can be made for a second loan in the future.

##### **3. What if I don't have cash immediately available?**

Some owners have made loans by moving money within their savings portfolios rather than taking it out of current spending. Others have used resources available through home equity lines of credit.

##### **4. Isn't my ownership enough? Why is an owner loan or preferred stock needed?**

The co-op needs start-up funds. Funds to start the store come from ownerships, owner loans, preferred stock, donations and outside loans. Owner loan programs and the sale of preferred stock are long-standing methods used by co-ops to raise money and community support

for their stores. They demonstrate the existence of a loyal customer base and reduce debt service making the business stronger.

##### **5. Legal Assurance.**

All of the legal documents have been reviewed by an attorney experienced in co-op law and we understand they are appropriate.

##### **6. What is the likelihood that loans will be repaid?**

Our business development consultant has experience with hundreds of co-ops across the country. His experience is that ninety percent of co-op loans are repaid on time and 95 to 98 percent of loans are repaid to the lenders

##### **7. Why is it necessary to have the terms of the loan be so far out?**

To be sure the Co-op is able to repay owner loans, the loans are scheduled to come due over 10 years.

#### General Co-op Questions

##### **8. What is a co-op?**

A co-op is a member owned and directed enterprise that operates for the mutual benefit of all owners and others in the community.

**9. How will you be able to compete with other area grocery stores?**

As a cooperative grocery we do not have to support a corporate office or stockholders demanding maximum return on investment. Our commitment is to our owners and we intend to provide fair pricing and a fair return on investments. [Our co-op name] will emphasize locally produced products to help stimulate local agriculture, eliminate the impact of long distance shipping and cycle money through the local economy. [Our co-op name] will emphasize naturally produced and organic products raised without the use of chemicals, genetic modification or antibiotics and with due consideration for impact on the environment to provide tastier, more nutritious products. We believe our co-op will be a good value in addition to having sound values.

**10. How will [your co-op name] be different from other grocery stores?**

[Your co-op name] is more than a grocery store: it is a community owned business that provides convenient access to fresh, local, organic and healthy food and products while also providing opportunities for education and continued learning. It will be a community hub and will drive increased investment and positive development in our community.

**11. Why do co-ops have ownership?**

Co-ops are built on ownership. Owners help make decisions about the Co-op. Owners also provide the start-up financial foundation of the business.

**12. Do you have to be an owner to shop at [your co-op name]?**

No. Everyone is welcome to shop and everyone is welcome to join. Anyone can shop at the Co-op but the Co-op needs owners to provide a financial foundation for the store.

**13. If everybody can shop at the Co-op why become an owner?**

Owners provide community support for the Co-op. Their investment in buying a share and their involvement make the Co-op possible. Also owners receive specific benefits — they vote for members of the board of directors of the Co-op and on other matters brought before the ownership. Owners will receive patronage refunds when the Co-op becomes profitable. They will receive owner-only discounts and owner-only newsletters.

**14. When and where will [your co-op name] be opening?**

We hope to open as early as [season and year] in [co-op location, if announced, or very general area].

**15. Can I work there? Will I have to work there?**

You will not have to work at the Co-op. Many volunteers are working on the Co-op now. When the store opens there will be additional volunteer opportunities.

**16. How many owners do you need?**

We have almost [###] owners of [our co-op name] and our goal is to reach [###+] owners before the store opens.

**17. What is the board of directors?**

The board of directors is responsible for legal and financial decisions that affect the Co-op. It is elected by the owners of the co-op.

**18. What has the Co-op done so far?**

Planning for [your co-op name] started in [season, year] when a small group began working to open a co-op in [city]. Since then many more volunteers have signed on, the ownership has grown and we have worked with several expert co-op consultants to provide guidance.

**19. What needs to be done next?**

Growing our ownership, [tasks specific to your co-op] preparing the site, hiring a general manager, and opening the store are still to come.

**20. How much does it cost to become an owner?**

[\$\$\$\$]. This amount purchases one voting share of [your co-op name]. It is not a subscription or a recurring fee. This share conveys ownership benefits to all members of the household.

**21. Is there a payment plan for ownerships?**

Yes. We encourage full payment upon becoming an owner since owners' capital is a major contribution to being able to open the Co-op. The Co-op will open only if the vast majority of owners pay in full when joining, however ability to pay for the ownership should not be a barrier. If payment in one lump sum isn't possible then payments may be made over a period of 1 year in payments of at least [\$\$].

**22. What constitutes a household?**

People living at the same address. They don't have to be related.

**23. Do single member households pay the same price for a share?**

Yes because when one joins a Co-op as an owner one is buying an equal portion of the business.

**24. Will each member of the household be able to vote when it comes to electing Directors or other Co-op business?**

There is one vote per share so only one vote will be allowed for each share of common stock purchased.

**25. If I move or just decide to quit the Co-op do I get my money back?**

A member's voting share is returned to the Co-op when ownership in the Co-op is terminated. The former member either receives additional non-voting shares in exchange or receives a refund of his or her original investment depending on the financial state of the Co-op. The board of directors determines the conditions under which either action is taken so that the remaining members' interests are protected and the former member is treated fairly.

**26. Can the Co-op be financially successful?**

We are very confident of this. With very realistic assumptions we show the potential of profit by the [####] year of operation. The intent is that the Co-op will have the ability to generate profit so that we can provide additional services to the membership and the community. Future decisions will determine how the funds are used. Some of these actions may include enhancement of the services offered in the store; expansion of the store; reduction of prices; increased refunds for members; increased wages or investment in community projects. The membership, through the board of directors, will make the decisions about these actions.

**27. If I buy a share and for some reason the Co-op doesn't open a store, do I get my money back?**

If the Co-op ever goes out of business its assets will be liquidated and funds will be used in the following order: liabilities will be paid and the remaining cash will be distributed to shareholders. It is unlikely that all of an owner's investment could be returned if the Co-op ceases operation before the store opens because some expenses will have been incurred and no income will have been received. We researched existing co-ops and built pro forma financial statements to confirm for ourselves and for potential members that a store can be opened and be successful. We have a high degree of confidence in the future of the Co-op and yet the investment has risk.

**28. Will the Co-op need money in addition to memberships?**

Yes. [your co-op name] will also conduct fund-raising, seek loans from members and borrow money from outside sources. Success in all of these depends on having sufficient memberships so they are the fundamental source of capital and the foundation of the Co-op.

**29. Will I be able to do all of my shopping at the Co-op?**

Many people will be able to do the majority or perhaps all of their grocery and related shopping at the Co-op. Our selection of products will be broad.

**30. Will [your co-op name] be non-profit?**

No. [your co-op name] is a for-profit business that operates as a cooperative. This type of business makes a profit but returns a portion back to its members as a patronage refund. Contributions to [your co-op name] are not tax deductible.

On the other hand, [your co-op name] will not be profit-driven. Some businesses exist to earn a profit for their owners. Cooperatives exist to provide a service to their owners. A well-run Co-op needs to be able to earn a modest profit. This profit allows the Co-op to invest in the growth of the business to better serve its member-owners, to invest in the community or to take other actions consistent with its mission. The board of directors working with all the member-owners determines these actions. Importantly, the ability of a Co-op to earn a profit for its members means that it doesn't take resources from the community in order to serve its member-owners but rather the Co-op generates economic and other value that is returned to the member-owners and the community.

**31. Most new businesses fail. Why will the Co-op be different?**

We have looked at the reasons business fail and have tried to anticipate them. For example, one of the most frequently cited reasons for small business failures is being under-capitalized. We propose to seek adequate start-up funds to carry the Co-op through its early period and to have flexibility to make adjustments to become successful. We are striving for a business that has sufficiently broad appeal that it will attract enough volume to be successful while at the same time we are mindful of the need to start small enough that we can raise adequate capital.

**32. Will you have paid staff?**

Yes, we are planning on having a full, professional staff.

**33. Will you have a peanut butter grinder [or other product] at the new store?**

The management team will be making the decisions about what to carry and your opinion and requests help them. I will take down your suggestion and keep it for the GM when he or she is hired. Any other comments you want to add?

**34. That is a lot of money to raise—why so much?**

There are a lot of expenses to opening a new grocery store from scratch. If you would like a more detailed breakdown, I would be glad to send you the investment packet which has some financial info in it.

**35. What is this money being used for?**

The money will be used for all the expenses required to build a new store. Design, legal, consulting, administrative, mailings/copying, new equipment, new inventory, staff, operating capital..... there is more info in the Investment Packet.

**36. What will the co-op do with my share money until you go ahead with the project?**

We are holding it in a separate account from our operational (day-to-day) funds. When we've reached [criteria for moving forward] we may begin to use the money to build our store.

**37. What happens if we don't raise enough?**

If we don't raise enough money we may not be able to build our new store. But we think we'll reach the goal if you will help!

**38. Do you think you will be able to raise this much money?**

Yes. Co-ops around the country have been raising money from their owners in order to expand or build new stores. We think our owners will be motivated to invest in order to get a wonderful, full-service grocery

store as well as earn a dividend. (a number of co-ops across the country that have raised \$1 million or more)

**39. I want to do something, but I don't have the minimum investment amount!**

There are a number of ways for you to participate:

- You already participate by being an owner and paying for your ownership share. If you have not paid your share in full, it is very helpful if you finish that during our capital campaign.
- Telling everyone you know that we need their help to get our new store financed would be a big help! Have them call or email the co-op for more information or if you'd like to give me their name and # I'll call them myself.
- Buy gift ownership shares for friends and family [if applicable].

Unfortunately, we have very little time to secure the financing and move forward, and if we lowered the minimum, it would take us much longer to raise the money.

**40. Are you using sustainable and green building practices?**

We intend to, as much as our local codes and budget will allow.

**41. Can't I donate?**

No, unfortunately we do not have a way to accept charitable donations.

OR

There are ways, with certain restrictions, for you to make charitable donations that will be used for the co-op to build its store. If you are interested in this I will pass your name and contact info on to [whoever is handling donations] to talk with you further about this.

**42. Do I have to take a packet, I don't want all that paper!**

Yes, we are legally required to give you the detailed information and risks involved in buying preferred shares.

**43. What happens to my investment if I die?**

Your investment is part of your estate and is treated like the rest of your assets. Consult with your financial advisors about it.

**44. What happens if I need the money back early?**

You should not expect to get the money back early. You can contact the board should you have an extreme circumstance, but share redemption is always at board discretion.

# Appendix E

## Investment Packet Cover Letter

The Investment Packet Cover Letter can be similar in format and appearance to the Appeal Letter but should be signed by either the campaign coordinator or the caller who spoke with this member. The goals of this letter are to show appreciation, provide guidance on filling out the paperwork, show the member who to contact if they have questions and exhort them to make the largest loan or investment they can.

Dear [Name of Owner, Handwritten]

September 21, 20\_\_

Thank you for requesting a Member Investment Packet! We are very pleased that you are considering making a [loan or investment] in our co-op. We can only achieve our goal of [opening our doors, building our new store] if we get strong financial support from our members.

In this packet you will find [list contents of packet, usually a loan or investment memorandum, promissory note or subscription agreement, this cover letter and a stamped, self-addressed envelope]. Please read the Memorandum carefully before filling out the rest of the materials.

When you are ready to proceed with your [loan or investment] please sign in the following places [list page #s where signatures are required] and fill out the [terms, amount, interest if applicable] on [list page #s] OR contact [campaign coordinator or collector name, phone and email] if you'd like assistance with the paperwork or have any questions.

Once we receive your paperwork we will [describe how you complete your process] and return the completed [promissory note, share certificate or whatever is applicable for your campaign] to you.

Our [new location] store will be a larger version of the [existing location] store you love, with more fresh produce, meat, cheese and deli; more parking (60 spaces!); and even an indoor eating area. With your help, our second store will quickly become a hub of [the new community].

In order for us to raise [goal] by [date] we need to achieve an average [loan or investment] of at least [average amount]. In order for us to reach this goal we will need some of our members to [loan or invest] more than this average. It will be a great help to our campaign and our co-op if you are able and willing to [loan or invest] more than the average.

Again, thank you so much for requesting a packet and supporting our co-op. We can do great things when we work together!

Yours in cooperation,

[Signature and name of campaign coordinator and caller]

# Appendix F

## Disclosure Statement

*The following Sample Disclosure Statement is provided for informational purposes only. Always seek legal counsel in preparing your co-op's disclosure statement or offering memorandum.*



**Eastside Food Co-op's Owner Investment Program:**

*Description of Offering, Financial Disclosure, and Statement of Risks*



**Eastside Food Cooperative  
2551 Central Avenue  
Minneapolis, MN 55418  
612-788-0950**

Revised: April 13, 2015

*CONFIDENTIAL: This Offering is intended only for the members of the Eastside Food Cooperative, and this Disclosure Statement may not be reproduced or redistributed except with the Co-op's express consent.*

## **NOTICE TO INVESTORS**

The contents of this Disclosure Statement and any prior or subsequent communications from or with Eastside Food Cooperative, (sometimes herein referred to as "Eastside Food Co-op" or "Eastside" or "the Co-op" or "we" or "us"), or any professional associated with us, are not legal or professional tax advice. You should consult your own counsel, accountant or business advisor as to legal, tax and other matters relating to the C-Share and D-Share and Owner Loan Offering.

