



# Investing in Cooperatives:

Market Assessment & Opportunities for RSF Social Finance

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RSF Social Finance is a financial services organization dedicated to transforming the way the world works with money. RSF offers investing, lending, and giving services that generate positive social and environmental impact while fostering community and collaboration among participants. Our growing community of clients is furthering the work of social entrepreneurs in the fields of Food & Agriculture, Education & the Arts, and Ecological Stewardship. Building the field of social finance through community-based economic practices and a productive ecosystem of social finance partners is part of our work toward a human centered culture of finance. Since 1984, RSF has made over \$275 million in loans and over \$100 million in grants to non-profit and for-profit social enterprises.

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## About the Project

Working with Kate Danaher, we identified RSF's key research interests – opportunities for investing in cooperatives aligned with RSF's focus areas (primarily food and farm-based businesses), an understanding of the current financing activity in this space, and whether there was a need for additional capital that RSF could fill. We conducted a market scan to collect background info on this sector, and wrote up short descriptions of co-ops and other organizations in this space that may be of interest to RSF. Informed by this background, we created a list of contacts to interview and designed a set of interview questions with Kate's feedback. We interviewed 20 people from co-op businesses, financial organizations that fund co-ops, and technical assistance / service providers. This report summarizes our research and findings, and identifies possible next steps for RSF.

## Key Takeaways

Our research reveals that the current capital need for cooperative businesses is in the start-up and early growth phases – the question is how this fits with the funding RSF is able to provide. RSF could engage innovative co-ops with its more risk-tolerant funds (PRI, LIF) in the start-up and early phases, and maintain a relationship to help borrowers grow into maturity with its Social Enterprise Lending Program funds.

We recommend taking a partnership approach to investing in cooperatives to reduce RSF's a) investment risk, and b) cost of finding deals. We identify specific partnerships options through which RSF can find deals more easily and co-invest with other lenders already familiar with cooperatives. Given the unique due diligence necessary in this space and the frequent need for specialized technical assistance for co-op borrowers, we believe that partnerships offer the most viable means for RSF to add value while managing its administrative costs, especially given the relatively small number of viable deals that we expect to see annually.

If RSF leadership decides to move forward, we suggest identifying a single point of contact on the RSF lending team responsible for co-op lending development. We could then set up 3-6 relationship-building calls with key contacts identified through our interviews. On the calls, RSF staff lead could outline the kinds of deals RSF would consider, and ask for referrals and introductions. One possible goal could be to co-invest in one food coop in a region with less developed local sustainable food initiatives to start with. This modest allocation of staff resources will enable RSF to keep tabs on co-op developments and potentially identify high-quality deals without over-allocating RSF's limited capacity to a space that is relatively scarce on deals likely to meet RSF's core lending criteria.

To get a more complete sense of the opportunities in this space, and the insights of our interviewees, please read both the main report (9 pages) and the interview summaries (7 pages).

## Cooperative Structures

Broadly defined, cooperatives are organizations that are owned and, in some cases, operated by their members. Cooperatives are typically categorized by their membership and function (see table below). Some co-ops are more likely to be “financeable” than others, either because of their maturity, their structure, or the availability of collateral. For example, a producer co-op with large, long-term credit worthy customers that yield consistent cash flow or valuable buildings & equipment will be more easily financeable than a new consumer co-op that must rely on its members to meet any unforeseen financial hardships.

Co-ops often rely on membership fees for their initial equity capital and some grow this capital through time by retaining a portion of the net revenues (rather than distributing it to their members or otherwise using it to serve the co-op’s mission). Co-ops also frequently turn to their members for additional debt or equity investments, and many have sought both member and non-member capital through preferred stock offerings (which do not include voting rights, enabling cooperatives to maintain member control).

Type	Members	Description	Examples
Consumer	Individuals	Members purchase goods and services through the co-op. Consumer co-ops often deliver products at lower prices or higher quality than otherwise available to consumers. Profits may be returned to members based on their expenditures, or dispersed to serve the co-op’s mission.	<ul style="list-style-type: none"><li>Food co-ops</li><li>REI</li><li>Credit unions</li><li>Electric co-ops</li></ul>
Producer	Businesses / farmers	Members sell goods or services through the co-op, creating economies of scale or negotiating power for small businesses. In some cases, “federations” (also known as second-level co-ops) are composed of multiple co-ops.	<ul style="list-style-type: none"><li>Agricultural co-ops like Organic Valley and Country Natural Beef</li><li>Artist co-ops</li></ul>
Purchasing (or Shared Service)	Businesses & public entities	Members jointly negotiate pricing or vendor contracts on member purchases of goods and services; jointly purchase those goods and services; or share services such as using shared billing, reservations or scheduling.	<ul style="list-style-type: none"><li>Best Western</li><li>ACE Hardware</li><li>The Western Area City County Cooperative</li></ul>
Worker	Individuals	Members both work in and own the business. The business is democratically governed by the worker (Employee Stock Ownership Plans have some similarities, but fail this democratic governance test) and profits are returned to members.	<ul style="list-style-type: none"><li>Equal Exchange</li><li>Arizmendi Association</li><li>Evergreen Cooperatives</li><li>Mondragon</li></ul>
Hybrids	Varies	A range of hybrid structures have been used to meet unique member needs and goals.	<ul style="list-style-type: none"><li>Weaver Street Market is worker /consumer owned with each class of members electing its own reps to a single governing board.</li></ul>

			<ul style="list-style-type: none"> <li>• 5th Season is a producer/buyer owned co-op</li> <li>• Eroski is a worker / consumer owned co-op grocery within Mondragon</li> </ul>
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## Key Insights about Cooperatives

Fundamentally, a cooperative business is organized to optimize member benefits rather than the business's financial profitability. While these goals align in some cases, this mission raises a challenge to non-member investment in cooperatives – these businesses typically have similar investment risks to non-cooperative businesses, but lack the promise of the substantial financial upside. In addition, there can be other challenges to non-member investment in cooperatives, including potential risks to outside investors that arise from member control of the business, shifting cooperative and cooperative board memberships, and relatively small deal sizes.

Many large cooperatives with a track record of success have access to a range of financing tools (e.g., preferred stock, bank loans, member equity) to meet their capital needs. Many small and start-up cooperatives, however, have limited access to attractive capital – often because the investment risk is substantial. For many start-up cooperatives, there is little room for debt service, leaving them with few options beyond seeking equity investments – a challenge given limited upside potential and inability to offer ownership rights with equity sales (i.e., cooperative equity raises are typically done through issuances of preferred stock that lack voting rights). Almost every interviewee noted that there must be a higher risk tolerance for investments in the mission-driven cooperatives that currently need funding (primarily the start-up and less-established co-ops). As Equal Exchange's Dan Fireside noted, "You can't have 'change the world' models with no risk."

## Challenges to RSF Investment

While there are a range of support organizations around the country to assist new and growing co-ops, the primary financing need in this sector is risk capital for emerging cooperatives that generally lack substantial collateral or long track records. This need aligns poorly with RSF's borrower criteria for its Social Enterprise Lending Program. Instead, capital from RSF's PRI Fund and Local Initiative Fund may be more appropriate for the majority of the available co-op deals. In addition, the cooperative structure in the early stages of development can add additional challenges to these already high-risk endeavors. Scott Sporte, Chief Lending Officer at NCB Capital Impact, indicated that, "the place we've had the greatest challenges in our investment portfolio is with cooperatives," often due to management challenges. However, it is important to note that several other interviewees emphasized that while cooperatives can have management and organizational challenges in starting up, once their structure is solidified, they tend to be more stable.

This implies a need for RSF to understand the organizational maturity of potential co-op borrowers, which could be done in partnership with the many technical assistance and financial organizations with co-op expertise (as opposed to developing in-house capacity in this area). There may also be opportunities to partner on deals with other financial institutions in ways that reduce risk for RSF, and enable RSF to create relationships with co-op borrowers, who may be suitable candidates for other RSF funds as their businesses mature.

Two examples of the maturation process of cooperatives come from interviews with leaders at La Montanita Co-op and Tuscarora Organic Growers:

- **La Montanita Co-op** started in New Mexico in 1976. To launch, they offered their members “lifetime” memberships for \$200 and solicited member loans, and were able to raise \$150K to use as collateral for a bank loan of about \$1 million. At that time, the National Coop Bank (NCB) was the only place that would finance their first store. After they developed a track record with the first location, they were able to get financing for their second store from a local bank (which was later acquired by a larger national bank) who trusted them due to their local reputation, despite their relative inexperience. For their third store they went back to NCB. Then during the 2008 crash, the NCB consolidated and got rid of many of their loans to co-ops (they have since re-started lending to well-established co-ops only). La Montanita refinanced with the NM Educators Federal Credit Union, choosing them among several options due to their values and local commitment (and competitive rates). Since then, they have worked with NM Educators Federal Credit Union for new stores, and generally have a range of financial institutions approaching them to offer low-cost capital due to their strong financials. Today, they have 5 locations, 17,000 co-op member owners, and an extremely strong balance sheet.
- **Tuscarora Organic Growers** started in 1988 with 8 farmers in rural Pennsylvania who wanted to collaborate to get access to urban markets. They worked together for five seasons as an informal (unincorporated) group, without any outside capital, just using their own excess storage, coolers and trucks to make deliveries to the DC metro area. The growers got 75% of the wholesale price, and the rest went to fund a part time manager who did marketing, coordination, and deliveries. They got big enough growing organically that they were able to hire a fulltime manager who filed the co-op incorporation paperwork, and they borrowed \$7,000 from one member to build a small warehouse. The second 5 years were also self-financed. Then in 1998 they raised capital from their customers, selling about \$50K in notes to fund expansion. In 2004 they needed a much bigger warehouse to meet demand, and got a loan for \$180K through a state agency at slightly below market rate. They also sold about \$40K in notes to their customers. Today, they have over 28 member producers and 17 non-member producers bringing about 100,000 cases of produce from farm to city, offering locally grown, certified organic produce all 12 months of the year. They paid off most of their debt, and have been able to self-finance small improvements for the last several years.

