Emergence and Growth of Community Supported Enterprises

Norman Walzer and Jessica Sandoval
in consultation with
David Ivan, Michigan State University and
Greg Wise, University of Wisconsin-Extension

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*The authors are Senior Research Scholar and Research Assistant, respectively, in the Center for Governmental Studies at Northern Illinois University. Lauri Alpern, Open Door Advisers, Inc. provided guidance and prepared materials for the sections on social enterprises.
Acknowledgements

There is growing interest in finding ways to finance and support local businesses, especially in rural areas facing long-term population and economic declines. Residents have pooled funds and invested in grocery stores, restaurants, book stores, and other establishments considered essential to the prosperity of their communities. Crowdfunding platforms added a new dimension by facilitating a process that provide interested residents with relatively easy access to make small investments in local projects perceived as especially important.

Efforts to organize and finance area businesses with local groups are known as community supported enterprises or businesses. This report focuses mainly on CSEs with a social purpose but they also operate a business with a profit motive rather than being strictly social enterprises financed with donations.

The analyses in this report, sponsored by the North Central Regional Center for Rural Development (NCRCRD) at Michigan State University, are a collaborative effort by the Center for Governmental Studies (CGS) at Northern Illinois University (NIU), Michigan State-Extension, and University of Wisconsin-Extension. The intent is to provide potential users such as Extension personnel and other groups with an overview of CSEs, how they are organized, and their potential local contributions. The project is based on internet searches, phone interviews, and personal visits to many successful CSEs. The field is changing so quickly that many specifics will become dated quickly but the organizational structure and operations will be useful to other groups considering similar efforts.

A project of this size also required major assistance from people involved with CSEs on a daily basis. The project involved many interviews in the field to understand the workings of CSEs. Paul Bruhn, Preservation Trust of Vermont, and Will Keyser, Venture Founders, LLC provided valuable guidance in interpreting CSE efforts in Vermont and prepared copy used in this report. Many other local CSE managers and personnel provided detailed explanations during interviews about their ventures. This report could not have been completed without their support which is gratefully acknowledged.

The NCRCRD support for the project is greatly appreciated. Likewise, the collaborative efforts of David Ivan, Michigan State, and Greg Wise, University of Wisconsin-Extension were essential to completing the project on schedule. Lauri Alpern, Open Door Advisers, helped formulate and clarify differences between CSEs and Social Enterprises. Finally, efforts by Mel Henriksen and Janiece Bollie, CGS, to prepare the copy for publication are greatly appreciated.

Community supported businesses will grow in importance as residents engage more in financing local businesses perceived as vital to the community. Our hope is that the information in this report will help advance these efforts.

Norman Walzer
Project Director
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Executive Summary

Local public officials and community leaders, in searching for ways to help revitalize their economies especially in the post-recession years, are working with business leaders in a variety of new ways. While low-cost loans and other financial inducements continue, in some communities, local groups have also organized residents to raise funds that then are invested directly in business ventures called Community Supported Enterprises (CSEs).

CSEs, or local residents investing in businesses, are not entirely new but the motivation for some of these efforts changed after the recession and are now driven by a perceived need to start, or retain, an essential business at risk of closing. One of the more popular businesses to retain, especially in small communities, is a grocery store and residents have used innovative approaches in their efforts. Other types of stores such as restaurants and bookstores contribute directly to local quality of life and have also been created and financed using CSE approaches.

The current research project examines issues driving the increased use of CSE methods of financing and how they are changing with innovative approaches aimed at organizing local residents. The various ways that have been used to start CSEs are described followed by brief discussions of CSEs selected for the uniqueness of their purpose and approach. Since literally hundreds of CSEs of different types exist and a complete list is not available, this group is neither inclusive nor representative of all CSEs in the U.S. Instead, they show the broad range of practices that have been used based, in some cases, on information gathered from the internet, phone interviews, and/or on-site interviews with CSEs to learn about motivations for organizing, involvement by key individuals, and outcomes. Efforts to obtain more detailed information about other CSEs is on-going. The main purpose of this project is to help economic development practitioners, such as university Extension personnel, learn ways to work with community leaders and business entrepreneurs in revitalization efforts and to understand resources available for these initiatives.

Defining a CSE

Community Supported Enterprises are difficult to define precisely due to their diverse purposes and approaches, but a common characteristic is direct community support and involvement. In some instances, CSEs were organized mainly to meet a social need or purpose with little, if any, attention to selling a product although they have a management structure that ensures they can continue. Often, they are funded by direct contributions or donations from residents in the community with no expectations of financial remuneration. In this project, these entities are labeled as Social Enterprises.
Other CSEs operate much closer to a traditional business model. They may even have operated as a business in the past and are now being reorganized as a CSE in order to raise additional capital or financing. These operations are called Community Supported Businesses (CSB) in this project and they represent a different approach from Social Enterprises or general community support for a private business. The CSB approach has community investors who may, or may not, be directly involved in managing the business venture. However, the business usually sells a product or provides a service to residents. In some instances, a private business is converted to a CSB in an effort to retain it in the community and in several cases documented in this report the CSB was then sold to private owners.

CSEs can be organized and financed in many ways, depending on local conditions and opportunities including ownership and leverage models. Sample CSEs were selected partly to illustrate these differences. Some of the distinctions and arrangements for financing CSEs are described in more detail during the discussions.

**Financing CSEs**

Financing CSEs involves many approaches ranging from donations to crowdfunding approaches as are briefly described later. Crowdfunding is a method of raising capital through the collective effort of friends, family, customers, and individual investors. This approach taps into the collective efforts of a large pool of individuals—primarily online via social media and crowdfunding platforms—and leverages their networks for greater reach and exposure.\(^1\) Subscriptions similar to a Community Supported Agriculture approach are common and can provide a more stable market for some business ventures. Investors receive part of the return in either discounts or in services provided. The success of these approaches depends on unique local circumstances in which the business venture starts. The variety of approaches used in CSEs (described as Hybrids in this study) make it difficult to distinguish them from more common business models. Traditional businesses sometimes engage customers in determining future production by having them join as members with the right to vote on future products. These approaches are not considered CSEs in this project.

The increased use of crowdfunding techniques to finance both Social Enterprises and business ventures further blurred the distinctions between CSEs and CSBs and also increased local opportunities for residents to be involved in starting a business. Communities now offer ways in which residents can make donations or invest in local projects using the internet which greatly increases access to capital. Investors in the CSEs studied in this project typically did not expect a

financial return; instead, they were motivated by the contributions the business venture could make to the betterment of the community.

States have been active in creating legislation that allows greater use of crowdfunding techniques and investments by residents. The state of Vermont has led these efforts in the past using a liberal approach and thus has a large number of CSEs in operation. A brief comparison of state legislation illustrates the importance of economic climate in which the CSEs are started.

What Have We Learned?

A review of the literature and the sample of CSEs in this project suggests several important findings to consider in using CSE types of approaches in local development.

- First, establishment or documentation of the need for a Community Supported Enterprise is important to build and sustain local interest and support. This is key to maintaining on-going efforts after the initial excitement has subsided.
- Second, a suitable organizational structure whether cooperative, LLC, or sole proprietorship is key to the ultimate success of the venture. Above all, the CSE will face the same market tests as any other small business and, in some instances, even more so because the initial stimulus was that a previous business failed or closed.
- Third, an entrepreneurial local champion or spark plug with previous related experience was especially important in several instances. If this person is not available, then access to specialized expertise in the community can substitute but this driving force is essential.
- Fourth, the economic climate in which a CSE is launched is critical, especially when part of the motivation is to bring back an important social institution such as a restaurant where people congregated. Declines in population or economic status may create a situation where the CSE was seen as a last resort. Those situations place additional pressures on CSEs which are more likely to succeed when they are part of a community-wide economic development strategy.

Community Supported Enterprises, for reasons discussed in this report, will increase in use as crowdfunding platforms and other legal, organizational, and financing mechanisms emerge. Residents are often interested in engaging in local community development initiatives and CSEs represent a direct and relatively low cost way to be involved. The experiences with CSEs have been varied with some doing well and others going out of business. The information provided in this research should help inform community groups and development practitioners about past experiences with CSEs and options available.
**Emergence and Growth of Community Supported Enterprises**

Rural areas, especially in the Midwest, have experienced stagnant economies and in many cases have not regained their previous population highs. These trends have pressured community leaders to look for other ways to stimulate and finance business investment in downtowns and other areas. Even though many retail stores and establishments are still profitable in some small cases, the young adults, who might be prospective owners, have left the area for higher education and better employment opportunities. Likewise, the return on equity on businesses in rural areas may not compete effectively in the capital market for new investment. Thus, small stores such as restaurants and grocery stores that for many years have been mainstays in the community are closing due to pending retirements with no successors, shrinking markets, and lack of investment capital.

While some store closings reflect a natural evolution in overall economic change, they can nevertheless have significant negative impacts on the viability of these small communities in the future as the populations continue to age in place. Especially important are establishments that can contribute significantly to the local social capital and add to the quality of life.

In recent years, especially following the Great Recession, there also have been significant efforts to explore new avenues for financing local businesses with locally generated funds. These activities are common in both rural and metro areas, taking many specific formats including various types of crowdfunding. Yet, perhaps what distinguishes these new approaches is the direct participation by residents in both the financing and management aspects of the business venture or enterprise.

Another innovative aspect has been that sometimes investors are repaid through goods and services received as well as financial returns. Many, if not most, of these businesses offer products and services in the community such as food, dining, entertainment, or other essential local services which raises residents’ interest in retaining them. Thus, residents see the investment as a double-bottom line including financial and a social purpose—to build social capital and add to the future viability of the community.

These types of activities are sometimes called “Community Supported Enterprises” or Community Supported Businesses when private services and financial return are especially high priorities. They differ from strictly Social Enterprises designed to accomplish a community

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2 In this report, the terms rural and non-metropolitan are used interchangeably recognizing that each has a specific technical designation.
development purpose (Cameron, 2010) and which may be financed through philanthropic support, individual donations, Community Development Financing Institutions (CDFI) or other resources oriented toward direct community benefit. The growth of crowdfunding platforms, offers new opportunities to fund the launch and scale of CSEs as local development tools initiatives to engage residents in the project whether it is a business venture or a public service organization.

Community Supported Enterprises are used more and more by local groups interested in bolstering their local community economies. In some cases, the difficulties in attracting external capital investment in stores and other establishments have forced development groups to look within the community for financing. Some of these community supported and financed initiatives have succeeded while others did not survive for a variety of reasons. It is still too early in the process to determine overall success rates for these types of ventures and, in fact, the success ultimately depends on local economic conditions and sustained community support.

This report briefly describes CSE efforts and tries to discern important elements involved in launching CSEs. It also examines alternative methods of starting these ventures including legal structure, financing arrangements, distribution of profits, and management approaches. The CSEs are classified into types to illustrate differences in motivations and purpose. Then, more detailed case studies of CSEs, some successful and some not, are described to identify issues and concerns that can arise with this economic development approach. Given that many of these enterprises are relatively new, insufficient information is available to predict their future and the CSE sector is still taking shape. While CSEs exist in both metro and rural areas (Peredo & Chrisman, 2006), the motivations and purposes can differ along with some of the structural arrangements. Nevertheless, what is learned in each setting can contribute to the overall effectiveness of this approach.

Discussions in this report focus mainly on experiences in small and mid-size communities with only limited references to CSEs in large cities. The analyses are intended to help community leaders understand the potential impact of various CSE types as well as examples to explore further as they implement this approach in their community. Following is a discussion of recent trends in rural areas to show the environment and motivations for CSEs and CSBs as an economic development response.
Population Declines

Population migration from rural to urban areas as high school graduates leave for higher education and then pursue more lucrative careers in larger areas helps account for the downward economic spiral facing many small towns. Rural areas have long been marketed as sources of high quality and dependable, but less expensive, labor. The response has been a growing disparity between wages in metro and non-metro areas making it more difficult for college graduates to return to rural areas with fewer employment opportunities that meet their expectations.

Consolidation of agriculture and declines in related businesses also reduced job opportunities for residents in rural communities. Residents now travel to regional centers not only for employment but also to shop, obtain health care, and other important services previously available in small towns. The outcome has been a continued shrinking of the economic base and populations in small rural communities, except possibly retirement counties or those adjacent to growing areas. This trend is likely to continue as opportunities to buy online with products delivered directly to homes continue to expand. These purchasing options will be especially attractive to elderly residents which have been a growing part of the customer base. (Cromartie, 2015; Joo, 2011).

In many cases, small towns have become bedroom communities for regional centers. (Egerstorm, 2011). Similarly, the rate of business startups is less in rural than in metro areas increasing the average age of business owners, many of whom are nearing retirement age (Cromartie, 2015; Sternberg, 2009). The fact that young family members moved away many years ago, makes transition of even successful business to the next generation more difficult. Especially troublesome for small towns is when businesses that provide essential services close. The trend is for a smaller number of basic items to be provided in convenience stores with residents making most of their purchases in larger centers. That situation will become more difficult in the future with growth in the less mobile older generation in these areas.

At the same time, increased concerns about access to healthy food options provide opportunities for business development in small communities that offer a high quality of life. The growing localization movement (Shuman, 2013; Cortese, 2011), especially in specialized food production, created major markets for food growers and producers to set up distribution systems. On a local scale, Farmers’ Markets exist in many communities, especially those in areas farther away from larger centers, to provide access to high quality fresh food and to help local producers increase their incomes. An estimated 23.5 million Americans live in areas where residents do not have access to healthy, affordable food options (Cargill, 2015). Local movements address this
issue with residents trying to support local enterprises understanding the importance of retaining resources and spending within the community, some of which involve CSEs.

**Slow Business Startups**

Competition from both stores in larger cities and Internet providers reduced or eliminated markets for traditional local on-site businesses especially in smaller towns. While small business startups, especially in the tech sector are common in some areas, one outcome has been a lower overall rate of startups in rural areas although in some instances the long-term retention rates of small businesses may be higher in rural areas (Sternberg, 2009; Joo, 2011). Firms and individuals also seem to be more risk averse. Workers are less likely to switch jobs or move and businesses maintain higher cash positions (Hathaway & Litan, 2014). Small business owner optimism declined during the recession but has steadily increased since 2010 showing that the outlook for the business environment is slowly regaining popularity though still below earlier times (Wells Fargo, 2015).

Several reasons explain the downward trend in business startups. One is a lack of personal savings and the saving rate has declined alongside startup rates. Another common funding source for entrepreneurs includes family and acquaintances which were adversely affected by similar trends helping to explain why more entrepreneurs ask local communities for help in financing. In a recent Gallup business survey, 77% of small businesses say that personal savings are a primary source for startup funding, with loans as the second most common source (Ryan, 2014).

Tighter credit availability for small business owners also plays a role in this decline. Banks have been less willing to lend to individuals, especially in shrinking markets, due to the risks involved. Business startups need high collateral which may include the value of their homes. The declines in market value of houses, along with the drop in the stock market values during the recession years, reduced the assets of potential entrepreneurs. Since the real estate crash, banks also have resisted making loans to purchase land or more speculative projects (Rodkin, 2015).

At the same time, there is a growing understanding that local groups with the potential as entrepreneurs in rural areas may have been overlooked in the past (Walzer & Blanke, 2013). These groups include young females interested in working from their homes, pre-retirees planning for a future in their communities, farmers managing small acreages, unemployed, and recent migrants to the communities. These groups represent potential local investors when financing is available.

Thus, the changing economic environment, especially in the post-recession years, has disadvantaged small towns and rural areas not only in business starts but also in retaining the
current businesses. This situation created a stimulus for starting and financing businesses in new ways—in this case with more direct local involvement. In many ways, this environment conforms to a broader movement that involves buying local, identifying producers, and focusing on more creative businesses, all of which seem to appeal to the younger generations such as Millennial cohort (Markley, Lyons, & Macke, 2015). Combined with the growth in internet sales, faster delivery systems, and an emphasis on unique products, these trends may offer new opportunities for rural revitalization in areas with innovative financing.

On a broader scale, methods of financing small business have changed in recent years and, with the growth of crowdfunding, local investment approaches are likely to be more important financing options. These efforts are reinforced by stock market advances that helped potential investors rebuild wealth that had been lost. Likewise, older wealthier residents may find local investments that add value to the quality of life in their home communities more important in the years ahead and encourage them to make relatively small financial investments with the expectation of improvements in their community. The CSE movement can provide those opportunities.