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

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

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

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

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

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

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B: Promissory Note	

## INTRODUCTION

This document describes the Eastside Food Co-op's investment offering to owners who want to support the Co-op's 2015-16 expansion. The Co-op has undertaken a \$1.0 million capital campaign to support the \$6.8 million expansion, which will include a full redesign of the store, a 5,500 sf new addition, acquisition of the adjacent property to the south, many more products and services, and greater capacity to serve the Co-op's robust and ongoing growth in shoppers and sales. As of April 10, 2015, Eastside Food Co-op owners have invested \$780,000 toward the goal of \$1.0 million; the Co-op continues its offering until it reaches its goal. After the expansion, Eastside will fully occupy its building at 2551 Central Avenue, at long last extending its presence all the way to the street with an attractive new storefront. The new addition will include a coffee, juice and smoothie bar with customer seating, a community room, and offices for EFC staff. The acquisition of property to the south of the Co-op will allow for 60 parking spaces. An expanded Eastside will provide the community with access to more fresh, local and organic products, grow the market for sustainably produced food, and employ more people in the neighborhood. Ultimately, a successful expansion will allow the Co-op to better achieve its mission to be at the forefront of a prosperous and fair cooperative economy, and to cultivate a thriving community.

By supporting the expansion through direct investment, Eastside's member-owners are doing what all business owners must do: investing in their business so that it can grow and prosper. All potential investors need to understand, however, that there are risks involved in making an investment in the Co-op, which will carry a significant debt load for a number of years following expansion. A detailed description of these risks can be found at page 8. See also the condensed financial statements on pages 10-13.

A full description of this Offering can be found on page 5, but essentially it consists of two options:

- **Loans** — Owners can make an unsecured loan of **\$2,000 or more** to the Co-op, for a term of 5 to 7 years and at a simple interest rate of 2%.
- **C-shares** — Owners can purchase **2 or more** shares of Class C non-voting, preferred stock at \$500/share, earning a potential dividend of 4% in years when the Co-op has sufficient profits and declares a dividend.

The Co-op is offering two exceptions to the minimum investment levels:

- Co-op employees who are also owners may purchase a single C-share.
- Owners who are only able to invest \$500 can purchase five D-shares at \$100 per share. D-shares are also non-voting, preferred stock with a dividend rate of 2%; their terms are otherwise identical to C-shares.
- C- and D-shares must be viewed as patient, non-liquid investments, as any future payment of dividends or redemption depends on the Co-op's long-term financial performance.

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

## ABOUT THE EASTSIDE FOOD CO-OP

The Eastside Food Cooperative is a cooperative organized under Minnesota Statutes, Chapter 308A, and owned and governed by its member-owners. In 1996, our predecessor, the Northeast Community Cooperative, began working to establish a natural foods cooperative in Northeast Minneapolis. In March 1999, under the guidance of an entirely new board of directors, the organization changed its name to the Eastside Food Cooperative and resumed a community-wide effort to open the store that would become the first new food co-op in the Twin Cities in over 20 years.

Self-christened “The Little Co-op That Could,” Eastside opened for business on December 4, 2003, against considerable odds. Many doubted our ability to open a natural foods co-op in Northeast Minneapolis because of its demographic make-up, its relatively modest income levels, and the shopping patterns of its residents. The Co-op prevailed thanks to the perseverance of a core group of supporters, enthusiastic community support, and financial investment from many sources.

As part of its startup, the Co-op purchased its 11,400-square foot building on Central Avenue, a main commercial thoroughfare in Northeast Minneapolis. A former grocery store, the building was ideally suited to the Co-op’s needs, and included ample parking, existing tenants, and room for future expansion. The construction and build-out budget was just under \$2 million, which the Co-op funded in part through low-interest, long-term Neighborhood Revitalization Program (NRP) loans from the neighborhood associations of Audubon Park, Holland, Sheridan, Waite Park, and Windom Park. Other significant sources of funding included commercial loans, vendor credit, loans from owners and loans from other Twin Cities co-ops.

Eastside’s path to success was not without some challenges. In 2005, the Co-op realized that the business would face a projected cash flow deficit of unsustainable proportions by mid-2008 unless it found a way to better manage its then-sizable debt. The board and management undertook a comprehensive recapitalization campaign that included renegotiating the terms of its bank and neighborhood loans and developing the Co-op’s nonvoting, preferred stock program. Seventy original owners who made loans to the Co-op — many of whom first made their loans before the store ever opened — chose to reinvest by converting some or all of their loans to C-shares, and 50 co-op owners purchased C- and D-shares during this recapitalization initiative, for a total preferred share investment at Eastside Food Co-op of \$293,100. With this recapitalization a success and sales hitting double digit growth each year, the Co-op soon achieved financial stability, and became profitable for the first time in 2008. In 2011 it was able to pay its first annual dividends to the original C-shareholders, and in 2013 the Co-op made a patronage refund to all owners from its net income.

Now, 11 years after its opening, the Co-op has achieved the growth and financial ability to support expansion into its entire building, an addition to the south and west of the building, and the acquisition of property adjacent to the Co-op. The number of Eastside member households has grown from 750 to over 5,000. Sales have quadrupled over the last ten years, from \$2 million in 2004 to over \$8 million in 2014 and expected sales of \$8.5 million in 2015. The current footprint of the store, with its 4,150 square feet of retail sales space was designed to support up to \$5 million in sales. The expansion will allow the Co-op to better support its existing sales and position it for growth to meet the projected potential for over \$16.5 million in annual sales in our market area.

Sales growth and expansion are important for the Co-op to remain viable in a highly competitive marketplace, but they are not ends in and of themselves. Rather, growth will allow the Co-op to secure and expand its role as a

cooperatively owned and deeply community-oriented enterprise that sells sustainably produced goods; follows ethical business practices; offers a workplace that promotes fair and respectful relationships; and operates efficiently for the long-term benefit of employees, owners, and the community. The Co-op's business model is rooted in the International Cooperative Principles and is governed by its articles of incorporation and bylaws, both of which are available online at <http://www.eastsidefood.coop/content/articles-bylaws> or from the Co-op's offices at 2551 Central Avenue NE, Minneapolis, MN 55418.

## OVERVIEW OF PLANNED EXPANSION

At the end of 2011, with \$6 million in annual sales, looking at double-digit sales growth in 2012, the board and management at Eastside Food Co-op realized that it was time for expansion planning. In 2012, the board and management team learned their roles in expansion planning, and began to answer the questions raised in expansion feasibility: questions about internal readiness, market, financial and design feasibility. As part of this expansion planning work, Eastside hosted member-owner focus groups and conducted a Member Expansion Survey.

Eastside retained G2G Research to conduct a market study in June 2012. G2G Research is a Location Research Consulting firm founded by Debbie Suassuna in 2007 with the purpose of providing retailers, restaurants, banks, and real estate developers/brokers with accurate, reliable, and affordable site location analysis. The market study concluded that there is significantly more sales potential to be realized by Eastside, that the existing store's small size will hamper its ability to capture more of the available sales potential, and that the Co-op's current size makes it vulnerable to outside competition, all reasons to continue to plan for expansion. The focus groups illustrated that there was significant support and excitement around the concept of intentional and planned growth at Eastside Food Co-op. The member expansion survey showed overwhelming support for expansion, with a focus on fresh, local and organic foods. The responses we received guided us in our design criteria, as we made the decision that the first priority in expansion was an excellent customer experience, followed by efficiencies in product handling and amenities.

What will the expanded store look like? The existing 11,300 sf building will host an 8,000 sf retail sales floor, while the 5,500 sf expansion to the south and west of the current building will house stock and prep rooms, the staff break room, offices, a coffee/juice/smoothie bar, a seating area and a community room. With the acquisition of the property to the south, Eastside parking will expand from its current 37 spaces to 60. The design will:

- highlight the Co-op's role as an anchor business on Central Avenue, with two store-front entries on Central Avenue — one into the atrium between the coffee/juice/smoothie bar and grocery store, and another entrance directly into the community room;
- address the site challenges that include parking for customers and receiving deliveries;
- provide increased product selection throughout the store, with specific attention to a bigger deli, a seating area, more meat and seafood, and larger selections of bulk and wellness products;
- support more local farmers, vendors, and artisans, as our sales are projected to more than double from our current \$8 million annually;

- encourage growth in membership, neighborhood and community building, and fulfilling the cooperative principles of education and concern for community;
- and incorporate building improvements that would make our facility greener, with more efficient and well-insulated equipment, better/natural lighting, wall and/or ceiling insulation/cladding, and additional alternative energy options such as heat reclamation from our refrigeration system used to heat our hot water and storm-water management onsite.

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

■ Retail Square Feet	8,000 (up from 4,150)
■ Annual Sales (by year 10)	\$16 million
■ Annual Sales of local and regional products (by year 10)	\$6.4 million
■ Annual Wages and Benefits (by year 10)	\$3.9 million
■ Co-op member-owners (by year 10)	7,500 (a 63% increase)

## OFFERING DESCRIPTION AND TERMS

The purpose of this Offering is to raise \$1.0 million from Eastside's owners to help fund the overall expansion project cost of approximately \$6.8 million. The remaining funds are budgeted to come from the following sources (see Sources and Uses table on page 13):

- 4% from store operations,
- 13% from owner investment,
- 7% from subordinated outside capital (such as community and neighborhood loan funds),
- 76% from a commercial lender.

During the past year, the site plan and design have been approved by planning, zoning and the City Council, and the Co-op has bid both the construction and equipment contracts (see Sources and Uses table on page 13):

- \$3.3 million construction/remodeling/site work
- \$1.3 million new equipment

The project will not proceed unless it has been determined by the board that it meets the design, financial, and market feasibility goals established for the project, and that the Co-op has the capacity to successfully complete the expansion. If the project is not approved by the board, and a feasible expansion plan is not pursued, the member loans will be repaid according to the terms in the promissory notes. The C-Shares and D-Shares will be held or redeemed using the same criteria the board of directors would use had the expansion project been undertaken, that is, the board will evaluate the financial condition of the cooperative before making a decision to declare dividends or redeem stock.

Relying on owners to provide long-term, patient capital is part of what makes co-ops unique, and has been a critical part of almost every successful food co-op expansion in recent years, including several in the Twin Cities.

Eastside initiated this Offering in February of 2014 by redeeming existing C-Shares of \$292,500, and by requesting those C-Share holders to reinvest in Eastside's expansion. Seventy-three percent of Eastside members who had invested in Eastside's start-up reinvested their shares into Legacy C-Shares series totaling \$173,000. The Legacy series of C-shares bear a discretionary, non-cumulative dividend rate of 5% per annum. This additional percentage point recognizes the enduring nature of these original founding investors, some of whom have had their principal invested in the Co-op for nearly 15 years. Terms and conditions of Legacy series C-shares are otherwise identical to other C-Shares.

### **Eastside's owners can invest in the Co-op's expansion in two ways:**

1. By making an unsecured loan to Eastside of \$2,000 or more, for a period of 5-7 years, and at a simple interest rate of 2% per annum.
2. By purchasing 2 or more C-shares (2014 series) at \$500 each, bearing a discretionary, non-cumulative dividend rate of 4% per annum.

Both loans and C-shares are an important way to support the Co-op's expansion. For investors who anticipate that they will want their capital returned by a certain date, or who want a guaranteed interest rate, an owner loan

is a better choice. C-shares are more beneficial to the Co-op because it is not required to pay dividends or redeem shares at any particular time, and is not permitted to do so unless it can afford to, as determined by the board of directors. In recognition of this uncertainty, the dividend rate for C-shares is higher than the interest rate for loans.