The experience of these two co-ops may be instructive (though not universal) examples of how some co-ops develop – starting with a messy, often member-financed (depending on the business) organizing stage of development, followed by a still somewhat risky higher-growth phase that often requires some outside capital, followed by a mature stage where their capital needs are easily met by low-cost sources (at least in the current low-interest lending environment). Interviewees were clear that the start-up and early growth phases are where cooperatives currently need capital – the question is how this fits with the funding RSF is able to provide. **RSF could engage innovative co-ops with its more risk-tolerant funds in the startup and early phases, and maintain a relationship to help borrowers grow into the mature phase with its Social Enterprise Lending Program funds.**

## Areas of Opportunity

In terms of specific areas of possible investment that arose through the background research, interviews, and in conversation with Kate and others, there are a few worthy of discussion:

### Farmer-owned Producer Cooperatives

Farmer-owned producer cooperatives are generally organized around shared food production and distribution infrastructure (e.g., slaughter facilities, food chillers, warehousing, branding, sales) and/or “value-added” food system infrastructure (e.g., yogurt plant for dairy farmers). The former (production and distribution) have historically been very difficult to finance as there are high transaction costs to “wrangling” small farmers together and the cooperatives are financially risky investments with little room for debt service. The co-ops that need funding often don’t have a track record and in many cases (e.g., regional slaughterhouses) the cooperatives are seeking to revive a defunct or non-existent piece of the supply chain for which there is no “industry standard.”

Successful farmer-owned producer cooperatives (such as Tuscarora Organic Growers in Pennsylvania) often grow slowly with internal capital or limited external capital, experiencing lots of bumps and bruises for several years, before emerging as “investable” entities after ~3-5 years. The latter category, “value-added” food system infrastructure, is often more financeable because co-ops often have developed clear customer channels, and in some cases, they have contracts in place with customers.

Kate expressed a particular interest in farmer-owned producer co-ops, and we spoke to two producer coops, Tuscarora Organic Growers, which isn’t looking for capital, and CPOW Livestock Processors Cooperative with whom Kate shared a follow up call to explore a possible line of credit. We also asked all of the funders we spoke with about their experience with producer co-ops. Interviewees from Vancity Credit Union, Northcountry Development Fund, Cooperative Fund of New England, NCB Capital Impact, and others all said that **these deals are extremely rare – there just aren’t many new producer coops forming that need capital.** In the cases where they were

able to identify deals, they were often difficult lending propositions because of the challenges described above.

This is not to say that RSF should abandon the idea that there might be deals out there – but producer co-ops are not going to be a significant market for new lending. Also, RSF should be aware that there are often subsidized sources of funding (through USDA or state economic agencies) for farmers and farmer co-ops. **To identify investable producer co-ops, RSF should consider developing relationships with key co-op support organizations that have a sense of activity in the field.** Jim from Tuscarora Organic Growers suggested connecting with Winrock / Wallace Center staff and attending the regional organic farming conferences (MOFA, NOFA, Ecofarm, etc.) to talk with farmers. Another important connection is to Cooperation Works!. They have many success stories from their work with agriculture-focused co-ops.

## **Customer-owned Retail Food Cooperatives**

The popularity of retail food cooperatives has increased in recent years as communities seek to take control of their access to healthy, local food options. These retail cooperatives often need access to outside start-up and growth capital. Stuart Reid, from the Food Co-op Initiative (FCI), estimates that **approximately 6-8 new retail food co-ops need access to non-member start-up funding each year (typically \$300K-800K each)**. Several interviewees emphasized that a professional staff with food retail experience is *required* to launch successful new food co-ops these days (unlike in the '70s and '80s) due to strong competition, and technical assistance groups such as FCI can be excellent partners to help gauge the readiness of potential food co-op borrowers.

In addition, many existing food co-ops have been successful and want to expand their number of locations, or feel pressure to grow existing locations to compete with Whole Foods and other large chain stores that are increasingly marketing local, healthy, sustainable food options. These co-ops often require access to external capital to fund this growth. Many of these co-ops have sufficient collateral in the form of inventory, accounts receivable and/or real estate assets to access low-cost external capital. One challenge for these growing cooperatives is that they can lose their character as they grow – in becoming more accessible and mainstream, they risk becoming too similar to many existing non-cooperative retail food options.

One mission-related issue around investing in food co-ops is whether they are “transformative” enough for RSF. This is certainly debatable, but **Andy Broderick at Vancity Credit Union argues that food coops are “the best place to start building a local food system”** – he says they tend to be relatively stable, have a clear capital need, and create the foundation in a community from which to build other initiatives. Vancity has been struggling to find viable co-ops deals, and food co-ops are one area where they see some promise. **Supporting retail food co-ops in places with less developed local/regional sustainable food initiatives might be of interest to RSF in terms of greatest impact** – the South East, South, and parts of the Midwest, for example.

Another related opportunity that we made an effort to explore with interviewees were food distribution centers, such as those that have been started by food co-ops in a few locations. The Wedge Co-op, an established and successful retail food co-op in Minneapolis provided the start-up funding for Co-op Partners Warehouse, a distributor of organic produce, dairy, soy and juice servicing retail co-ops, natural food stores, and restaurants. Today, Co-op Partners has a 45,000 sq. ft. warehouse with cold storage, 7 trucks that deliver within 100 miles, and 3 other distribution partners to serve a multi-state region. The Wedge and Co-op Partners do about \$20 million in annual sales. Co-op Partners Manager Lori Zuidema noted that, **while Co-op Partners is successful today, The Wedge covered its losses for the first 3+ years while it got to scale, and that it couldn't have made it without that support.** There are a few other regional food distribution businesses that RSF may want to explore (e.g. Organically Grown Company the largest organic-only distributor in the Pacific Northwest and Idaho's Bounty which is still small but close to profitability), but Lori and the other interviewees didn't know of many other viable new distribution co-ops. Several interviewees observed that **food distribution is heavily controlled by just a few companies even in the natural food space, and it is extremely difficult to break into.**

The final activity of note in the food co-op space is that, inspired by the Freshworks Fund in California, NCB Capital Impact and the National Cooperative Grocers Association (which supports mature food co-ops in the US) are developing a national fund for retail food co-ops. The National Cooperative Grocers Association (NCGA) is raising 20% subordinate debt from members, and senior debt will earn ~5%. **Scott at NCB Capital Impact expressed openness to RSF co-investing in the fund in a senior position** (the loan fund size will likely be \$20 million – the limiting factor is the sub debt contribution of \$4 million). The pipeline is \$1-4 million deals and the fund is expected to be announced in September 2013.

## Other Opportunities for Engagement

In addition to those described above, there are other co-op investment opportunities that may be of interest to RSF:

- **Worker-owned food cooperatives**, such as bakeries, food processors, restaurants and retail food sellers. Worker co-ops can be difficult to accurately assess creditworthiness for – most investors rely on experts (such as Melissa Hoover at the US Federation of Worker Co-ops) to identify worker co-ops whose structures and leadership are investable.
- **Worker-owned “conversion” businesses.** Several interviewees mentioned that existing businesses converting to worker-owned co-ops may be of interest because they often have some assets and a track record. The East Bay Community Law Center (Sushil Jacob) and US Federation of Worker Co-ops are potential partners to identify investable conversion deals.

- **Purchasing cooperatives with locally-owned retail stores**, particularly local hardware stores (e.g., ACE, TrueValue), represent a potential investment opportunity to facilitate ownership succession. In many places, locally-owned hardware stores serve as community anchors, and Andy Schwartz of CDS Consulting believes that financing may be needed to fund ownership transitions at the local level. The purchasing co-op is interested in its members staying in business and may be able to contribute both subordinate debt and access to financials to help vet potential deals.
- **Co-op Metrics** is a multi-stakeholder co-op with four classes of membership (worker, developer, founder and consumer) that provides analytic and comparative financial analysis tools help independent businesses and nonprofits identify their own strengths and vulnerabilities, and compare their performance with peers. They were referred to us by Scott at NCB Capital Impact. Co-op Metrics has been around for 20 years, the last 10 as a co-op, and was internally financed until recently. Heron Foundation had been giving grants & PRIs to organizations that use Co-op Metrics products, and expressed a strong interest in them growing much more quickly. **They collaboratively came up with a 3 year \$10 million 5% preferred capital raise, the first \$1.5 million of which will come in the form of a PRI from Heron. There is an opportunity for RSF to invest in this preferred offering (though with some notable strings – equity with no clear exit unless the company is sold).** Heron's President is pitching this investment to other foundations, along with three other non-profit investments, as a PRI. Co-op Metrics also has products that may be of interest to RSF for managing grantee/borrower reporting and for screening potential cooperative deals (via a peer-group benchmarking tool).
- **Funds for co-ops and co-op members to support their farmers and vendors** – Christina Jennings, Executive Director at Northcountry Development Fund (NCDF), mentioned that they have seen a lot of interest from their co-op members in providing funding to their own farmers and vendors (as La Montanita Co-op has done). NCDF helped the Wiley Street Co-op set up a fund for the co-op and their members to invest in farmers, but it is not something that NCDF has the capacity to spend time on because it is outside of their core lending activities. Other co-ops have been innovators in similar ways – e.g. Puget Sound Consumer Cooperative, the largest retail food co-op in the U.S., is seeking to help buy land for its farmers; the Sacramento Natural Foods Co-op supports a “One Farm at a Time” initiative that also supports the purchase of land by farmers. NCDF asked if this was something RSF might want to advise on or support in some way. [Note: This may be a potential lead-in to our next research interest looking at how to facilitate the direct investment of unaccredited investors in food and farm businesses; strong co-ops could potentially provide credit enhancements for these deals.]
- **The Blooming Foundation** was represented by board member Sverre Roang on a call with FCI. The Blooming Foundation made a 5 year grant to FCI—at the end of the call, Sverre expressed interest in learning more about RSF as a potential place to invest some of the

Blooming Foundation's funds – a follow up call from RSF staff is advisable to pursue this possible new investor client.