**Local Food Movements and Initiatives**

The growth in interest in both CSEs and crowdfunding has been further prompted by an interest in patronizing local establishments rather than purchasing from large chains or trucking products over longer distances. The localization movement is a worldwide initiative to move away from “a global system of exploitation and pollution towards an economically sound system of human and ecological well-being” (Norberg-Hodge & Jain, 2013). According to this view, the current economic system has created a disconnect between people and nature so an increased need is felt to produce and buy locally in order to keep cash flow within the community (Cortese, 2011; Shuman, 2013).

Consumers are urged to eat, shop, and invest locally and to think less about competition and more about collaboration to ensure local economic well-being. The growth of large cities and regional centers attracted businesses and workers from surrounding small towns, as previously described, and created economic discord in rural areas. Due to these and other factors, main street preservation and revitalization programs were started across the country to stimulate the development and growth of smaller and rural communities through business enhancement and community engagement efforts. Key among these efforts has been buy-local and know your producer programs.
Main streets (downtown areas) are significant business and community centers in much of rural America. The movement to support local, rather than large, retailers gained considerable attention in recent years with new approaches, especially with healthy eating initiatives, to link food growers with community supported ventures such as Farmers’ Markets and food hubs as examples. In some respects, a new business culture has arisen designed to support and retain local establishments which conforms to the CSE movement. The local food movement in the U.S. and in other countries offers major advantages for small towns. It also offers opportunities to promote local development using CSEs because it expands opportunities for locally-raised items to access larger markets either locally or in larger cities.

Community Supported Agriculture (CSA) helps local farmers by bridging the gap between local consumers and the availability of locally-grown or produced items. CSA helped replace the anonymity of grocery stores with personal connections between people and their food (Everson, 2014). The CSAs boost the success and support for local food producers by having members (consumers) subscribe and pay to receive produce prior to a harvest. The initial capital finances producers through the growing season and reduces their financial pressures. The closer relationship between grower and consumer allows consumers to depend on higher quality products because of the proximity to their source. The products are fresher, travel relatively short distances, and are available locally. Equally important, the money spent is retained in the local area. According to 2012 data, more than 12,000 farms used CSA marketing methods with at least one in each state (USDA-NASS, 2014).

Vermont has led other states in the local food movement and its small towns have had significant success with promoting a local food economy using both CS Agriculture and Community Supported Enterprises. In one example, the town of Hardwick, VT, (pop. 3,010 in 2010) underwent an economic transformation through the creation of a local food economy that has received national attention (Hewitt, 2010). New and expanded agricultural-related businesses brought nearly 100 jobs to the town and designed food systems based on empowerment, independence, and sustainability. A significant contributor to their success was a determination and organized approach in creating an economically sound environment for businesses involved with the local food movement ranging from organic seeds to food processing-distribution. Previous legislation had set the stage to endorse small business, agriculture, and economic development. The successful local food economy created an environment of local support that, in turn, stimulated towns to provide an atmosphere for other Community Supported Enterprises, some of which are also related to food.
Food related enterprises are an attractive and relatively common approach used in CSEs for several reasons. First, access to food is needed everywhere and the growth in retail chains threatened retail outlets in small towns as well as neighborhoods in large cities. The result has been areas designated as food deserts where residents have limited access to healthy and affordable food which attracted considerable national attention to the issue and encouraged state and local actions.

Second, the growing interest in healthy lifestyles especially among younger generations brought major attention to the fact that the many miles traveled between production and markets reduce the quality of the food available which led to increased emphasis on finding ways to grow foods economically and closer to consumption. An estimated 23.5 million Americans live in these types of areas (Cargill, 2015). This attention increased the economic potential of rural areas where the food is grown by creating opportunities for new businesses in the food industry.

In response, communities, large and small, initiated movements to adopt new methods of food distribution. As an example, the Westwood neighborhood near Denver, CO, formed a local nonprofit, *Re:Vision*, in 2007 that has since created a backyard gardening program--one of the largest of its kind in the country (Cargill, 2015). Recently, they used Kickstarter, a rewards-based crowdfunding platform, along with other financing methods, to launch the Westwood Food Co-op, a community-owned store, to address the food desert in their neighborhood.

Rural areas also have many examples of store closings that reduce the supply of essential goods and services, forcing residents in these more remote areas to drive substantial distances even for basic necessities. States where this phenomenon is more prevalent have created organizations with initiatives to increase the availability of food items, locally-grown or otherwise. Rural areas in Kansas, for example, partnered with Kansas State University on a Rural Grocery Initiative to create a more successful and sustainable method for rural grocery areas to prosper (Kansas State University, n.d.). The Initiative provides rural grocery store management and financing tools to use locally in increasing the levels of services available to residents. The project has a Rural Grocery Toolkit that provides resources, surveys, networks, and best practices for future and existing grocery stores to use in better serving communities and consumers (Kansas State University, n.d.).

Illinois also provides assistance in bringing grocery stores to small towns. The Illinois Facilities Fund (IFF) is the largest Community Development Finance Institution (CDFI) in the Midwest. It serves as a lender and developer to create opportunities to low income areas and has recently started a program to build and own six grocery stores across Illinois with the help of the Illinois Fresh Food Fund (IFF, 2015). This state initiative started in 2012 with $10 million in funds.
from the Department of Commerce and Economic Opportunity with additional funds acquired through banks, foundations, and other CDFI’s (IFF, 2015). Save-A-Lot in Rockford was the first store opened in this effort and recent projects include the finance and opening of other stores in Waukegan, Bronzeville, Roseland, East St. Louis, and Harvey (IFF, 2015). The aim of the Illinois Fresh Food Fund is to bring grocery stores to areas without ready and available access to healthy food. The success it has had can be adapted by other towns to guide the development of smaller community-centered businesses.

Population losses, shrinking economic markets, and tighter access to capital combined with a growing interest in local foods and products contributed to a need for different ways to launch business ventures. At the same time, more interest by residents in making direct investments in local ventures, especially those that affect quality of life, using internet based tools such as crowdfunding methods changed the development approaches used in many communities. While specifics differ widely among communities, for the sake of a better term, they are grouped as Community Supported Enterprises. As explained below, these enterprises differ from traditional development tools such as low cost loans or tax abatements that have been used extensively in the past. Rather, CSEs involve a direct action taken by residents or local investors in financing the businesses—sometimes with an expectation of a financial return but in other cases with no stated reward. Various forms of CSEs are described next.

**Community Supported Enterprises**

While CSAs and food initiatives help advance the production and distribution of food and essential services, Community Supported Enterprises are also motivated by local needs—both material and social. CSEs were motivated by a need for community transformation. Opportunities in the local food industries stimulated local business activities necessitated by a declining economy that needed more local engagement. CSEs can be organized somewhat similar to CSAs to allow patrons to pay in advance for products, while being more engaged in the business and advancement of their towns by retaining money and jobs in the area.

CSEs have since developed in two distinct environments. Rural areas spawn CSEs that more directly address high priority local needs while urban areas developed businesses with products less rooted in necessity and based more on market opportunity, customer engagement, and profitability. In some cases, CSEs serve as “third places” where community members can assemble and connect with other individuals in a space away from home or work (Bruhn, n.d.). This opportunity creates a connection between community members and their businesses-enterprises that allows for the support, success, and long-term survival of CSEs. Urban areas with a broader range of opportunities focus on more unique and entertainment ventures such as craft
breweries, wineries, specialty restaurants, art venues, and other activities requiring larger markets or specialized customer preferences.

Currently, the relationships and nomenclature regarding Community Supported Enterprises are somewhat vague and confusing partly because the field is evolving rapidly. Communities have supported local enterprises for many years through tax concessions, low-cost loans, training programs, and other avenues. What is different now is that community agencies, both public and private, more actively and directly engage in helping entrepreneurs raise investment capital from residents and local groups. The opportunities for this engagement are extensive with new groups involved as opportunities emerge making it difficult to neatly identify and organize specific patterns of CSE development.

Equally important to emphasize is that launching new enterprises of any form and with any type of financing involves risk. In fact, estimates vary but perhaps as many as half or more of business startups no longer operate after five years for a various reasons including inadequate financing, miscalculation of markets, unexpected competition, and loss of interest by owners (Shane, 2008). Since CSEs usually involve small business ventures, it only makes sense that they will have many of the same experiences as other small recently launched ventures. At the same time, however, the commitment by local investors may help sustain these businesses in difficult financial times. Systematic detailed data on success rates of CSEs, however defined, is not yet available so it is too early to determine whether the CSEs will succeed at a higher rate than other traditionally financed ventures.

The research team in this project assembled information on CSEs from a variety of sources including descriptions on the internet, key informants, prior research studies, and other venues. After a detailed analysis of the information collected, the CSEs were categorized into three types of ventures: (a) Social Enterprises, (b) Community Supported Businesses, and (c) other self-identified organizations, which may have more limited community benefit, but self-identify as Community Supported Enterprises. This classification is arbitrary and will definitely change with the many approaches that CSEs take in terms of legal structure, financing, and working with investors. Following are definitions and distinctions between the previously discussed approaches (Table 1).
Community Supported Enterprise: An organization, venture, or business of any form founded to address a local community need. Often uses community financing at launch or growth stages.

Social Enterprise: An organization, venture, or business of any form that seeks to create value through the interplay of business and social impact (Dees & Anderson, 2006; Moizer & Tracey, 2010). May use philanthropic funding or community financing at any stage of launch or growth.

Community Supported Business: A business venture, where profit aims are primary, but some community benefit is incorporated into the strategy and operating practices such as using community financing techniques.

### Table 1. CSE Distinctions

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<th>Type</th>
<th>CSE</th>
<th>Social Enterprise</th>
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<tr>
<td><strong>Similarities</strong></td>
<td>● Financed by community methods</td>
<td>● Combines corporate and social goals</td>
<td>● Financed by community methods</td>
</tr>
<tr>
<td></td>
<td>● Relationship between business and community</td>
<td>● Can be any legal form</td>
<td>● Relationship between business and community</td>
</tr>
<tr>
<td></td>
<td>● Combines corporate and social goals</td>
<td></td>
<td>● Combines corporate and social goals</td>
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<tr>
<td></td>
<td>● Can be any legal form</td>
<td></td>
<td>● Can be any legal form</td>
</tr>
<tr>
<td><strong>Differences</strong></td>
<td>● Includes other non-business ventures</td>
<td>● Double or triple bottom line drives strategy and operations</td>
<td>● Main goal is earning profits for owners/investors</td>
</tr>
<tr>
<td></td>
<td>● Main goal is to improve social goals</td>
<td>● Seeks relationships with political, economic, and often government forces</td>
<td>● Revenue goals drive strategy</td>
</tr>
<tr>
<td></td>
<td>● Social impact drives strategy</td>
<td></td>
<td>● Management structure</td>
</tr>
<tr>
<td></td>
<td>● Exact nature of business centers around local community need</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

First, Social Enterprises may be financed through philanthropic, private, or to a lesser extent government sources, but focus mainly on addressing social and at times environmental sustainability goals through a business venture. While the core strategic focus is typically social (and at times environmental sustainability) impact, Social Enterprises are characterized by a dual focus on social and revenue goals. In other words, they must raise sufficient revenue from whatever sources to remain viable but still meet social (and often environmental sustainability) impact goals.
Second, Community Supported Businesses (CSBs) have profit as a main objective but include a social purpose component as a core strategic focus. CSBs may involve equity investment or leverage approaches. These activities may be financed by donations or contributions with, or without, expectations of a financial remuneration but to remain viable they must operate using sound business practices and pass a market test. In some instances, investors expect a financial return but they also invested in a community betterment issue so financial return was not an important issue given the relatively small initial financial investment or contribution.

Third, some ventures have one or several characteristics of a CSE and they are treated separately in later discussions. While these businesses may self-identify as CSEs (e.g., a custom brewery or pub with a monthly subscription program), they are not considered a CSE in this study since they lack either a crucial community funding component or actively pursue a direct community benefit or social impact. It has become fairly common to finance businesses using a crowdfunding approach even without a distinct social mission or purpose. While these may involve investments by local residents, they are not considered CSBs in this study.

Even within these three categories, many other variations and differences in structure further complicate a neat classification system as will be seen later in the examples and case studies. Nevertheless, the main classifications are discussed next and other differences will be incorporated into later discussions.

**Social Enterprises**

Usually, CSEs are distinctly rooted in a geographic community, while Social Enterprises can be located in any “community” or location. Whereas a CSE is created by the community for development purposes, a Social Enterprise is not necessarily rooted in or governed by a place-based community. Nor do Social Enterprises need to focus on specific local issues like CSEs. Instead, Social Enterprises seek broader community benefit such as employment and training, job creation, or new strategies to generate revenue for a “parent” nonprofit organization. Social Enterprises are distinguished by the founding entity and/or “owner” usually launched by a “parent” nonprofit or an individual social entrepreneur with an idea to achieve a social goal through a business venture, which also establishes the strategy for distribution of profits. Typically, the founding entity also determines the legal and organization form. Social Enterprises like CSEs, are all legal forms including nonprofit, for-profit, and hybrid.

Nonprofits that launch Social Enterprises will either integrate the business within the “parent” organization or incorporate the Social Enterprise as a separate entity. This process is unique to each organization. For example, the nonprofit Delta Institute started the Rebuilding
Exchange in 2009 as a Social Enterprise with a mission to reclaim building materials from the waste stream and resell them through a reuse center. In 2015, the Rebuilding Exchange was transitioned from the Delta Institute to an independent nonprofit Social Enterprise, with an independent governing board of directors, in order to build its growth strategy.

The role of a social entrepreneur, an individual with an idea for a business that can achieve social impact, is central to the field of Social Enterprise. The central actor like the social entrepreneur may not be as prevalent in CSEs even though a local champion(s) is often very important. The organizational and legal forms of Social Enterprises founded by social entrepreneurs vary widely. A social entrepreneur can act within an existing organization to construct or create a wholly independent business venture. For example, Hot Bread Kitchen in East Harlem, New York was started by a social entrepreneur in 2007 and incorporated as a nonprofit.

Many incubators and accelerators have been created in the past ten years to support social entrepreneurs, especially those whose ideas are embedded in a technology platform. For example, Impact Engine was launched in 2011 to provide social entrepreneurs with incubator-style programming and funding to take ideas for social impact businesses to scale. The businesses launched by these entrepreneurs (social or otherwise), once again, can take almost any organization and legal form. However, a majority of Social Enterprise businesses launched through Impact Engine and other incubators and accelerators are for-profit. The growth of the for-profit Social Enterprise business sector has been followed by the development of an entire impact investing network and ecosystem where socially-minded institutions and individuals invest in these new enterprises with an expected return, typically, but not exclusively, below market rate.

The engagement of community members through ownership shares, volunteer staffing or collective decision-making, while typical features of CSEs, are not traditional features of Social Enterprise ventures. The governance and participation role of local residents in Social Enterprise is also limited. There may be minimal interaction between local groups and Social Enterprises, even when located in residential communities. When engagement does occur, it is often around retail purchasing opportunities. Examples include Growing Home’s urban organic farm, where residents can purchase organic locally-grown produce at scheduled markets and the Rebuilding Exchange where the general public and community members can purchase reclaimed building materials.
Nonprofit Social Enterprise ventures are subsidiaries or spinoffs of a parent nonprofit organization or free-standing nonprofit organizations. The ventures are found in numerous industries and sectors from manufacturing, construction, retail, and service (Cooney, 2011). The nonprofit form of Social Enterprise is increasingly becoming a notable economic development strategy for two key reasons.

First, nonprofits are activating the Social Enterprise model as a “resource generating” (Cooney, 2011, p. 186) strategy in the disinvestment by traditional government funding sources. Second, Social Enterprises have become an important platform for workforce-based training (Cooney, 2011), frequently at a neighborhood and community level and in a wide range of industries. For example, the Chicago-based nonprofit Inspiration Corporation expanded its original Social Enterprise restaurant from the Uptown neighborhood to the Garfield Park neighborhood with the opening of Inspiration Kitchens-Garfield Park (IK-GP). Both restaurants (IK-GP and IK-Uptown) have increased the organization’s workforce development training capacity and the number of trainees in culinary arts.

The Community Action Partnership of Lake County currently operates four Social Enterprise ventures (Illinois Community Action Development Corporation, 2013), which provide the organization with earned revenue for its social services programming. The ventures include special events & catering, a T-shirt printing business, a resale store, and a rental housing business. Social Enterprises represent a portion of the CSE sector and they are certainly increasing in number as economic development practitioners seek ways to support their growth and long-term viability.

