

**Shared Capital<sup>TM</sup>  
Cooperative**

BUILDING ECONOMIC DEMOCRACY



# Message from the Board President and Executive Director

Dear Members, Investors and Friends:

We are pleased to report that 2016 was one of our busiest lending years ever. We made 28 loans totaling \$5.5 million to cooperatives in 16 states from Alabama to Washington State and from South Carolina to North Dakota. We provided loans to worker-owned businesses, retail grocery co-ops, housing co-ops and small farmer co-ops. More than 80% of the lending went to support cooperatives organized in low-income community and by people of color and women, those least likely to have access to conventional financing. The cooperatives we financed created nearly 550 jobs and over 100 units of affordable housing in their local communities.

In 2016, we celebrated the *creation of a new program: the Organic Valley Principle Six Cooperative Growth Fund*. Created in partnership with Organic Valley Family of Farms/ CROPP Cooperative, the \$1 million program supports the expansion of retail grocery co-ops throughout the US. The Fund is a way for the farmer-owned cooperative to reinvest in the expansion of retail grocery food co-ops, and it is a great example of the sixth cooperative principle – cooperation among cooperatives – in action!

This past year we also celebrated the **Worker Ownership Loan Fund's 10th anniversary**. Built in partnership with the US Federation of Worker Cooperatives, the program provides financing for worker-owned businesses to create jobs in low-income communities. Over the past decade, WOLF has provided 45 loans totaling nearly \$3.5 million to worker-owned businesses.

Strong lending in 2016 drove growth in our loan portfolio and helped build our earned revenue base. In addition, we were able to hold down our cost of capital and operating expenses. However, we fell short of our grant fundraising goals for the year and had to set aside more for loan loss reserves (a non-cash expense) resulting in a disappointing bottom line. Nonetheless, strong margins and growth trends position us well for a strong 2017.

We want to thank our members, investors, donors, and partners. We look forward to continuing our work together to build a cooperative, equitable and just economy.

In Cooperation,



Alex Betzenheimer  
President



Christina Jennings  
Executive Director

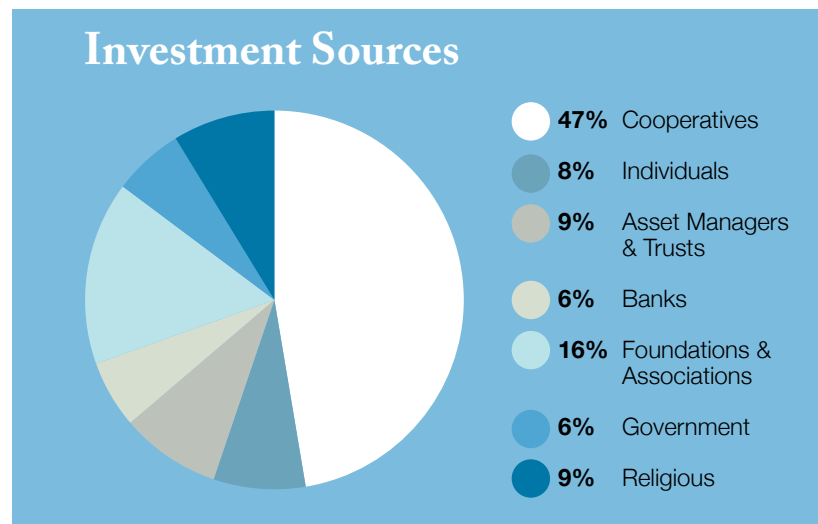


# Thank you Investors & Donors

Amazing Grains Food Co-op  
BMO Harris Bank NA Community Investments  
Capital Impact Partners  
Catholic Health Initiatives  
CDFI Fund of the U.S. Department of Treasury  
CDS Consulting Co-op  
College Houses  
Common Good Finance  
Common Ground Food Co-op  
Community Mercantile  
Community Pharmacy  
Cooperative Development Foundation  
Cooperative Development Services

GreenStar Cooperative Market  
Hampden Park Co-op  
Hunger Mountain Cooperative  
Inter-Cooperative Council at the University of Michigan  
Isthmus Engineering  
Kansas Midwives Legal Defense Fund  
The Kentron Foundation  
Keweenaw Cooperative  
Lexington Cooperative Market  
Linden Hills Co-op  
Littleton Consumer Cooperative Society  
Madison Community Co-op  
Middlebury Natural Foods Co-op  
Mifflin Street Co-op