C/D-share & Loan Comparison Chart			
Investment Type	Term	Interest/Dividends	Minimum Investment
<b>Owner Loans</b>	<b>5, 6 or 7 years</b>	<b>2% simple interest</b> <i>(payable when loan is due)</i>	<b>\$2,000 loan</b>
<b>New C-Shares</b> <i>(2014 series)</i>	Indeterminate <i>(could be 8-10 years or more)</i>	4% <i>(only if Co-op can afford and board authorizes; non-cumulative)</i>	\$1,000 (2 shares) <i>(Exception: Co-op employees may purchase a single share)</i>
<b>D-Shares</b> <i>(2014 series)</i>	Indeterminate <i>(could be 8-10 years or more)</i>	2% <i>(only paid if Co-op can afford to do so and board authorizes; non-cumulative)</i>	\$500 <i>(5 shares @ \$100 each)</i>

**C-shares and D-shares are preferred, non-voting stock.**

C-shares and D-shares are *preferred* stock, which means that if the Co-op were to dissolve or go bankrupt, they would be paid back before regular membership shares. (C-shares have priority over D-shares.) However, the Co-op’s lenders, including the bank, the neighborhoods, and our member lenders, would be paid back *before* C and D-shareholders. C-shares and D-shares are *non-voting*, which means that they do not include any right to cast additional votes on Co-op matters. Regardless of how many C-shares or D-shares you own, you still have only one vote.

For both the 2014 series and the Legacy series of C-shares for converted C-Shares, the Co-op is issuing shares in numbered blocks of \$50,000 to allow for orderly future redemption. This means that owners who purchase C-shares first will be in an earlier block.

**C-shares and D-shares earn dividends, but only in years that the Co-op can afford to pay them.**

The board has set a dividend rate of 4% for the 2014 series of C-shares and a rate of 2% for the 2014 series of D-shares. The Co-op will pay dividends only in years in which it can afford to do so. If dividends are not paid, they do not accumulate for payment at a later date.

**C-shares and D-shares can only be redeemed if authorized by the board of directors.**

These shares cannot be *redeemed* (that is, sold back to the Co-op by the shareholder) without the board of directors’ authorization. Under our articles of incorporation, the board cannot authorize the redemption of C-shares or D-shares unless the Co-op has sufficient capital reserves and working assets. Under current projections, the Co-op anticipates that redemption may begin in the year 2023. **However, actual performance may differ materially from these projections and there is no guarantee about redemption dates.** Once redemption begins, the Co-op will likely redeem C-shares in a “first in, first out” order, so that those who purchase shares first will be given the first opportunity to sell them back to the Co-op.

In short, there is no guarantee that investors will be able to sell their C-shares or D-shares back to the Co-op anytime soon, and they should be viewed as a long-term investment. These shares also cannot be sold to anyone other than the Co-op.

***Owner loans are unsecured and subordinate to other debt.***

Loans made by owners to the Co-op are not secured, and are subordinate to all secured debt financing, including neighborhood loans and bank loans. If the Co-op were to become bankrupt or dissolve, loans would be paid back after all other creditors, but before outstanding equity (A, B, C or D shares).

***Administrative Details***

Each year, the board determines whether a dividend is to be paid on C-shares and D-shares by the declaration date of October 15. If declared, dividends are paid on any stock held on the official record date of May 15 of that year. The board first declared dividends on the existing series of C-shares and D-shares in 2011.

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

## **DISCLOSURE OF RISKS**

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

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

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

**Risk of long-term minimal profitability.** The Co-op has consistently exceeded sales projections each year and has been profitable since 2009, but post-expansion financial projections anticipate that the Co-op will not be in a position to begin paying dividends on C- and D-shares until 2019. There is **no** guarantee that these projections will

be accurate, or that the Co-op will have sufficient profitability to allow the payment of dividends on C- or D-shares in any given year.

**Unsecured and Subordinate Position of Loans & Shares.** Owner loans to the Co-op are unsecured and subordinate to all other debt financing, and would be only paid after all secured debt, if at all, in the event that the Co-op were to dissolve. C- and D-shares are also unsecured and are subordinate to all debt financing, including owner loans, and would be even less likely to be redeemed in the event of dissolution.

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

**Competitive conditions.** The retail food industry is highly competitive, and many of the Co-op's competitors are owned by large, diversified food companies with far greater resources. At least one large supermarket chain has made preliminary efforts to open a store on Central Avenue within blocks of the Co-op in recent years. The 2006 openings of Lund's at University/Central and SuperTarget in Fridley as well as the 2010 reset of the Rainbow *Fresh* (now Cub Foods) and the 2011 Target grocery expansion in the Quarry Shopping Center all had temporary negative impacts on the Co-op's sales. All these conventional groceries are expanding their natural and organic offerings. The opening of Whole Foods at 1<sup>st</sup> and Washington on the northern edge of downtown in September of 2013 resulted in depressed sales in Eastside Food Co-op's fresh departments.

**Financing Risks.** Assuming that we obtain all of the sources of funds described in "Statement of Sources and Uses" (page 13), we believe that the proceeds of this offering will be sufficient to fund the Co-op's expansion plans and capital requirements. Although we expect to obtain the other financing described in the "Statement of Sources and Uses", we do not yet have any binding commitment for such loans and tax credits. The Co-op cannot assure members that such financing will be available to the Co-op on favorable terms or at all.

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

**Nonliquidity of shares and loans.** Owner loans and C-shares and D-shares cannot be transferred or sold to any party other than the Co-op. C-shares and D-shares cannot be redeemed until authorized by the board of directors. The board cannot call any shares for redemption until the Co-op has the financial capacity to do so, which includes achieving sufficient profitability, working capital, and reserves. The Co-op currently projects that it might be in a position to begin redeeming shares starting in 2023, although actual results may materially differ from those projections. Redemption is likely to occur over a period of several years, beginning with shareholders in the earliest \$50,000 blocks of 2014 and Legacy series of C-shares. The decision of whether and when to call shares for redemption is at the discretion of the board, and can only occur if and when the Co-op has sufficient funds to adequately finance the business.

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

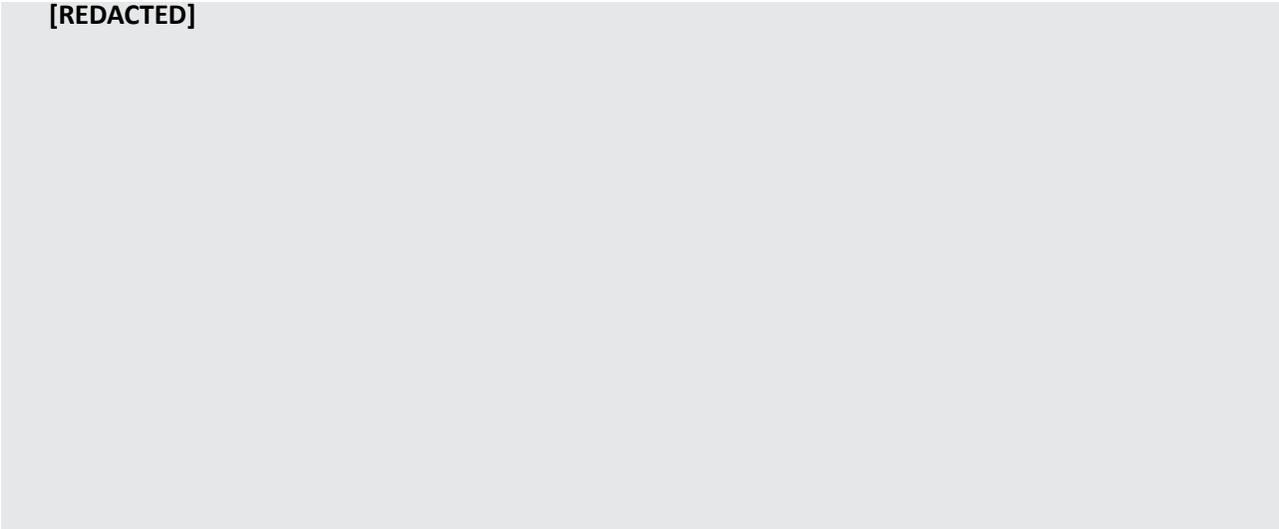
## CONDENSED FINANCIAL INFORMATION

*This condensed financial information provides a snapshot of the Co-op's current financial projections and is drawn from the Co-op's detailed pro formas, which are available at the store. While we have made every effort to base these projections on reasonable and prudent assumptions, there is no guarantee that they will prove to be accurate. We will gladly provide detailed financial statements to prospective investors upon request.*

*These financials reflect where Eastside Food Co-op is now, in FY2015, which will close on June 30, 2015, just days after our projected financing closing date. The project will occur in FY2016, (July 2015-June 2016). These projections reflect our current expectations for the year, our projections for the expansion year, and five years after expansion. The years in yellow-colored blocks are years where we have projected monthly operating statements based on department sales and labor. The years in purple-colored blocks are annual projections based on historical and comparative operating performance formulas.*

### **Balance Sheet — Assets**

[REDACTED]



**Balance Sheet — Liabilities and Equity**

[REDACTED]

[REDACTED]

**Income Statement with 5-year Projections**

## Sources & Uses for Expansion Project

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

SOURCES		
Cash from operations and fundraising	242,047	
City, County, State Grants	205,000	
New Owner Equity (Ownership/A Shares)	35,000	
Prefereed C&D Share Owner Investments	361,600	
Owner Loans	227,000	
Phase III Campaign - to be raised in May and June by EFC Owners	220,000	
<b>Owners Contribution</b>	<b>1,290,647</b>	<b>19.69%</b>
<b>Energy Efficiency Rebates</b>	<b>13,450</b>	
City 2%	75,000	
LISC Loan (Local Partner on 2% Loan)	175,000	
External, subordinated	263,450	4.02%
Self-Help Credit Union	5,000,000	76.29%
<b>Total Sources</b>	<b>6,554,097</b>	<b>100.00%</b>
USES		
	Total	
Improvements		
Acquisition of 2535 Central	425,000	6.48%
Total Construction Renovation Costs	3,489,156	53.24%
Total Equipment Costs	1,299,900	19.83%
Existing Debt (pay off all NE Bank/NCDF Loans)	299,304	4.57%
Total Fees	392,000	5.98%
Other Development Costs, incl. appraisal	20,000	0.31%
SAC/WAC	6,000	0.09%
Builders Risk Insurance	8,000	0.12%
Total Closing Costs	183,178	2.79%
Operating Reserve Account	300,000	4.58%
Debt Service Reserve	82,000	1.25%
Soft Cost Contingency	49,559	0.76%
<b>Total Uses</b>	<b>6,554,097</b>	<b>100.00%</b>

## CO-OP STRUCTURE AND MISSION

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

Eastside adheres to the Rochdale Cooperative Principles:

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

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

*EFC is at the forefront of a prosperous and fair cooperative economy. We provide access to healthy food, foster positive environmental impacts, cultivate a thriving community in our neighborhood, and educate members for a sustainable future.*

## KEY PERSONNEL

*Amy Fields* has been Eastside's General Manager since it opened. She has worked as a general manager in natural foods cooperatives for 18 years, and has worked in the co-op or non-profit sector for all of her professional life. Prior to coming to Eastside, Amy worked at The Community Mercantile in Lawrence, Kansas, where she launched the co-op's first major relocation and expansion. She subsequently led The Merc through a tenuous financial phase, which set the stage for an even larger expansion and relocation in 2000. Amy lives in the Holland neighborhood.

*Andy Guerdet, HR Manager.* Andy received his BA in Psychology and MA in Human Resources Industrial Relations from the University of Minnesota. Andy started his HR career in the corporate world as an HR Generalist with API in 2010 and worked for API for almost 4 years where he developed extensive knowledge of all facets of Human Resources. Seeking to work for an organization that provides a more positive impact on its surrounding community and environment, Andy decided to join Eastside as the Co-op's HR Manager in October 2014. Andy lives in the Windom Park neighborhood in Northeast Minneapolis.

*David Johnson, IT Coordinator.* David Johnson has been Eastside's IT Coordinator since spring 2009. After college,

David worked as a computer programmer for 7 years, then stayed home to raise two children. He started out as a volunteer at Eastside, taking over membership duties before the Co-op opened and gradually assumed more IT responsibilities. David lives in the Windom Park neighborhood.

*John Lacaria, Store Operations Manager.* John Lacaria was hired in the fall of 2013 to be Eastside's Store Operations Manager. He transitioned into this role from front end manager, the position John held at Eastside since the summer of 2010. He began his career in natural foods cooperatives as a cashier at The Wedge Cooperative in Minneapolis, MN in 2003. John was promoted to front end assistant manager in 2006. When he left The Wedge he served as a manager on duty, store trainer, safety coordinator, and front end assistant manager. John has extensive knowledge about supervising employees, hiring, training, and providing internal and external customer service. John lives in the Corcoran neighborhood with his wife and son.

*Priya Niskode-Backos, Branding Manager.* Priya received in Bachelor of Science degree in 2007 from Eastern Michigan University. Upon graduation, Priya accepted the Showroom Coordinator position at Long Kitchen & Bath Design, an upscale residential remodeling company. In 2012, she shifted her focus from design, advertising, and merchandising, and became the Marketing and Events Coordinator for the Executive Office of Thomas S. Monaghan. Monaghan, the founder of Domino's Pizza, mentored Priya as she sharpened her marketing, leadership, and project management skills. Priya moved to Minnesota and joined Eastside in 2015. She is currently an MBA student concentrating on Marketing at the University of St. Thomas. Priya resides in the Linden Hills neighborhood with her husband.