**Community Supported Business**

In this study, Community Supported Businesses refer to a subset of CSEs that include businesses with more of a profit incentive. They continue to have common elements of CSEs, such as the integration of social and/or environmental initiatives and a goal to advance local economies, but financial objectives take a more forward role than in other CSEs. The main distinction, then, is that CSBs earning profits for owners and/or investors is a higher priority. Much of the available literature currently does not distinguish between CSEs and CSBs although here they are separated by differentiating between businesses created mainly for a community purpose and those designed with financial goals even though they also have additional social incentives. CSBs refer to the latter of these types.

Some businesses not initially created as CSBs still have close relations to their communities, but have adopted CSE approaches in expanding their operations. They began as traditional businesses and then later integrated community financing. Businesses integrated these methods to better serve their respective communities. Examples include additions to popular
restaurants to accommodate more customers and funding campaigns to ensure that a community gathering place continues to operate (Roman, 2009; Dandelion Communitea Café, 2014). Further discussion of these and other CSBs is provided in later sections.

Community Supported Businesses operate as regular businesses that deliver a desired good with additional social, and sometimes intangible, benefits (Keyser, 2015). They also often use Community Supported Agriculture approaches. Such ventures include CSBread, CSArt, CSFish, and similar programs that use the CSA approach of paying in advance for a good or service (White, 2013). The classification of these CSBs becomes blurred as more businesses adopt similar methods to raise funds. CSBs have core social and community goals and are tied to their communities through an added financial connection. Other businesses, while using similar approaches, may self-identify as a CSB but have too limited a community or local connection to truly be defined as a CSB for present purposes. The next section further discusses these approaches.

**CSE Adaptations of Hybrids**

Many businesses have adapted the CSA subscription model as a business strategy to sell a product and/or induce community involvement and support. Any businesses using these subscription methods must also have a high social role within their community in order to be truly classified as CSEs or CSBs (Keyser, 2015). The nature of CSA is to allow producers to obtain financial support from their customers to sustain the operation during the growing season. Other businesses have integrated similar pre-selling models as a unique marketing and sales strategy rather than its initial financial purpose.

In addition to CSA style models, other businesses are adapting CSA-type subscription methods to generate a more stable or higher product demand and thereby increase profits. Only when a business goes beyond corporate initiatives and integrates a social impact through a financial and/or organizational community connection do they meet the CSB definition used here. The varying level of community outreach and involvement (social or financial) is what makes these businesses difficult to classify.

Mobcraft Beer is the world’s first completely crowdsourced brewery and is partially owned by 52 private Wisconsin investors (Mobcraft Beer, Inc., 2016). The business offers a unique selling approach where customers submit ideas for types of beer and then vote on which beer they want to buy. Voting is done through pre-buying the prepared batch and the one with the most pre-sales will eventually be made. This CSBrewery has adapted the CSA model of advanced purchasing to create community demand for their products and build a predictable, but modest market for their beer. While the ownership of this business is open to community members, there is little mention
of specific social impact initiatives that caused this business to start so it does not fit the current CSB classification. Begyle Brewing in Chicago offers CSA-style memberships to customers twice a year in June and December. Membership duration is offered in six or twelve month subscriptions with beer quantity and pricing varying accordingly. Members have access to other benefits such as product discounts and special members-only events.

The main difference between these businesses and other CSBs are the involvement (or lack thereof) of the community, as a whole, in the financial and organizational aspects of the businesses as well as the social impact that drives their creation and operation. The CSEs/CSBs examined in this report are classified in this way because of their motivation for community betterment and the roles played by the community in launching the effort. While some of these distinctions may seem somewhat arbitrary, their purpose is to more clearly differentiate the various approaches and help readers better understand the use of CSEs as a development strategy in their communities. This is not to suggest that private businesses using CSA-types of strategies make any less contribution to the city. Rather, local development groups are more likely to be motivated by a social purpose even if it involves opening, or reopening, a business as will be shown later with grocery stores in several small towns.

Background and Historic Precedents

Community Supported Enterprises developed from prior models of cooperation among consumers, workers, or businesses. The growth of CSEs is often attributed to the increased popularity and adoption of CSAgriculture practices. This is true of specific CSEs, such as with subscription models where goods are pre-sold but other forms of cooperatives have also influenced their growth and development.

Historically, cooperatives provided a way for individuals to facilitate a common social goal. Early cooperatives in the U.S. involved the agricultural sector with the main benefits to farm producers. These cooperatives allowed better marketing of goods and helped to keep input costs low through cost-sharing methods (National Co+op Grocers, 2016). Cooperatives also provided storage or processing centers permitting producers to combine crops and sell in larger quantities. Later, consumers formed cooperatives to fight unfair practices of private and company stores and serve as consumer protection associations.

The cooperative movement has had waves of growth and decline with corresponding changes in the movement. Some early cooperatives in the US failed due to poor management, insufficient capital, or a lack of understanding of cooperative principles (National Co+op Grocers,
The early 1900’s saw a growth in buying clubs and cooperatively-owned wholesalers but many closed (Merrett and Walzer, 2001). The 1960’s and 70’s brought a new wave of consumer cooperatives with more diverse and experimental practices involving governance, reward structure, and innovative practices. The operating practices of cooperatives began to expand and include varying forms of governance, reward, and motivation.

More recent revivals of cooperatives have taken a different focus with newer structures including New Generation Cooperatives (NGC) commonly used in value-added agriculture (Merrett and Walzer, 2004). This model uses vertical integration in the production process with delivery rights to generate higher returns to producers through the sale of processed products. NGCs link investment contributions by member producers to the delivery rights of products, while the principle of one member, one vote still exists (Harris et al, 1996).

Many of the current cooperatives are reminiscent of the initial intended purposes to allow individuals to organize and create an enterprise that works in their best interests while adapting to changing conditions. The current structure allows individuals to join as members with the business operated for their benefit. The cooperative movement is large, with an estimated 1 million members worldwide and $2.2 trillion in turnover in 2012 from the world’s top 300 cooperatives (International Co-operative Alliance, 2015).

Advances and expansions of these models allowed for more community integration into businesses, which directly relates to the nature of CSEs in both the U.S. and internationally (Soviana, 2015). CSEs can use cooperative structures as a way to gain more community involvement and benefits. However, there are wide variations in management approaches and outcomes as are described next.
Models of Community Supported Enterprises

Community Supported Enterprises are, by definition, supported by members in their communities. These “communities”, however, are not strictly defined as residents within the city in which the enterprise is located, and can extend well into other areas. Examples in this study show that neighboring towns/counties as well as other individuals are included in the “community” that creates and finances CSEs. Expanded use of crowdfunding approaches has the potential to widen the funding access as well as broaden the regions involved. Thus, in this report, the definition of community includes like-minded businesses, organizations, and individuals with a shared interest in the enterprise and/or involvement in its creation and financing.

CSEs created by, and for, the benefit of a community often use a place-based strategy for a defined region or city. Paul Bruhn of the Preservation Trust of Vermont describes Community Supported Enterprises as a “combination of charitable capital, charitable contributions, community support, and entrepreneurship”, though a CSE need only have some of these characteristics (Bruhn, n.d.). They have bottom lines that work to advance the local economy, wages, education, working conditions, and other aspects (Orsi, 2013). These values coincide with Triple Bottom Line accounting that defines a framework of social, environmental, and financial responsibility (Triple Bottom Line, 2009). These enterprises incorporate social as well as corporate aspects into their business structures.

The examples presented in this study are described as CSEs because they have characteristics that meet these criteria. The enterprises can include social projects such as parks, libraries, and hospitals that are not overtly created to earn profits but are intended to benefit a community and residents in other ways. At the same time, these ventures typically must meet a budget to continue operations but may not necessarily sell services or products. Rather, they may rely partly on taxes and donations while focusing on the health and expansion of a community. Consequently, these organizations differ in legal structure, financing arrangements, and management practices.

Organizational Structures

CSEs can be many organization forms. The community itself can sell shares of stock for communal ownership or can financially support a new business through philanthropic or other avenues. The form in which a CSE develops depends on the needs and wishes of the owners but some approaches may be preferred because of easier legal filings, liability, governance, and management structures. CSEs can be privately or publically owned.
Privately-owned businesses that are considered CSBs are created in much the same ways as other businesses with traditional organization and structures. They have the typical attributes of a CSE, though are owned by a private agency or individuals that restrict the operation and decision-making to these limited owners. The business continues to focus on the needs of the community, but the profits and management of the business are left to the owners themselves. Table 2 shows common business types used in CSEs, private, or otherwise.

Table 2. Common Legal Business Structures

<table>
<thead>
<tr>
<th>Business Type</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>LLC</td>
<td>Limited liability of corporation with flexibility of partnership. Owned by “members” who can be individuals, corporations, or other LLCs (depending on state regulations).</td>
</tr>
<tr>
<td>Cooperative</td>
<td>Owned by and operated for the benefit of those using its services with benefits distributed among members. Board of Directors typically manage members who obtain voting rights by purchasing shares.</td>
</tr>
<tr>
<td>New Generation Cooperative</td>
<td>Growers commit to supplying a specific amount of produce to a processing venture and participate in the profits according to their involvement. In this form, growers bring products to an incubator for processing and then market them commercially. Members share in the costs of maintaining the incubator.</td>
</tr>
<tr>
<td>Partnership</td>
<td>Two or more people share ownership where each individual contributes in all aspects and shares in profits and losses of the business.</td>
</tr>
<tr>
<td>Sole Proprietorship</td>
<td>Unincorporated business owned and run by one individual. Owner entitled to all profits and is responsible for debts, losses, and liabilities.</td>
</tr>
<tr>
<td>Nonprofit</td>
<td>Serves a public purpose and has special treatment under the law. Can make a profit but cannot be primarily for profit which is governed as to distributions.</td>
</tr>
<tr>
<td>Corporation</td>
<td>A traditional for-profit corporation owned by shareholders who are not held legally liable for the actions or debts of the business. Shares may be purchased by all and the number of shares owned by any one person varies.</td>
</tr>
<tr>
<td>Hybrid</td>
<td>An organization that combines traditional for-profit and nonprofit business practices and whose purpose may include a social or environmental issue.</td>
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</table>

Community-owned businesses are usually created to fill a void within a market and typically when capital for new businesses is scarce (Bloom, 2010). They operate in much the same fashion as other businesses though they are more closely associated with the town or area served because residents have more of a direct say in the operations, either through voting rights or election of board members. Likewise, they are created to serve a specific purpose within the town or area in which they are created. Community-owned businesses fit into four categories summarized in Table 3.

**Table 3. Community Ownership Distinctions**

<table>
<thead>
<tr>
<th>Cooperative</th>
<th>Communally owned and managed business for the benefit of members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community-Owned Corporation</td>
<td>Traditional for-profit corporation that integrates Social Enterprise principles</td>
</tr>
<tr>
<td>Small Ownership Group</td>
<td>Small ad hoc investor group that capitalizes and/or operates a business</td>
</tr>
<tr>
<td>Investment Fund</td>
<td>Community-based fund that invests debt or equity into a local business venture</td>
</tr>
</tbody>
</table>

Source: Bloom (2010).

Community ownership exists in cooperatives such as The Merc Co-op in Lawrence, KS and the Shrewsbury Cooperative in Shrewsbury, VT. As with other cooperatives, members have voting rights, hold stock in the company, and share in the profits. Community-owned businesses can also be created through a sale of shares in a community corporation. Residents invest a specific amount and become shareholders in the company. They have voting rights and are represented by a board of directors that manages the daily business activities. Depending on specific the legal structure, profits may also be paid to resident-investors.

Small ownership group styles of CSEs involve a small number of resident-investors launching a business or enterprise in the community to meet a local social need. While many people may not consider small ownership groups as community-owned businesses since they are not open to the entire community, but they can be, if they are created with a community-wide cause in mind (Bloom, 2010). Members of a small ownership group may be active in operating the business or serve as silent partners, although they typically expect some form of financial return for their involvement. Somewhat different from this approach is a community investment fund that pools community resources to provide venture capital or loans to invest in community-based
businesses. This approach allows a community to invest and be active in a business without requiring direct involvement in operations.

The ownership structure of a CSE can also change over time and transitional ownership involves a transfer from one form such as private ownership to another form, e.g., nonprofit or community-owned. This approach can be used by a community to save and sustain a crucial existing business and then slowly transition it back to private ownership if and when it is financially stable. Though not classified here as a legal ownership form, examples such as Washburn Community Foods show where this approach has been used successfully by CSEs.

Further descriptions of structures commonly used by CSEs are provided in Appendix One with more information regarding their formation and how they operate. The main point is to recognize the many possible ways in which Community Supported Enterprises can be organized and managed. In some instances, the distinctions are slight but with important implications for ways in which the enterprise is managed and its potential success.

**Hybrid Organizations**

Hybrid organizations have different names in the professional literature but with a common goal of combining social impact initiatives with financial sustainability (Haigh et al., 2015). These organizations are distinguished from other businesses with similar social or environmental goals in that hybrids combine elements of both for-profit and nonprofit entities to create a business model catering to traditionally underserved markets. Newer legal structures supporting these practices have emerged and are being implemented in many states including Benefit Corporations, Social Purpose Corporations, L3Cs, and others. These enterprises have an intrinsic social aspect in how they operate and provide legal inclusion of social causes and benefits associated with integrating these policies into business activities. They can be combinations of regular structures, such as Corporations or LLCs with the typical social practices found in nonprofits. More complete descriptions and comparisons of hybrid selections are included in Appendix Two.

Hybrids can also develop under different conditions that create multiple for-profit and nonprofit entities. Subsidiaries can be created by a nonprofit (for-profit) to engage in other for-profit (nonprofit) activities. Since nonprofit organizations are restricted from engaging in certain financing activities, due to tax exempt status, they may choose to organize as a for-profit entity and take ownership rights in the for-profit business (Morrison & Foerster LLP, 2013). By doing so, they can pursue further financing options formerly not available to the nonprofit entity.
Likewise, a for-profit business may act in a similar way to create a private nonprofit foundation. This private foundation is controlled by the parent company and while it is eligible to receive tax-exempt status, it is subject to different regulations than typical charitable organizations (Morrison & Foerster LLP, 2013).

**Management & Ownership Combinations**

The same individuals or group that create and own a business may also manage and operate it. Many CSEs listed in this study operate in traditional ways, although some have created newer managing practices through the combination of different entities. CSEs are often created through a community organization, such as a nonprofit, that initiates the efforts to create and finance a desired business (Appendix Four). The options available to the CSE are for the organization to manage the business or hire outside management. More often, a community organization owns the property, and sometimes the equipment, but rents the facilities to a private operator. These practices minimize the time spent operating the business and perhaps losses for a community. If a business fails, the community still owns the land and equipment and may later create another business if they so choose. While this may not be as common as other methods described, it still provides an interesting option for future CSEs.

**Financing Strategies**

The availability of financing to sustain economic growth and development for any business venture, CSE or not, in rural areas is always an important issue. Growth and long-term success of these businesses depend on securing capital at proper stages within the business cycle (ICIC, 2015). CSEs need capital at any or all stages of growth from startup to scale and expansion. They can seek and secure capital from traditional sources, through creative financing or a combination of the two.

Traditional financing includes bank loans, SBA programs, venture capital, Angel investors, and other approaches (see Appendix Four for a more complete list of traditional financing strategies). Table 4 highlights eight key creative financing strategies, somewhat unique to CSEs. A more extended discussion of one of the seven strategies, crowdfunding is also provided.
### Table 4. Seven Key Creative Financing Strategies

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Donations</strong> <em>(Donate money with nothing expected in return)</em></td>
</tr>
<tr>
<td>2</td>
<td><strong>Subscriptions</strong> <em>(Money paid up front with promised goods received at a later time. Viewed as an ongoing service)</em></td>
</tr>
<tr>
<td>3</td>
<td><strong>Gift Certificates/Pre-Sales</strong> <em>(Store credit is bought initially with a higher amount than purchase value redeemable in goods after the business opens)</em></td>
</tr>
<tr>
<td>4</td>
<td><strong>Sale of Shares/Equity</strong> <em>(Members invest and have an ownership stake in the business)</em></td>
</tr>
<tr>
<td>5</td>
<td><strong>Memberships</strong> <em>(Services, goods, or privileges given in exchange for investment, sometimes ownership is awarded as well)</em></td>
</tr>
<tr>
<td>6</td>
<td><strong>Community Loans</strong> <em>(Residents or Community Development Finance Institutions (CDFIs) loan money (often below market rate) to business and are then repaid at a later time)</em></td>
</tr>
<tr>
<td>7</td>
<td><strong>Crowdfunding</strong> <em>(Goods, services, or social impact promised as an incentive to investment)</em></td>
</tr>
</tbody>
</table>

**Crowdfunding**

A relatively recent, but popular, method that has gained momentum in recent years is crowdfunding. Ordanini et al., (2011) defines crowdfunding as “a collective effort by people who network and pool their money together, usually via the Internet, in order to invest in and support efforts initiated by other people or organizations” (as cited in Stiver et al., 2014). This type of financing allows individuals to be involved with business startups and provides businesses with more access to finance. Startup ventures can use the internet to publicize their operations and need for investment and can reach large groups of potential investors and donors at relatively low cost through online platforms.
Crowdfunding approaches differ in terms of lending, donations, rewards, and equity activities. Donations-based crowdfunding involves the public gifting money to a specific business or project without expecting a tangible return (Kuti & Madarász, 2014). This usually involves charitable giving, since many projects financed with donations involve charitable or social causes. This approach is common with socially motivated enterprises and involves the least debt since project owners raise funds without expectation of financial return to funders. Thus, organizations or individuals can use crowdfunding platforms to solicit funds for community-based projects.