## Strategy for RSF Engagement in Co-op Lending

If RSF decides to engage more deeply in lending to cooperatives, we recommend taking a partnership approach to reduce RSF's a) investment risk, and b) cost of finding deals. Several entities with whom we spoke suggested that they would be interested in partnerships through which RSF co-invests in specific deals and/or investment funds. Given the unique due diligence necessary in this space and the frequent need for specialized technical assistance for co-op borrowers, we believe that partnerships represent a compelling opportunity for RSF to add value while managing its administrative costs, especially given the relatively small number of viable deals that we expect to see annually. In addition to co-investment opportunities, we think there are ways for RSF to leverage the existing network of cooperative support organizations to identify investable projects to fund on its own. Below is a (non-exhaustive) list of the potential partners in rough order of priority, and a note about what each could provide.

### Potential Investment Partners

- **Northcountry Development Fund** – A cooperatively-owned community development loan fund based in Minneapolis, MN that serves the entire US; Executive Director Christina Jennings is smart, seasoned, and open to partnership; they could potentially take a subordinate position in co-funded deals
- **Equal Exchange** – EE is a strong, well-capitalized co-op that is very eager to support other co-ops; their Capital Coordinator Dan Fireside is well-connected and actively looking for ways to invest in other co-ops, EE would consider taking a subordinate position in co-funded deals
- **NCB Capital Impact** – NCB Capital Impact is a good potential partner for larger food coop deals, including through the fund they are setting up with the National Cooperative Grocers Association that could involve a senior investment position for RSF
- **Cooperative Fund of New England** – A non-profit fund focused on New England, CFNF has a long track record and is well-connected in their region; Executive Director Rebecca Dunn expressed that they had most of the viable deals in the region covered, but it might be worth making it clear that RSF could potentially partner on deals that come up that they don't want to do alone
- **Vancity Credit Union** – If interested in deals in Canada, Vancity Credit Union & Vancity Foundation expressed interest in partnering; they have been struggling to find deals, but it is worth maintaining occasional communication in case things change; they offer grants for business planning and early stage co-op development that could lead to investable deals in the future

- **Veris Wealth Partners** – Knowledgeable staff have been asked to scan the co-op space for possible deals; more on the PRI/philanthropic side, but worth staying in touch in case opportunities for co-investment arise

## Potential Sources of Leads

- **Cooperation Works!** – A national organization of cooperative development centers (including one in Davis) largely based in rural areas in the US; could refer promising clients to RSF
- **US Federation of Worker Co-ops** – Could help identify worker co-ops that are investable; this organization has strong, well-respected leadership based in the Bay Area
- **Food Co-op Initiative** – FCI has some of the most seasoned and well-respected technical assistance providers in the food co-op space, and they support a large portion of the new food co-ops in the U.S.; already hosted an introductory conversation with RSF staff & FCI staff
- **CDS Consulting** - A shared services cooperative owned by a network of consultants with many years of experience; largely but not entirely focused on food co-ops (connected to FCI); could identify promising clients if they knew what RSF was looking for in borrowers
- **Democracy Collaborative** – Ted Howard is well-connected in the nonprofit, foundation and democratic institution space; would be good to maintain a relationship with him to stay on top of new developments; referrals through him would likely be more on the philanthropic side (Evergreen-type start-ups)

## Recommended Next Steps

After leadership review of this report, if RSF decides to move forward with exploring investment opportunities in the co-op space, we recommend identifying a single point of contact on the RSF lending team responsible for co-op lending development. We could then set up 3-6 relationship-building calls with key contacts identified through our interviews. On the calls, the RSF staff lead could outline the kinds of deals RSF would consider, and ask for referrals and introductions. RSF staff could check in with these contacts again in 6 months and evaluate leads that arise through these relationships. One possible goal could be to co-invest in one food coop in a region with less developed local sustainable food initiatives to start with. This modest allocation of staff resources will enable RSF to keep tabs on co-op developments and potentially identify high-quality deals without over-allocating RSF's limited capacity to a space that is relatively scarce on deals likely to meet RSF's lending criteria.

## ***Interview Highlights***

### **Cooperatives**

#### **Sue Lani Madsen, Project Manager & Past President**

Livestock Processors Cooperative Association  
*Odessa, WA*

Kate Danaher ran into Sue Lani at the Slow Money Conference in Denver and recommended that we follow-up.

- Seeking \$100-250k line of credit or loan to avert any potential short-term cash flow challenges for a small-scale regional slaughterhouse (which is in final stages of construction)
- Capital raising challenges: They have no track record, there is no “industry standard,” they’re trying to restart a piece of the old regional food system – they have found early investors such as Craft3 to support their initiative, and may be over-leveraged.

[Hosted a call with Sue Lani and Kate 8/7/13]

#### **Daniel Fireside, Capital Coordinator**

Equal Exchange  
*West Bridgewater, MA*

Dan is Capital Coordinator at Equal Exchange and participated in a BALLE webinar on community capital. He is extremely knowledgeable about raising capital through a range of creative tools, including preferred stock and a targeted CD program.

- Equal Exchange (EE) occasionally invests in other co-ops. It is interested in a partnership with RSF – loan guarantees, loan co-funding, sub debt may all be options (see CERO opportunity described in separate communication to RSF)
- Co-ops need start-up capital. To make these investments, there has to be a higher tolerance for financial risk for investments in entities that reflect the ideals we all espouse. EE pushes this message with its investors: “We are going to be risky but not reckless – and if you lose your money, you’ll feel great about it”
- The JOBS Act increased the max number of investors w/out triggering Federal securities registration requirements from 500 to 2,000. EE has taken advantage of this, and relies primarily on preferred stock for capital needs – it is substantially over-subscribed and turns down investors

#### **Jim Crawford, Farmer & Co-founder**

Tuscarora Organic Growers (TOG)  
*Pennsylvania*

Jim was the co-founder of TOG, a farmers’ producer co-op in PA that has been around for 25 years and has about \$3M in annual sales and 47 farmer members.

- Grew slowly and organically, which required relatively little capital, especially in the early days
- When they needed a warehouse and more infrastructure they went to their members, sold notes to their customers, and eventually got a subsidized loan through a state agency

- He knows of several models like theirs in PA (see interview notes) but there doesn't seem to be a huge surge in folks adopting the model, despite the benefits of farmers planning and marketing together

**Robin Seydel, Manager**

La Montanita Co-op  
*New Mexico*

Robin has been a leader for many years at the successful and growing La Montanita Co-op grocery stores; recently they started a fund to provide working capital to their farmers.

- Co-ops are not keen on debt, but they need to take on about \$1M in outside capital every time they open a new store; they pay it off quickly (3-4 years)
- Have used NCB, a local credit union, and other lenders in the past (see capital history in interview notes) – prefer mission-aligned financial institutions; banks frequently approach them wanting to make loans
- They have a small fund for their farmers to access capital, the 5% interest covers the servicing provided by a local credit union; not a ton of demand due to recent drought

**Lori Zuidema, Manager**

Co-op Partners Warehouse  
*Minneapolis, MN*

Lori has worked in co-ops for several decades, including the Wedge and now Co-op Partners Warehouse.

- The Wedge is a strong co-op in MN that created and supported Co-op Partners Warehouse for 3+ years before it became profitable; didn't take outside financing, just internal financing through the Wedge and other co-op partners
- Today they are relatively large - 45,000 sq ft warehouse with freezer & cooler, 7 trucks that deliver within 100 miles and 3 other distribution companies to serve many other states; \$19M in sales including the Wedge's sales
- Food co-ops face a much more competitive space now, you have to start with real expertise
- Other distribution orgs worth looking into - Idaho's Bounty, still dependent on grants, but close to profitability; and Organically Grown Company in Oregon/Washington, they do \$90-100M, used to be a co-op, now an ESOP

**Diane Chapeta, Manager**

Fifth Season Cooperative  
*Viroqua, WI*

Fifth Season was created by 14 producer groups, food processors, distributors, and buyers to connect small farmers/processors to larger regional institutions (schools, hospitals, etc).

- Fifth Season is essentially a communications, marketing and education intermediary – they train local producers on how to serve these larger customers, aggregate their product offerings, and then work with institutions to procure the products; a distribution company (Reinhart) does distribution
- The co-op makes a spread as an intermediary buying from farmers and selling to Reinhart; they also have gotten some

- grants, and have issued Class B preferred stock at 5% interest to WI residents
- They don't really own anything (no assets / collateral) and are still getting to scale – need about \$1.5 M in sales needed to breakeven, this year about \$300K in sales, last year \$140K

## Funders

### **Christina Jennings, Executive Director**

Northcountry Development Fund (NCDF)

*Minneapolis, MN*

Christine is the ED of NCDF, a Cooperatively-owned loan fund that serves more than 175 co-op members in 30 states, including natural food, consumer, producer, housing and worker-owned co-ops.

- Largely provides gap financing for what is not available through local credit unions and banks
- Average loans are \$125K, though range \$5K-500K; about 50% of the investment funds come from co-op members; other 50% from socially-minded investors
- About half of the deals are with food co-ops, usually co-funded with other financial institutions, and NCDF in a subordinate position
- Few producer co-op deals out there - tend to be tough, collateral is often inventory or sometimes receivables
- Problem for co-ops is not a lack of capital, but the right type of capital (startup \$ and equity-like capital is most needed);

also more competition, every CDFI in the country wants to fund co-ops right now

- They have also seen a lot of interest from co-ops in funding their suppliers/vendors – they worked with Wiley Street Co-op to set up a fund for the co-op and their members to invest in farmers – possible role for RSF in this?

### **Rebecca Dunn, Executive Director**

Cooperative Fund of New England (CFNE)

*Boston, MA*

Rebecca runs the CFNE, which has been operating since 1975 to fund co-op businesses in New England of all types; in 2011 they disbursed \$2.4 million to 45 borrowers.

- The capital need right now is for start-up / early stage co-ops looking for working capital; these co-ops also usually need TA to be successful
- CFNE has a higher cost of funds (2% paid to their investors) than banks right now, so they can't always compete for the best deals; traditional financial institutions don't see co-ops as risky as they used to, so they have more options
- Most of their deals are lines of credit – few make it through a term loan without needing something different anyway; most around 6% but some borrows are saying it's too high, recently allocated \$1M at 4% as a “special” to see what would happen (new effort)
- Often VERY long lead time for deals

**Scott Sporte, Chief Lending Officer**

NCB Capital Impact

*Oakland, CA*

Scott is Chief Lending Officer at NCB Capital Impact and is primarily responsible for operating the CA FreshWorks fund.