*Treshy Schaper, Financial Manager.* Treshy Schaper was hired at Eastside on November 30, 2003, and was cashiering on opening day. She started part time on the Front End as a Shift Leader and Cashier. Within four months Treshy was hired as the Bookkeeping Assistant, and has been full time since. Treshy left the Front End in 2008, and moved into Administration and Operations. Treshy is currently the Finance Manager, overseeing accounting functions and the Point of Sale system. Treshy lives in the Waite Park neighborhood with her husband and daughter.

## BOARD OF DIRECTORS

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

*Tom Dunnwald.* Tom Dunnwald joined the board in 2006, and finishes his third term on the board in October this year. He is a criminal and juvenile defense attorney practicing in state and federal courts. Tom, wife Sonja and daughter Clara live in Audubon Park; Clara is finishing her junior year at Edison. Tom has been involved in environmental and food issues since high school. He chaired the Clean Water Action board and has represented several citizen groups over the years in regulatory suits challenging environmental review and siting of large Confined Animal Feeding Operations (CAFOs). Tom serves on the Northeast Network and revived Owner Engagement Committees.

*Seth Erling.* Seth Erling lives in the Audubon Park neighborhood with his wife and two kids. Until the birth of his daughter 4 years ago, Seth was a chef with a focus on local food. Now his energies are focused on his family and baking bread part time at Aki's Bake Haus. In his spare time you are likely to find him working in the garden or

gathering eggs from the family chickens, while contemplating issues such as localizing the food system and community building.

*Lisa Filter.* Lisa Filter joined the board in November 2013. She has been involved in food co-ops since 2000 in various capacities: as a staff member, member-owner, working for a producer and being married to a truck driver who delivers to co-ops across the region. She holds a master's degree in natural resources science and management and currently works as the external relations director at Parks & Trails Council of Minnesota.

*George Fischer (past president).* George Fischer joined the board in 2009 in order to understand and contribute to the community in NE Minneapolis. He served as board president for three years, from 2010 to 2013, and is the chair of the Policy Governance committee until his second term on the board ends in 2015. He and his wife Kristin Boldon moved to the Audubon neighborhood in 2004, where they have been raising two sons mostly on locally sourced, sustainably grown food from Eastside Food Co-op.

*Marilyn Isaacson, board treasurer.* Marilyn Isaacson lives in the Waite Park neighborhood of Minneapolis. She has been involved in providing healthy food to low-income people in St. Paul for 5 years and is looking forward to extending this service to areas of Minneapolis. Marilyn taught elementary school in private international schools for over 20 years, studying the eating traditions of many cultures as she traveled. She also gathered materials to use in creating bead-weaving projects while traveling.

*Alicia Nesselhuf.* Alicia, her husband and son Louis, live in the Bottineau neighborhood for 5 years. Alicia began work at Eastside Food Co-op in the summer of 2013, and was elected to the board in October 2014. In her free time, she enjoys bike riding and cooking meals for her loved ones. Alicia is excited to part of the board that will guide the Co-op through its largest expansion project to date, bringing good food for the good people in our neighborhood.

*Manisha Nordine, board president.* In 2009 Manisha Nordine joined the board of directors because she was hungry for community involvement. This is her second term on the board and second year serving as board president. She is a writer and photographer. She lives with Dave and Niobe Raven in the Audubon neighborhood. All her families in India are farmers growing bananas and maize, and they have much better success than her own attempts at growing vegetables in the front yard. Manisha's doctoral dissertation about the role of Bob Marley's music in social movements was recently listed in the Rock and Roll Hall of Fame Library which affirmed her interest in community organizing and cooperative movements.

*Chris Pratt, board secretary.* Chris Pratt joined the board in 2010 and is currently in his second term. He has deep roots in Northeast Minneapolis where his great grandparents settled after emigrating from Sweden. During his high school years Chris moved with his parents to Scandia, Minnesota, where he tended animals on the family's hobby farm. Chris is a software application developer working for RBA consulting. He and his wife Marcia live in the Windom Park neighborhood with their two children who attend Edison High School.

*Mark Wilde, board vice president.* Mark has been on the board of the Eastside Food Coop for 4 years, and his second term ends in 2016. He serves as vice-president and also on the policy governance committee. Before moving a few years ago, Mark and his wife and step-son lived in the Windom Park neighborhood for 15 years. Mark is employed as a licensed marriage and family therapist, and is committed to working toward equal access to good food, jobs and physical and mental health care for everyone.

## EASTSIDE FOOD CO-OP'S CAPITAL STRUCTURE

Eastside Food Co-op's articles of incorporation, amended at a special membership meeting on Thursday, April 17, 2014, authorize up to \$4,000,000 in stock, divided into four classes:

- Class A stock of up to 150,000 shares with a par value of \$5.00 per share.
- Class B stock of up to 150,000 shares, with a par value of \$5.00 per share.
- Class C stock of up to 4,000 shares, with a par value of \$500.00 per share.
- Class D stock of up to 5,000 shares, with a par value of \$100.00 per share.

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

Class B Stock can be issued in lieu of patronage refunds, in exchange for Class A stock, or to organizations that are not otherwise eligible to be members. Class B stock is non-voting and is not eligible for dividends.

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

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

## IMPORTANT NOTICE TO INVESTORS

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

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

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

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

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

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

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

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

We urge you to read this Disclosure Statement carefully. We will give each prospective investor an opportunity to ask questions of persons authorized to act on behalf of the Co-op, and will provide any additional information that we can to verify the accuracy of the information in this Disclosure Statement. If you desire additional information or documents to verify or supplement the Disclosure Statement, please contact Amy Fields, General Manager, Eastside Food Cooperative, 2551 Central Avenue NE, Minneapolis, MN 55418, (612) 843-5401, [amy@eastsidefood.coop](mailto:amy@eastsidefood.coop). As part of any promissory note or Agreement to Purchase C- or D-shares, investors will be required to verify in writing that they were given the opportunity to obtain additional information.

## HOW TO PURCHASE C-SHARES or D-SHARES OR MAKE A LOAN

**Preferred Shares:** To purchase C-shares or D-shares, complete the Agreement to Purchase in Appendix A and return it, along with your check, to the Eastside Food Cooperative, Attn: Amy Fields, 2551 Central Avenue NE, Minneapolis, MN 55418. The Co-op reserves the right to reject any Agreement to Purchase for any reason, and to withdraw, cancel, or modify this offering at any time.

**Loans:** To make a loan to the Co-op, complete the Promissory Note in Appendix B and return it, along with your check for the principal of the loan, to the Eastside Food Co-op, Attn: Amy Fields, 2551 Central Avenue NE, Minneapolis, MN 55418. The Co-op reserves the right to reject any Promissory Note for any reason, and to withdraw, cancel, or modify this offering at any time.

**Thank you for your support!**

## AGREEMENT TO PURCHASE CLASS C AND CLASS D SHARES

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

I/we, \_\_\_\_\_ (“Purchaser”), Member # \_\_\_\_\_  
hereby agrees to purchase:

\_\_\_\_\_ **shares of 2014 Series Class C, preferred, nonvoting stock** in the Eastside Food Cooperative (“the Co-op”) at a price of \$500 per share (minimum purchase is 2 shares);

- AND/OR -

\_\_\_\_\_ **shares of 2014 Series Class D, preferred, nonvoting stock** in the Co-op at a price of \$100 per share (minimum purchase is 5 shares).

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

1. I have relied only on the information contained in the Disclosure Statement provided by the Eastside Food Cooperative in evaluating this offering.
2. I have had an opportunity to review any documents that I requested from the Co-op to verify the information contained in the Disclosure Statement.
3. I am a fully-paid member of the Eastside Food Cooperative and a resident of Minnesota.
4. I have the knowledge and experience to adequately evaluate this investment.
5. I realize that these shares are sold pursuant to an exemption from federal and state securities laws, and that they are not freely transferable.
6. I have examined the Co-op’s financial disclosures and realize that the Co-op does not project paying annual dividends on these shares until at least 2019, and that it could be later, and that dividends are not cumulative from year to year. I further understand that the Co-op does not project offering to redeem these shares until at least 2023, and that it could be later.
7. I understand that the decision to pay dividends or redeem shares is at the discretion of the board of directors, and is dependent upon the co-op achieving sufficient profitability and having adequate financial capacity, as determined by the board.
8. I understand that this investment is highly speculative and involves a substantial degree of risk, including, but not limited to, the risk factors identified in the accompanying Disclosure Statement.
9. I understand that if the Co-op were to fail, my investment would be lost.

REGISTRATION INFORMATION: (Please print)	
Name of Purchaser(s):	Purchaser #1:
	Purchaser #2:
Street Address (Mail notices and reports to):	
City/State/Zip Code:	
Telephone Number(s):	
Email Address(es):	
Social Security Number: <i>(Note that 1099-DIV will be issued under SSN of Purchaser #1.)</i>	Purchaser #1:
	Purchaser #2:
Tax I.D. (If applicable):	
# Shares Purchased:	_____ C-shares @ \$500 per share (2014 series) _____ D-shares @ \$100 per share (2014 series)
Amount of Funds Enclosed:	\$ _____

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

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

**SIGNATURES (All Purchasers must sign.):**

Purchaser #1: \_\_\_\_\_ Date: \_\_\_\_\_

Print name: \_\_\_\_\_

Purchaser #2: \_\_\_\_\_ Date: \_\_\_\_\_

Print name: \_\_\_\_\_

**Please mail this completed Agreement along with your check or money order to:** Eastside Food Cooperative, Attn: Member Investment Program, 2551 Central Avenue NE, Minneapolis, MN 55418.

**ACCEPTANCE BY COMPANY:**

Subscription accepted this \_\_\_\_\_ day of \_\_\_\_\_, 2014, by the Eastside Food Cooperative.

By \_\_\_\_\_

President, board of directors



**THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND HAS NOT BEEN REGISTERED UNDER ANY STATE SECURITIES LAWS. THIS IS AN UNSECURED LOAN THAT IS SUBORDINATED TO OTHER LENDERS. THIS NOTE MAY NOT BE ASSIGNED OR TRANSFERRED BY LENDER.**

## PROMISSORY NOTE

Loan Amount: \_\_\_\_\_  Loan term \_\_\_\_\_

*[Lender may select 5, 6, or 7 years from Loan Date]*

For value received, Eastside Food Cooperative, a Minnesota cooperative corporation ("Borrower") promises to pay \_\_\_\_\_ ("Lender"), a current owner of the Borrower (Member No. \_\_\_\_\_), whose address is: Street: \_\_\_\_\_

City: \_\_\_\_\_ ST: \_\_\_\_\_ ZIP \_\_\_\_\_, or his or her permitted successors or assigns, the principal sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) together with simple interest thereon at the rate of Two Percent (2%) per annum.

Interest from the date of the loan shall be calculated annually, and shall be paid to the lender in a lump sum on upon maturity of this Note on the date set forth above, together with the principal. There shall be no penalty for prepayment or early payment of this Note by the Borrower. All payments shall be made to the address of the Lender set forth above. It is the responsibility of the Lender to inform the Borrower of any change in address.

Lender understands that this is an unsecured loan and that there are other loans made to the Borrower that have a security interest in the assets of the Borrower and that are superior to the Note of the Lender. Lender understands that there are also unsecured creditors and other lenders to the Borrower that have interests which may be superior or equal to that of the Lender.

Borrower shall be in default if it fails to make prompt payment of any interest or principal due. Lender may proceed to enforce payment of the indebtedness and to exercise any or all rights afforded to Lender under the law.

Lender may at his or her discretion waive any of the terms and conditions of this Note, including the final maturity date of the Note without the Borrower completing an amendment to this Note. However, no waiver of one part of this Note shall operate as a waiver of any other term or condition of this Note or of the same part of this Note on a future occasion.

The rights and obligations of Borrower and Lender shall be binding upon and benefit the successors, permitted assigns and heirs of the parties. This Note shall be governed, construed and enforced in accordance with the laws of the State of Minnesota.