Peer to Peer lending represents the largest share of the crowdfunding industry, though rewards and equity-based methods are the most widely-known (StartupOwl, 2015). Online lending allows a group starting a venture to obtain relatively small loan amounts from a wide pool of individuals who are then repaid based on a pre-determined interest rate. Individuals can make small loans to several ventures which diffuses their risk but also allows more people to invest in a small business activity, often in their community.

Crowdfunding platforms also allow peer lending that is repaid with zero interest. This interest free practice is more commonly referred to as social lending (Risterucci, 2016). Unlike donations-based funding, social lending programs require repayment of all funds contributed to the project, though the reasons for contributing to each are similar. Community Sourced Capital in Washington State is an active example of zero interest lending. Both donations and social lending require elements of patronage where funders are more concerned about creating a social good rather than additional returns (Mollick, 2014).

Rewards-Based Crowdfunding is a commonly recognized approach. Investors contribute a specific dollar amount to a campaign and receive a pre-determined reward based on the amount invested. The rewards can involve a small representative gift or some type of service provided (Kuti & Madarász, 2014). These nonmonetary returns entice potential investors and the businesses benefit since they are not expected to repay the amount invested. Rather, they provide a pre-determined item or prize for participating in the funding campaign. This method can also be used by a business to pre-sell goods thus creating further demand for the product from an early consumer base (Mollick, 2014).

Another approach to a rewards-based, equity-based crowdfunding activity involves selling shares of a company to individuals and, in effect, making them owners or stockholders in the company (ICIC, 2015). Equity crowdfunding allows entrepreneurs to raise larger amounts of money than with other platforms and provides greater investment incentives because investors can own a part of the venture. State and federal statutes govern the size of the investment, as well as the legal requirements on investors. The Federal JOBS Act of 2012 encouraged these types of
activities and states then created statutes to govern practices within their jurisdictions as described in more detail later.

**Regulations**

Federal and state regulations limit the number and type of individuals and bodies that can invest in security offerings. This situation hindered the development of equity-based crowdfunding. More recently, however, a recent wave of both federal and state rulings opened the way for equity crowdfunding to grow. These changes are described briefly to help prepare readers who might be interested in using CSEs arrangements in their communities. However, the regulations differ by state and change regularly so it is important to keep abreast of recent developments.

The JOBS Act of 2012 created federal exemptions under securities laws to facilitate the offer and sale of securities without registering with the SEC (U.S. Securities and Exchange Commission, 2015). The Securities and Exchange Commission published rulings to implement Regulation Crowdfunding that open the sale of securities to non-accredited individuals. Effective May 16, 2016, the SEC adopted final rules permitting companies to offer and sell securities through crowdfunding and allow individuals to invest in these securities subject to investment restrictions (U.S. SEC, 2015). Federal restrictions in place for issuers of securities, investors, and intermediaries are listed below based on the SEC Final Rules regarding Regulation Crowdfunding (Crowdfunding, 2015).

Issuers using Regulation Crowdfunding are allowed to raise a maximum aggregate amount of $1 million within a 12-month period and are required to disclose the following:

- Information on company officers, directors, and owners of 20% or more of the issuer;
- Information on the business and expected use of procured funds;
- Price and method of determining price of security, target offering amount, deadline, and whether acceptance of higher amounts is permitted;
- Related Party Transactions;
- Issuer’s final condition;
- Financial statements (depending on the amount offered and sold); and
- Information on tax returns reviewed by an independent public accountant or audited by an independent auditor.
Investors are permitted to participate under the following restrictions:

- If annual income or net worth is less than $100,000
  - Allowed to invest up to the greater of $2,000 or 5% of the lesser of annual income or net worth
- If annual income or net worth is greater than $100,000
  - Allowed to invest up to 10% of annual income or net worth
  - Amount sold to one investor may not exceed $100,000

All transactions must take place through some type of intermediary, such as a registered broker/dealer or a registered funding portal (U.S. SEC, 2015). Intermediaries are required to do the following:

- Provide investors with information materials;
- Take measures to reduce risk of fraud;
- Provide information about the issuer and the offering;
- Provide communication channels to discuss the offering; and
- Facilitate the offer and sale of crowdfunded securities.

In addition, funding portals are prohibited from:

- Offering investment advice or recommendations;
- Soliciting purchases, sales, or offers to buy securities offered or displayed on platforms;
- Compensate promoters and other solicitations; and
- Hold, possess, or handle, investor funds and securities.

In anticipation of federal crowdfunding regulations to take effect, states enacted intrastate crowdfunding exemptions to promote local resident investment. Table 5 provides an overview of the 29 states (and the District of Columbia) with such legislation and the restrictions in place for offerings within each state. State legislation is modeled after federal exemptions for intrastate offerings including Section 3(a) (11) and Rule 504 of Regulation D of the Securities Act (Crowdcheck et al., 2016).
Table 5. State Enacted Intrastate Crowdfunding Exemptions

<table>
<thead>
<tr>
<th>State</th>
<th>Effective Date</th>
<th>Annual Limit</th>
<th>Non-accredited Purchase Restrictions</th>
<th>Portal Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>08-Apr-14</td>
<td>$1 million</td>
<td>$5,000 per investor</td>
<td>Silent</td>
</tr>
<tr>
<td>Arizona</td>
<td>03-Jul-15</td>
<td>$2.5 million</td>
<td>$10,000 per investor</td>
<td>Required</td>
</tr>
<tr>
<td>Colorado</td>
<td>05-Aug-15</td>
<td>$1 million</td>
<td>$5,000 per investor</td>
<td>Silent</td>
</tr>
<tr>
<td>District of Columbia</td>
<td>24-Oct-14</td>
<td>$2 million w/ audited financial statements; Otherwise $1 million</td>
<td>Dependent on annual income and net worth</td>
<td>Allowed</td>
</tr>
<tr>
<td>Florida</td>
<td>01-Oct-15</td>
<td>$1 million</td>
<td>Dependent on annual income and net worth</td>
<td>Allowed</td>
</tr>
<tr>
<td>Georgia</td>
<td>08-Dec-11</td>
<td>$1 million</td>
<td>$10,000 per investor</td>
<td>Silent</td>
</tr>
<tr>
<td>Idaho</td>
<td>20-Jan-12</td>
<td>$2 million</td>
<td>Lesser of $2,500 or 10% of net worth</td>
<td>Silent</td>
</tr>
<tr>
<td>Illinois</td>
<td>01-Jan-16</td>
<td>$4 million w/ audited financial statements; Otherwise $1 million</td>
<td>$5,000 per investor/per offering</td>
<td>Required</td>
</tr>
<tr>
<td>Indiana</td>
<td>01-Jul-14</td>
<td>$2 million w/ audited financial statements; Otherwise $1 million</td>
<td>$5,000 per investor</td>
<td>Required</td>
</tr>
<tr>
<td>Iowa</td>
<td>30-Dec-15</td>
<td>$1 million</td>
<td>$5,000 per investor/per offering</td>
<td>Required</td>
</tr>
<tr>
<td>Kansas</td>
<td>12-Aug-11</td>
<td>$1 million</td>
<td>$5,000 per investor</td>
<td>Silent</td>
</tr>
<tr>
<td>Kentucky</td>
<td>24-Jun-15</td>
<td>$2 million w/ audited financial statements; Otherwise $1 million</td>
<td>$10,000 per investor/per offering</td>
<td>Required</td>
</tr>
<tr>
<td>Maine</td>
<td>01-Jan-15</td>
<td>$1 million</td>
<td>$5,000 per investor</td>
<td>Silent</td>
</tr>
<tr>
<td>Maryland</td>
<td>01-Oct-14</td>
<td>$100,000 (Debt based only exemption)</td>
<td>$100 per investor</td>
<td>Silent</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>15-Jan-15</td>
<td>$2 million w/ audited financial statements; Otherwise $1 million</td>
<td>Dependent on annual income and net worth</td>
<td>Allowed</td>
</tr>
<tr>
<td>Michigan</td>
<td>26-Dec-13</td>
<td>$2 million w/ audited financial statements; Otherwise $1 million</td>
<td>$10,000 per investor</td>
<td>Allowed</td>
</tr>
<tr>
<td>Minnesota</td>
<td>Pending</td>
<td>$2 million w/ audited financial statements; Otherwise $1 million</td>
<td>$10,000 per investor/per offering</td>
<td>Required</td>
</tr>
<tr>
<td>Mississippi</td>
<td>26-May-15</td>
<td>$1 million</td>
<td>Dependent on annual income and net worth</td>
<td>Required</td>
</tr>
<tr>
<td>Montana</td>
<td>01-Jul-15</td>
<td>$1 million</td>
<td>$10,000 per investor</td>
<td>Silent</td>
</tr>
<tr>
<td>Nebraska</td>
<td>01-Sep-15</td>
<td>$2 million w/ audited financial statements; Otherwise $1 million</td>
<td>$5,000 per investor</td>
<td>Required</td>
</tr>
<tr>
<td>New Jersey</td>
<td>Pending</td>
<td>$1 million</td>
<td>$5,000 per investor/per offering</td>
<td>Required</td>
</tr>
<tr>
<td>New Mexico</td>
<td>Pending</td>
<td>$2.5 million per offering</td>
<td>$10,000 per investor/per offering</td>
<td>Required</td>
</tr>
<tr>
<td>Oregon</td>
<td>15-Jan-15</td>
<td>$250,000</td>
<td>$2,500 per investor</td>
<td>Allowed</td>
</tr>
<tr>
<td>South Carolina</td>
<td>26-Jun-15</td>
<td>Unlimited</td>
<td>Unlimited</td>
<td>Silent</td>
</tr>
<tr>
<td>Tennessee</td>
<td>16-Dec-15</td>
<td>$1 million</td>
<td>$10,000 per investor</td>
<td>Silent</td>
</tr>
<tr>
<td>Texas</td>
<td>17-Nov-14</td>
<td>$1 million</td>
<td>$5,000 per investor</td>
<td>Required</td>
</tr>
<tr>
<td>Vermont</td>
<td>16-Jun-14</td>
<td>$2 million w/ audited financial statements; Otherwise $1 million</td>
<td>$10,000 per investor</td>
<td>Silent</td>
</tr>
<tr>
<td>Virginia</td>
<td>01-Jul-15</td>
<td>$2 million</td>
<td>$10,000 per investor</td>
<td>Allowed</td>
</tr>
<tr>
<td>Washington</td>
<td>12-Jun-14</td>
<td>$1 million</td>
<td>Dependent on annual income and net worth</td>
<td>Allowed</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>01-Jun-14</td>
<td>$2 million w/ audited financial statements; Otherwise $1 million</td>
<td>$10,000 per investor</td>
<td>Required</td>
</tr>
</tbody>
</table>

Source: Crowdcheck et al. (2016); Freedman & Nutting (2016); Coverman (2015).
State regulations have increased investor activity and some CSEs have taken advantage of these legal efforts to facilitate business growth (Hurst, 2015). The legislative efforts offer other opportunities for small businesses that wish to sell securities using crowdfunding and other traditional methods. Passage of these exemptions facilitated both equity crowdfunding and traditional stock offerings for small businesses similar to related federal regulations. Since federal crowdfunding regulations have only recently taken effect, the market for equity crowdfunding is expected to grow and adjust to better accommodate the current and future use of these methods. The near term will affect what effects and changes, if any, will occur to current intrastate crowdfunding use.

Platforms

The popularity of crowdfunding increased in 2008 with the creation of rewards-based platforms (Stiver et al., 2014) attracting resources that may not be readily available with other financing formats. Crowdfunding platforms permit the following: direct interaction between investors and entrepreneurs, creation of social community for investors and entrepreneurs, and a supporting body that facilitates affiliation between funders and creators (Kuti & Madarász, 2014). The portals per se vary with specific methods of fundraising but 1,250 crowdfunding platforms exist worldwide (StartupOwl, 2015). A wave of new online platforms is underway across the U.S. with additional platforms created regularly. A comparison of various types of crowdfunding platforms is provided (Table 6) but these are only a few examples and not exhaustive.

<table>
<thead>
<tr>
<th>Platform</th>
<th>Type</th>
<th>Fee/Charge</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>CrowdRise</td>
<td>Donations-based crowdfunding for charitable and personal causes</td>
<td>• Initial 5%</td>
<td>• Two campaign types, individual and nonprofit</td>
<td>• Limited design options for free trial versions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 2.9% transaction fees</td>
<td>• Donors do not need an account to contribute</td>
<td></td>
</tr>
<tr>
<td>Community</td>
<td>Lending-based crowdfunding for small business</td>
<td>• $250 launch fee</td>
<td>• Technical support</td>
<td>• All or nothing fundraising</td>
</tr>
<tr>
<td>Sourced</td>
<td></td>
<td>• $50 charge per month until complete</td>
<td>• Marketing assistance</td>
<td>• Fixed amount of $50 per pledge</td>
</tr>
<tr>
<td>Capital</td>
<td></td>
<td>loan repayment</td>
<td>• Administrative help</td>
<td></td>
</tr>
<tr>
<td>Fundable</td>
<td>Rewards and Equity crowdfunding for small business</td>
<td>• $179/month</td>
<td>• Profile creation wizard for campaign page</td>
<td>• All or nothing fundraising</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Transaction fees may apply</td>
<td>• No fees on funds raised</td>
<td>• Can offer rewards or equity, not both</td>
</tr>
</tbody>
</table>

Table 6. Crowdfunding Platforms
Further Developments

Crowdfunding platforms extending beyond simple funding options exist and can expand the roles of communities and individuals in starting various types of businesses. *JumpStartFund* started as a way to combat the high failure rates with many online crowdfunding campaigns (Volmut, 2016). This platform introduces ideas or concepts and allows the online community to vote for projects they want to see succeed. The voting system guides selection of projects by *JumpStartFund* to market using the internet and fosters development of a supportive community before fundraising attempts occur.

Aside from traditional funding, this platform also encourages outreach and utilization of skills available from supporters. Followers can become further invested in these projects using project collaboration tools such as discussion forums, free advice, and file sharing. Another option is to hire workers on specific aspects of the project and pay them with equity in the new venture (Volmut, 2016). The collaboration provides entrepreneurs or agencies with access to a wide range of skills and resources.
of talent at minimal initial outlay. It also allows individuals to invest in projects using their expertise rather than strictly a financial commitment.

This platform illustrates the progress that crowdfunding approaches have made to better integrate community members, discuss ideas, and thus enhance the success of projects. By adopting similar innovations, CSEs can engage communities and residents in new ways that lead to greater community involvement as well as create a pipeline to fund CSEs. Other crowdfunding developments include the direct financing of community-based projects which more closely resemble past CSE initiatives as shown in the next section.

**Civic Crowdfunding**

An emerging subset of general crowdfunding activities, labeled “Civic Crowdfunding”, includes a process by which residents raise funds, often in collaboration with government agencies, to provide a community good or service (Stiver et al., 2015). This growing subset has developed in response to decreases in availability of public funding and resources.

Civic projects tend to be smaller in scale, community oriented, and less consumer-oriented. (Stiver et al., 2014). The goods produced through civic crowdfunding typically are more public in focus and are structured for longer duration in the community. This situation encourages involvement by the groups or individuals funding the project. Examples of successfully funded projects using civic crowdfunding include: The Ashville Tool Library (Ashville, NC), an outlet for lending tools and instructing citizens and the community on their use, and The Spirit of the American Navy (Naperville, IL), a restored sculpture installation in honor of the American Navy.