- There may be opportunities for RSF to fund sub-\$500k loans that NCB finds (CA Freshworks minimum is \$500k)
- Retail coops feel pressure to grow, but once they grow they lose their character – in becoming more accessible to more people, they become too similar to many existing options (e.g., Whole Foods)
- NCB is developing a fund for retail food coops in partnership with the National Cooperative Grocers Association. NCGA is raising 20% subordinate debt from members, senior debt will earn ~5%. NCB expressed openness to RSF co-funding some loans in a senior position (the total loan fund size will likely be \$20 million – the limiting factor is the sub debt)
- They have a nascent effort underway to fund producer co-ops – have found that it is exceedingly difficult to wrangle small farmers together – not sure yet that there's a financing opportunity as they are risky and there's not a lot of room for debt service so really need equity despite relatively low upside

**Anders Ferguson, Partner**

Veris Wealth Management

*US-based, multiple offices*

Anders has a long history with co-ops and spirit in business / socially responsible business (including work with Mark Finser); now also working closely with Ted Howard on Evergreen.

- Veris is a wealth mgt firm focused on community economic development; they have a large client who has asked them to specifically seek out co-op investment opportunities
- Lots of new activity in the food co-op space; much less investable activity in the worker ownership space right now
- Smart new CEO at LEAF in Boston, may be worth talking to
- Heron Foundation worth connecting with, putting all their corpus to work

**Andy Broderick, VP of Community Investment**

Vancity Credit Union

*Vancouver, British Columbia*

Andy was recommended by Joel Solomon; he is deeply engaged in Vancity's community investment strategy. We also talked to Kate Dunford at Vancity on Andy's suggestion.

- As a co-op itself, the Vancity board is eager to invest in other co-ops; however, most of their co-op lending to date has been to housing co-ops
- Relatively few opportunities to invest in food and farm co-ops – largely they are providing TA, grants, and microloans to try to get some of the nascent co-ops to a larger, more stable point where they could handle additional investment
- Believes that food co-ops grocery stores are the best place to start building a local food system – relatively stable, need capital, and create the foundation needed in a community
- In terms of collateral, they've used inventory (depending on line of sight), receivables, and assignment of Cooperative interest (equity) could also make sense.

**Derek Gent, Executive Director**

Vancity Community Foundation

*Vancouver, British Columbia*

Recommended by Joel Solomon; Derek is interested in new partnerships if RSF has interest in investing in Canada.

- Haven't done many investments in co-ops – would like to do more, but hasn't been a lot of demand
- In the food & farm space they've seen a few private farms convert to co-ops, and one land trust just bought a farm and was able to raise \$400K by selling equity memberships (not a co-op), a few meat processing co-ops are in development
- He's also seen some co-ops go private, largely so their founders could cash out at retirement (an issue for co-ops)
- A lot of capacity building is needed before the small efforts out there can become developed enough to need capital; Vancity provides grants for business planning, market assessment, etc.

**Support Orgs**

**Walden Swanson**

Co-op Metrics

*Andover, MA*

Scott Sporte from NCB Capital Impact recommended that we connect with Walden to learn more about the "investment screening" services Co-op Metrics may be able to offer based on its data warehousing platform.

- Co-op Metrics is in the middle of a 3 year \$10 million 5% preferred capital raise that was catalyzed by a request to grow to support grantees from the Herron Foundation. As part of this capital raise, Herron has made an anchor \$1.5 million PRI to support this growth. There is an opportunity for RSF to invest in this preferred offering.
- Co-op Metrics has products that may be of interest to RSF for managing grantee/borrower compliance & reporting and/or for screening potential cooperative deals (via a peer-group benchmarking tool)

**Stuart Reid, Director**

Food Cooperative Initiative (FCI)

*US-based, distributed offices*

Stuart Reid & FCI were recommended by many experts – years of grocery food co-op development experience; extremely tapped into existing and new food co-ops in the US.

- FCI provides training and technical assistance to many of the new food co-ops in the US; whereas the Natl Co-op Grocers Association serves the larger and more developed co-ops
- In recent years, demand for their services has skyrocketed as communities try to get access to healthy, local food.
- They work closely with about 10-12 co-ops a year but have about 120 clients (of about 325 food co-ops in the US) that they serve through trainings, webinars, etc
- FCI refers deals to LEAF, Northcountry, and Co-op Fund of New England. The existing co-op funds are not enough – they can't do more on the higher risk side (with start-ups)

- In general, these co-ops get 15% of start-up budget from member equity, up to 50% in loans from members or preferred shares, and they need to find the rest. Banks are looking for collateral, deposits, etc - not willing to count member equity with new banking rule changes. National Cooperative Bank (NCB) is mostly lending to established food co-ops and large producer co-ops.
- In terms of the amount of capital demanded – they estimate about 6-8 new co-ops needing funding each year; each about \$1-2M, with 30-50% of this covered by outside funding where RSF could participate. There could be an opportunity to take a senior or sub position with other co-op funds or banks on these loans
- FCI's own funding comes half from federal govt (USDA rural \$), and most of the rest from the Blooming Prairie Foundation (\$200K/year, for five years through 2014)

**[Hosted a call with Stuart & his team and Kate & Catherine from RSF on 7/11/13]**

**Ted Howard, Executive Director**

Democracy Collaborative  
*Cleveland, OH*

Co-founder of Evergreen Cooperatives; well-connected thought leader in the democratic org / community development arena.

- There is a lot of money available right now as debt – they funded Evergreen with debt, NMTCs and HUD 108 loans, plus a few folks that provided 5-year PRI-type loans
- People also need grants for startup costs and TA; lots of early stage initiatives that won't qualify for loans

- Equity is needed, but investors can't have many rights – tricky to make it appealing for investors and sensible for the cooperative
- Would like to do a place-based note for Evergreen – perhaps something RSF could help with?

**Andrew McLeod, Consultant**

Collective Seeds  
*Oakland, CA*

Andrew worked for the National Cooperative Business Association for several years; attended and spoke about co-ops at several BALLE conferences; and now advises co-ops on formation, structure, and governance.

- Co-operation Works! is supported by USDA grants to fund technical assistance centers, largely in rural areas, that support the development of cooperative businesses. Connecting with staff at these centers (e.g. the California Center for Cooperative Development in Davis) may be a good way to identify potential borrowers. [More info here.](#)
- Food grocery co-ops often have restrictive purchasing agreements with distribution companies like UNFI, which limit the “local” products (and also lower their costs due to bulk purchasing access). Some innovative co-ops are trying to break out of this system and source more locally. The Co-op Partners Warehouse in MN (started by the Wedge Co-op) is probably the best example of this; just a few others like it. Puget Sound Consumer Co-op, which is trying to help buy land for its farmers, is one example to explore further.

**Hilary Abell, Consultant**

Project Equity

*Oakland, CA*

Hilary was the ED for many years of WAGES, which develops cooperatives to empower low income women, such as green home cleaning co-ops. She is now a consultant, and is currently working with Ted Howard on the Evergreen Cooperatives in Cleveland, OH among other projects.

- Many funds for co-ops have under-utilized \$\$ (like LEAF – may want to talk to them); co-ops need more business savvy and a push to scale (many co-ops just want to stay small) to get significant economic impacts
- Co-ops working in low income communities can often get grants or subsidized funding through CDCs, CDFIs, and foundations
- The US Federation of Worker Co-ops may be a good partner; they are creative, growing, and worked with KIVA ZIP on some loans, and may also be starting their own co-op fund

**Adam Schwartz, Consultant**

CDS Consulting

*Putney, VT*

Adam has a long history of working with cooperatives, having gotten his start working with rural electric cooperatives several decades ago.

- Purchasing cooperatives, particularly local hardware stores (e.g., ACE, True Value), represent a substantial investment opportunity to facilitate ownership succession planning. In

many cases, these locally owned hardware stores serve as community gathering places that are important to keeping communities intact.

- Adam is working on an investment fund concept for cooperatives that would harness employee 401k investments in conjunction with Community Investment Partnerships (a subsidiary of Calvert Foundation).

**Tom Webb, Professor & Writer**

Sobey School of Business

*Nova Scotia, Canada*

Tom was referred by John Fullerton, and has worked with co-ops for several decades; he teaches co-op management in Canada and recently organized a large conference on cooperatives.

- Has studied co-ops in Europe where there is a stronger co-op movement and more developed (but still limited) sources of capital for co-ops
- He believes that co-ops need to develop their own sources of capital, and to raise money from mission aligned investors at scale – likely less risk than traditional investments (lower returns but greater stability)
- Main barrier is financial regulation; regulators have pushed co-ops to “diversify” but in many cases this has largely increased their risk