Open Harvest Food Co-op  
Organic Valley Family of Farms  
Our Lady of Victory Missionary Sisters  
Ozark Natural Food Co-op  
Park Cooperative Apartments  
People's Food Co-op—La Crosse & Rochester  
People's Food Cooperative—Ann Arbor  
Positively 3rd Street  
Replace  
River Valley Market  
Riverton Community Housing  
Roots & Fruits Produce  
Sacramento Natural Foods  
School Sisters of Notre Dame  
School Sisters of St. Francis  
Seward Community Co-op  
Sinsinawa Dominicans  
Sisters of St. Dominic  
Sisters of St. Francis of Philadelphia  
Sisters of St. Joseph of Carondelet  
Sisters, Servants of the Immaculate Heart of Mary  
Sitka Food Co-op  
South Metro Federal Credit Union  
The Food Co-op  
The Kentron Foundation  
Three Rivers Market  
Triangle Park Creative  
Twin Pines Cooperative Foundation  
Union Cab  
United Natural Foods  
Valley Alliance of Worker Cooperatives  
Valley Community Foods Co-op  
Weaver Street Market  
Weavers Way Co-op  
Wedge Community Co-op  
Wells Fargo Community Lending & Investing  
Western Wisconsin Coalition of Co-ops  
Wheatville Co-op  
Whole Foods Community Co-op  
Wild Oats Cooperative  
Willimantic Food Co-op  
Willy Street Co-op  
Woodlands Investment Management



Cooperative Foundation  
CP Local 001  
Eastside Food Co-op  
Emily Faulkner Trust  
Episcopal Diocese of Iowa Alternative Inv. Fund  
Ever'man Natural Foods  
Federated Youth Foundation  
Flatbush Food Co-op  
Franciscan Sisters of Little Falls  
Frederick County Consumer Cooperative  
Fund for Democratic Communities  
Gadfly Trust  
Grain Train Natural Food Co-op

Mississippi Market  
Molehill Housing Co-op  
Monadnock Food Co-op  
NASCO Properties  
National Co+op Grocers  
National Cooperative Bank  
Natural Harvest Food Co-op  
New England War Tax Resistance  
New Pioneer Co-op  
New Riverside Café  
Northwest Area Foundation  
Oberlin Student Cooperative Association  
Oneota Community Co-op  
Onion River Cooperative



## Hub Bike Co-op

Minneapolis, Minnesota

**When their building and the adjacent one** went on the market, the worker-owners at Hub Bike Co-op knew they had to figure out a way to buy it. Not only did they want to remain in the location long-term, but they also hoped to expand into the adjoining space. After a dozen years of successful operations, the worker-owned bicycle retail and repair business needed more room. General Manager, Ben Tsai, recalls, “We were basically tripping over ourselves and product to try to not only run the store, but also work on customers’ bikes and teach our classes.”

Shared Capital had provided a number of loans to Hub Bike Co-op over the years as the business grew. But the \$1.2 million deal would be too big for Shared Capital alone. Shared Capital turned to frequent-lending partner, National Cooperative Bank (NCB). NCB provided financing for the real estate, and Shared Capital financed the inventory, equipment and working capital. “Shared Capital not only helped with funding, but with advice and networking, which was really welcome and a major component to help facilitate the transaction,” explained Tsai.



## Federation of Southern Cooperative

Epes, Alabama

**Born out of the Civil Rights Movement**, the Federation of Southern Cooperatives was founded to address a complex set of problems facing Black farmers and rural communities in the South. Today the Federation is made up of 75 cooperatives and represents more than 20,000 people in nine southern states. Since 1967, the Federation has worked to develop cooperatives and credit unions; protect and expand the landholding of Black family farmers; and advocate on behalf of low-income rural communities.

In 2016, the Federation turned to Shared Capital to secure a \$275,000 working capital line of credit to support the organization’s growth and ease the burden of the often slow cycle of federal program reimbursements. Federation Executive Director, Cornelius Blanding explains, “A line of credit is a vehicle that every business needs.... The line from Shared Capital is allowing our organization to have access to the same sort of tools other businesses need to survive and to help us fulfill our mission.” Shared Capital is now working with the Federation to expand the line of credit through a consortium of lenders who will participate in a line managed by Shared Capital.