The popularity of civic crowdfunding increased due to its ability to connect community projects with municipalities, organizations, and citizens as well as its networking and collaboration capabilities between citizens and governments (Stiver et al., 2014). Civic crowdfunding typically follows a model that allows projects to receive financial support from: 1) government bodies, 2) for-profit or nonprofit businesses/organizations, and 3) private individual backers. Community members can form unique relationships with other groups and government bodies due to the specialized features of civic crowdfunding platforms. The use of online platforms for community-based funding also creates more outreach and community collaboration.
The use of crowdfunding sites for civic projects has grown substantially in recent years both on general crowdfunding platforms and specialized civic crowdfunding sites. Civic crowdfunding platforms vary in methods available for citizens and organizations to raise funds. The platform Neighborly uses a unique approach by allowing residents to loan money to community campaigns through the purchase of municipal bonds.

Another platform, Patronicity, has a direct public-private partnership that provides matching grants from organizational sponsors to projects that have successfully raised their goal. Civic crowdfunding platforms are similar to the general platforms previously mentioned, but in addition to offering the previously discussed funding options, many also have specialized features permitting involvement by community volunteers and donation of materials.

Table 7 shows U.S. crowdfunding platforms used to fund civic projects including Indiegogo and Kickstarter as well as the civic crowdfunding sites Citizinvestor, IOBY, and Neighborly. The table provides a brief comparison of some dynamics and appeals of civic crowdfunding. The chosen dynamics for comparison include participation (who initiates the project, the time allotted, and who can see donor information), risks and rewards (availability of volunteer donation, types of payments, and if there are added returns), and payment dynamics (tax deductible donations, all or nothing campaigns, and availability of external matched-funds).

Among the selected platforms, only IOBY offers an outlet to secure volunteers and is one of only three to offer tax deductible donations. Participation on most platforms is open to the general public although they differ regarding who is able to initiate a campaign. Some civic platforms allow only governments or other organizations to create a campaign. Some platforms offer match funding that allows outside organizations to match the amount raised for each campaign and therefore provide additional funding but only Patronicity has a direct partnership with granting agencies.

The differences presented here simply show variations in platforms used to support in community projects. Choosing a platform to use for a specific project depends on the needs and goals of a community and the platform(s) with features necessary to obtain those goals. Likewise, the platforms change on a regular basis so a more current review of the various programs should be undertaken before deciding on which is most suitable for a specific project.
Table 7. Civic Crowdfunding Platforms

<table>
<thead>
<tr>
<th>Platform</th>
<th>Participation Dynamics</th>
<th>Risk &amp; Reward Dynamics</th>
<th>Payment Dynamics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Posting Group</td>
<td>Time</td>
<td>Donation Visibility</td>
</tr>
<tr>
<td></td>
<td>Gov't organizations</td>
<td>Open</td>
<td>Limited</td>
</tr>
<tr>
<td></td>
<td>Open</td>
<td>For-profits, individuals</td>
<td>Limited</td>
</tr>
<tr>
<td></td>
<td>Open</td>
<td>Open</td>
<td>Limited</td>
</tr>
<tr>
<td></td>
<td>Open</td>
<td>Open</td>
<td>Limited</td>
</tr>
<tr>
<td></td>
<td>Gov't, civic organizations</td>
<td>Limited</td>
<td>Optional</td>
</tr>
</tbody>
</table>

Source: Davies (2014); Patronicity (2015).

Civic crowdfunding illustrates the advances of traditional crowdfunding methods to recognize and integrate them in efforts to serve community needs better. It offers potential to build stronger local communities with close ties between governments, businesses, and residents. As businesses and communities continue to pursue these initiatives, additional alternative and unique approaches to financing will inevitably arise making more resources available to future businesses and enterprises including those in which residents are strongly interested.

Comparisons with Other Financing Forms

Crowdfunding offers an alternative to traditional financing strategies and while the various platforms have unique resources and outlets, they may not be the best-suited financing approach for a specific enterprise. Figure 1 shows that crowdfunding is especially suited for emerging businesses and, in the past, businesses have successfully used these approaches to raise initial capital, buy buildings and equipment, and expand operations. As a business grows and becomes more profitable, other more stable financing options are available and better-suited to sustain the business.
In contrast with traditional financing, crowdfunding activities provide services that extend beyond funding. They offer unique opportunities to find funding while promoting the business, facilitating communication and networking, and creating a consumer base from individual investors with an interest in the project (Mollick, 2014). Not the least of these advantages is the ability to pre-sell products and allow investors to contribute time and talent in designing and launching the business venture. All of these advantages make it a powerful tool for CSEs trying to extend their reach either within or outside of their communities.

Funding options comparable to similar traditional methods are available through crowdfunding (debt, equity, etc.) More detailed comparisons between crowdfunding and traditional funding options are provided in Appendix Four. While the current crowdfunding market is less than 10% of either the Venture Capital, Angel Investor, or Private Equity markets, some estimates are that the crowdfunding market will be nearly double that of the VC market by 2025 (ICIC, 2015; Crawford, 2015). The expansion of the crowdfunding market and the availability of greater community centered initiatives also create additional opportunities for the creation and growth of CSEs.
Community Supported Enterprise Initiatives

A complete list of Community Supported Enterprises is not available and, in fact, the number changes regularly as some start and others close. During the course of the research in this project, more than 60 CSEs were identified and they vary widely by purpose, organizational structure, financing arrangements, size, and length of time in operation. Because the main interest is to inform readers about opportunities in how CSEs can contribute to local development efforts, information, and descriptions of approximately 40 CSEs that exhibit different uses in development applications was compiled. Most of the information was gathered from a review of websites, phone conversations, or personal interviews as of June 2016 so the materials may quickly become dated with changes. These descriptions are not intended as a ranking system and these CSEs are not being touted as the best, or most successful, although in some instances they have existed for many years. Rather, the intent is to provide basic descriptions and contact information on diverse approaches so local development groups can learn more CSE formation and operations. The following section first describes several state wide initiatives that in recent years have expanded opportunities for business investment using local funds. After the statewide initiatives are discussed, individual CSEs within different states are described.

State of Vermont: A CSE Movement Leader

The Preservation Trust of Vermont, a statewide initiative that helps local communities to best use and preserve historic places, has led the way in connecting businesses with financial opportunities in the community (Jordan, n.d.). Vermont has led the local food initiatives and has helped in establishing many CSEs. Other states can implement similar practices to ensure the creation and success of local food economies and CSEs.

Vermont enacted several legal measures that support the creation of small businesses and community development since the 1980’s (State of Vermont, 2016). Currently, it has programs in employment growth, rural downtown redevelopment, and has passed legislation to better serve businesses and the community.

Special factors result in Vermont being a CSE movement leader, not least is its place in the political landscape. The rural nature of Vermont and somewhat liberal approaches provide an encouraging environment for innovative rural development efforts and the creation of CSEs. The prevalence of CSEs in the state came about from many converging characteristics and forces, the initiatives of many individuals, and public awareness of their value to rural areas. Since 2005 or

3 William Keyser prepared the initial draft for this section.
so, a strong awareness of ag/food entrepreneurship and the role of food systems in revitalizing the state economy have developed. Universities and colleges in the state have introduced innovative degrees in subjects such as food systems, sustainability, and nonprofit management.

Vermont has a higher percentage of residents living in small, rural communities than in any other state. Burlington, the state's largest city, and its metropolitan area has a population of 200,000. The state is the nation's 49th smallest, and the majority of its 627,000 residents live in small towns and villages or in isolated locations. The capital, Montpelier, is the smallest state capital in the U.S. (about 8,000). A consequence of the rural nature of Vermont is that the forest and farmlands that make up the state's landscape and communities are of great importance to citizens, both ecologically and economically. Median income is about $53,000 and unemployment decreased from 3.8% in 2014 to 3.5% in 2015, but the total labor force declined nearly 1% (the 5th consecutive year).

The labor force participation rate among females in Vermont was much higher than the national rate of 57.2%. Holding two or more jobs is common in the state, and it is worth noting that the three states with the highest proportion of workers with two or more jobs—also Vermont, South Dakota, and Nebraska—had the fourth, third, and second-lowest unemployment rates. With such a high proportion of rural inhabitants, markets for local businesses tend to be small, even with the widespread availability of the internet.

Vermont has large numbers of women-owned businesses, employee-owned businesses, as well as food, and other co-ops. The state has the highest concentration of self-employment—more than 10% of all jobs and 96% of all businesses have fewer than 500 employees. Indeed 76% have no employees and are owner-operated. A common feature of Vermont employment is that many people hold two or more jobs to survive. Nonprofit organizations represent 12% of employment in Vermont. These factors contribute to the development of CSEs in the state to alleviate the economic and social consequences of rural life.

Vermont also has ambitious energy goals that will require the siting of small, distributed electricity-generation facilities in virtually every town in the state. In response, CSEs have been created to build community solar and wind power generation plants. Green Mountain Power, the largest electric utility, works with public and private partners to sponsor clean energy production: wind, solar, and hydro as well as 'cow-power'—the production of electricity through methane obtained from animal waste.
At the same time, more Vermonters were working at the end of 2015 than in June 2007, a rate of recovery some states have not yet achieved. While Vermont’s economy may be considered healthier than most other states—median household income is higher than nationwide—the state’s relative prosperity is unbalanced. In Burlington, the rest of Chittenden County and a few other outposts, business is healthy—in some cases even booming—jobs are being created and the population is growing. Rural counties still see less economic prosperity, population declines, and an aging population profile.

In 2012, the State legislature passed the landmark Act 142[^4] “An act relating to preserving Vermont’s working landscape.” The Act recognized that “Vermont’s unique agricultural and forest assets—its working landscape—are crucial to the state’s economy, communities, character, and culture. These assets provide jobs, food and fiber, energy, security, tourism, and recreational opportunities, and a sense of well-being.” It also declared that “Vermont is in the midst of an agricultural renaissance and is at the forefront of the local foods movement. The success has been due to the efforts of skilled and dedicated farmers, creative entrepreneurs, and the strategic investment of private and public funds.” The main purpose of Act 142 was to stimulate a concerted economic development effort on behalf of Vermont’s agriculture and forest product sectors by systematically advancing entrepreneurism, business development, and job creation.

The state makes extensive use of federal rural development agencies, such as the SBA-sponsored Small Business Development Centers and the rural development services and grant-making in the USDA. In addition, Vermont has pioneered many state-level agencies that contribute significantly to the development of CSEs. These organizations include state agencies or, in an increasing number of cases, nonprofit structures. The more significant among these are described next.

*Vermont Department of Economic Development (DED)*—[http://accd.vermont.gov/economic-development](http://accd.vermont.gov/economic-development): DED's mission is to improve the economic well-being and quality of life of Vermonters, while preserving natural resources and community values. This results in significant moral as well as practical support for the CSE community in the state. DED services are not dissimilar to those available in other states, but Vermont's natural focus on rural gives it a special mission to encourage even the smallest enterprises.

*Vermont Economic Development Authority (VEDA)*—[www.veda.org](http://www.veda.org): For more than three decades the Vermont Economic Development Authority has partnered with Vermont banks and other

lenders to provide low-interest loans to Vermont businesses and farms, both large and small. VEDA’s mission is “to contribute to the creation and retention of quality jobs in Vermont by providing loans and other financial support to eligible and qualified Vermont industrial, commercial, and agricultural enterprises.” VEDA aims to understand an entrepreneur’s excitement in starting a business, and/or a business owner’s concerns in expanding a current business. Since 1974, VEDA has provided more than $1.8 billion in financial assistance to Vermont businesses and farms. Their programs contributed to the creation of tens of thousands of jobs, helping Vermont’s economy grow and prosper.

Vermont Department of Financial Regulation Securities Division (VDFR/SD)—www.dfr.vermont.gov/securities/securities-division: VDFR/SD has a dual role of protecting investors and also promoting the success of small Vermont businesses. It introduced modifications to the Vermont Small Business Offering Exemption (VSBOE) in 2014, and nine intrastate public offerings have followed. They are essentially a within-state level equivalent of a public offering and naturally involve small local business fund-raising. While the Federal level introduction of Title III crowdfunding had a considerable impact, the availability of the VSBOE is significant.

Community Capital of Vermont (CCVT)—www.communitycapitalvt.org: Community Capital of Vermont is a statewide small business and microenterprise lender serving low and moderate income entrepreneurs. Loans range in size from $1,000 to $100,000 and can be used for business startup or expansion. CCVT specializes in providing loans to business owners who lack the collateral or credit history to qualify for traditional bank loans. An innovative aspect of the loans is that they are accompanied with an appropriate consultant working with the client business to both support the organization and improve the chances of loan repayments. In addition to managing its own loan funds, Community Capital administers the Vermont Job Start initiative to invest in lower income entrepreneurs and create jobs. CCVT offers an incentive loan product for businesses that process Vermont agricultural products. These loans to “value added” producers have an interest rate two points below CCVT’s regular rate. In 2015, CCVT approved microloans valued at a total of $435,000 to 29 Vermont businesses.

Vermont Community Loan Fund (VCLF)—www.investinvermont.org: VCLF’s Small Business Loan Program targets businesses that provide benefits to low-to-moderate-income Vermonters through livable-wage jobs and revitalized communities. A VCLF loan can be used for real estate mortgages, fixed-asset financing, permanent working capital, a line of credit, purchase order financing, restructured debt, and subordinated debt. The maximum loan amount is $350,000. VCLF is a mission-driven, community-focused alternative lender. Loans are made to local businesses, community organizations & nonprofits, child care providers, and developers of
affordable housing who do not qualify for a loan from a traditional lender. They also combine loans with financial consulting and business development services to make sure borrowers have access to resources needed to succeed.

**Vermont Sustainable Jobs Fund (VSJF)—[www.vsjf.org](http://www.vsjf.org):** VSJF, a CDFI, uses early stage grant funding, technical assistance, and loans to catalyze and accelerate the development of markets for sustainably produced goods and services. The VSJF meets critical market development needs for goods and services by deploying grants, technical assistance, and loans for: research, technology, and infrastructure development; technical assistance; financing; network development; education and outreach; workforce development; and sales and distribution. One program, the Flexible Capital Fund, offers sustainable businesses a new kind of flexible risk capital that brings instant access to peer networks, mentorship, and technical assistance. VSJF sees that technical assistance and mentoring through access to networks go hand in hand with risk capital. The Fund offers access to the **Peer to Peer Collaborative**, a program under the umbrella of the Vermont Sustainable Jobs Fund. It provides CEO advisory services and access to a breadth of business and leadership networks essential to sustainable business growth.

**Vermont Employee Ownership Center (VEOC)—[www.veoc.org](http://www.veoc.org):** The Vermont Employee Ownership Center is a statewide nonprofit organization whose mission is to promote and foster employee ownership to broaden capital ownership, deepen employee participation, retain jobs, increase living standards for working families, and stabilize communities. The VEOC provides information and resources to owners interested in selling their business to employees, employee groups interested in purchasing a business, and entrepreneurs wishing to start a company with broadly-shared ownership.

**The Vermont Council on Rural Development (VCRD)—[vtrural.org](http://vtrural.org):** VCRD is a nonprofit organization dedicated to the support of the locally-defined progress of Vermont's rural communities. VCRD is a dynamic partnership of federal, state, local, nonprofit, and private partners. Actively non-partisan with an established reputation for community-based facilitation, VCRD is uniquely positioned to sponsor and coordinate collaborative efforts across governmental and organizational categories concerned with policy questions important to rural areas. VCRD has built a reputation for integrity as a mediator of public processes, setting the framework for decisions by communities and by policy leaders, that lead to direct and practical results in addressing fundamental challenges at the local and state level. Among other activities, VCRD
sponsored the Rural Broadband Project and e-Vermont efforts to bring Internet access to isolated communities.5

The Preservation Trust of Vermont (PTV)—www.ptvermont.org: PVT is a statewide nonprofit organization founded in 1980 with a mission to help communities save and use historic places. Much of the focus is on strengthening downtowns, village centers, local initiatives, and building capacity. The executive director has been instrumental in many CSE projects in Vermont, as well as playing the role of CSE 'activist' at the state level. PVT has partnered with many public and private organizations at both state and local levels. While the focus is on preservation, many projects go far beyond conservation, by bringing buildings into renewed use for the communities where they are located, often partnering and promoting the creation of CSEs.

Vermont Land Trust (VLT)—www.vlt.org: Since 1977, the nonprofit VLT has permanently conserved more than 1,900 parcels of land including more than 550,000 acres, or approximately 9% of the private, undeveloped land in the state. This conserved land includes more than 900 working farms and farmland parcels, hundreds of thousands of acres of productive forestland, and numerous parcels of community land. The conservation work of the VLT invigorates farms, launches new businesses, maintains scenic vistas, encourages recreational opportunities, and fosters a renewed sense of community.

