Dear Members, Investors and Friends,

Throughout 2017, Shared Capital Cooperative continued to make a real impact in local communities by providing $3 million in financing to 15 co-ops, including start-ups, expansions, and conversions of businesses to worker ownership. These co-ops we supported created and retained living-wage jobs, created democratic workplaces, sustained and regenerated a healthy environment, and expanded access to healthy foods.

We are pleased to continue to deepen our impact through collaborations with local partners who are developing cooperative economic solutions to advance racial equity and economic justice in their communities. By partnering, we are able to mobilize capital from the cooperative sector and its allies on a national scale to support vital efforts in local communities.

Our financial performance in 2017 did not meet our goals, and we posted an operating loss. There were two reasons. First, we increased our reserves due to continued intense competition in the grocery sector that has challenged new and long-standing food co-ops. We continue to work closely with our food co-op borrowers to support their success. Secondly, at our current size, we rely on raising grants each year to subsidize our operating budget. We fell short of our grant goal in 2017, but we are pleased that we have strong grant commitments in hand for 2018.

We are excited to see renewed and growing interest in cooperative solutions in communities throughout the U.S. We look forward to continuing to work together with our members and allies to build a just, inclusive, and democratic economy.

Cooperatively,

Alex Betzenheimer
President

Christina Jennings
Executive Director

Board of Directors

Thomas Beckett, Secretary
Carolina Common Enterprise
Durham, North Carolina

Alex Betzenheimer, President
Seward Community Co-op
Minneapolis, Minnesota

Dana Curtis, Treasurer
Key Figures
Austin, Texas

Jacqueline Hannah
Food Co-op Initiative
Urbana, Illinois

Pamela Madzima
Federation of Southern Cooperatives / Land Assistance Fund
Epes, Alabama

Repa Mekha
Nexus Community Partners
St. Paul, Minnesota

Anne Reynolds
University of Wisconsin Center for Cooperatives (Retired)
Madison, Wisconsin

Holly Jo Sparks
Oryana Natural Foods Market and MSU Student Housing Cooperative Traverse City, and East Lansing, Michigan

Jaime Villalaz, Vice President
Latino Economic Development Center
Sauk Rapids, Minnesota

Staff

Mark Fick
Director of Lending

Christina Jennings
Executive Director

Brenda Pfahnl
Senior Loan Officer & Director of Programs

Jim Shadko
Senior Loan Officer

Adam Trott
Director of Member Relations

Rhonda Weidling
Operations Manager
$3 million financed in 2017

723 jobs

$10.9 million loans outstanding

83 loans outstanding

95% in low income communities

70% of grocery loans in food deserts

owned by 228 member co-ops

members in 35 states

“Shared Capital is the gateway for a more successful cooperative sector.”

Repah Mekha, President and CEO of Nexus Community Partners and Shared Capital Board Member
2017 Lending & Investing