## Walnut Street Co-op

Eugene, Oregon

**Access to affordable housing options** is becoming increasingly challenging in many communities. With monthly rents nearly \$200 below the cheapest studio apartments in town, the Walnut Street Co-op offers a cost-effective and community-focused housing option for its nine residents. Under the co-op's group equity structure, members purchase shares that operate much like a rental deposit. Any appreciation in value of the home is not distributed to the members but remains with the cooperative, ensuring long-term affordability in the midst of Oregon's rapidly rising housing prices.

Walnut Street Co-op began informally in 2000 when community members rented a Craftsman-style duplex. In 2003, the residents had the opportunity to buy the home, but they were unable to find a bank willing to make a mortgage loan to a cooperative. Instead, the group pulled together a patchwork of loans from friends, family and neighbors. After managing this complex revolving financing structure for more than a decade, the co-op decided they want to find a simpler option, and in 2016, the co-op consolidated its debt with a \$196,000 mortgage from Shared Capital.

## Cooperative Energy Futures

Minneapolis, Minnesota

**Until now, the benefits of clean energy** have been out of reach to most low-income households. Cooperative Energy Futures (CEF), a Minneapolis-based consumer-owned cooperative, is working to change that. By building more equitable models, CEF seek to pass along the benefit to low and moderate income resident.

While many utility companies are developing massive-scale solar projects, CEF has created a cost-effective community-scaled model that places solar panel arrays on private and public buildings. CEF then passes along the savings from the generated energy to its subscribers. This approach creates more equitable access to the benefits of clean energy by making it available to renters and families who can't pay the upfront costs of installing solar panels on their own home.

CEF got started in 2009 providing energy efficiency improvements for low-income residents. They launched their community solar initiative in 2013 and have completed two community solar garden projects in the Twin Cities: one on the rooftop of a church and another on a public works building. Today CEF is developing more than a dozen additional community solar gardens throughout Minnesota. In 2016, Shared Capital provided \$480,000 in financing to CEF to support their community solar work.



**East Aurora Cooperative Market**  
East Aurora, New York

**After visiting a food co-op nearby,** residents of this small town were inspired to start a community-owned grocery of their own. They dreamed of bringing local food from area farmers and creating a thriving neighborhood hub. Of course the process required more than just inspiration and dreams. It took years of organizing, fundraising and business planning.

With members signed up, a site secured, financing in place, and construction rolling on the \$2.3 million project, the organizers of the East Aurora Cooperative Market assumed they were in the home stretch. Then there was an eleventh hour setback: one of their sources of financing pulled out. With Shared Capital already committed to its maximum, they needed to quickly fill the financing gap before the construction crew walked away from the site.

The co-op launched a new capital campaign that raised over \$100,000 in one day. Their friends at Lexington Cooperative Market up the road in Buffalo, NY agreed to make a loan through Shared Capital and helped rally other food co-ops to do the same. All in all, 16 food co-ops from New Hampshire to Florida put together \$200,000 in loans through Shared Capital that provided \$569,000 in total financing. And the new store opened its doors in June 2016 thanks to some real-life cooperation among cooperative.



**Electric Violin Shop**  
Durham, North Carolina

**Business owner Blaise Kielar faced a dilemma.** He dreamed of retirement and more time with family, but he didn't want to walk away from his business. Kielar had worked hard over many years to build Electric Violin Shop into a successful business with a global reputation for quality products and knowledgeable service.

Like many business owners, he assumed that retirement would mean either closing the doors or selling to a competitor, and he worried about what this would mean for his dedicated employees and loyal customers. Then another possibility emerged: what if he sold the business to his employees? After all, Electric Violin Shop prided itself on the knowledge and expertise of its employees. Next to him, no one knew the business better or cared more about it, than his small, dedicated team.

For the business's five employees, it was a once-in-a-lifetime opportunity. In 2016, the employees purchased the business from Kielar with the help of patient seller financing and a \$200,000 loan from Shared Capital Cooperative and partner CDFI, Local Enterprise Assistance Fund. Now a worker-owned cooperative, Electric Violin Shop continues to offer quality instruments and outstanding service locally and online to customers from around the world.

