

By Philip Trevvett, of Urban Greens Food Co-op in Rhode Island
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Food Co-op Initiative staff understands that a capital campaign can be one of the most stressful yet rewarding activities a startup undertakes. We offer many resources for startups planning a campaign, but in the last few years we have seen increased interest in the direct public offering (DPO) of shares. Our [Resource Library](#) is full of great info on running a successful owner-loan based capital campaign. Any type of capital campaign will find useful resources in our [Capital Campaign Workbook](#). This post gives us a glimpse into a successful DPO by a startup co-op.

[Urban Greens Food Co-op](#) in Providence, Rhode Island is in the implementation stage, with groundbreaking for their co-op in Fall 2016. The group has been working through many community-based efforts to bring a retail food co-op to their community but chose to reach out to a larger audience to support their capital campaign. Philip Trevvett has been one of the leaders of this effort, and welcomes questions via info@urbangreens.com. Our thanks for Philip and Urban Greens for sharing their story.

[Urban Greens](#) closed out our initial capital campaign at the beginning of July. We are excited to share our process, results, lessons learned, and next steps with other startups. Running our campaign on a tight budget, and with very tight volunteer support, we were able to have a really successful campaign. Now we are in great shape to reach our full goal through additional quiet conversations this fall.

Planning Our Campaign:

As we embarked on our community capital campaign, we had a few key decisions to make. First, we decided to register our campaign as a direct public offering (DPO), meaning that it was a registered security, where anyone in the state could invest, rather than a more traditional startup Capital Campaign, in which the co-op can only promote to and receive funds from members. Running our campaign as a public offering allowed us to do a couple of things that we felt were key to us, in our circumstance:

Our capital campaign would not be limited to members: as a DPO we could reach out to anyone in the state of Rhode Island, where we were registered. This was important because our store's trade area is notably mixed income, and a major part of our mission is to bring a grocery store to an area currently lacking food access—many of our members are able to afford member-ownership, and future shopping in the store, but do not necessarily have the means to invest in a capital campaign. By registering publicly

we could ‘pitch’ folks who may not be potential owners or customers, but who may be motivated to support the project and its impact on food access and local food infrastructure, and excited about the opportunity for hyper-local “impact investing.”

Registering publicly also meant we could publicly advertise the campaign. This allowed us to spread the word more broadly and through a variety of channels (both to non-members, and to members who may not regularly read our newsletters or follow us on social media!).

Next, we decided to structure the investment as *preferred shares*, a non-voting form of stock, as opposed to *loans*. We chose to go with preferred shares for two reasons:



- This lowers our total debt. (Even though member loans may be considered subordinated debt, they are still generally listed as debt, and having less total debt helped our overall financial projections.)
- Whereas with loans, a part of the principal would generally have to be paid off each year, the preferred shares are structured for us pay out only interest until the shares are redeemable (after year seven). This significantly lessens our expenses in early years.

Implementation:

For our implementation plan, we essentially followed the format laid out in Ben Sandell’s *Capital Campaign Plan* (see the *Capital Campaign Workbook*) with only a few differences as noted. Our basic plan was as follows:

Begin with a Quiet Campaign in May 2016 – Quiet Campaign Goal: 100k

- Reaching out via emails, phone calls, and direct conversations with 30 long-time and “inner-circle” member-owners, and past/present board members.

Launch publicly at end of May, with a public goal of 600k.

(Internally, assumed a high probability that we would need a second public phase to reach 600k)

- Kick off public campaign with a written letter to all member-owners.
- Advertise on public radio throughout the public campaign
- Pitch and promote campaign heavily through our eblasts (not just to members, but full email list of anyone interested in Urban Greens)
- Robust public social media campaign.

- Phone-calling to every member-owner, on Monday– Thursday & Sunday schedule, leaving two messages when no one was reached, and one direct follow up email.

Staffing/Support: We had a *Community Investment Campaign Planning Committee*, which met regularly through April and May. After interviewing candidates for a campaign coordinator position, we decided *against* hiring one. Our plan was to use the money saved on a local fundraising consultant who could do both advising and coordination. In actuality, one board member (me) took on the coordinator role.

The local fundraising consultant support served us in an advisory role.

Six callers participated in calling members in June: three callers committed to two nights per week, and two callers committed to three or four nights per week. As our main caller, I called four or five nights per week. While being the coordinator and main caller was challenging and demanding, it helped streamline communication channels and organization immensely.

Taking pledges and payments: We also paid for a digital online portal for investment agreements, including digital signatures. This significantly lessened the need for in-person meetings with already committed investors, or in-depth follow-up to make sure papers were signed.

Capital Campaign Results

In May and June, we raised \$338,500.00 in investments, from 84 investors. Since then we have paused, while planning for this fall, but still accepted a few investments, so that we are currently just over 350k, from 88 investors.

This has put us in a very strong position moving forward. We hope to complete the campaign this fall but do have the option to complete any time before April 11 (last date of our public offering). While construction of the store will start late 2016, our development team is paying for construction, so outside of bringing on a GM, our major expenses will all come later next year.

To be continued: In part two of this post, Phillip shares the lessons learned, and next steps. You will find out more about the functional details, and hear why, in Philip's words, "It feels like a big leap of faith to plan on raising large amounts of capital like this, but we found what many other co-ops have as well: that it can work, and have a huge impact. Read *Capital Campaigns: One Co-op Opts for Direct Public Offering, part 2* and also the follow-up [Q & A post](#).