Lending by Type of Co-op

43% Consumer Grocery
36% Housing
12% Worker Co-op
9% Other

Loan Portfolio Growth

Loans Outstanding
Loans Serviced for Others

2012 2013 2014 2015 2016 2017

2012 2013 2014 2015 2016 2017

MILLIONS

$15

15

10

10

5

5

2012 2013 2014 2015 2016 2017
<table>
<thead>
<tr>
<th>Name</th>
<th>Location</th>
<th>Amount/Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vital Compass</td>
<td>Portland, Oregon</td>
<td>$8,500 working capital for new hire and growth for a worker cooperative Chinese medicine pharmacy and clinic</td>
</tr>
<tr>
<td>Dill Pickle Food Cooperative</td>
<td>Chicago, Illinois</td>
<td>$450,000 + $150,000 = $600,000 to finance the expansion and relocation of a grocery cooperative</td>
</tr>
<tr>
<td>The Hub Bike Co-op</td>
<td>Minneapolis, Minnesota</td>
<td>$270,000 to finance expansion and real estate purchase of a worker cooperative bike shop</td>
</tr>
<tr>
<td>Renaissance Community Cooperative</td>
<td>Greensboro, North Carolina</td>
<td>$255,000 to finance inventory, equipment, working capital for the start-up of a grocery cooperative</td>
</tr>
<tr>
<td>Wirth Cooperative Grocery</td>
<td>Minneapolis, Minnesota</td>
<td>$50,000 to finance equipment, inventory, and leasehold improvements for a grocery cooperative</td>
</tr>
<tr>
<td>eQuality HomeCare Cooperative</td>
<td>New Braunfels, Texas</td>
<td>$50,000 working capital for startup homecare worker cooperative</td>
</tr>
<tr>
<td>Cooperative Energy Futures</td>
<td>Minneapolis, Minnesota</td>
<td>$400,000 in working capital for consumer owned community solar panel gardens</td>
</tr>
<tr>
<td>Natural Harvest Food Co-op</td>
<td>Virginia, Minnesota</td>
<td>$1,000,000 to finance expansion and relocation of a grocery cooperative</td>
</tr>
<tr>
<td>Independent Brewers Alliance</td>
<td>Somerville, Massachusetts</td>
<td>$100,000 in working capital for startup of a purchasing cooperative</td>
</tr>
<tr>
<td>Green Top Grocery Cooperative</td>
<td>Bloomington, Illinois</td>
<td>$700,000 for equipment, inventory, and leasehold improvements for a startup grocery cooperative</td>
</tr>
<tr>
<td>New Deal Café</td>
<td>Greenbelt, Maryland</td>
<td>$50,000 to finance the restaurant operation for a consumer cooperative</td>
</tr>
</tbody>
</table>

“Shared Capital looks out for cooperatives. It made it look like we are smart to have opened up a cooperative ourselves!”  
Peter Ibik, MontCo Union Taxi Cooperative, Montgomery County, MD
Worker Ownership Loan Fund
2007 - 2017

40 loans
$3.2 million borrowed

$5K to $400K range of loan size
For all the buzz about craft brewing, starting a brewery means competing against multi-national competition, a consolidated beer market and costly distribution and packaging. Creating a quality product is as hard as getting it in the hands of consumers.

In 2016, a handful of some of the brightest craft brewers in the U.S. built a shared vision of how to work together to tip the scales toward small. They chose a purchasing co-op structure to share strength in this increasingly competitive industry while staying independent. Securing financing from Shared Capital and LEAF augmented this cooperative vision, and later that year the Independent Brewers Alliance began.

“We were confident,” Executive Director Fort Mendes said, “that a craft beer cooperative wasn’t just a good idea, it was a necessity. Co-ops have a long, proven record of keeping businesses strong and independent in industries facing increasing competition.”

“Our first year’s goal was ambitious,” said Fort. “We wanted members whose combined barrelage exceeded 250,000 barrels,” The IBA shattered that goal. “We currently represent over 500,000 barrels of buying power, with brewer-members ranging from 2,500 barrels to 75,000 barrels. The average member produces 15,000 barrels.”

The IBA also offers members significant saving programs on a variety of operational expenses including all kinds of freight and parcel shipments, payroll processing, warehouse supplies, recycling and packaging on bottles and cans, cardboard, kegs, and freight.

$100,000 lent by Shared Capital empowered 28 brewers to join together for shared buying power to lower costs, compete with large scale brewers, and save up to $20,000 annually.

According to Fort, the momentum continues. “We are now in negotiations with a half-dozen additional members, and an equal number of suppliers.”

“Co-ops have a long, proven record of keeping businesses strong and independent in industries facing increasing competition.”
Natural Harvest Food Co-op first opened its doors on the main street in Virginia, Minnesota in 1979. The original 400-square-foot store was no larger than many living rooms. Over the years, the co-op faced many obstacles. Located in an Iron Range town of 8,700 people in northern Minnesota, Virginia's economy is tied to the ups and downs of the mining industry and declining population since the 1960s.

Nonetheless, the co-op undertook two renovations as it grew to over 3,200 owners and reached $3.2 million in sales. In 2016 the Board decided to build a new store to meet member demand for a larger variety of products and to add a deli, hot bar, salad bar and a classroom.

To finance the project, Natural Harvest turned to Shared Capital Cooperative. The co-op was a long-time Shared Capital member and had borrowed several times over the years. In 2015, as it planned for growth, Natural Harvest invested some of its savings with Shared Capital, knowing the funds would be used to support other co-op projects while also getting a financial return.