# Lending & Investing

## **BisMan Community Food Cooperative**

Bismarck, North Dakota  
\$726,000 startup financing (shared with Local Enterprise Assistance Fund)

## **Clifton Cooperative Market**

Cincinnati, Ohio  
\$1,096,500 in startup financing (shared with the Finance Fund)

## **The Co-op Natural Foods**

Sioux Falls, South Dakota  
\$150,000 for equipment and remodeling

## **Cooperative Energy Futures**

Minneapolis, Minnesota  
\$458,000 to support community solar projects

## **Doylestown Cooperative**

Doylestown, Pennsylvania  
\$20,000 for buying club

## **East Aurora Cooperative Market**

East Aurora, New York  
\$509,000 startup grocery financing (shared with Local Enterprise Assistance Fund and Cooperative Fund of New England)

## **Electric Violin Shop**

Durham, North Carolina  
\$101,000 for conversion to worker-ownership (with Local Enterprise Assistance Fund and Cooperative Fund of New England)

## **eQuality HomeCare Cooperative**

New Braunfels, Texas  
\$50,000 for startup worker-owned homecare co-op

## **Federation of Southern Cooperatives / Land Assistance Fund**

East Point, Georgia  
\$275,000 working capital line of credit for association of black farmer cooperatives

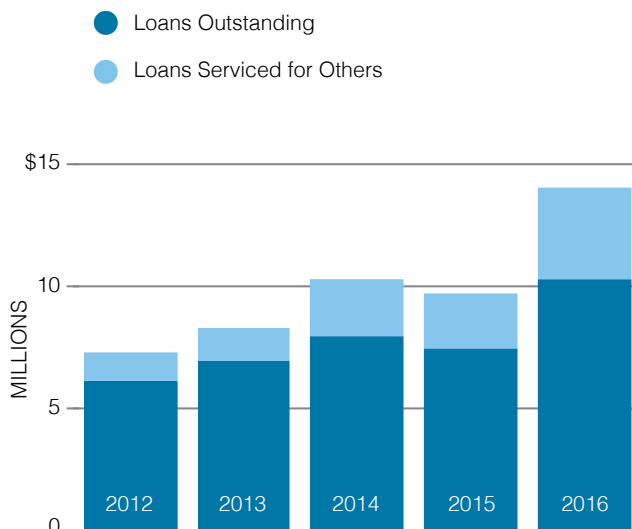
## **Good Earth Food Cooperative**

St. Cloud, Minnesota  
\$32,500 to consumer food co-op

## **GrassRoots Cooperative**

Anoka, Minnesota  
\$15,250 to consumer food co-op for equipment

## Loan Portfolio



## Members

**213** cooperative members

**36** states and D.C.



# Lending & Investing

## **Hub Bike Co-op**

Minneapolis, Minnesota  
\$270,000 for worker co-op to buy building

## **Hub City Co-op**

Spartanburg, South Carolina  
\$700,000 startup loan for food co-op  
(shared with Natural Capital Investment Fund and Local Enterprise Assistance Fund)

## **Lots in Common**

Chicago, Illinois  
\$380,000 to buy an additional building for housing co-op

## **NASCO Properties**

Urbana, Illinois  
\$178,000 to refinance mortgage for Community of Urbana—Champaign Cooperative Housing properties

## **Natural Harvest Food Co-op**

Virginia, MN  
\$1,000,000 for expansion and relocation  
(shared with Entrepreneurs Fund & Northland Fund)

## **New Wine Commune Cooperative**

Madison, Wisconsin  
\$16,000 to housing co-op for improvements

## **Peace Coffee**

Minneapolis, Minnesota  
\$90,000 to expand fair trade purchases from coffee cooperatives

## **Renaissance Community Cooperative**

Greensboro, North Carolina  
\$480,000 for startup food co-op

## **Seattle Wholesale Growers Market**

Seattle, Washington  
\$75,000 working capital for farmer-owned flower market

## **Walnut Street Cooperative**

Eugene, Oregon  
\$196,000 to refinance housing co-op mortgage

# Funds & Programs



## **Worker Ownership Fund**

The Worker Ownership Loan Fund is a program created in partnership with the U.S Federation of Worker Co-ops to create democratic jobs in low-income communities. Since 2007, WOLF has provided more than 45 loans totaling over \$3.5 million to worker-owned co-ops.



## **Organic Valley Principle Six Fund**

Organic Valley Principle 6 Cooperative Growth Fund supports the growth and development of cooperatively owned retail grocery stores – food co-ops – around the United States. The fund is operated by Shared Capital Cooperative under an agreement with, and thanks to the generous financial support of, CROPP Cooperative, the parent company of the Organic Valley brand.