Vermont Working Lands Enterprise Initiative (VWLEI)—workinglands.vermont.gov: The working landscape6 has a high priority in Vermont and it includes agriculture, food systems, forestry, and forest product-based businesses. Approximately 20% of Vermont’s land is used for agricultural purposes and 75% is forestry. The Working Lands Enterprise initiative was passed by the state legislature in 2012 to manage and invest $1 million in agricultural and forestry businesses. The mission of the VWLEI is to strengthen and grow the economies, cultures, and communities of Vermont's working landscape. The Working Lands Enterprise Board achieves this mission by making essential catalytic investments in critical leverage points of the Vermont farm and forest economy, and facilitating policy development to optimize the agricultural and forest use of Vermont lands.

5 As a small, rural state with rugged terrain, Vermont has difficulty attracting broadband Internet providers who are often unable to build profitable business models for serving the state. Vermont Fiber Link, a public-private partnership between the Vermont Telecommunications Authority (VTA) and Sovernet Fiber Corporation, a regional communications service provider, addressed this problem focusing on Vermont’s key community anchor institutions such as K-12 schools that lack affordable high speed Internet access.

6 Council on the Future of Vermont, 2007-09, VCRD. This in-depth study has been pivotal in the development of public policy.
As well as health care and worker cooperatives, Vermont has a high proportion of food co-ops—15 in the state (1 for every 43,000 people) which suggests a high propensity to be attracted to the CSE concept. Cabot Creamery, based in Vermont, is a $ multi-million farmer-owned co-op business. VSECU, a major Vermont credit union, has established Co-op Capital to drive significant growth within Vermont’s cooperative economy and positively impact VSECU’s local communities. *Milk Money* (see p. 40) is a crowdfunding platform in cooperation with VSBOE and is backed by VSECU. It supports and empowers local entrepreneurs and investors to strengthen Vermont’s entrepreneurial ecosystem and to build sustainable economic development.

In a similar way, the existence of more than 70, possibly as many as 100, CSAs in Vermont, makes the community-supported concept familiar on a wide scale. In addition, Vermont has the highest density of L3Cs\(^7\) in the U.S. (222 as of January 2016). This small enterprise form of business governance was pioneered in Vermont, as the first state to enact L3C legislation.

In trying to determine what lessons can be learned from Vermont for application for other places, there is a danger in drawing general conclusions from the specific conditions and culture of Vermont. To be a “Vermonted”, even by adoption, implies many social and economic behaviors that may not be relevant outside the state.

However, the most essential ingredient for allowing CSEs to flourish requires a systemic approach to rural development; one to which politicians, change-agents, entrepreneurs, and funders can all ultimately subscribe. It is unlikely to be a centrally coordinated process and how it comes about will vary by state or local circumstance. In large states, whose socio-economic geography varies, it may be possible only in certain regions of the state. Building a common culture cannot be mandated and will occur as a consequence of many conditions, as is shown in the Vermont experience, although key actors in the social and economic fields are likely to play significant roles.

On the other hand, many individual elements can be replicated in other states, without wholesale adoption of the Vermont experience. Debate will be necessary at many levels, not just political. Experimentation has been considerable in Vermont and will be, without doubt, necessary in other states. Local conditions for widespread growth in the creation of CSEs will vary.

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\(^7\) A low-profit limited liability company (L3C) is a legal form of business entity in the United States that was created to bridge the gap between nonprofit and for-profit investing by providing a structure that facilitates investments in socially beneficial, for-profit ventures by simplifying compliance with Internal Revenue Service rules for program-related investments, a type of investment that private foundations are allowed to make.
At some point in the process, some or all of ten critical ingredients are necessary: (i) a form of collective analysis and priority-setting; (ii) a common culture on rural development is created but based on different dimensions; (iii) missing institutions and voluntary organizations must be created; (iv) innovative public and public/private funding mechanisms must be instituted; (v) hybrid business models and hybrid organizational structures will have to be enabled, especially those across public, private, and nonprofit boundaries; (vi) systemic legislation to enable local agencies to act will almost certainly be necessary; (vii) backing must be provided to allow the facilitation of work across traditional and sectoral boundaries of responsibility; (viii) in one or more sectors of local significance, it will be necessary to introduce common workspaces, hubs, incubators, and/or accelerators, the latter probably linked to seed capital; (ix) university and college courses to support or encourage the development of CSEs will help; (x) establishment of integrated centers of excellence, training, services, and resources for sectors of state level significance (such as those that exist for food systems in Vermont).

*Milk Money (MM) — https://milkmoneyvt.com:* More and more projects including community supported enterprises are being funded using crowdfunding approaches. While many, if not most, of the projects involve entrepreneurs seeking investors, opportunities also exist for community groups to solicit funds for both private and public projects. These efforts are likely to increase in the future and efforts to facilitate the process will assist community groups.

States such as Vermont have made major strides in paving the way for increased use of crowdfunding approaches but legal requirements still pose hurdles for those relative unfamiliar with the necessary procedures and legal issues. Successful use of crowdfunding tools by both public and private groups can be facilitated by agencies that serve an intermediary role in helping groups determine the best options as well as prepare the necessary paperwork needed to follow correct procedures.

The facilitation role increases opportunities for entrepreneurs to raise the needed capital to launch businesses through crowdfunding platforms. For the most part, this assistance helps small, and most often, first-time, ventures. Rural areas are especially suitable due to lack of easy access to many of these types of services. Several such intermediaries have already formed and are in operation. Milk Money is one such example but is limited to working with entrepreneurs and investors in Vermont.

In the case of Milk Money, two entrepreneurs, committed to helping promote entrepreneurship and, with past small business experience, created a web-based platform and service company to facilitate the local investment process. Early on, they connected with the Vermont Department of Financial Regulation (DFR) which administers the Vermont Small Business Offering Exemption (VSBOE) to find ways to assist entrepreneurs and implement the regulatory program. For additional information on VSBOE, see p. 36.
The role of Milk Money is twofold. First is to guide potential entrepreneurs in organizing and conducting an effective crowdfunding campaign. The MM founders help a company fulfill the requirements of preparing and submitting the necessary paperwork required by DFR and other agencies. For a relatively small fee, Milk Money personnel handle the transactions, prepare the reports to the DFR, and assist in other communication requirements which otherwise could divert attention away from managing the newly-created venture. The second role of MM is to educate and inform Vermonters on investment opportunities and how the investment process works.

The activity of MM increased substantially after it made contact with the Vermont State Employees Credit Union (VSECU) whose mission includes a commitment to empowering strong communities and local economies. VSECU’s partnership with MM lends validation as well as valuable resources to the MM business model and in some cases, offers entrepreneurs an additional funding source.

MM holds regular events to educate Vermonters on the Invest Local concept and to provide a forum where entrepreneurs can meet potential investors. At these events, both groups can interact and determine potential interest within the regulations of the state legislation.

The process is relatively straightforward for potential entrepreneurs. After an introductory meeting (in person, by phone or Skype), Milk Money performs a Readiness Assessment and those that score high enough continue to the next step in the process. In some cases, this next step is to file a Solicitation of Interest form with the DFR to be able to “test the waters” with potential investors, after which the company can decide whether or not to engage in a Milk Money campaign. Alternatively, a company may choose to skip the Solicitation of Interest and move straight to a contractual arrangement with Milk Money to prepare and launch its campaign. Those companies that do not achieve a high readiness score are provided with feedback on the areas that need refinement and are referred to any number of existing agencies, consultants and workshops, including but not limited to the VT Small Business Development Center, the Center for Women and Enterprise, attorneys, tax accountants, and other groups. Thus, MM supports, rather than replaces, current public agencies.

After experience with several entrepreneurs, MM is preparing an “entrepreneur boot camp” to streamline the process of working with applicants in the future. The opportunities and assistance that programs such as Milk Money provide to business entrepreneurs in finding capital for their ventures are substantial and other states can benefit from considering the approach. Alternatively, these programs could be allowed to provide similar services in other states.

Contact Info:  janice@milkmoneyvt.com
802-899-0979
**State of Oregon**

Hatch Oregon ([http://hatchoregon.com/connect-with-us](http://hatchoregon.com/connect-with-us)) is a community investment and education platform that works to accelerate local economic growth. It came as a direct result of the legal efforts of Oregon’s nonprofit and Social Enterprise, Hatch Innovation, to ensure that all Oregon residents were able to invest in small businesses ([http://hatchthefuture.org/hatchoregon/](http://hatchthefuture.org/hatchoregon/)). Hatch Oregon is one of many programs created by Hatch Innovation to improve and grow communities.

Hatch Oregon currently has 10 regional nodes in the state that collaborate but maintain their own strategies, events, and networks ([http://hatchoregon.com/about-hatchoregon.html](http://hatchoregon.com/about-hatchoregon.html)). The Hatch Oregon platform provides information on local investing opportunities for Oregon residents, creates connections between community leaders, entrepreneurs, and investors, and facilitates the application of Oregon’s Community Public Offering (CPO) for small businesses seeking to raise local capital (Hatch Oregon, 2016a).

For businesses with fewer than 50 employees, the program provides an educational and networking program, the *InvestOR Ready Accelerator*, which offers courses on fundraising, communicating and engaging investors and communities, and understanding a CPO (Hatch Oregon, 2016a). Investment opportunities are also presented through the secure Hatch Oregon website that allows Oregon residents to invest and receive financial returns on their investment ([https://secure.hatchoregon.com/](https://secure.hatchoregon.com/)). Similar to crowdfunding platforms, businesses provide an executive summary, offering documents, and updates to their campaign in order to keep investors informed of their progress.

*Contact Info:* 2420 NE Sandy Blvd.
Portland, OR; info@hatchoregon.com

**State of Washington**

Community Sourced Capital ([https://www.communitysourcedcapital.com/](https://www.communitysourcedcapital.com/))

While the growth in crowdfunding sites provides much greater access to local funding sources for community supported projects, many hurdles still exist in arranging and implementing campaigns especially for small projects in communities that have limited experience with this relatively new funding source. Thus, intermediaries such as Milk Money and Community Sourced Capital can play a major role in helping businesses not only determine the amount of funds needed but also to organize a successful financing campaign.

Community Sourced Capital (CSC) was started as a Social Purpose Organization in Washington State (2013) to provide unsecured and non-interest bearing loans to small businesses
as well as a convenient way for local investors to provide funds to support their local economies. CSC is driven both by helping small businesses expand but also to help stabilize or revitalize a local economy. Potential investors can suggest businesses in their community to CSC for a funding campaign. The main objective is to connect qualified small businesses in need of short-term capital (loans) with local residents able and interested in making relatively small investments.

The essential requirements in working on projects with CSC include that the business is capable of repaying the loan in three or fewer years and still maintain a healthy revenue base. Also, the capital raised must fit into the business plan and advance its operating goals. High priority is assigned to a strong connection and sense of trust between the business and the community so that when the funding campaign is mounted, residents will be motivated to invest. When ready, the businesses pitch their campaign to potential investors during a 30-day period.

CSC is mainly interested in helping existing businesses expand rather than funding business starts with no experience. This philosophy is reinforced by the fact that businesses with CSC loans make monthly interest payments immediately after receiving the loan. In effect, this approach strongly encourages businesses to maintain a positive cash flow with a sound business management plan.

To apply for a CSC loan, a business must project future revenues and a business plan for its operations along with a balance sheet that documents the outstanding debt. The loans and businesses are both relatively small so the same level of sophistication as with a traditional loan is not necessary. Nevertheless, the CSC uses sound management principles in evaluating loan applications.

The charge for a business to start a campaign is $250 which includes guidance and assistance in organizing their campaign. When the funding campaign has succeeded, businesses pay a $50 monthly fee until the loan has been repaid. In turn, CSC provides a toolkit and regular contacts with the business to increase its chances of success. The monthly fee is not an interest charge; instead, it covers the CSC operating costs for handling the loans, monitoring the progress, and assisting the business. Nevertheless, the monthly fee makes small loans prohibitively expensive so applications for loans of less than $5,000 are discouraged.

Local investors interested in a business project have several options. Most often, they buy multiples of “squares” at $50 each. These squares then create a pool of funds from which loans are made to the designated business. While the funds from investors are pooled, the loans are made to the specified business and as they are repaid, the investors receive payments on their initial
investment. The investors do not receive any dividend or interest, however, there is no guarantee that they will receive their funds back since it depends entirely on the success of the business and its ability to repay the loan. Thus, residents truly invest in a business that brings a return to the community other than financial gain.

Since its start, the CSC has made 96 loans of which 23 have been fully repaid and 72 are current on their loan payments with three businesses having ceased operations. The loans average between $21,000 and $25,000 but with a much broader range. According to the CSC website, 6,298 Square holders have loaned nearly $2 million to businesses https://www.communitysourcedcapital.com/.

In 2015, CSC partnered with the Department of Commerce in Washington State to launch a Fund Local effort that will expand similar efforts to other counties across the state. Businesses and investors can participate in funding efforts by sponsoring programs including matching efforts for businesses in their regions in some cases with a possible tax deductible contribution https://www.communitysourcedcapital.com/partners/fundlocalsponsors.

The CSC activity has succeeded in raising funds for small businesses interested in expanding their operations but which often are discouraged from contacting traditional lending institutions because of transaction costs. Equally important is that the revenue-raising efforts represent direct contacts with potential investors in the community who also are likely to be customers. In this way, they build social capital and local engagement. The relatively easy access and low costs for both investors and businesses are likely to increase these types of efforts in other states as is suggested by the Milk Money initiative in Vermont using some of the same approaches.

Contact Info:  Community Supported Capital
Seattle, WA; (425) 231-8313

State of Wyoming
The Local Crowd (https://thelocalcrowd.com)

Rural areas often have special difficulties trying to access capital for business startups or expansions partly due to a limited number of local financial institutions or lending agencies but also because the businesses are not highly visible to a large number of potential investors. At the same time, sources of private capital exist with residents who, when they have an opportunity, may be willing to invest in something in which they have a stake or serious interest.
The Local Crowd (TLC) was formed in 2012 to help businesses and social organizations in rural areas and tailors its assistance specifically toward those groups. It was started with a USDA Small Business Innovation Research (SBIR) grant to build materials and a platform that allows local economic development agencies to mount campaigns for local businesses. In Phase I of the SBIR research project, TLC conducted a feasibility study of the model by launching it in two pilot sites in Wyoming. During the test period, the TLC platform successfully raised more than $12,000 for four projects in about 30 days, proving the feasibility of the model. In a review of the impact study, the author noted:

“Among all the deciding factors that might drive donors, investors or potential entrepreneurs (social and private) to use a crowdfunding platform, familiarity with their community seems to elevate to an important level. The literature in economics and sociology confirms this result from the survey. The notion that entrepreneurs and investors are separate from the social structure of their communities has been a myth and continues to be. Risks associated with investing in local enterprises as well as risks incurred by social or private entrepreneurs are minimized by the familiarity of the community they are living in. Success in entrepreneurship requires community support.”

In Phase II of the SBIR program, TLC used data from Phase I to re-design the platform and organize a field testing effort including from 18 to 30 rural communities interested in participating. The overriding intention of TLC is to build an entrepreneurial support ecosystem in small communities that will create and support small business development efforts. The initial efforts include communities in Idaho, Illinois, Indiana, Iowa, Montana, New Hampshire, and Wyoming with plans to broaden the coverage as other communities express interest and are willing to participate in the program.

TLC is a rewards and donation based platform. A unique feature it offers is the functionality of Sponsored Rewards, which allows third-parties to contribute to fundraising projects by offering donated products or certificates. Thus, someone contributing to the community project can receive a certificate redeemable at another store. These interlinkages within the community on worthwhile fundraising initiatives not only financially support many types of businesses but they also build social capital and collegiality which is a major aim of Community Supported Enterprises.

TLC is in its early stages and started by working with local economic development organizations in rural areas such as Main Street organizations across the U.S. It held national competitions for small communities to apply to participate in the program. The planned development strategy, is to work directly with small business assistance organizations and other groups to assist in business finance initiatives. The design is to provide education and training materials in addition to direct assistance in helping these organizations start and manage a locally-based fundraising platform for local businesses.
The relatively unique features of The Local Crowd are its educational materials that focus on small communities in rural areas. The TLC technology has functions designed specifically for rural communities and unavailable on nationally-focused platforms. These functions include in-kind contributions, local matching, offline fundraising, and sponsored rewards. Building an entrepreneurial eco-system linking local resources and other businesses in a system that provides access to local capital is especially important in small communities with less access to financial institutions and a need to retain or strengthen social capital. While still in the formative or developmental phases, TLC addresses a significant market in rural economic development.