The co-op led a successful member loan campaign and worked with Shared Capital to leverage $1,000,000 in financing for the project. Shared Capital partnered with two local CDFIs (Community Development Financial Institutions), the Entrepreneur Fund and Northland Foundation, that were eager to invest in this important local project but didn’t have experience lending to food co-ops.

Natural Harvest’s new, bright, and sunny 9,000-square-foot store opened in April 2017 and features a classroom for community events and member gatherings. The new location is in a federally designated “food desert,” which had limited grocery store access for area residents. The co-op expects the new building will serve the community for years to come.

“Shared Capital partnered with local lenders to bring much wanted co-op expertise.”
In 2013 two cooperators started a journey to make a dream come true—a cooperatively owned and run acupuncture and Chinese herbal clinic that served themselves, other practitioners of Chinese medicine, and the diverse community in Portland, Oregon. With funding secured from Shared Capital Cooperative and local small business organization MESO, they opened their doors in 2013.

Having found some initial success, they started a search to add to their team and found two additional practitioners to join them on a worker-owner track to see clients for acupuncture, herbal consultation and massage as well as making custom medicines for practitioners outside their clinic.

They soon grew to four full worker-owners and have an ever-growing inventory of Chinese and Western herbs. Now they have four worker-owners and two additional team members on a worker-owner track, an office manager and another practitioner.

With a model that has served them well, they are looking toward expanding space and services in the coming years beyond the 800 square feet into a fully realized dream of a fully functioning compounding herbal medicinary and larger clinic.

They hope to continue to offer more fair employment opportunities to acupuncturists and herbalists, excellent medicine to their community, and a replicable cooperative model for enterprising practitioners.

“Shared Capital’s support was vital to work with local lenders and build a solid cooperative foundation poised for expansion, growing membership, and a thrilling future.”
Investment Sources

- **47%** Cooperatives
- **10%** Individuals
- **11%** Asset Managers and Trusts
- **4%** Banks
- **14%** Foundations and Associations
- **6%** Government
- **8%** Religious

**Investors & Donors**

BMO Harris Bank NA Community Investments
Candide Group
Catholic Health Initiatives
CDFI Fund of the US Department of Treasury
CDS Consulting Co-op
College Houses
Common Good Finance
Common Ground Food Co-op
Community Housing Expansion of Austin
Community Mercantile
Community Pharmacy
Frederick County Consumer Cooperative Fund for Democratic Communities
Gadfly Trust
Grain Train Natural Food Co-op
GreenStar Cooperative Market
Hunger Mountain Cooperative
Ithmus Engineering
Kansas Midwives LDF
The Kentron Foundation
Keweenaw Cooperative
Laura E Kahn Revocable Trust U/AGR
Lexington Cooperative Market
New Riverside Café
Northwest Area Foundation
Oberlin Student Cooperative Association
Oneota Community Co-op
Onion River Cooperative
Open Harvest Food Co-op
Organic Valley Family of Farms
Oryana Food Co-op
Outpost Natural Foods
Ozark Natural Food Co-op
Park Cooperative Apartments
People's Food Co-op
People's Food Co-op of Kalamazoo
People's Food Cooperative
River Valley Cooperative
Riverton Community Housing
Roots and Fruits Produce
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
St. Peter Food Co-op
The Cooperative Foundation
Three Rivers Market
Twin Cities Co-op Partners
Twin Pines Cooperative Foundation
Union Cab of Madison Cooperative
Valley Alliance of Worker Cooperatives
Valley Natural Foods
Weaver Street Market
Weavers Way Cooperative Association
Western Wisconsin Coalition of Co-ops
Wheatsville Co-op
Whole Foods Community Co-op
Wild Oats Cooperative
Willamantic Food Co-op
Willy Street Co-op
Woodlands Investment Management

Cook County Whole Foods
Cooperative Development Foundation
CP Local 001
Cronin-Geller Social Justice Fund
The Co-op Natural Foods
Eastside Food Cooperative
Emily Faulkner Trust
Episcopal Diocese of Iowa Alternative Investment Fund
Ever’man Natural Foods
Federated Youth Foundation
Flatbush Food Co-op
The Food Co-op
Franciscan Sisters of Little Falls
Littleton Consumer Cooperative Society
Madison Community Co-op
Middlebury Natural Foods Co-op
Mifflin Street Co-op
Mississippi Market
Molehill Housing Co-op
Monadnock Food Co-op
MSU Student Housing Cooperative
NASCO Properties
National Co-op Grocers
National Cooperative Bank
Neighborhood Co-op Grocery
New England War Tax Resistance
New Pioneer Co-op