# 2016 Audited Financial Statements

## Balance Sheet

(as of Dec. 31)

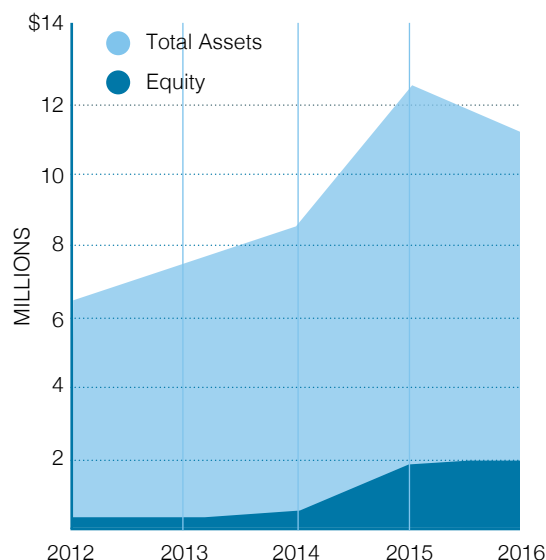
ASSETS	2016	2015
Cash	\$501,791	\$4,165,576
Funds Held for Others	361,278	828,536
Loans Receivable	10,298,523	7,450,714
Allowance	(535,813)	(333,893)
Investments in Cooperatives	148,160	148,160
Other Assets	275,157	260,291
<b>TOTAL ASSETS</b>	<b>\$11,049,096</b>	\$12,519,384
<b>LIABILITIES</b>		
Notes Payable	\$8,658,609	\$9,807,727
Funds Due to Others	361,278	828,536
Other Current Liabilities	121,952	56,695
<b>TOTAL LIABILITIES</b>	<b>\$9,141,839</b>	\$10,692,958
<b>EQUITY</b>		
Preferred Stock	\$1,699,031	\$1,426,864
Common Stock	2,168,150	2,076,122
Retained Earnings	(1,959,924)	(1,676,560)
<b>TOTAL EQUITY</b>	<b>\$1,907,257</b>	\$1,826,426
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$11,049,096</b>	\$12,519,384

## Income Statement

(fiscal year ending Dec. 31)

	2016	2015
Interest & Loan Fee Revenue	\$706,106	\$629,202
Grant & Other Revenue	94,093	354,219
Total Income Before Expenses	800,199	983,421
Interest Expenses	(167,580)	(197,635)
Operating Expenses	(690,128)	(701,645)
Net Income (Loss) Before provision, patronage and taxes	(57,509)	84,141
Provision for Loan Losses	(203,688)	(29,490)
Patronage Dividend	----	(9,570)
Income Taxes	----	(14,000)
<b>NET INCOME (LOSS)</b>	<b>\$(261,197)</b>	\$31,081

FUND GROWTH 2012-2016



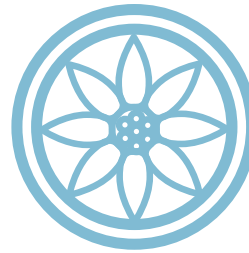
*“Shared Capital not only helped with financing, but with advice and networking, which was really welcome and a major component to help facilitate the transaction.”*

Benjamin Tsai, Hub Bike Co-op General Manager

# Outcomes & Impact



**\$5.56**  
million  
financed



**10** co-ops  
started  
**8** co-ops  
expanded



**28**  
loans



**548**  
jobs  
created &  
maintained



**75%**  
low-income  
communities



**103** units of  
affordable  
housing  
created & maintained



**72%**  
of grocery loans in  
food deserts



**16**  
states

**Our mission is to foster economic democracy  
by investing in cooperative enterprises.**



# Shared Capital™ Cooperative

2600 E Franklin Avenue, Suite 2  
Minneapolis, Minnesota 55406

*“...Shared Capital is allowing our organization to have access to the same sort of tools other businesses need to survive and to help us fulfill our mission.”*

Cornelius Blanding, Federation of Southern Cooperatives



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Carolina Common Enterprise

### **Roy Berger**

Mississippi Market (retired)

### **Alex Betzenheimer (President)**

Seward Community Co-op

### **Dana Curtis (Treasurer)**

Black Star Co-op

### **Jacqueline Hannah**

Food Co-op Initiative

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U.S. Federation of Worker Cooperatives  
Oakland, California

### **Pamela Madzima**

Federation of Southern Cooperatives/  
Land Assistance Fund  
Epes, Alabama

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