## Interview List with Contact Info

Name	Organization Name	Org Type (co-op, funder, support org, other)	Email	Phone	Website
<b>Adam Schwartz</b>	CDS Consulting	support org	adamschwartz@cdsconsulting.coop	703-608-0534	<a href="http://www.cdsconsulting.coop">www.cdsconsulting.coop</a>
<b>Anders Ferguson</b>	Veris Wealth Partners	funder	afaijersson@veriswp.com	413-522-1615	<a href="http://www.veriswp.com">http://www.veriswp.com</a>
<b>Andrew McLeod</b>	Collective Seeds (formerly with the NCBA)	support org	coopgus@gmail.com		<a href="http://www.ncba.coop/">http://www.ncba.coop/</a>
<b>Andy Broderick</b>	Vancity Credit Union	funder	andy_broderick@vancity.com	604-877-4559	<a href="http://www.vancity.com">www.vancity.com</a>
<b>Christina Jennings</b>	Northcountry Development Fund	funder	christina@ncdf.coop	612-767-2114	<a href="http://www.ncdf.coop">http://www.ncdf.coop</a>
<b>Daniel Fireside</b>	Equal Exchange	co-op	dfireside@equalexchange.coop	774-776-7423	<a href="http://www.equalexchange.coop">www.equalexchange.coop</a>
<b>Derek Gent</b>	Vancity Community Foundation	funder	Derek_Gent@vancity.com	604-877-7553	<a href="http://www.vancitycommunityfoundation.ca">www.vancitycommunityfoundation.ca</a>
<b>Diane Chapeta</b>	5th Season Coop	co-op	info.fifthseason@gmail.com	608-638-2667	<a href="http://www.fifthseason.coop">www.fifthseason.coop</a>
<b>Hilary Abell</b>	Project Equity (Former ED of WAGES)	support org	hilaryabell@gmail.com		<a href="http://www.wagescooperatives.org">http://www.wagescooperatives.org</a>
<b>Jim Crawford</b>	Tuscarora Organic Growers (TOG)	co-op	jim@newmorningfarm.net	814-448-3904	<a href="http://www.tog.coop">http://www.tog.coop</a>
<b>Kate Dunford</b>	Vancity Credit Union	funder	kate_dunford@vancity.com	604.877.4914	<a href="http://www.vancity.com">www.vancity.com</a>
<b>Lori Zuidema</b>	Co-op Partners Warehouse	co-op	lori@cpw.coop	651-644-7000	<a href="http://www.cpw.coop">www.cpw.coop</a>
<b>Rebecca Dunn</b>	Cooperative Fund of New England	funder	rdunn@coopfund.coop	800-818-7833	<a href="http://www.coopfund.coop">www.coopfund.coop</a>

<b>Robin Seydel</b>	La Montanita Co-op	co-op	robins@lamontanita.coop	505-217-2027	<a href="http://www.lamontanita.coop">www.lamontanita.coop</a>
<b>Scott Sporte</b>	NCB Capital Impact	funder	ssporte@ncbcapitalimpact.org	510-496-2233	<a href="http://www.ncbcapitalimpact.org">www.ncbcapitalimpact.org</a>
<b>Stuart Reid</b>	Food Co-op Initiative & Cooperative Development Services	support org	stuart@foodcoopinitiative.coop	507-664-2034	<a href="http://www.foodcoopinitiative.coop">www.foodcoopinitiative.coop</a>
<b>Sue Lani Madsen</b>	CPOW Livestock Processors Cooperative	co-op	suelani@centurylink.net	509-347-3422	<a href="http://www.livestockprocessors.com">www.livestockprocessors.com</a>
<b>Ted Howard</b>	Democracy Collaborative	support org	thoward1@umd.edu	202-744-8917	<a href="http://www.Community-Wealth.org">www.Community-Wealth.org</a>
<b>Tom Webb</b>	Professor of Mgt at Sobey School of Business	support org	jtwebb@auracom.com	902-634-4536	<a href="http://www.mmccu.coop">http://www.mmccu.coop</a> <a href="http://www.coopaccounting.coop">http://www.coopaccounting.coop</a> <a href="http://www.imagine2012.coop">http://www.imagine2012.coop</a>
<b>Walden Swanson</b>	Co-op Metrics	support org	Walden@coopmetrics.coop		<a href="http://www.coopmetrics.coop">www.coopmetrics.coop</a>

**[Note: These case studies were written before the interviews, and provide some basic background, but the interview summaries and notes have more current info]**

## **Cooperative Business Case Studies**

### **Equal Exchange**

*Worker Cooperative*

**Location:** Based in West Bridgewater, MA. Offices in Portland, OR and Saint Paul, MN. Cafes in Boston, MA and Seattle, WA.

**Description:** Initially incorporated in 1986, Equal Exchange (EE) became a worker Cooperative in 1994 with the mission of delivering social change by selling fair trade coffee that would help farmers and their families gain more control over their economic futures and educate consumers about trade issues affecting farmers (they initially chose Nicaraguan coffee to challenge U.S. trade policies towards the country's Sandinista government). It is the largest worker-owned manufacturing co-op in the country (with over 100 worker-owners). EE historically used private placements of preferred stock (targeted at 5% dividend with minimum 5 year lockup) to meet the needs of their capital-intensive business, but they reached securities law limits of 500 individual shareholders and turned to debt financing. They have several conventional bank loans, but prefer to pay money to people and institutions that believe in what they're doing ("committed" rather than "indifferent" capital). This led to the development of Equal Exchange Certificate of Deposit (CD). The EE CD is housed at Eastern Bank and open to accredited and unaccredited investors. It has a \$500 minimum and a 3-year lockup. It pays the same rate as a conventional CD and is FDIC-insured. EE can use up to 90% of the pooled EE CD deposits as a line of credit. If EE defaults, however, customers are at risk – the bank keeps their deposits to cover the losses. For EE, the CDs can be publicly advertised, are easier to have managed by a financial institution (than in house), and expand their constituency. For Eastern Bank, with very little risk they are able to offer social lending with big reputational benefits and enough spread to cover administrative costs (EE borrows at prime and bank pays depositors 0.45% interest). As of September 2012, there were over \$1 million of EE CD deposits. Since then, the JOBS Act expanded the number of permissible shareholders without triggering federal securities law registration from 500 to 2,000, and EE has returned to relying on preferred stock more heavily.

**Relationship:** BALLE has a relationship with EE; BALLE webinar on the EE CD.

**Contact:** Daniel Fireside, Capital Coordinator, [invest@equalexchange.coop](mailto:invest@equalexchange.coop)

<http://equalexchange.coop/eecd>

### **Eroski**

*Worker-Consumer Hybrid Cooperative*

**Location:** 1,000 outlets spread across Spain

**Description:** Eroski is a Spanish worker/consumer owned co-op supermarket chain within the Mondragon Corporation. Consumers join Eroski as voting members, pay ~\$75/year and receive a 5% discount on purchases. Consumer members elect 250 consumer member delegates to the Eroski General Assembly, where a 12 member Governing Council is elected (6 worker-owners, 6 consumer-owners). Worker-members must invest \$6,500 to become a member and they can do this through regular deductions over three years (these #'s are likely outdated – from 2001).

## **Co-op Power**

*Consumer Cooperative*

**Location:** New England and New York

**Description:** Co-op Power is a consumer-owned renewable energy and energy efficiency Cooperative that is designed to enable local communities to create sustainable community-owned businesses and jobs. Members get discounted products and services (i.e. renewable installations, efficiency retrofits, buying groups) as well as benefits such as help finding a job, starting a business, and volunteer opportunities. Community-scale businesses are created and supported by members of Local Organizing Councils, and Co-op Power invests in green businesses and projects to serve their members' needs. Since 2002, the Co-op has raised more than \$320,000 in member equity, \$840,000 in member loans and \$850,000 in non-member local investment to support the development of community-scale clean energy projects and to build the Cooperative. In 2012, Co-op Power launched Northeast Biodiesel to provide clean fuel for farm machinery, snowplows and other equipment that rely on diesel fuel. The co-op used a unique structure to finance the project that reflects its goals of long-term community ownership. It had initially pursued venture capital (VC) and bank financing. But the VC wanted majority ownership and wanted a "liquidity event" (i.e. investment sale) in three years that would fail to meet the co-op's community ownership goals, and the banks were not sufficiently familiar or comfortable with lending to a Cooperative. Instead, the biodiesel plant was financed with \$620,000 of loans from the community (with investments ranging from \$500 to \$275,000), \$125,000 of equity from the co-op, and \$835,000 from private equity investors that were committed to the co-op's goals of long-term community ownership. The investors will earn the majority of profits over the first ten years of the plant's operations and Co-op Power will maintain majority governance and buy the investors out over time (transferring equity to staff as "sweat equity" such that 30% of the \$10 million/year enterprise will be employee-owned after 10 years).

**Relationship:** BALLE has a relationship with Co-op Power; they were featured in a BALLE webinar.

**Contact:** Lynn Benander, [lynn@cooppower.coop](mailto:lynn@cooppower.coop)

<http://www.cooppower.coop/index.php>

## **Country Natural Beef**

*Producer Cooperative*

**Location:** Ranches in Oregon, Washington, California, Nevada, Idaho, Wyoming, New Mexico, North Dakota, Colorado, Texas, Montana, Arizona and Hawaii

**Description:** A producers' marketing Cooperative formed in 1986 by 14 ranching families in eastern Oregon who wanted to promote a relationship with customers who valued beef naturally-raised by small ranchers. Early financing for growth was provided by presales to an Oregon restaurant chain. Today, Country Natural Beef is one of the nation's leaders in natural beef production. The Cooperative consists of 70 family ranches with more than 100,000 mother cows located in 13 states. Not 100% organic, and finished off-pasture but overall sound ranching practices and small producers. They have sold to large grocers and restaurant chains for a while, so their receivables are reliable.

**Relationship:** RSF issued them a term sheet

**Contact:** Get from Kate

<http://www.countrynaturalbeef.com>

## **Worker's Diner**

*Worker Cooperative*

**Location:** Brooklyn, NY

**Description:** Workers Diner is a family-friendly restaurant being developed in Brooklyn, NY that plans to serve traditional diner food with the goal of building a business in which people who work in businesses are members of, not employees to be exploited by, the enterprise. The restaurant is pursuing a \$500,000 direct public offering of preferred stock. Owing to its dual goals of full worker control of the business and outside equity capital investment, Works Diner has pursued a 3.25% preferred stock offering. The investment's low financial return profile relative to traditional restaurant investment has made this capital raise challenging (they have raised just \$2,000 – and we have heard that the venture may be a bust) and highlights the difficulty of delivering capital to “start up” worker-owned cooperatives that are unable to utilize traditional equity investments due to their employee-owned governance structures. [We've heard reports that Chris may have abandoned this model]

**Relationship:** BALLE has a relationship with Worker's Diner; they were featured in a BALLE webinar.

**Contact:** Chris Michael, Founder

<https://www.workersdiner.coop/offerings/workers-diner>

## **Viroqua Food Co-op**

*Consumer Cooperative*

**Location:** Viroqua, WI

**Description:** Launched in 1995 as a food-buying club, Viroqua Food Co-op is committed to selling local and organic foods and products to promote the long-term health of individuals and the environment. By the mid-2000's, the Cooperative had grown substantially and needed a larger space than its 920 square foot retail location. The co-op used several capital sources to fund the construction of its new \$1.6 million building which has 4,400 square feet of retail space. Because traditional bank lenders weren't interested in making loans to the co-op given the lack of equity it builds from its annual \$75-\$150 membership fees, the co-op turned to the [USDA Rural Development Loan Guarantee Program](#). The program provides partial loan guarantees to lenders (ranging from 60% to 80% of loan value, depending on loan size) for eligible loans, including loans to cooperatives. The program required that the co-op raise a minimum of 25 percent equity for the project, so it allocated \$400,000 (of \$800,000 total raised) from its 5.5 percent interest preferred stock capital raise to the project. The new location helped to grow sales (from \$1.3 million to \$5.5 million), employment (from 15 to 50) and membership (which now stands at over 2,800 members in a town of 4,500).