Thank you

**Investment Sources**

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### Assets

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
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<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$537,037</td>
<td>$863,069</td>
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<tr>
<td>Current portion of notes receivable</td>
<td>1,867,446</td>
<td>1,717,799</td>
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<tr>
<td>Other current assets</td>
<td>74,772</td>
<td>70,583</td>
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<tr>
<td><strong>Total Current Assets</strong></td>
<td>$2,479,255</td>
<td>$2,651,451</td>
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<tr>
<td><strong>Other Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity investment in cooperatives</td>
<td>154,560</td>
<td>148,160</td>
</tr>
<tr>
<td>Loans receivable less current portion</td>
<td>8,996,306</td>
<td>8,580,724</td>
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<tr>
<td>Allowance for loan losses</td>
<td>(694,457)</td>
<td>(535,813)</td>
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<tr>
<td>Other assets</td>
<td>222,745</td>
<td>204,574</td>
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<tr>
<td><strong>Total Other Assets</strong></td>
<td>$8,679,154</td>
<td>$8,397,645</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td>$11,158,409</td>
<td>$11,049,096</td>
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### Liabilities

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>204,065</td>
<td>226,688</td>
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<tr>
<td>Current portion of investment notes</td>
<td>2,962,849</td>
<td>1,220,009</td>
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<tr>
<td>Other current liabilities</td>
<td>500,493</td>
<td>483,230</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>$3,667,407</td>
<td>$1,929,927</td>
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<tr>
<td><strong>Long-Term Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued interest payable on investment notes</td>
<td>67,570</td>
<td>24,480</td>
</tr>
<tr>
<td>Notes payable - long-term portion</td>
<td>5,762,642</td>
<td>7,187,432</td>
</tr>
<tr>
<td><strong>Total Long-Term Liabilities</strong></td>
<td>$5,830,212</td>
<td>$7,211,912</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$9,497,619</td>
<td>$9,141,839</td>
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### Equity

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
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</thead>
<tbody>
<tr>
<td>Preferred stock</td>
<td>1,699,031</td>
<td>1,699,031</td>
</tr>
<tr>
<td>Common stock</td>
<td>2,211,847</td>
<td>2,168,150</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>(2,250,088)</td>
<td>(1,959,924)</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>$1,660,790</td>
<td>$1,907,257</td>
</tr>
<tr>
<td><strong>Total Liabilities &amp; Equity</strong></td>
<td>$11,158,409</td>
<td>$11,049,096</td>
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</tbody>
</table>

### Revenue

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest &amp; fee income</td>
<td>$739,825</td>
<td>$706,106</td>
</tr>
<tr>
<td>Loan recovery income</td>
<td>24,199</td>
<td>343</td>
</tr>
<tr>
<td>Other earned revenue</td>
<td>3,303</td>
<td>15,600</td>
</tr>
<tr>
<td>Grants &amp; donations</td>
<td>10,550</td>
<td>78,150</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>$777,877</td>
<td>$800,199</td>
</tr>
</tbody>
</table>

### Expenses

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>$479,718</td>
<td>$510,250</td>
</tr>
<tr>
<td>Contract services</td>
<td>56,886</td>
<td>25,861</td>
</tr>
<tr>
<td>Occupancy</td>
<td>37,797</td>
<td>25,958</td>
</tr>
<tr>
<td>Other expenses</td>
<td>115,524</td>
<td>114,948</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>14,694</td>
<td>13,111</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>191,556</td>
<td>167,580</td>
</tr>
<tr>
<td>Provision for loan losses</td>
<td>171,866</td>
<td>203,688</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$1,068,041</td>
<td>$1,061,396</td>
</tr>
<tr>
<td><strong>Net income (Loss)</strong></td>
<td>(290,164)</td>
<td>(261,197)</td>
</tr>
</tbody>
</table>
Our mission is to foster economic democracy by investing in cooperative enterprises.