Contact Info: 4218 Cheyenne Drive, Laramie, WY 82072
888-465-9622; Diane@thelocalcrowd.biz

Select Programs in Various States

Previously discussed programs focused on statewide initiatives. However, there is a rich inventory of programs operating mainly within individual states. A sample of these efforts is described in some detail next to illustrate not only what services they provide but also how they were organized and financed. A more complete list is included in Appendix Five. The information was collected using a common research protocol (Appendix Six) that helps local development agencies evaluate opportunities to implement similar approaches that meet local needs and opportunities.
KPFA was started in Berkeley, CA, by Lewis Hill seeking to create the first listener supported, non-commercial based radio station in the U.S. (KPFA & Pacifica, 2016). The station first went on the air April 15, 1949 and has provided diverse programming on popular and controversial issues since its beginning (KPFA & Pacifica, 2016).

They also broadcast a wide mix of music, culture, news, and public affairs. Its mission includes the promotion of cultural diversity, freedom of the press, and community expression as well as contributing to an understanding between individuals with all preferences (KPFA & Pacifica, 2016). KPFA is labeled as “Community Supported Radio” and is one of a growing number of radio stations with a focus on community that rely on listeners for financial support (White, 2013). KPFA is viewed as a founder of on-air fundraising and to this day is solely supported by donations from listener and like-minded foundations (History, n.d.; KPFA & Pacifica, 2016). The website offers various ways for listeners to support the station including: fund drives, open contributing, sale of merchandise, and acceptance of vehicle donations (KPFA & Pacifica, 2016).

Contact Info: 1929 Martin Luther King Jr Way, Berkeley, CA 94704
(510) 848-6767; gm@kpfa.org
Three Stone Hearth (
http://www.threestonehearth.com/)

Three Stone Hearth is a Community Supported Kitchen in Berkeley, CA, started in June 2006 by a worker cooperative involving five individuals (Three Stone Hearth, 2016). This establishment offers subscriptions for ready-made meals to be delivered or picked up on-site. Its menu changes weekly allowing it to offer a wide variety of items. Customers can also order specialty items, such as local cheeses, fermented sodas, and coconut oil. It offers classes focusing on sustainable methods of cooking, holds tours of the facility, and invites speakers to lecture on nutritional topics (Three Stone Hearth, 2016). As of May 2015, the cooperative had 15 worker/owners and employed 28 full- and part-time workers (Three Stone Hearth, 2016).

Contact Info: 1581 University Avenue, Berkeley, CA 94703
(510) 981-1334; info@threestonehearth.com

Colorado

Westwood Food Co-op (http://www.westwoodfood.coop/)

The Westwood neighborhood close to Denver, CO, is a community located in a food desert--where residents do not have access to sufficient, healthy, affordable food options because suitable grocery stores are too far away or permanently closed. In 2007, the community started to implement serious changes and formed a local nonprofit, Re:Vision that has since created a backyard gardening program, one of the largest of its kind in the U.S. (Cargill, 2015). Recently, this group used Kickstarter and other financing methods to launch the Westwood Food Co-op, Denver’s first community owned and operated grocery store (Re:Vision, 2016). The Kickstarter campaign allowed the community to raise $55,576 from 503 backers with membership fees of cooperative members providing additional funds (Re:Vision, 2016). The co-op currently has 12 active board members and measures are underway to move forward with the grocery store (Westwood Food Coop, 2016).

Contact Info: 3738 Morrison Road, Denver, CO 80219
(720) 465-9605; hello@westwoodfood.coop
Florida

Dandelion Communitea Café (http://dandelioncommunitea.com/)

The Dandelion Communitea Café is an organic cafe started in March 2006 in Orlando, FL, and is located in a landmark 1920’s house that is a social gathering place for local residents and tourists (Dandelion Communitea Cafe, 2014). Recently, the cafe started a Community Supported Enterprise program to help sustain and expand the cafe. Its unique approach uses promotion, investment, and donations that have allowed the cafe to thrive and expand. Promotion efforts include asking patrons to distribute flyers, engage in social media, join mailing lists, and introduce others to the cafe. Donation efforts include online and in-cafe charitable contributions as well as the donation of time, service, and products.

Other investment options are also available. The cafe is using Lending Karma, an online person-to-person lending platform, to secure multiple direct microloans from “local lenders” and an open bartering system where individuals lend professional services in exchange for store credit. Gift card investments are also available at four different levels where individuals provide an upfront payment and then receive a set number of gift cards per quarter with a 4% to 8% return added to the total initial amount paid. The cafe also has an ownership investment method. The cafe website suggests that partnership options are considered with like-minded groups or businesses wishing to support the cafe.

Plans for growth include adding a covered deck using green construction methods and a traditional barn-raising approach to both accommodate customers and stimulate “green” business and community efforts. Efforts are in place to fully document the expansion and the green methods utilized. An online blog and video documentation will be used as educational resources and a “Green Guide to Dandelion” will provide further sustainability instruction (Dandelion Communitea Cafe, 2014).

Contact Info: 618 N Thornton Avenue, Orlando, FL 32803
(407) 362-1864
Illinois


Begyle Brewery opened in 2012 in Chicago after a successful Kickstarter campaign (Begyle Brewing, 2014). This campaign was launched in July 2012 to raise $17,000 for a counter pressure growler filler. This type of filler wastes less beer than the conventional kinds and the owners initiated the campaign for this equipment in hopes of ending shrinkage. The owners raised $19,000 in 45 days from more than 200 contributors (Spiselman, 2014). Begyle Brewing was named the best new craft brewery in 2013 by Chicago Magazine and is committed to sustainable practices that include using spent grain as feed to farms and relying on locally-grown hops. The beers are sold by retail stores such as Whole Foods, bars, and restaurants.

The company also offers Community Supported Brewery memberships of 6 or 12-month growler subscriptions. This allows a clientele to develop around their beer with discounts to members. Various options are offered in terms of size and time of subscriptions and, in addition to products received through subscriptions, memberships also include special discounts on beer and merchandise as well as membership-only events sponsored by the company.

*Contact Info:* 1800 W. Cuyler, 1E, Chicago, IL 60613
(773) 661-6963; oh.hey@begylebrewing.com


Residents of Nauvoo (pop 1,118) rallied after hearing that the local grocery store located on the main street planned to close when the owner decided to sell in October 2015. Nauvoo was without a grocery store for nearly 6.5 months and then several residents, led by local bank personnel, organized and spearheaded an effort to reopen the store on the same site due to its convenience and prime location. The initiative had some immediacy because the building was for sale at that time.
A community cooperative was considered but there was not sufficient interest in this model. Instead, the group formed the Nauvoo Market, LLC and raised $23,000 in donations from approximately 20 investors contributing at least $1,000. The effort raised an additional $20,000 in donations. A former resident, interested in seeing Nauvoo prosper, also made a significant contribution. The investors provided the main source of capital for the store although the city of Nauvoo provided money for façade improvements from Tax Increment Finance funds. Since opening, residents have contributed for specific purposes such as infrastructure or capital improvements. These residents invested relatively small amounts without a clear expectation of a financial return. No arrangements are in place for investors to receive a discount on purchases or other aspects that would be more common in a cooperative.

The group initially leased the building from the owner but then bought and renovated it. The purchase price was approximately the cost of an empty building since some equipment was outdated. Volunteers from the community played a major role in the remodeling and conversion of the store but this help is not counted as an in-kind financial investment. The current store manager worked closely with volunteers and investors in preparing a business model for the operation (Gertz Husar, 2015). The Nauvoo Market opened in May 2015 offering a variety of food options. The store carries mainly convenience items such as those needed on a regular basis. Its main competition is from full-service grocery stores within 15-20 miles where many residents regularly shop. A significant issue in managing the store is that the population in Nauvoo swells to several times its size in the summer months due to tourism which makes the store financially viable but sales drop creating a negative cash flow during the winter months.

The store works closely with customers to identify products, brands, and services that attract and retain a local clientele. Efforts to market locally-raised products have been made. Consideration has been given to expanding services such as catering but the profitability has not been determined since businesses in neighboring communities already address this market. A significant current issue is the need to replace major equipment, especially freezers. These capital expenditures represent major costs and the business model minimizes debt. The small size of the store makes the costs of merchandise high compared with competing large stores in neighboring cities.

The store offers a variety of food options to Nauvoo and the website describes the store as “A Community Success Story” (Gertz Husar, 2015; Nauvoo Market, LLC. 2015). Since the store has operated for less than a year, it is too early to accurately determine its future. However, the store is exceeding its sales targets due to local support but high inventory costs reduce the profits. However, management is optimistic and plans for the future include efficiency gains with possibly few hours of operation, replacing outdated equipment, and expanding to accommodate a wider
selection of basic items such as meat and produce. The possibility of opening a deli has also been considered to broaden the clientele. A market assessment will be conducted to identify other opportunities. There is some interest in pursuing external funds to undertake some of these plans and possibly a low-cost loan to purchase equipment.

The experiences with the Nauvoo Market reinforce the issues faced by many small businesses in their infancy and a reason why some do not continue. Nauvoo presents special challenges because of the decline in population during the winter months. Nevertheless, it is an example of where residents are willing to invest in an enterprise that enhances the quality of life in their community without expectations of fixed financial returns.

Contact Info: 1385 Mulholland Street, Nauvoo, IL 62354  
(217) 453-6526; service@nauvoomarket.com

Sitka Salmon Shares (http://sitkasalmonshares.com/)

Sitka Salmon Shares is a Community Supported Fishery that provides a variety of fish, caught and processed through sustainable means, from Sitka, AK, to the Midwest. The idea for Sitka Salmon Shares began in 2011 when a Knox College professor and students visited Sitka where they studied wild salmon populations and the environment of the large salmon reserves there (Sitka Salmon Shares, 2015). They then devised a way to connect the consumption of fish to conservation efforts and sustainability of Alaskan fisheries.

This CSFishery is membership-based allowing customers to purchase a “share” of salmon and other types of fish delivered directly to a member’s home. Enrollment comes in various monthly installments and is available at different pound levels and types of fish at prices ranging from $14 to $22 per pound. Members also receive other perks, such as special sales, cooking classes, recipes, fishermen events, newsletters, and exclusive pop-up dinners.
Sitka Salmon Shares aims to build strong communities of consumers in the Midwest that allow thriving fishing communities in Alaska. The company has a small number of fishermen-owners who catch the fish and then keep 20% of the harvest’s final retail value (Sitka Salmon Shares, 2015). The fishermen use methods that minimize the ecological impact of the harvest and preserve the populations for future generations. In addition, 1% of company revenue is given back to fishery conservation efforts and habitat protection and the company also pays to offset the carbon released during their product’s distribution.

Contact Info: 109 South Cherry Street, Galesburg, IL 61401
(309) 342-3474; salmonsupport@sitkasalmonshares.com

Toulon Grocery

Toulon, IL, (pop 1,292) has been active in Community Supported Enterprises since December 2006, when Stark County Ventures, LLC was created to help promote business ventures within Stark County. Following the closing of the only grocery store in the community, a four-person leadership team organized a community meeting under the guise of the LLC. At this meeting, nearly 50 persons committed $30,000 to begin the process of purchasing the store and finding someone to operate it. Eventually over $80,000 was raised to purchase and renovate the building. The local investors were not promised a financial return and the main motivation was access to the grocery store in the community to stabilize the current population and attract new residents. Several tenants attempted to run the store but quit and, in one instance, abruptly left the community. Thus, residents had been through several disappointments with bringing a grocery store to the community. Then in August 2012, a grocery store operator in a neighboring town agreed to run the store and succeeded. The store in the neighboring community was connected with SuperValu, a grocery distribution franchise which helped stabilize prices for the Toulon store.

However, in June 2014, the building burned, facing Stark County Ventures LLC again with a decision as to whether, or how, it could replace the store. The executive committee working with the store immediately called a meeting of members to decide the fate of the store. In a unanimous vote, the members decided to explore all possible avenues of replacing the store. If at all possible, it should be replaced in the same spot on Main Street. At this and subsequent meetings the vote was to replace the store at a cost not to exceed $520,000. This capital was to be raised in several ways.
The two main sources were the insurance money and help from the Toulon TIF District. The city of Toulon provided access to $310,000 in Tax Increment Funds over a 10-year period. A third way was to ask for additional funds from current LLC members and selling more shares. The State Bank of Toulon also provided a short-term loan to cover any shortfall. The store was rebuilt with support of nearly $500,000 using as much local labor as possible. The new store opened in March 2016. The store is leased for $500 monthly during the first six months and then the monthly rent will increase to $1000. The lease agreement will be revisited after three years. The hope is that the current operator, the same person who operated the store prior to the fire, will buy the building.

The store, while still in the early stages, operates at a profit by stocking mainly convenience items for residents who do their main shopping at larger stores in the area. The store carries popular brands of merchandise but, thus far, has not tried to stock a disproportionate amount of locally-grown foods or organic products. It has a small eating area that provides free coffee, access to a microwave, and other features to make it a gathering place that builds social capital. The store offers pizza, fried chicken, and deli sandwiches on a carry-out basis. It also has a small liquor department. These additions help the store to show a profit. Currently under consideration is adding a delivery service to customers in the area.

As successful as the initial operations have been, the store is challenged to retain the core community as customers and compete with larger stores where residents work and do their main shopping. Nevertheless, the strong commitment shown by investors even without promise of a financial return is a positive sign for this CSE.

Contact Info: 125 W Main, Toulon, IL 61483
(309) 386-5691
Washburn Community Foods

The community of Washburn, IL, (pop. 1,145) came together to save their local grocery store after the owner decided to close it in February 2000. A 16-member committee was organized to brainstorm community ownership concepts. Shares were sold starting at $50 each to community members and businesses to raise capital to buy the store from the previous owner and create a community corporation. With no guarantee or expectation of return, approximately 300 people bought shares, a majority of whom were local families. A local bank purchased $10,000 worth of shares with additional funds obtained from revolving loan funds. In total, the committee raised $230,000 to purchase the store. The store officially closed in 2000 and reopened as Washburn Community Foods.

In August 2006, the grocery store was converted to a cooperative to gain more working capital since initial interest in the store had dwindled. Annual memberships sold at $100 each with an added 5% cash back on cooperative rebate cards. The cooperative had approximately 40 participants. While under community ownership, the store had a paid manager and a two to three person paid staff. Volunteers were also heavily involved in day-to-day business activities such as stocking shelves, cleaning, and unloading supplies. These volunteers were recognized at annual meetings and volunteer hours could be used to buy memberships in the cooperative.

Store revenues were insufficient to sustain operations and the store just broke even. Management tried different strategies for the store including various pricing practices but continued to fall short. At one point, the store partnered with local groups in the community who sold baked goods in the store as well as provided specialty products to increase traffic. The store also offered home delivery services catering to the elderly and young.

Despite these efforts, the store continued to face financial issues and after unsuccessful attempts in pursuing state cooperative grants, the committee decided to sell the store to private owners. The cooperative concept had lost some focus and the store faced increased competition from other stores as well as residents commuting to other places to work. Store margins did not cover costs and the committee did not want to ask the community for additional help without the likelihood of expected returns.
Washburn Community Foods was eventually sold in 2013 to a private owner at a significant discount in price. The new owner had previously owned two other grocery stores and knew the business models. This owner relied on family support and labor which saved on labor costs. At the time, the store was doing o.k. financially but not highly profitable due partly to high utility costs and overhead.

The store was sold in March/April 2016 again to a private owner with previous grocery store experience. The store had had infrastructure improvements such as lighting and refrigeration units. The store has scaled back on inventory to more of a convenience store and a private individual leases part of the store as a café.

The town of Washburn has several economic setbacks with a loss of seven key businesses including 40 jobs within 12 months. Recent business closings include a local restaurant, golf course, and GM dealer which caused a loss of tax revenue and a somewhat dim view of the future. A major positive for the town, however, is the local K-12 school which remains financially sound.

There are no current plans to create another Community Supported Enterprise similar to Washburn Community Foods, but future businesses may learn from this example. Communication is key to informing the community and allowing anyone who wants to be involved to contribute in various ways. This is easier now through the internet and social media. Enthusiasm and excitement are necessary to build support and this energy must be sustained throughout the life of the enterprise to keep it vibrant. Also important is to have a cadre of solid individuals who can initiate and sustain the idea. Engagement of young adults can bring important insights and their involvement in the decision-making is beneficial. Local leadership is especially important for the operation to succeed.