**Relationship:** Kate has been in touch with Jan

**Contacts:** Jan Rasikas, [jan.rasikas@viroquafood.coop](mailto:jan.rasikas@viroquafood.coop), 608-637-7511

Curt Brye, President, [jacco@mwt.net](mailto:jacco@mwt.net) (Jerry McGeorge from Organic Valley is a former board member)

<http://viroquafood.coop/>

## **Organic Valley (Cooperative Regions of Organic Producer Pools)**

*Producer Cooperative*

**Location:** Based in Wisconsin, 1,834 farm members in 33 states and four Canadian provinces delivering a range of agricultural products to food retailers nationwide (see map below).

**Description:** Formed in 1988, the Cooperative Regions of Organic Producer Pools (CROPP) is the largest organic farming Cooperative in North America. The co-op had estimated revenues of \$865 million in 2012

and sells its products under the brand Organic Valley of Farms (also known as “Organic Valley”) and operates with the goal of supporting rural communities by protecting the health of the family farm – working toward both economic and environmental sustainability. Co-op members receive a member-determined “pay-price” for products, equity ownership in the Organic Valley brand, and a range of additional benefits including support in production, certification, farm planning, feed sourcing and veterinary consultation. As sales grew (at a rate of ~20%/year on average since this co-op’s inception) the co-op recognized a need to make capital investments (e.g. headquarters, distribution center) to support its operations. The co-op raises capital in three ways: 1) each member contributes 5.5% of annual sales; 2) a portion of profits are re-invested into operations; 3) preferred stock sales. From 2004 to 2010, CROPP sold \$42 million of preferred stock to over 1,800 investors (minimum investment \$1,000 average investment ~\$25K-\$30K) that pays a 6% dividend. Despite a waiting list of external investors, the co-op cutoff sales of preferred stock to non-members in 2010 – now only members and employees can invest.

**Relationship:** BALLE has a relationship with Organic Valley (conference sponsor, speakers at events, etc)

**Contact:** Jerry McGeorge, Director of Cooperative Affairs



## Weaver Street Market

*Consumer & Worker Cooperative*

**Location:** Carrboro, North Carolina

**Description:** Weaver Street is a food co-op that combines employee and consumer membership, with each group electing representatives to the co-op's Board of Directors. Currently, Weaver Street has 70 worker-owners and 8,000 consumer-owners. The co-op has expanded greatly in recent years, adding a second storefront and a restaurant operation. It has also supported the development of a housing co-op.

**Relationship:** n/a

**Contact:** Ruffin Slater, General Manager, 919-241-1767, [ruffin@weaverstreetmarket.coop](mailto:ruffin@weaverstreetmarket.coop)

<http://www.weaverstreetmarket.com>

## Tennessee Farmers' Cooperative

*Purchasing Cooperative*

**Location:** Farms across TN

**Description:** Founded in 1945 to ensure dependable supply of farm products, the co-op has 57 member cooperatives, with 150 co-op retail outlets in 83 of Tennessee's 95 counties. TFC is a federated Cooperative system, which means a pyramid of ownership. The farmer members own their local co-ops and the local co-ops own TFC. Co-ops offer career training, internships, and 32 yearly scholarships to agricultural students as well as providing farming products and information to its members.

Relationship: n/a

Contact: n/a

<http://www.ourcoop.com>

## Midcoast Fishermen's Cooperative

*Producer & Purchasing Cooperative*

**Location:** Port Clyde, ME

**Description:** The Midcoast Fishermen's Cooperative was formed as a cost sharing co-op to lease dock space and purchase supplies. One marketing and distribution system of the co-op is their Community Supported Fishery (CSF) subscription program. Modeled on the successful Community Supported Agriculture (CSA) programs across the country, CSF members buy a share in the program up front, and are paid back in fresh fish. Received financing from the CFNE.

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

## Shepherd's Grain

*Producers Cooperative*

**Location:** Southern Alberta, the Pacific Northwest and southern California

**Description:** Producers' co-op made up of 60 family farmers from southern Alberta, the Pacific Northwest and southern California who use sustainable practices to grow grain (primarily wheat).

Relationship: n/a

**Contact:** Karl Kupers, [info@shepherdsgrain.com](mailto:info@shepherdsgrain.com), 509.710.7091

<http://www.shepherdsgrain.com>

## Maine's Own Organic Milk (MOO Milk)

*Producers L3C – not technically a co-op*

**Location:** Maine

**Description:** Maine's Own Organic Milk Company (MOO Milk Co) was formed to promote farm preservation and economic development in Maine by marketing and distributing 100% Maine organic milk with an effort to preserve and increase the Maine organic milk producers' return by locally processing a branded line of products for the food distribution chain in Maine and New England. The 10 organic dairy farms that were dropped by H.P. Hood have joined with Maine Farm Bureau and the Maine Organic Farmers and Gardeners Association (MOFGA) to form a special limited liability corporation, with support from the Maine Department of Agriculture. Technically the company is incorporated as an L3C company (a low-profit limited liability corporation, which is eligible to receive grants and endowments in the same way as can a Cooperative or non-profit). The company's goal is to keep the member farms in business by offering them a fair price for their milk. In all, 90 percent of the company profits will go directly to the farms as payment for

their milk. The remaining 10 percent will be retained for expansion, maintenance, and balancing cash flow. The farms collectively own 45 percent of the voting units of the company and elect three of the seven board members. An additional 45 percent is owned by investors. Farm Bureau and MOFGA will each own one half of one percent, four percent will be owned by the three-person team - all Farm Bureau members - who formulated and executed the development plan, and the last five percent is being withheld for future employee performance incentives. The documentary Betting the Farm features MOO Milk.

**Contact:** Bill Eldridge, [gweconsult@roadrunner.com](mailto:gweconsult@roadrunner.com), <http://www.moomilkco.com/home>

Back story & struggle: <http://www.nytimes.com/2011/02/19/business/19milk.html?pagewanted=all&r=0>

## Tuscarora Organic Growers (TOG)

*Producers Cooperative*

**Location:** Pennsylvania farmers, distribute to Mid-Atlantic and Washington DC markets

**Description:** TOG was founded in 1988 when a group of neighboring organic fruit and vegetable farmers in PA discussed the possibility of joining forces in the marketing of their products. By working together, they could coordinate crop production to complement one another rather than compete. And they could enjoy economies of scale in shipping and selling. The Cooperative form of business fit the farmers' needs, allowing ownership and market access to be divided fairly and decisions to be made jointly. And through co-operation, the growers were able to serve their customers better, by providing a diversity of crops and a level of service that no one grower could provide on his own. In TOG's first season, seven growers moved about 1,500 cases of produce to Washington DC retailers over a five-month period. Since then, each successive season has brought steady growth in sales as well as diversity, season length and professionalism. Today, TOG works with over 28 member producers and 17 non-member producers to bring a projected 100,000 cases of produce from farm to city, offering locally grown, certified organic produce 12 months of the year.

**Contact:** Jim Crawford, [jim@newmorningfarm.net](mailto:jim@newmorningfarm.net), 814-448-3904

<http://www.tog.coop>

## Federation of Southern Cooperatives

*Cooperative of Cooperatives (TA & Support)*

**Location:** Ten southern states, with a concentration in Mississippi, Alabama, Georgia and South Carolina

**Description:** Started over 40 years ago, out of the civil rights movement to pool resources to keep black farmers on the land. They strive toward the development of self-supporting communities with programs that increase income and enhance other opportunities; and we strive to assist in land retention and development, especially for African Americans, but essentially for all family farmers. They do this with an active and democratic involvement in poor areas across the South, through education and outreach strategies which support low-income people in molding their communities to become more humane and livable. They assist in the development of cooperatives and credit unions as a collective strategy to create economic self-sufficiency. Currently, there are over 70 active Cooperative member groups, themselves with a membership of more than 20,000 families working together across ten southern states, with a concentration in Mississippi, Alabama, Georgia and South Carolina. They have a Small Farm and Sustainable Agriculture Project, helps farmers develop successful family farm businesses through: Financial analysis of farms, Technical assistance in setting individual farm goals, Technical assistance in farm management, Assistance in debt restructuring, and Alternative crop analysis. They also have a Cooperative Marketing project.

**Contact:** Pam Madzima, Director of Rural Cooperative Development Program, [fscepes@federation.co-op](mailto:fscepes@federation.co-op), (205) 652-9676

## **Co-op Partners Warehouse**

*Cooperative-owned Distribution Center*

**Location:** Minnesota

**Description:** Co-op Partners Warehouse (CPW) is a Midwest distributor of organic produce and other perishables, specializing in the foods of local producers. They opened in 1999 as an extension of the Wedge Community Co-op in Minneapolis. The store was experiencing tremendous growth and decided to undertake a direct produce buying program. Today Co-op Partners is a wholesale distributor servicing retail stores, restaurants and buying clubs in the Upper Midwest.

**Relationship:** Kate has a relationship with them - would be a great borrower, but said they don't need financing. We could contact their finance person and learn how they got the capital, and if there are others under development.

**Contact:** [lori@cpw.coop](mailto:lori@cpw.coop)

<http://www.cooppartners.coop>, [http://www.cooppartners.coop/pdf/coop\\_warehouse.pdf](http://www.cooppartners.coop/pdf/coop_warehouse.pdf)

## **5<sup>th</sup> Season Co-op**

*Producer+ Cooperative*

**Location:** Fifth Season's market area is in a 150 mile radius of Viroqua WI, which includes south central and southwest Wisconsin, southeast Minnesota, and northwest Iowa.