**Lender #1**

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

SSN: \_\_\_\_\_

Phone: \_\_\_\_\_

Dated: \_\_\_\_\_

E-mail: \_\_\_\_\_

**Lender #2 (If Joint)**

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

SSN: \_\_\_\_\_

Phone: \_\_\_\_\_

Dated: \_\_\_\_\_

E-mail: \_\_\_\_\_

**Eastside Food Cooperative**

By \_\_\_\_\_

Its \_\_\_\_\_

Dated: \_\_\_\_\_

Loan Date:

*Date when fully executed by both parties.* \_\_\_\_\_

Maturity Date: \_\_\_\_\_



# Appendix G

## Second Appeal Letter

The second appeal letter may be used to increase the pace of the campaign in the initial phase or to introduce an additional phase. It should be similar in design to the first appeal letter and to the other campaign materials. It should restate the overall goal, note the progress already made, note the ramifications of not achieving the campaign goal, have a clear call to action with contact info, and, saved to the very end and possibly in a P.S., some ways to support the co-op if the member is unable to loan or invest.



October 2014

Dear Eastside Owner:

In April, Eastside asked its owners to come together and make a \$1.5 million investment in their co-op and in their local community in support of an ambitious expansion plan. As you have surely heard by now, the expansion will bring all kinds of new features, services and products to the co-op, along with even greater vibrancy to our stretch of Central Avenue. **It will be a game changer for Northeast Minneapolis!**

In the first phase of the capital campaign, 164 people invested a total of \$550,000, with an average investment of \$3,400. Now, Eastside is asking its remaining 4,750 owners to step up and bring the campaign the rest of the way home by **November 23** by making a loan or purchasing shares, at a level that will push our average investment even higher.

This is a rare, not-to-be-missed opportunity to make a direct investment in a local business that brings tremendous benefit to our community. Seize it!

If Eastside can raise the remaining **\$950,000** by Thanksgiving, it can close on its bank financing, demolish the Love Lines building, and be ready to break ground in early spring. If we do not raise enough money, though, the expansion will be significantly delayed and cost even more due to rising construction costs, among many other factors.

And, saddest of all, it will be just that much longer before we can double our sales floor and enjoy a new coffee shop and juice bar right in the store, not to mention a full service meat counter, ample parking, and all the other great things **you want** and that expansion will bring.

Everybody has a part to play to make this expansion happen. As with all cooperative ventures, this is something that no one can do alone—but something that **we can absolutely do together**.

If you are able to make a loan or purchase C or D-shares, please do so today. To request your investment packet, just stop by the customer Service Desk or contact Eastside's general manager, Amy Fields (612-843-5401 or amy@eastsidefood.coop). You can also see the architectural renderings, hear from other EFC owners, and learn more about owner investment at cultivate.eastsidefood.coop. If you are not in a position to invest, you can still help! Buy a gift membership for someone else, help to spread the word about the expansion, cheer on the capital campaign in person and on social media, and, of course, keep shopping!

Thank you for helping to cultivate your co-op. We look forward to hearing from you soon.

Sincerely,



Manisha Nordine, Board President

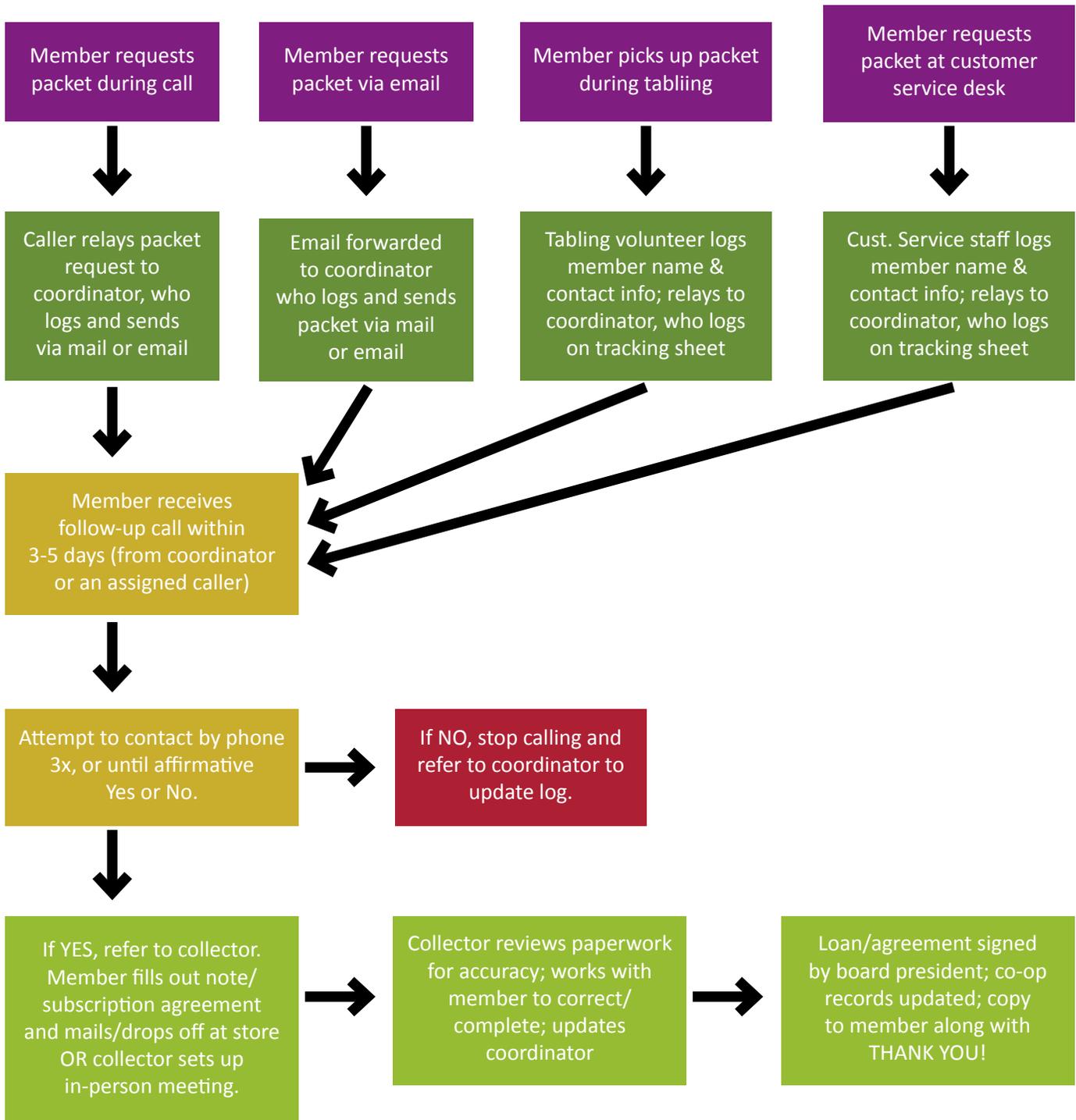


Amy Fields, General Manager

# Appendix H

## Campaign Process Flow Chart

Sample Campaign Process Flow Chart (for Prospective Member-Investors)



# Appendix I

## Capital Campaign Caller Script

*Note to Callers: No one expects you to follow this script to the word. Instead, it is designed to help you practice the flow of how these calls might go. Feel free mark it up with your own talking points and to personalize it with your own approach. Be sure to practice a few times before you actually get on the phone, to familiarize yourself with the content.*

**CALLER:** Hello, my name is \_\_\_ and I'm calling from the \_\_\_\_\_ Food Co-op. How are you tonight?

**OWNER:** I'm fine, how are you?

**CALLER:** Good, thanks! I'm part of a team of volunteers that's calling co-op owners about the [upcoming expansion/exciting news that we've found a home for our co-op], and the launch of our Member Investment Program to support the [expansion/opening of the store]. Is this a good time to talk?

### Option 1 of 2 (no time to talk):

**OWNER:** This isn't really a great time.

**CALLER:** When would be a good time to call back? It will probably just take about 5–10 minutes. [Thank the person and note a call-back time on your Call Tracking Sheet.]

### Option 2 of 2 (willing to talk):

**OWNER:** Sure.

**CALLER:** About a week ago you should have received a letter and a brochure about the Co-op's upcoming [expansion/location announcement] and our capital campaign. Do you have any questions about either the project or the Member Investment Program?

Answer questions from FAQ and other materials as best you can. If people have technical questions about the investment program, explain that we will send a detailed disclosure statement that will answer those questions, and offer to send it!

If you cannot answer their questions, promise to find the answers and get back to them. Preferably you will be able to do the follow-up, but otherwise the coordinator or another team member. Make a note of their question(s) on your calling record so that you do not forget what they wanted to know!

### The critical question:

**CALLER:** Have you decided yet whether you are going to make an investment?

Depending on the response, following one of three options outlined on the next page:

### Option 1 of 3: Strong Maybe or Yes

OWNER: We're thinking about it.

CALLER: That's great! The project can't happen without member investment, and it's really important to the long-term growth and success of the co-op. And the bank also needs to see that our members are behind the project with their financial support. So thank you for making an investment in support of your community!

Our goal is an average investment of \$\_\_\_\_\_. In order for us to meet that and make the [project/expansion] happen, we will need people to step forward with \$5,000, \$10,000, \$20,000 or even more. Do you think you could be one of those investors?

The range of large investment and the average may shift depending on your community, but they should be *aspirational*, and invite people to imagine really stretching.

This question seeds the idea that some people will be making larger investments. This can encourage people to go higher than the minimum, or their first instinct. Adjust the specific language to reflect what you can really stand behind, believe in, and convey effectively.

OWNER: [If the person identifies as a potential larger investor, mark down the amount. If they are not sure or don't want to say, that's fine — continue with script.]

CALLER: [Explain investment options briefly. Always direct people to the formal disclosure statement for details]

There are \_\_\_\_\_ ways to invest: a member loan or a C-share. Are you leaning toward one or the other? [Mark down owner's preferred form of investment]

[For preferred share:] As you probably know from the mailing, preferred shares are nonvoting, preferred stock and offer a \_\_\_% dividend, payable \_\_\_\_\_ [state basic terms of dividend payment.] There is a \$2,000 minimum investment for preferred shares. We are hoping to achieve an average investment of \$5,000.

[For loans:] As you probably know from the mailing, the co-op's loans offer a \_\_\_% annual interest rate and you can choose your own loan term of \_\_\_, \_\_\_, or \_\_\_ years. The minimum loan amount is \$2,000, and we are hoping to achieve an average loan size of \$5,000.

[For either, if they have not yet mentioned an amount:] Do you know how much you might like to invest?

### Option 1 of 2: Names a specific amount.

OWNER: Perhaps in the neighborhood of \$\_\_\_\_\_.

CALLER: That's great — thank you so much! [Write that amount on your call tracking sheet.]

## Option 2 of 2: Doesn't name an amount.

**OWNER:** I'm really not sure; I have to think about it.

**CALLER:** No problem — we really appreciate your interest in making an investment. I'd be happy to talk further if you have any questions about the options, once you've had a chance to think about it. [Put this person down as a likely prospect for making an investment at the minimum amount.]

**CALLER:** I really appreciate your taking the time to talk with me! The next step is for us to mail out a Member Investment Package with all the information you need, including a complete description of the program and important legal disclosures. It will also include the necessary forms for [making a loan / purchasing c-shares]. Once you complete the forms, you will \_\_\_\_\_ [describe how they should turn in paperwork.]

**CALLER:** [Closing question]: While we're on the phone, do you have any other questions that I could perhaps answer right now?

**OWNER:** [Ex: Will the co-op ever carry. . . ? ]

**CALLER:** [Answer as best you can; take notes on your call sheet. Be sure to relay message to appropriate person to respond to either investment or non-investment questions.]

**CALLER:** We really appreciate your support! You should get your investment packet in a few days, and someone will call to follow up to see if you have any questions. Thank you so much for your time, and for supporting the co-op!

## Option 2: Not Sure / Lukewarm

**OWNER:** I'm not sure about this and would like time to think about it and talk with my spouse.

**CALLER:** I understand. Of course, the project can't happen without owner investment, but we certainly understand that people may need some time to think about. [This would be a good time to explain why you are choosing to make an investment, or your personal reasons for supporting the co-op by volunteering for the campaign.]

How about if we mail out an investment package for you to review and talk over, and then touch base to see if you have follow up questions?

[If the person's interest picks up at this point, consider transitioning to some of the questions and information about investment options in Option 1 — Strong Maybe or yes.]

**CALLER:** [Closing question]: While we're on the phone, do you have any other questions that I could perhaps answer right now, whether about the investment program or anything else?

**OWNER:** [Ex: Will the co-op ever carry. . . ? ]

**CALLER:** [Answer as best you can; take notes on your call sheet. Be sure to relay message to appropriate person to respond to either investment or non-investment questions.]

**CALLER:** We really appreciate your support! You should get your investment packet in a few days, and someone will call to follow up to see if you have any questions. Thank you so much for your time, and for supporting the co-op!

### Option 3: No / Not able to invest.

**OWNER:** I'm sorry, we would very much like to support the expansion, but our financial situation will not allow for that that at this time.