**Description:** The Fifth Season Cooperative was incorporated in August 2010 to provide the infrastructure and coordination needed to bridge the gap between producers and buyers (especially larger buyers like schools) in the 7 Rivers Region of Wisconsin. It is a multi-stakeholder Cooperative made up of producers, producer groups, food processors, distributors, and buyers with a mission to produce, process and market healthy local foods in our region. They are currently raising capital from residents of WI only through the sale of Class B Series 1 Preferred Stock. The minimum investment is \$500, which is 20 shares of Class B Series 1 stock. Each share has a par value of \$25 and an annual dividend of 5%.

**Relationship:** Kate has contacted, but never connected

**Contact:** Diane Chapeta, Operations Manager, 608-638-COOP, [info.fifthseason@gmail.com](mailto:info.fifthseason@gmail.com)

<http://fifthseason.coop>

## **CPOW Livestock Processors Cooperative – Odessa Plant**

*Producers Cooperative*

**Location:** Odessa, WA

**Description:** Cattle Producers of Washington (CPoW) is an independent membership organization with 77 producer members that focuses on the success of the cattle producer. To better serve its members, CPoW formed a new producer-controlled Cooperative association to provide livestock processing services. CPoW Livestock Processors Cooperative Association opened a new livestock processing plant in Odessa, creating 13 jobs. It provides local ranchers with an alternative to out-of-state processing and long-distance shipping. Craft3 (a CDFI based in Portland, OR – formerly called Enterprise Cascadia) provided them with a Small Business Credit Initiative Loan to purchase processing line equipment, fixtures and holding pens. This loan was made possible with capital from Washington State Department of Commerce to make loans to businesses unable to access traditional sources of capital. They pitched at Slow Money in April 2013 – looking for a 6 month bridge loan of \$100-250K.

**Contact:** Sue Lani, [suelani@centurylink.net](mailto:suelani@centurylink.net), 509-236-2311, [www.cattleproducersofwa.org](http://www.cattleproducersofwa.org)

## **Support Orgs Serving Co-ops**

### **National Cooperative Bank**

**Location:** Offices in DC, NY, CA, OH, AK, VA

**Description:** National Cooperative Bank (NCB) provides comprehensive banking services to cooperatives and other member-owned organizations in the US. The bank was created to address the financial needs of cooperatives, especially in low-income communities. They offer checking/savings/mortgages for individuals. And have loan programs available for core markets – housing cooperatives, community associations, business cooperatives and socially responsible enterprises. To date, the NCB has provided \$4.5 billion in capital to cooperatives including real estate loans, term loans, lines of credit, and SBA loans starting at \$250,000.

**Contact:** David Christiansen, Chief Credit Officer, [dchristiansen@ncb.coop](mailto:dchristiansen@ncb.coop), <http://www.ncb.coop/>

### **NCB Capital Impact**

Community Development Financial Institution (CDFI)

**Location:** Based in Virginia, operates nationally

**Description:** NCB Capital Impact (NCBI) is a non-profit CDFI that provides financial services & technical assistance around housing, health care, healthy foods, education and eldercare. In 2011, NCBCI was spun off into a non-profit from the National Cooperative Bank. NCBI offers “healthy food financing” nationally and administers the [California Freshworks Fund](#) in partnership with Calvert Foundation, the California Endowment & others. The fund has raised \$272 million to deliver financing (often coupled with grants from partners) to food retailers, producers and distributors in underserved urban and rural communities in California to expand access to healthy food. Financing is available to cooperatives and retail groceries in the form of construction & renovation loans, real estate acquisition & term loans, equipment loans and inventory financing (no cooperatives have yet received financing from the fund).

**Contact:** Scott Sporte, [ssporte@ncbcapitalimpact.org](mailto:ssporte@ncbcapitalimpact.org), 510-496-2233  
<http://www.ncbcapitalimpact.org/index.aspx>

### **Northcountry Development Fund**

**Location:** Based in Minneapolis, MN but serves members in 30 states

**Description:** NCDF is a Cooperatively owned community development loan fund and registered CDFI committed to fostering economic democracy by investing in Cooperative enterprises. NCDF serves more than 175 co-op members in 30 states, including natural food, consumer, producer, housing and worker-owned cooperatives. NCDF creates opportunities for cooperatives and social investors to invest in the national Cooperative movement, with an emphasis on community development within economically challenged and underserved communities. Since its founding in 1978, NCDF has originated over \$31 million in Cooperative financing. NCDF offers 1 to 7 year notes to investors, whom are protected by a loss reserve (and NCDF has never lost investor capital). NCDF provides loans to its co-op members for: Expansions and Relocations, Real Estate Acquisition, Leasehold Improvements, Equipment, Inventory, and Working Capital.

**Contact:** Christina Jennings, [christina@ncdf.coop](mailto:christina@ncdf.coop), 612-767-2114  
<http://www.ncdf.coop/>

## CoBank

Capital Supplier to Farm Credit System Cooperative Banks

**Location:** National (based in CO)

**Description:** CoBank is a “system bank” in the Farm Credit System (see graphic below for Farm Credit System flow of funds). CoBank (and other system banks) provides capital to “local retail associations”, which are cooperatively owned by member borrowers. CoBank also provides direct financing to large agribusinesses, cooperatives & rural utilities (power, water & communications). The local retail associations are “borrower cooperatives” whose members include farmers, ranchers, rural homeowners, aquatic producers, timber harvesters, agribusinesses & agricultural and rural utility cooperatives. These cooperatives own retail lending locations that offer loans, leases & other financial services. Funding for CoBank’s lending & operations comes from the Federal Farm Credit Banks Funding Corporation issues debt securities to finance the System’s financial products & operations (debt interest rates tend to be between 1% & 4% depending on the maturity – in-line with T-Bill rates). CoBank directly offers seasonal loans (12 to 18 month maturities) to finance current or seasonal assets, inventories, accounts receivable, commodities and other short-term needs and intermediate & long-term financing for purposes such as facility construction or expansion, equipment & land purchases and working capital. American Ag Credit is a large local retail association; with 32 branch offices covering CA, CO, NM, NV, KS & OK and almost \$6 billion of loan assets (the co-op has a \$4.5 billion note payable to CoBank, \$7 million of member equity and \$116 million of preferred stock outstanding)

### FARM CREDIT SYSTEM FLOW OF FUNDS



FARM CREDIT COUNCIL | FARM CREDIT SYSTEM INSURANCE CORPORATION

REGULATED BY FCA    REPAYMENT    FUNDS    LOANS

\* Farmers, ranchers, rural homeowners, ag cooperatives, rural utility systems & agribusinesses

\*\* Farm Credit System Banks - AgFirst, AgriBank, FCB of Texas, CoBank.

CoBank has lending authority to Associations within its District as well as nationwide lending authorities to agricultural cooperatives, rural utilities and other eligible borrowers.

**Contact:** Mary McBridge, Chief Banking Officer

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

## Cooperative Fund of New England (CFNE)

*Community Development Financial Institution*

**Location:** Community development loan fund serves New England and adjacent communities in New York.

**Description:** Launched with \$11,000 in 1975, CFNE has made over 600 loans totaling over \$29 million. 85 percent of these loans have gone to cooperatives (43% to food co-ops, 19% to housing co-ops and 23% to other types of co-ops). The majority of CFNE's loan pool comes from individuals, cooperatives and community & religious organizations (minimum investment \$1,000, 1-year lockup, investors chooses interest rate of 0-2%). All loans are secured and they range from \$1,000 to \$750,000. The term and rate are negotiable but generally range from 5-7 years and 6-7% interest (\$100 application fee and 1 point closing fee). Loans can be used for working capital, inventory purchase, business expansion, plant & equipment, cash flow needs, property acquisition and site development & home improvement/rehab. The fund's historical performance has been strong – just a 0.8% default rate and it maintains a 3.5% loan loss reserve (funded by grants and profits from operations). The fund offers unique cooperative-specific loans including:

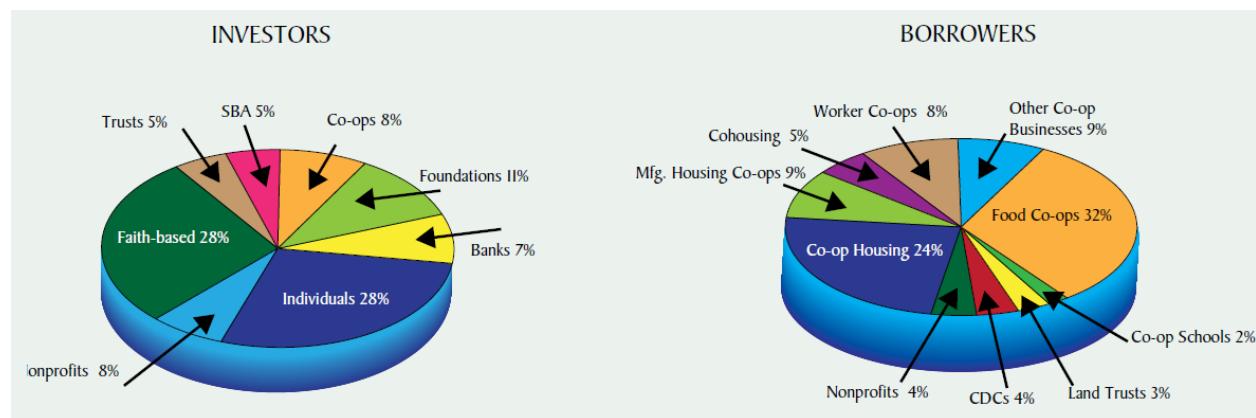
- Member Ownership Loans to finance member equity purchases in a co-op
- Member Education Loans to finance a co-op to enroll members in cooperative-related higher education programs
- Member Participation Loans to enable co-op members to lend to their co-ops through CFNE (designed to help out-of-state members invest in their cooperatives)

**Contact:** Rebecca Dunn, Executive Director, [rdunn@cooperativefund.org](mailto:rdunn@cooperativefund.org)

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

**Annual report:**

<http://www.cooperativefund.org/sites/default/files/CFNEAnnual%20Report2011%20final.pdf>



## Local Enterprise Assistance Fund (LEAF)

**Location:** HQ in Brookline, MA

**Description:** LEAF is a CDFI that delivers senior & subordinated debt, lines of credit, equity (through investment partners) financing and technical assistance to community-based & employee-owned businesses. LEAF has loaned over \$7 million to social purpose & co-op enterprises. LEAF is one of three CDFIs nationally that has focused on financing natural food cooperatives. Examples of LEAF's co-op lending activity include loans to Peoples' Food Cooperative (WI) and Seward Co-op Grocery (MN). Minimum loans size is \$5,000, interest rates range from 0-4% and terms are 2 years and longer.