**CALLER:** No need to apologize! We realize that not everyone will be in a position to invest and that is perfectly all right. Another great way to support the co-op is to shop [when it opens / now and after the expansion]! And tell your friends to shop, join and invest. Thank you so much for your time!

### IF NO ONE ANSWERS: A Sample Voice Mail Message:

If you receive voice mail, leave a brief message:

Hello, my name is \_\_\_ and I'm calling from the \_\_\_\_\_ Food Co-op to follow up on a letter and brochure you should have received about the co-op's [upcoming expansion/site for our store] and our Member Investment Program. We are reaching out to co-op members to find out if they have any questions about the investment program, and whether they need to know more in order to make a decision about investing. Please give a call back to \_\_\_\_\_, [phone number], to discuss. Thank you!

- Mark your call sheet that you've left a message.
- Check call updates to see if there was a call-back from this member. If none within 3 days, call again (but do not leave another message).
- If the person is not reached by the final stretch of the campaign (week 4 or beyond), leave second voice mail.

# Appendix J

## Strategies and Tips for Callers

The overall strategy for callers is to build familiarity and confidence in the co-op and campaign, overcome objections, and ask for the member's financial participation.

### Tips

- Pick the message that resonates most with you when talking to owners.
- Politely present the information and leave it up to them to decide.
- Look for windows of opportunity to connect with the reasons they bring up and affirm those.
- Do not force anything. It does not do the co-op good to strong-arm or guilt anyone into these investments.
- Be positive and cheerful.
- Wait patiently for answers.
- Try not to interrupt.
- Use your best manners, but don't be too formal. Thank yous, pleases and I'm sorrys go a long way.
- Ask direct questions, but do not push, e.g., "Have you considered investing?" "May I call you back later after you have had time to think about it?"
- Give them a next step to digest before you contact them again, e.g., the packet or to have a discussion with their family. Set up a time to call them back.
- Plead some ignorance. You are not a financial adviser. Feel free to find answers to their questions, but don't take responsibility for their decision.
- Imagine yourself in their shoes.
- Affirm their reasons on why they are considering buying shares.
- If they seem to be asking a lot of business-related questions, refer them to the campaign coordinator, GM or whoever has been designated to address those questions in your campaign.
- Feel free to trade calls if you have someone's name you are not comfortable with.
- End your session on a positive call — in other words, if you have a call that doesn't feel good, make a couple more calls until you have a positive one to end on.

### Some useful phrases

- "These [loans/investments] come with risk, but we think this is good-risk money."
- "I can't wait to shop at the [post-project] store."
- "So much work has been done to prepare for [project], we are excited to get this part done and move forward!"
- "We need to secure our owner financing in order to move ahead with the rest of the financing."
- "The minimum investment is \$\_\_\_\_\_ and we are looking for an average share purchase of about \$\_\_\_\_\_."

- “We are looking for share purchases that range from \$1,000 to 20,000 and higher. Many of our loans will be less than \$5,000 but we also need some to be much higher to meet our average investment goal.”
- “Let me update you on what we are working on right now (where we are at, etc)”
- “Here is what we still need from our owners (could update them on the number of goals met within each category)”
- “If we stay at our average we only need x more people, do you think you can be one of those people?”

### Difficult calls/Upset people

- Try to remember all the good/neutral interactions when dealing with the more difficult ones.
- Truly try and empathize with them if they are upset. Some people just don’t like change.
- Listen. Apologize. Understand. Rarely is there room for debate, don’t argue with them.
- Use a calm voice.
- Ask if they would like to have someone else follow up with them: GM or the Board President.

### What not to say

- Don’t promise anything.
- Don’t say their money is not at risk.
- Don’t lead them to believe that they could get their money back should anything happen like a job loss, etc.

### Helpful abbreviations and notes to use

- tt=talked to
- cb=call back
- lvm=left voicemail (or left msg)
- always write down the name of who you spoke to: man or woman and pronunciation key are helpful
- write down dates of when they are out of town, best times to call
- use highlighting tools for yes, no, follow up, etc

# Appendix K

## Sample Follow-up Emails from Callers

Caller performance is enhanced by sending an email after every voicemail message and phone conversation. These can be pre-written and quickly personalized after each call.

### Email after voicemail

Subject: Co-op capital campaign call follow-up

#### **Body:**

Dear [member name],

I called you to discuss [co-op's name] capital campaign which is going on right now through [end date]. I'm sorry I didn't get a chance to talk with you directly but it is very important that we hear from all members, whether they [loan/invest] or not.

Feel free to email me back or call me at [phone #]. If you are ready to [loan/invest], please contact [complete contact info for collector or coordinator].

Thank you for supporting the co-op! I hope to hear from you soon!

Cooperatively,

[name]

### Email after conversation

Subject: Thanks for your time to talk about the co-op capital campaign!

#### **Body:**

Dear [member name],

Thanks so much for your time on the phone today. [If they agreed to take a packet and/or make a loan/investment] You will be receiving your packet shortly. Please read it carefully and let me know if you have any questions. I so appreciate your support of the co-op and our capital campaign!

If you have questions about the paperwork, the campaign or the co-op please feel free to contact [complete contact info for collector or coordinator].

Thank you for supporting the co-op! I hope we hear from you soon!

Cooperatively,

[name]

# Appendix L

## Follow-up Form

These forms can be paper or electronic and can be adapted or recreated in any way that works for your campaign. The goal is to have a simple and effective method to ensure all follow-up actions are carefully tracked and completed.

Owner Investment Campaign Calls — Follow-up Form		
Owner Name:	Owner #:	Date: Caller:
Follow-up Requested: <input type="checkbox"/> Send Packet <input type="checkbox"/> Address/Info Change <input type="checkbox"/> Call Requested	NOTES:	
Rec'd by: _____ Date: _____		

# Appendix M

## Sample Capital Campaign Budget

Capital campaign budgets vary, especially between startups with limited funds and established co-ops with many resources, and potentially staff time, that can be devoted. Plan for a campaign budget of 5% to 10% of the total being raised. Smaller campaigns may have a budget on the higher end of the percentage because costs such as printing and postage will be similar regardless of the size of the campaign. An example of a budget for a \$1,500,000 campaign is shown below:

Capital Campaign Budget				
		qty		
Consulting	\$15,000.00		\$15,000.00	Ongoing campaign consulting
Events	\$7,500.00		\$7,500.00	Kickoff, informational, success celebration
In-store Merchandising	\$4,000.00		\$4,000.00	Design and production
Legal	\$12,000.00		\$12,000.00	
Postage				
Appeal Letters	\$0.49	3000	\$1470.00	qty varies - 2nd letter may be needed
Packets	\$1.20	750	\$900.00	
Printing	\$0.10	15000	\$1,500.00	
Design & Promotion	\$10,000.00		\$10,000.00	Brochures, social media updates, small events, posters etc.
Staff Time	\$6,000.00		\$6,000.00	
Volunteer Recognition	\$1,000.00		\$1,000.00	
Misc/Overrun Allocation			\$10,000.00	
		<b>TOTAL</b>	<b>\$69,370.00</b>	

# Appendix N

## Sample Summary of Investment Options & Terms

The summary of options and terms is typically contained in the Disclosure Statement. It may also be helpful to include the summary in the caller's packet for quick reference.

### OFFERING DESCRIPTION AND TERMS

The purpose of this Offering is to raise \$1.0 million from Eastside's owners to help fund the overall expansion project cost of approximately \$6.8 million. The remaining funds are budgeted to come from the following sources (see Sources and Uses table on page 13):

- 4% from store operations,
- 13% from owner investment,
- 7% from subordinated outside capital (such as community and neighborhood loan funds),
- 76% from a commercial lender.

During the past year, the site plan and design have been approved by planning, zoning and the City Council, and the Co-op has bid both the construction and equipment contracts (see Sources and Uses table on page 13):

- \$3.3 million construction/remodeling/site work
- \$1.3 million new equipment

The project will not proceed unless it has been determined by the board that it meets the design, financial, and market feasibility goals established for the project, and that the Co-op has the capacity to successfully complete the expansion. If the project is not approved by the board, and a feasible expansion plan is not pursued, the member loans will be repaid according to the terms in the promissory notes. The C-Shares and D-Shares will be held or redeemed using the same criteria the board of directors would use had the expansion project been undertaken, that is, the board will evaluate the financial condition of the cooperative before making a decision to declare dividends or redeem stock.

Relying on owners to provide long-term, patient capital is part of what makes co-ops unique, and has been a critical part of almost every successful food co-op expansion in recent years, including several in the Twin Cities.

Eastside initiated this Offering in February of 2014 by redeeming existing C-Shares of \$292,500, and by requesting those C-Share holders to reinvest in Eastside's expansion. Seventy-three percent of Eastside members who had invested in Eastside's start-up reinvested their shares into Legacy C-Shares series totaling \$173,000. The Legacy series of C-shares bear a discretionary, non-cumulative dividend rate of 5% per annum. This additional percentage point recognizes the enduring nature of these original founding investors, some of whom have had their principal invested in the Co-op for nearly 15 years. Terms and conditions of Legacy series C-shares are otherwise identical to other C-Shares.

**Eastside’s owners can invest in the Co-op’s expansion in two ways:**

- (1) By making an unsecured loan to Eastside of \$2,000 or more, for a period of 5-7 years, and at a simple interest rate of 2% per annum.
- (2) By purchasing 2 or more C-shares (2014 series) at \$500 each, bearing a discretionary, non-cumulative dividend rate of 4% per annum.

Both loans and C-shares are an important way to support the Co-op’s expansion. For investors who anticipate that they will want their capital returned by a certain date, or who want a guaranteed interest rate, an owner loan is a better choice. C-shares are more beneficial to the Co-op because it is not required to pay dividends or redeem shares at any particular time, and is not permitted to do so unless it can afford to, as determined by the board of directors. In recognition of this uncertainty, the dividend rate for C-shares is higher than the interest rate for loans.

C/D-share & Loan Comparison Chart			
Investment Type	Term	Interest/Dividends	Minimum Investment
<b>Owner Loans</b>	<b>5, 6 or 7 years</b>	<b>2% simple interest</b> <i>(payable when loan is due)</i>	<b>\$2,000 loan</b>
<b>New C-Shares</b> <i>(2014 series)</i>	Indeterminate <i>(could be 8-10 years or more)</i>	4% <i>(only if Co-op can afford and board authorizes; non-cumulative)</i>	\$1,000 (2 shares) <i>(Exception: Co-op employees may purchase a single share)</i>
<b>D-Shares</b> <i>(2014 series)</i>	Indeterminate <i>(could be 8-10 years or more)</i>	2% <i>(only paid if Co-op can afford to do so and board authorizes; non-cumulative)</i>	\$500 <i>(5 shares @ \$100 each)</i>

**C-shares and D-shares are preferred, non-voting stock.**

C-shares and D-shares are preferred stock, which means that if the Co-op were to dissolve or go bankrupt, they would be paid back before regular membership shares. (C-shares have priority over D-shares.) However, the Co-op’s lenders, including the bank, the neighborhoods, and our member lenders, would be paid back before C and D-shareholders. C-shares and D-shares are non-voting, which means that they do not include any right to cast additional votes on Co-op matters. Regardless of how many C-shares or D-shares you own, you still have only one vote.

For both the 2014 series and the Legacy series of C-shares for converted C-Shares, the Co-op is issuing shares in numbered blocks of \$50,000 to allow for orderly future redemption. This means that owners who purchase C-shares first will be in an earlier block.

**C-shares and D-shares earn dividends, but only in years that the Co-op can afford to pay them.**

The board has set a dividend rate of 4% for the 2014 series of C-shares and a rate of 2% for the 2014 series of D-shares. The Co-op will pay dividends only in years in which it can afford to do so. If dividends are not paid, they do not accumulate for payment at a later date.

## **C-shares and D-shares can only be redeemed if authorized by the board of directors.**

These shares cannot be redeemed (that is, sold back to the Co-op by the shareholder) without the board of directors' authorization. Under our articles of incorporation, the board cannot authorize the redemption of C-shares or D-shares unless the Co-op has sufficient capital reserves and working assets. Under current projections, the Co-op anticipates that redemption may begin in the year 2023. *However, actual performance may differ materially from these projections and there is no guarantee about redemption dates.* Once redemption begins, the Co-op will likely redeem C-shares in a "first in, first out" order, so that those who purchase shares first will be given the first opportunity to sell them back to the Co-op.

In short, there is no guarantee that investors will be able to sell their C-shares or D-shares back to the Co-op anytime soon, and they should be viewed as a long-term investment. These shares also cannot be sold to anyone other than the Co-op.

## **Owner loans are unsecured and subordinate to other debt.**

Loans made by owners to the Co-op are not secured, and are subordinate to all secured debt financing, including neighborhood loans and bank loans. If the Co-op were to become bankrupt or dissolve, loans would be paid back after all other creditors, but before outstanding equity (A, B, C or D shares).

## **Administrative Details**

Each year, the board determines whether a dividend is to be paid on C-shares and D-shares by the declaration date of October 15. If declared, dividends are paid on any stock held on the official record date of May 15 of that year. The board first declared dividends on the existing series of C-shares and D-shares in 2011.

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

# Appendix O

## Caller Tracking Sheet

Callers use the Call Tracking Sheet to record the outcome of every call, and the coordinator uses them to gauge caller performance. They can be simple spreadsheets as shown, on-line spreadsheets or forms that populate a larger web-based data gathering system. Call tracking is a task that many co-ops struggle with. Experience has shown that a simple sheet with limited functionality that requires more human effort may be more effective than attempting to create a more complex system with more automated functions.

Caller Name Bob Stevens

Owner #	Owner Name	Owner Phone #	Owner Address	Other Names in Household	Date of call	Time of call	Yes	Strong	Maybe	No	Busy/NA	Bad #	Left Msg	Notes	Email Sent	Thank You Note Sent	\$Commitment	Interest Rate	Date Packet Sent	Date 3 <sup>rd</sup> Paperwork Rcvd	Add Notes
12024	Erent Steerhman				9/19/2012	22:30:00				X				small full	19-Sep		\$0				
12025	Lisa Pavel				9/19/2012	22:30:00	X							Held phone call follow up. Good discussion. Will be sending a packet. not able to loan	19-Sep		\$0		9/19/12		
12026	Laura Black				10/2/2012	19:24:00			X						3-Oct		\$0				
12027	Andy Galena				10/2/2012	19:32:00	X								3-Oct		\$2,000		10/2/12		
12028	Matt Fast				10/3/2012	16:15:00								# disconnected	3-Oct		\$0				
					10/4/2012	16:50:00	X							found correct #	4-Oct		\$3,000		10/4/12		
12029	Anna Levina				10/3/2012	17:00:00								Unable to invest, just recently out of college			\$0				
12030	Nick Jones				10/3/2012	17:41:00								Nick needs to talk to his parents and see if they are willing to make an investment in the co-op. I asked if the \$3000 range would be workable.			\$0		10/3/12		
					10/3/2012	18:45:00	X							Needs to know if the invests and moves out-of-state in a few months, will the co-op have to return the investment?	3-Oct		\$3,000	3% @ 5 years	10/3/12	10-Oct	
12031	Matthew Smith				10/3/2012	19:54:00									3-Oct		\$0				
12032	Susan Stevens				10/5/2012	20:12:00						X			3-Oct		\$0				
12033	Pat Green				10/3/2012	16:40:00							X	second call not sure but will talk to spouse	3-Oct		\$0		10/3/15		
12034	Marcia Lamohler																				
12035	Lois Kaufman																				
12036	Amy Roland																				
12037	Gail Martin																				
12038	Karen Urpe																				
12039	Kess (Carolyn)																				
12040	Bill Brown																				
12041	Mary Sanchez																				
12042	Jeff Bartley																				
12043	Mary Eugene																				
12044	Rita Stover																				
12045	Rita Weaver																				
12046	Kathy Evans																				
12047	Susie Kravan																				
12048	Trish White																				
12049	Michael- Leonard																				
12050	Jim Friedman																				
12051	Denk Elgard																				
12052	Anna Estem																				
12053	Cheryl North																				
12054	Nancy alive																				

Points Y S M N  
 3 1 1  
 Points per 10 conversations 4

Total Commit months \$8,000  
 Total Packets Sent 6

# Appendix P

## Sample Campaign Progress Tracking Sheet

Overall progress must be tracked and reported quickly and frequently throughout the campaign. The sample tracking sheet shown below tracks overall financial progress, target vs. actual for each potential loan amount, total # of investments, average loan size, total loans by term and percentages of owners loaning. These are the essential data points to track and by which campaign progress can be assessed and communicated. If your campaign is soliciting loans and preferred shares you will want a table like this for each vehicle.

Member Investments as of \_\_\_\_\_

Investments						Loan Amount	\$		
Phase 1		Phase 2		TOTAL			Phase 1	Phase 2	TOTAL
Target	Actual	Target	Actual	Target	Actual				
1	0	1	1	2	1	\$ 50,000.00	\$ -	\$ 50,000	\$ 50,000
2	0	1	1	3	1	\$ 20,000	\$ -	\$ 20,000	\$ 20,000
3	2	2	1	5	3	\$ 10,000	\$ 20,000	\$ 10,000	\$ 30,000
6	2	3	2	9	4	\$ 7,000	\$ 14,000	\$ 14,000	\$ 28,000
8	8	3	2	11	10	\$ 5,000	\$ 40,000	\$ 10,000	\$ 50,000
11	15	5	5	16	20	\$ 3,000	\$ 45,000	\$ 15,000	\$ 60,000
15	34	13	10	28	44	\$ 2,000	\$ 68,000	\$ 20,000	\$ 88,000
40	60	25	18	65	78	\$ 1,000	\$ 60,000	\$ 18,000	\$ 78,000
85	121	52	39	137	160	Total	\$ 247,000	\$ 157,000	\$ 404,000

Total Investments	160	Grand Total Committed	\$404,000
Average loan	\$2,525	Total Collected	\$312,500
Response Rate	23% to 31%		

1000	Members
5	Yes - Made a commitment, the check, note or both haven't been received
155	Yes - Commitment is fulfilled - check and note received
<b>160</b>	<b>Total Yes</b>
2	Strong Maybe
10	Maybe
364	No - declined
<b>696</b>	<b>Total Owners talked to</b>
304	No report - Hasn't been called, busy, no answer, or waiting for response to message

Total Loans by Term	
5 years	\$ 62,000
6 years	\$ 48,000
7 years	\$ 53,000
8 years	\$ 49,000
9 years	\$ 39,000
10 years	\$ 55,000
unspecified	\$ 98,000
	<b>\$ 404,000</b>

"Yes" responses:      23% Of Owners talked to  
                                  16% Of total Ownership

# Appendix Q

## Caller Performance Tracking Sheet

The sample sheet below can be culled from data contained in the previous sheets. It should be used to determine whether callers are making calls diligently, are achieving the desired rates of “Yes,” “Strong” and “Maybe”, are maintaining or raising the average investment size and are performing the follow-up work of sending thank-you’s, emails and packets.

Caller Name	Response				Total Owners Talked To	Total Calls Placed	Total Points	Points per 10 Calls	Notes	Email Sent	Thank You Notes Sent	Total \$s	Average \$s	Packets Sent
	Yes	Strong	Maybe	No										
Phil	9	4	2	16	31	58	11.50	3.7		55	9	\$42,000	\$4,666.67	
Bob	10	2	4	42	58	95	12.00	2.1		21	2	\$36,000	\$3,600.00	
Sunshine	3	6	4	28	41	60	7.00	1.7		60	3	\$9,500	\$3,166.67	
Ed	13	5	4	33	55	78	16.50	3.0		74	13	\$62,000	\$4,769.23	
Clara	12	2	8	20	42	65	15.00	3.6		22	4	\$39,000	\$3,250.00	
MaryJo	1	3	2	9	15	23	3.00	2.0		23	1	\$3,000	\$3,000.00	
Suzi	22	14	4	32	72	103	30.00	4.2		103	22	\$144,000	\$6,545.45	
<b>Totals</b>	<b>70</b>	<b>36</b>	<b>28</b>	<b>180</b>	<b>314</b>	<b>482</b>	<b>95</b>	<b>3.0</b>		<b>358</b>	<b>54</b>	<b>\$335,500</b>	<b>\$4,792.86</b>	



# Appendix R Detailed Campaign Timeline

A Timeline is essential to ensuring all parts of your campaign are planned and implemented at the proper time. You will most likely have smaller individual timelines for some of the sub-activities of your campaign.

Sample MEMBER INVESTMENT CAMPAIGN TIMELINE & WORK PLAN <small>Note: MC = Member Investment Campaign</small>	Kickoff - 2 Month				Kickoff - 1 Month				Kickoff - 1 Month				Kickoff - 2 Month			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Who is responsible?	Completed															
<b>Planning</b>																
Establish MC team roles	X															
Develop MC goals chart		X														
Develop MC Loan Terms		X														
Develop MC Brochure		X														
Get Board approval of MC documents		X														
Send documents to attorney					X											
Receive reviewed documents from attorney					X											
Update website with MC information					X											
Ask Board, key stakeholders to invest					X											
Complete pre-construction of at least 10% - 25% of total goal					X											
Get bulk of all materials to printer (may be adjusted for printer's schedule)					X											
Public announcement about title, rendering, funds raised to date					X											
Recruit MC team members		X														
Establish regular MC team meeting schedule		X														
Schedule training program for callers					X											
Create process for handling incoming investments					X											
Plan Large Investor Campaign and develop list for targeting loans above \$10,000					X											
Develop Communication Plan including appeal letters, email updates, facebook					X											
Create internal documents: FAQs, talking points, call lists etc.					X											
Develop monitoring and tracking system for calls, stop inquiries					X											
Establish call schedule					X											
Establish launch date					X											
Establish schedule of events					X											
Recruit volunteers to help with events					X	X	X	X								
<b>Implementation</b>																
Mail out appeal letter to members									X							
Publish MC press copy									X							
Make special contact with large E amount lenders									X	X	X	X	X			
Hold treatment team meetings									X	X	X	X	X	X		
Monitor progress daily									X	X	X	X	X	X		
Adjust calling lists and schedule to maximize results									X	X	X	X	X	X		
Assess need for additional meetings									X	X	X	X	X	X		
Digitize program on website									X	X	X	X	X	X		
Customize, preliminary rules									X	X	X	X	X	X		
Celebrate!									X	X	X	X	X	X	X	X

ALL



# Appendix T

## Campaign Email Updates

Regular communication to co-op members is essential to building momentum. Brief emails that give the latest stats on the campaign help build interest. These should be similar in appearance to other emails your co-op may regularly send but should not have any content other than the campaign update. These can be pre-written and have the most current data inserted just before sending. They should be upbeat and should include a summary of the progress in the subject line.

### Sample 1

**Subject:** Co-op capital campaign at \$500,000 – 50%! Help us push it further!

**Body:**

**TODAY \$500,000**

**May 14 \$329,000**

April 29 \$149,000

April 20 \$5,000

We are so excited and thankful to see our numbers growing like this. If you've already made your investment, THANK YOU! If not, please consider making an investment right away so our next update will be even better! To get your packet, please [complete contact info including email address, phone # and name]

Thank you and we look forward to hearing from you soon!

[campaign coordinator signature]

### Sample 2

**Subject:** Co-op capital campaign at \$500,000 – halfway there with a \$5,500 average!

**Body:**

Dear Co-op Member,

We just kicked off our campaign a few weeks ago and we have already had 91 friends and neighbors invest an average of \$5,500 to bring us over our halfway mark! If you are one of those who have already invested, thank you!

If you haven't already invested, please consider investing \$10,000, \$20,000 or even more so our total and our average can continue to grow!

To get your packet, please [complete contact info including email address, phone # and name]

Thank you for supporting the co-op! I hope we hear from you soon!

[campaign coordinator signature]

# Appendix U

## Cooperative Definition, Values and Principles

### Definition

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

### Values

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

### Principles

The co-operative principles are guidelines by which co-operatives put their values into practice.

#### **1. Voluntary and Open Membership**

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

#### **2. Democratic Member Control**

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

#### **3. Member Economic Participation**

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a

condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

#### **4. Autonomy and Independence**

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

#### **5. Education, Training and Information**

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public — particularly young people and opinion leaders — about the nature and benefits of co-operation.

#### **6. Co-operation among Co-operatives**

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

#### **7. Concern for Community**

Co-operatives work for the sustainable development of their communities through policies approved by their members.

# APPENDIX V

## CASE STUDY: Eastside Food Co-op Owner Investment Campaign



The Eastside Food Co-op in Minneapolis, MN, conducted an Owner Investment Campaign over a 15-month period from 2014 to 2015, in support of a major expansion into its 12,000SF building. The campaign, which required three separate phases to achieve its goal, demonstrates how perseverance, patience, and creative financing can all play a vital role in cultivating owner capital.

EFC, which opened in 2003, had grown to over \$8M per year in annual sales by 2014, while still operating from its original 4,100 SF retail sales floor. Expansion planning began in 2011 and stretched over three years. The initial plan envisioned a \$5M project entirely within the footprint of EFC's existing building, but in March of 2014, just prior to the launch of the capital campaign, EFC had the opportunity to acquire two adjacent parcels of land. The board and management had been evaluating this option as a strategic initiative for at least a year, and were prepared to make an offer when approached. The property purchase allowed for a greatly improved store design, including an addition to the building and expanded parking, but also raised the project price tag to \$6.8M, and required an increase in the owner capital contribution from \$1M to \$1.5M. The co-op's leadership knew this would be an enormous stretch for Northeast Minneapolis, which is traditionally a working and middle class community of modest means.