Contact: Gerardo Espinoza, Executive Director

## National Cooperative Business Association

**Location:** HQ in Washington, DC

**Description:** The National Cooperative Business Association (NCBA) is the oldest (founded 1916) and largest national membership association dedicated to ensuring that cooperative businesses have the same opportunities as other businesses operating the United States and that consumers have access to cooperatives in the marketplace. NCBA's activities includes programs and services that meet the shared advocacy, education and communications needs of a cross-sector US cooperative community. In addition to its work domestically, NCBA's CLUSA International program has been engaged in cooperative and sustainable business development in over 100 countries for close to 60 years.

Relationship: n/a

**Contact:** John Torres, Director of Public Relations, 202.383.5452, [jtorres@ncba.coop](mailto:jtorres@ncba.coop)

<http://www.ncba.coop/ncba/about-coops>

## Co-ops USA

**Location:** HQ in Washington, DC

**Description:** Co-ops USA is a center for promoting the growth of cooperatives in the United States, a project of NCBA. They provide resources and information to get co-ops started.

Relationship: n/a

<http://co-opsusa.coop/>

## Community-Wealth.org (project of the Democracy Collaborative)

**Location:** Washington DC & Cleveland, OH

**Description:** NGO that collects information and case studies of democracy-based models including cooperatives. They have an excellent high-level view of existing “model” co-ops, and a sense of what is needed to supportive co-op businesses. They have also supported specific co-ops on the ground, such as the Evergreen Cooperative in Cleveland.

**Relationship:** BALLE is in contact with Ted

**Contact:** Ted Howard, ED of the Democracy Collaborative, [thoward@civilsociety.umd.edu](mailto:thoward@civilsociety.umd.edu), [thoward1@umd.edu](mailto:thoward1@umd.edu)

<http://www.community-wealth.org/strategies/panel/co-ops/index.html>

<http://www.community-wealth.org/strategies/panel/co-ops/models.html>

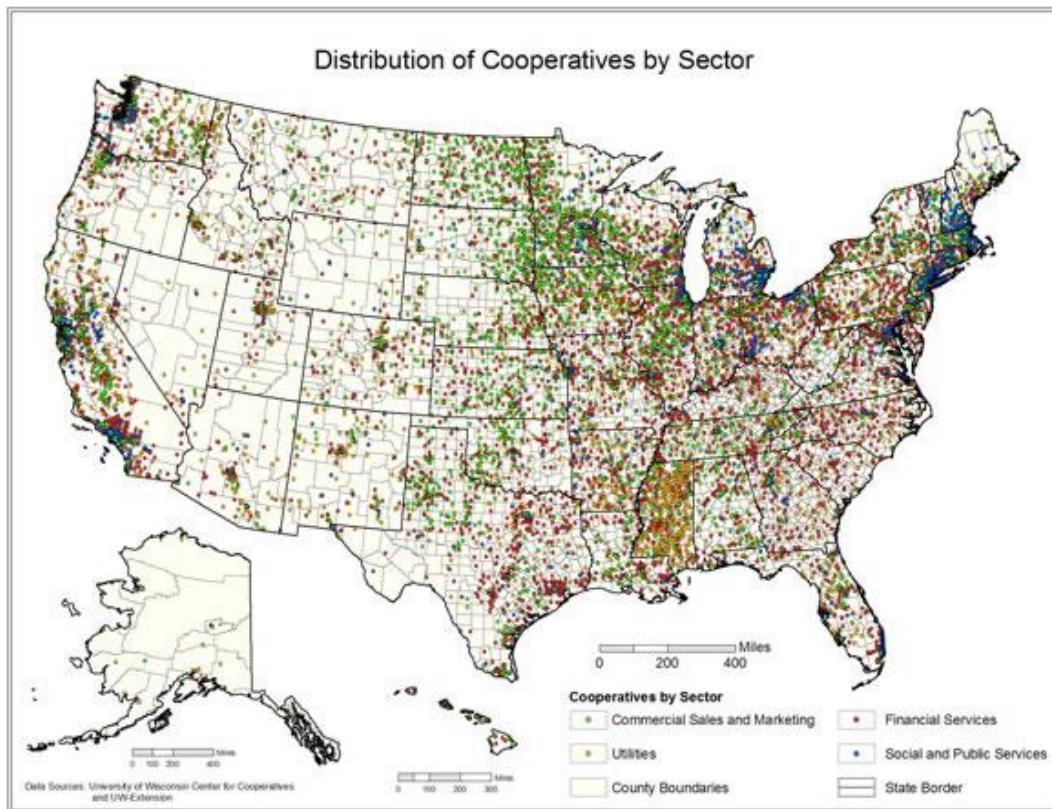
## Other Background Information

### Prevalence & Economic Impact of Cooperatives

The National Cooperative Business Association partnered with the University of Wisconsin Center for Cooperatives (UWCC) to conduct research on the impact of cooperatives on the U.S. economy in 2009, funded by the United States Department of Agriculture ([full report](#)). Some of the statistics reported include:

- There are 29,000 US cooperatives that operate at 73,000 places of business throughout the US.
- The breakdown of co-op type by number of organizations is:
  - 92% consumer cooperatives
  - 5% producer cooperatives
  - 2% purchasing cooperatives
  - 1% worker cooperatives
- Cooperatives account for nearly \$654 billion in annual revenue, over two million jobs, and \$75 billion in annual wages and benefits paid.

The map below shows the geographic distribution of co-ops colored by sector.



**YES! Magazine** also has an [excellent issue on cooperatives](#), and highlights some key differences between cooperatives and “conventional” organizations:

1

## They Build Healthy Local Economies

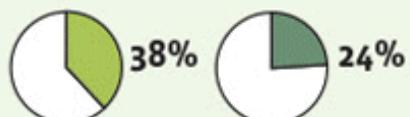


\$1000  
spent at a food co-op means  
**\$1606**  
for the local economy.

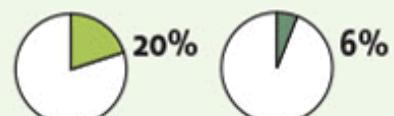
That's **17%** more money that stays  
in the community.

● Food co-ops  
● Conventional grocers

### Revenues spent locally:



### Products sourced locally:



**More jobs created for every \$1 million in sales:**



**Small footprint**

**\$10.37**   **\$8.55**

Sales per square foot

**Plastic recycled**

**81%**   **29%**

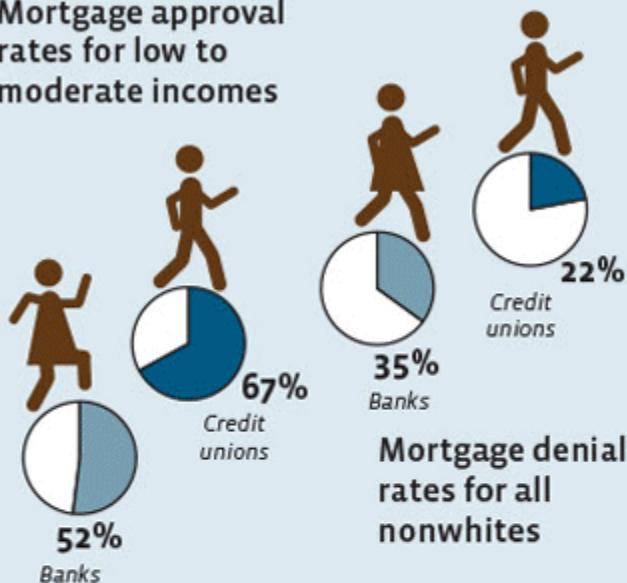
**Organic produce**

**82%**   **12%**

Sources: "Measuring the Social and Economic Impact of Food Co-ops" 2012 report by Strongertogether.coop

## They Exist to Serve Their Members

Mortgage approval rates for low to moderate incomes



Mortgage denial rates for all nonwhites



**25%**

of all credit union mortgage approvals go to members with low to moderate incomes.

During the recession, banks stopped lending.  
Credit unions kept going.



Even with taking on more borrowers that banks find "too risky" ...

... loan delinquencies and bankruptcies declined in 2012 at a higher rate than at banks.

YES! Magazine Graphic 2013

Research by Laura Beans, Tracy Loeffelholz Dunn, and Doug Pibel  
Sources: 2012 NCUA reports, 2009 REIC University of Wisconsin study  
Complete citations at [yesmagazine.org/jtf65](http://yesmagazine.org/jtf65)

## **Cooperative Principles**

In many ways, cooperatives may be values-aligned partners for RSF. The International Cooperative Alliance has established seven principles that define co-ops as part of their Statement on the Cooperative Identity:

### **Principle 1: Voluntary and Open Membership**

Cooperatives are voluntary organizations, 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.

### **Principle 2: Democratic Member Control**

Cooperatives are democratic organizations 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 cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organized in a democratic manner.

### **Principle 3: Member Economic Participation**

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. 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 cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

### **Principle 4: Autonomy and Independence**

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter to 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 cooperative autonomy.

### **Principle 5: Education, Training and Information**

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

### **Principle 6: Co-operation among Cooperatives**

Cooperatives serve their members most effectively and strengthen the Cooperative movement by working together through local, national, regional and international structures.

### **Principle 7: Concern for Community**

Cooperatives work for the sustainable development of their communities through policies approved by their members.