Another complicating factor was the need to address the outstanding \$293,100 in nonvoting, preferred stock held by EFC's original owner-investors, many

of whom had been invested since before the 2003 startup. Prior to launching the formal campaign, the GM and board members reached out by mail and phone to all 118 of these owner-investors, offering to redeem their shares, but also inviting them to reinvest in a Legacy series of preferred stock at a slightly higher dividend rate of 5%. The co-op had hoped 60% of its owner-investors would choose to re-invest but exceeded that goal, with 70% of the original investors rolling their shares over to the new Legacy series, and investing an additional \$131,500 to boot. This allowed Eastside to launch its capital campaign with \$304,500 already committed from its original owner-investors, with full confidence that its longtime supporters were on board with expansion.

### Phase 1 – April–June, 2014.

EFC formed "Team Equity" to lead the campaign, which included its GM Amy Fields, several EFC staff and board members, and a CDS CC campaign consultant. Late in the first phase, EFC also hired a campaign coordinator.

- EFC chose to offer three investment options:
  - (1) loans of 5-7 years at 2% interest, with a minimum of \$2,000;
  - (2) C-shares, a form of nonvoting, preferred stock providing a 4% dividend in years when EFC can afford to pay it, and requiring a \$1000 minimum investment; and
  - (3) D-shares, also a class of nonvoting preferred stock with a 2% potential dividend, and a \$500 minimum investment.

- Working with a local marketing and design firm, EFC developed a logo and theme for the campaign, “Cultivate your Co-op.”
- The firm designed a brochure that EFC mailed to all MN residents of EFC (appendix B.1) along with a campaign launch letter.
- The firm also designed an expansion webpage that featured information about the project and the offering, as well as owner testimonial and other video shorts (viewable at [www.cultivate.eastsidefood.coop](http://www.cultivate.eastsidefood.coop)).
- EFC held a special membership meeting to approve an amendment to its articles to increase the amount authorized stock, which was well attended and an energetic kickoff to the campaign.
- A small group of staff and volunteers made targeted calls to 1200 “top shoppers” and other likely investors as identified by staff and board.
- Board members and other volunteers engaged in some weekend tabling outside the co-op, and also held several one-hour info sessions with the GM.
- Mid-campaign, EFC sent a follow-up postcard to all owners reminding them of the June 30 deadline.
- Late in the campaign, EFC contracted with a campaign coordinator to take the lead in phone calls and to follow-up with prospective investors identified through the above activities.

- At the end of Phase 1, EFC had a total of 234 investors who invested a total of \$540,000 toward the expansion project (including founding investors) — still far short of the \$1.5M goal.

From July to September 2014, Team Equity reflected on lessons learned and planned for a second phase. Key insights included that the GM did not have sufficient capacity to serve as campaign coordinator, that the campaign would benefit from more frequent and energetic email communication, and that the board of directors needed to be very visible in the campaign through tabling and calling. During this period, EFC kept its owners engaged in the expansion through an interim email campaign, including an “Expando-Quiz” that invited people to answer questions about the expansion for a chance to win gift cards and other prizes. Meanwhile, members of Team Equity made careful plans to update the brochure and web page, to produce new owner testimonial videos, to have a robust social media strategy, and to plan dynamic themes and challenges during select weeks during Phase 2.

### **Phase II – October–November, 2014**

EFC launched a second phase of its campaign in October 2014.

- Outreach included phone calling to an additional 1000 owners, a second appeal letter to all co-op owners eligible to invest, and regular emails.



- EFC also embarked on a series of focused themed weeks to build energy during the campaign, and three successful “matching fund” weeks.
- By November 23, 2014, EFC had raised total owner capital of \$740,000. Team Equity and the co-op’s leadership worked hard not to be too dispirited, and to recognize that \$740,000 was a great result for this community given its modest wealth, and that the expansion plans had met with near-universal positive response.
- Additional investments over the next few months brought the total to \$780,000 of EFC’s \$1.5M goal,

### **May–November, 2014 – Large Investor Campaign**

Throughout the first two phases of the campaign, a small group led by the campaign coordinator, the GM, and EFC’s board president quietly reached out to a targeted list of identified potential large investors, consisting primarily of community members whose civic service and/or high net worth make them possible candidates for a larger investment. EFC made substantive contact with around 20 on the original list of approximately 80 people. Several made small loans or share purchases, but none came forward with a large investment.

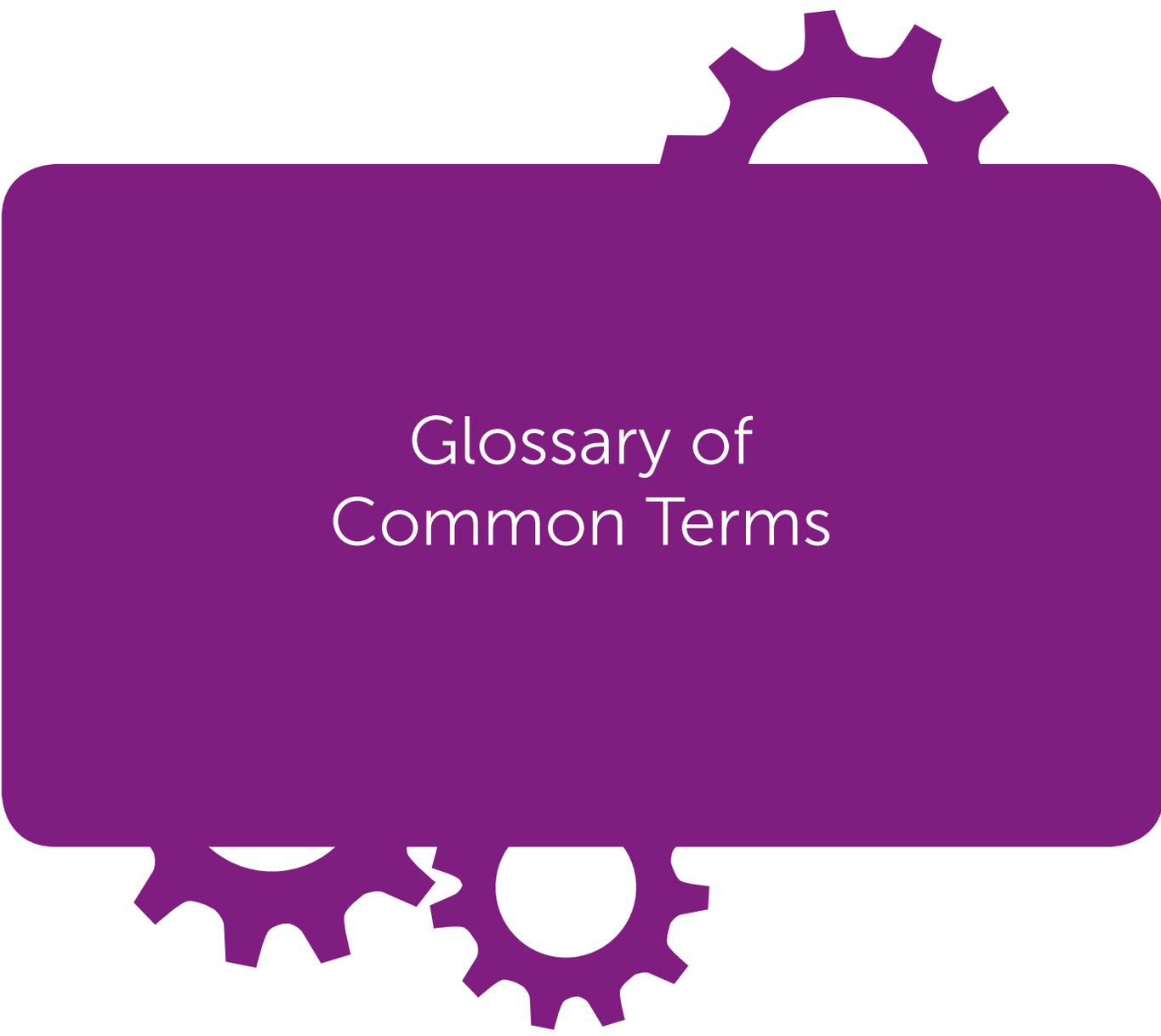
Meanwhile, throughout the second half of 2014 and into early 2015, GM Amy Fields had been diligently pursuing a complex deal that included New Markets Tax Credit financing, among several other sources. In early 2015, it began to look like a NMTC deal would come together to fund the majority of EFC’s expansion. As a result, the required owner contribution decreased to \$1M, even though the size of the project remained the same. By spring 2015, with the NMTC financing falling into place, it became clear that EFC would need to raise another \$220K by June 30 in order to close on its financing and launch construction sufficiently in advance of a Minnesota winter. Thus, Team Equity prepared for one last concentrated, six-week effort to convince owners to invest.

### **Phase III – April-June, 2015**

In this final phase of the campaign, Team Equity refined and built upon strategies from earlier phases, and undertook a concentrated push with urgent messaging around the hard June 30 deadline. Some notable features of this phase:

- Email messaging was short, dynamic, and frequent, with regular updates on progress.
- The campaign benefited from the addition of EFC’s new brand manager, who was able to help with both social media and in-store promotions.
- The co-op called every person who had received an investment packet during the earlier phases but had not yet invested.
- Regular in-store tabling continued throughout phase 3.
- The campaign featured a matching challenge during nearly every week of the six-week campaign, including a collective \$10,000 match from a group of local businesses one week, and a \$35,000 match from other food co-ops.

A series of successes in meeting the weekly matches built a sense of energy and momentum, and on June 28, 2015, EFC finally reached a total of \$1,001,000 in owner investment. In the ensuing months, additional owner investments trickled in, leading to a final tally of \$1,038,100 in investment from 310 owners, as well as an additional \$21,000 in donations and “round up at the register” efforts. The project broke ground in July 2014, and as of this writing was on track for a mid-2016 completion.

A decorative graphic featuring a central purple rounded rectangle. Above and below the rectangle are stylized purple gears. The top gear is partially obscured by the top edge of the rectangle. The bottom gear is partially obscured by the bottom edge of the rectangle. The text "Glossary of Common Terms" is centered within the purple rectangle in a white, sans-serif font.

# Glossary of Common Terms

**Accredited investor.** An investor who meets certain criteria under federal securities law to qualify as financially sophisticated and able to bear the economic risk of investing in unregistered securities. For a natural person, this includes anyone who has earned income in excess of \$200,000 (\$300,00 joint income with spouse) for the last two years and reasonably expects that income to continue in the current year OR who has net individual or marital worth of over \$1 million (excluding primary residence). A non-profit or for-profit entity may qualify as an accredited investor if it has assets in excess of \$5 million.

**Disclosure statement, also known as an investment prospectus or offering memorandum.** A document that describes a financial security or investment offering for potential buyers to help them evaluate the risk and potential return, and which includes a description of the offering, the company's business and financial condition, biographies of its directors and key personnel, any ongoing litigation, and any other material factors impacting risk.

**First position debt, also known as Senior Debt.** The highest priority debt in the case of default, which receives payment ahead of all other debts and lien holders.

**Member loans.** Loans made by members to the co-op that are typically *unsecured* and *subordinate* to other outside financing. Loans are documented through completion of a promissory note, and generally pay modest interest and have a predetermined, mid- to long-term maturity date.

**Patient Capital.** Long-term capital that is invested with no expectation of immediate returns. Patient capital often seeks both social and financial returns, and so may have a higher tolerance for risk and exposure and a willingness to accept less than market rate returns in exchange for greater social impact.

**Securities.** A certificate or other financial instrument that has monetary value, and includes the right to receive future benefits (such as interest or dividends), and/or can increase or decrease in value, under a set of stated conditions. Bonds and notes are considered *debt securities*, while common and preferred stock are considered *equity securities*.

**Subordinate debt, also known as junior debt.** Debt which ranks after other debts if a company falls into liquidation or bankruptcy, and that is repaid only after all higher ranking debt is paid. In a food co-op, member loans are typically subordinate to all other outside debt.

**Unsecured debt.** An obligation or other debt that does not have any specific property (such as land, building, or equipment) serving as collateral for payment of the debt.





**FOOD CO-OP  
INITIATIVE**

**New co-ops start here.**

## Our Mission

FCI aims to increase the number, success and sustainability of new food cooperatives delivering access to healthy food in diverse communities across this country. It provides information, training and technical assistance, as well as seed capital, and engages in research to blaze, maintain and improve the development path for new food coops.

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