**Contact Info:** 108 N Jefferson Street, Washburn, IL 61570  
(309) 248-7515

**Iowa**

The Mercantile (http://www.cvillemercantile.com/)

Correctionville, IA, launched a community-supported grocery effort after losing its local grocery store to a fire and being without one for more than three years (Gallagher, 2013). Members of the community worked with the Correctionville Economic Development Corporation (Cedcorp Inc.), a not-for-profit community group, to obtain donations to start a new store (IGIA, 2014).
Through fundraising efforts and donations, the group raised nearly $120,000 for the store, with other funds coming from loans and grants (IGIA, 2014). Volunteers also helped in every step of the store’s creation including with construction, cleaning, shelving, and assembling.

Cedcorp Inc. found local residents to operate the store. The managers entered into a ten-year lease agreement with Cedcorp Inc. to repay the group and become owners. The community group will then reinvest the funds in the community (Gallagher, 2013). The Mercantile opened in January 2013 and is currently a family-run store offering a variety of essential goods and specialty items.

Contact Info: 319 5th Street, Correctionville, IA 51016
(712) 372-9752; mercantile@ruralwaves.us

Township Grocery

White’s Shopping Center was a major retailer in Bonaparte, IA, (pop. 426) and closed in 1986 when the family that owned a significant number of buildings downtown retired (Bohri, 2010). Facing an economic downturn due to several store closings, Bonaparte residents started a local nonprofit, Township Stores Inc., to address concerns about traveling long distances for basic food items. Through this organization, residents raised approximately $100,000 in capital in sales of $2,000 shares to 50 or more community members (Mitchell, 2008). The capital was then used to renovate five historic buildings to house several new businesses, including a Township Grocery. The Township Grocery was organized as a cooperative to stock a complete line of groceries.

Township Stores (TS) continues to sell groceries but with a shrinking market due to demographic changes, retirements, and other reasons that could not have been fully anticipated. Nevertheless, it provides an example of the long-term evolution of a CSB because it is an early example of residents investing money to support a local commercial venture and has continued for than 30 years. It also is interesting because Township Stores is one of relatively few businesses still operating on the main street weathering the long-term declines associated with towns its size. The 1993 Flood had a serious impact on Bonaparte because it is located on the banks of a river. Major damage occurred to several buildings, including Township Stores. The building in which TS is located is listed on the National Register of Historic Places which may make repairs more expensive. Repair costs, plus its relatively small size, adversely affect the profit margin.
Earlier, Bonaparte had embarked on a full-scale Main Street revitalization program that provided an infusion of new energy into the community. These efforts included restoration of a former opera house and expansion of the Bonaparte Inn (Bohri, 2010). Retirements, competition from large stores within relatively easy commuting distance, and internet shopping decreased the markets for some of these stores causing them to close. In some instances, establishments such as the Bonaparte Inn now operate on a limited schedule and are available for scheduled events.

Membership in the National Main Street program was discontinued in 2015 which meant fewer promotional events to draw people to the downtown. While Township Stores continues, changes in the economic environment with the opening of several large discount stores in recent years have reduced its profitability. Nevertheless, it continues to operate as a full service store selling fresh meat, produce, and similar items providing the convenience of not driving 30+ miles to larger stores.

A large Amish settlement in the area rents shelf space for locally-grown or made merchandise. At the same time, however, these residents also market their goods directly to the public which competes with the store and purchase large quantities of flour and other ingredients at discount stores. TS is unable to purchase many locally-made items at retail price and then resell them to the public in competition with local vendors. Likewise, the cost of merchandise in a small grocery store is high relative to large stores, which squeezes the profit margin for Township Stores as in other small scale groceries.

The future of TS and similar local CSBs depends on the economic viability and health of the community. While Bonaparte clearly has less economic activity than when TS started, there are several signs of vitality. For instance, three buildings in the downtown sold in mid-2016. One has an antique store and another has a pottery shop. Another pottery co-op plans to open. In some instances, these entrepreneurs are former Bonaparte residents who moved away and have returned. While some of these businesses will be seasonal or open only part-time, they still should bring more traffic to the downtown and benefit TS.

The long-time experiences of Township Stores illustrate the importance of several factors. First is the immediate need for a service. Conditions differ now from 1987 and residents do not have to rely on Township Stores as they did then. Second, the surrounding economic environment is crucial. Other stores have closed, reducing local employment which further reduces the market for items sold by TS. Likewise, with business closings, residents now commute elsewhere to work and purchase in those locations as well as possibly over the internet but the internet is less likely to directly impact grocery items. Third, the high school in Bonaparte recently closed which will
also reduce the local traffic. Fourth, operating on a small scale, as is seen in other examples, means high operating costs and more difficulty competing with large stores in nearby areas.

These factors are not unique to CSBs but, once again, illustrate the difficulties in managing small businesses, however financed. The fact that investors did not expect to receive a financial return and did not make a large initial investment means that CSBs can continue longer and contribute to the community. The future of Township Stores will depend more on other factors in the community. Most of the original investors are no longer there so a new group of energized residents interested in pursuing the vitality of the community is essential to keep communities such as Bonaparte economically viable. In any event, it has successfully met its initial purpose more than 30 years ago and continues to operate.

Contact Info: 104 Washington Street, Bonaparte, IA 52620
(319) 592-3555

Kansas
Hometown Market

Residents in Minneola, KS, were concerned about the future of their town after the local grocery store closed and residents had to drive more than 20 miles to buy basic necessities (KSN-TV, 2015). After being without a grocery store for more than two years, the community created a community-owned store (Calderon, 2012). A board was created and sold shares at $50 to more than 260 residents raising $200,000 for renovations and to stock the new store. Residents also participated in the renovation process by volunteering their time and labor.

The Minneola community claims ownership through more than financial means due to the physical involvement of its residents in starting the store and the strong volunteer force that guided the entire process (KSN-TV, 205). Residents continue to support the Hometown Market to see their small town thrive and keep money within the local community. Ownership also plays an important role in generating a commitment to the store’s success.

Contact Info: 135 S Main Street, Minneola, Clark County, KS 67865
(620) 885-4326
The Merc Co-op (http://themerc.coop/)

The Merc Co-op is a Community Supported Enterprise in Lawrence, KS, that provides a place to eat, shop, and learn about sustainable food and products through cooperative ownership open to the entire community. As a consumer-owned cooperative, it has more than 7,000 members (The Merc Co-op, 2016). The Merc co-op started in 1974 as a volunteer-based buying club but in 1977, moved from a former member’s basement into a new location of a previous grocery store. During 15 years at this location, it grew to 80 employees with nearly $4 million in sales.

In 2001, The Merc moved into its current larger location and added a meat and seafood department plus an on-site classroom. Currently, it is a thriving business with a growing membership base and higher sales. The business is owned and run by the consumers, who make decisions for the benefit of members. Benefits to members include discounts, coupons, focus group and survey participation, voting rights in elections, and eligibility to serve on the Board of Directors.

By joining the Merc Co-op, members not only benefit financially but also help support the community since it has a long history of community outreach and involvement including supporting local organizations by donating food and supplies. The store has a multi-purpose classroom used for cooking classes that are open to the entire community. It provides store tours and health lessons to nearby schools and oversees multiple school garden projects (Tevis, 2015).

Contact Info: 901 Iowa, Lawrence, KS 66044
(785) 843-8544; gm@themerc.coop

Michigan

Mulefoot Gastropub (http://www.themulefoot.com/)

The Mulefoot Gastropub is a farm to table restaurant in Imlay City, MI. The restaurant makes everything in-house and by hand with ingredients purchased from local farmers and producers (Hernandez, 2015). The restaurant, including the walls and furniture, was built entirely by local labor. The funding model for the restaurant is modeled after the traditional Community Supported Agriculture. Shares are sold at $1,000, $2,500, and $5,000 allotments and repaid in 20-24 monthly installments of food, alcohol, and other products (Hernandez, 2015). Approximately 20 shares were sold providing the $80,000 needed to build the restaurant (Hernandez, 2015).
The Mulefoot Gastropub was profitable in the first two years of operation and recently moved to a new location in the downtown area of Imlay City. The new building provides more space and features, while maintaining the value of the historic building in which it now resides (Wearing, 2016). The additions to the building include a private dining area, outdoor seating, an open kitchen, and a chef’s table. The community and restaurant patrons have continued to support the business through this transition.

Contact Info: 596 S Cedar Street, Imlay City, MI 48444  
(810) 721-1019; mike@themulefoot.com

Minnesota
Northeast Investment Cooperative (http://www.neic.coop/)

The idea for the Northeast Investment Cooperative began as a way for residents to invest in real estate and the development of their community (NEIC, n.d.). The Northeast Minneapolis town had struggled with rundown storefronts and vacant properties when neighbors decided to take responsibility and formed the real estate co-op. The NEIC was incorporated into a cooperative in 2011 and sold shares of $1,000 to join as well as additional shares of non-voting stock (NEIC, n.d.; LaVecchia, 2015). The cooperative began with 39 founding members who then elected a board of directors and adopted cooperative bylaws (NEIC, n.d.).

In the spring of 2012, the NEIC was approached by the Recovery Bike Shop to partner in a new renovation project (NEIC, n.d.). They signed a purchase agreement and at the time had 90 members committed to the project (NEIC, n.d.). The NEIC sold Class C and D shares to raise additional capital for the project and eventually raised sufficient money to purchase two buildings (NEIC, n.d.). After a renovation financed through a 2% loan from the city and a loan from a local bank, they sold one building to the Recovery Bike Shop and leased the other to two young businesses struggling to find commercial space (LaVecchia, 2015).

Construction was completed in 2014 and the properties are now home to thriving businesses that have created jobs and invested in the community (NEIC, n.d.). As their first project is completed, the NEIC plans to look for further investment and development opportunities that bring greater economic growth.

Contact Info: P.O. Box 18082, Minneapolis, MN 55418  
(612) 562-6342; info@neic.coop
**Montana**

Little Muddy Dry Goods

Little Muddy Dry Goods was created from necessity when the rural town of Plentywood, MT, (pop. 1,918) faced losing the local Stage department store. The closing meant that residents would lose convenient access to clothing and housewares (Mitchell, 2003). Town leaders also feared additional economic downturns as residents left to shop for other goods and services essentially taking commerce and money away from Plentywood (Bohrer, 2004).

The former department store manager proposed a community-owned store concept where shares would be sold to residents to open a new department store (Mitchell, 2003). Community leaders created a LLC and sold shares @ $10,000 (Bohrer, 2004). A total of 18 shares were sold to community members with many shares purchased by groups of residents (Mitchell, 2003). The store opened in 1999, a few months after the offering, in a 10,000 square foot location. Though not highly profitable, Little Muddy Dry Goods filled a community need for residents in Plentywood. This department store is one of the earliest CSEs researched in this project and the model for its creation has helped to set a precedent for other similar enterprises in other areas.

**Contact Info:** 122 North Main Street, Plentywood, MT 59254
(406) 765-1721; muddy@nemont.net

**Nebraska**

Wolf Den Market

When the small grocery in Arthur, NE closed, residents faced a 40-minute drive to other places to buy basic foodstuffs (Eig, 2001). Residents worried about the economic health of their community as more businesses closed and the population declined. The Wolf Den Market opened in 2000 as a student-run operation to help with the hardships of not having a community grocery store (Buchman, 2014).

The store began as a project in the local high school entrepreneurial program, created years before through a $22,500 state grant (Eig, 2001). The program had eight students who initially undertook a market survey to see if residents would respond positively to a new grocery store. The results of the survey showed that individuals favored lower prices and would be more likely to shop in Arthur if they felt they were helping students learn business practices in the process (Eig, 2001).
The students rented a house at $200 a month (Eig, 2001). Donations of materials were provided by various groups and included the free installation of telephone lines by the telephone company, 1,000 free kilowatt hours a month for six months from the power company, shopping carts from a nearby Wal-Mart, and the county provided gravel for the store driveway (Eig, 2001).

A cooperative was created to ensure community support with profits redistributed among members (Eig, 2001). Shares were sold to Arthur residents and a board of directors was elected. To circumvent high distribution costs, supplies are bought from a grocery store nearly 30 miles away and volunteers help transport and restock supplies for the store (Buchman, 2014).

Contact Info: 8 N. Highway 61, Arthur, NE 69121
(308) 764-2500

Cambridge General Store

In 2010, Cambridge, NE, residents were concerned about the local effects of a major local store closing. Members of the Economic Development Board tried to contact other similar chains such as Dollar General, but were unable to convince them to come to Cambridge due to its small size. The Economic Development Board researched ways to create a community-owned store and contacted community members through surveys and town meetings (Discoe, 2011).

They also met as a community to propose creating a LLC. By the close of the meeting the group had raised $50,000 (Discoe, 2011). All community members were given an opportunity to invest in the new store for a minimum of $500 and by March 1st, more than $260,000 had been raised. Volunteers cleaned and painted the store as well as helped unload and stock inventory. A contest was held to determine the name of the store.

Contact Info: 714 Patterson Street, Cambridge, NE 69022
(308) 697-3308

Nevada

Garnet Mercantile

The residents of Ely, NV, (pop. 4,221) were faced with driving nearly 190 miles to buy clothing and other goods after the local J.C. Penney, the only department store at the time, decided to close (Rosenblatt, 2004). After failing to attract other large retailers, the community looked to
The Powell Mercantile in Powell, WY, for guidance in creating a community-owned store (Rosenblatt, 2004).

Town leaders formed the Community Owned Mercantile Project Inc. and sold $500 shares to investors across the state of Nevada. Fundraising efforts included newspaper advertising, community meetings, statewide calling, and word of mouth advertising. Nearly $500,000 in support was raised surpassing the original goal of $400,000 (Sabo, 2014; Rosenblatt, 2004).

The Garnet Mercantile officially opened in 2004. Backers of the store saw initial success with the store’s ability to cater its merchandise to unique area needs and assurances that the store would be run by residents for residents (Rosenblatt, 2004). The Garnet Mercantile showed exhibited signs of difficulty during the recent recession, though its major hardship came in 2013 with a flooding due to a broken water main (Sabo, 2014). A vast majority of inventory was destroyed and the store remained closed for nearly six months during repairs. The store reopened and restocked lost merchandise while trying to rebuild its customer base.

Internet sales also had an impact on the store with more individuals preferring to buy clothing and other goods online. The store responded by focusing the inventory on items not typically bought online (Sabo, 2014). Store employees also used online methods to buy wholesale goods to restock the sold merchandise. The Garnet Mercantile has also had increased demand and sales by offering specialty and handmade items. Store profits are used for inventory or associated store costs.

Contact Info: 363 Autumn Street, Ely, NV 89301
(775) 289-4636; garnetmercantile@gmail.com

New York

Greenlight Bookstore (http://www.greenlightbookstore.com/)

The independently-owned Greenlight Bookstore is in Fort Greene, Brooklyn, NY (Greenlight Bookstore, n.d.). In 2008, after winning $15,000 from the Brooklyn Business Library’s Power Up business plan competition, the two owners began discussing plans to open a forward-thinking, independent bookstore. At the same time, the Fort Greene Association (FGA) surveyed the community to identify establishments that residents wanted in the neighborhood and the overall consensus was a bookstore. The FGA then contacted the owners to see if their idea could be implemented and the parties agreed to start the project.
The FGA held an event for the new bookstore in September 2008 and more than 300 community members attended showing their support (Mitchell, 2010). At this event, the community lender program was launched. This initiative asked individuals to loan $1,000 or more to help start the bookstore which would be paid back quarterly at a pre-determined interest rate, from 2.5 to 4%. Lenders also received additional perks including a discount on all purchases until complete repayment of the loan as well as advance notice of bookstore sales and author appearances. More than $70,000 in startup capital was raised in this community lending program. In addition to financial support, community volunteers also participated in the design and construction of the bookstore including painting, cleaning, and sorting books (Greenlight Bookstore, n.d.).

In the summer of 2015, the Greenlight Bookstore repaid the remaining community lender loans and announced plans to open a second location in another neighborhood. The second store’s arrival to this neighborhood has had positive support and encouragement from local community organizations and will be structured to meet neighborhood needs and become a “true community space” (Greenlight Bookstore, 2016). The owners reopened the community lending program to help finance the new store and as of May 2016, had raised more than $150,000 in community loans from 55 (mainly resident) supporters.

Contact Info: 686 Fulton Street, Brooklyn, NY 11217
(718) 246-0200; info@greenlightbookstore.com

Vermont
Barnard General Store (http://friendsofbgs.com/)

After 180 years in Barnard, VT, (pop. 947), the Barnard General Store (BGS) closed in 2012 after several years of financial hardship (Town Rallies, 2013). The store sold basic grocery items, had a delicatessen, and included boat rentals used at a beach area across the street. The owners had several operators in recent years and contacted the town government in 2008 indicating some financial difficulties and asked for assistance. In the interim, local leaders contacted the Preservation Trust to assist in organizing an effort to help engage the community in addressing the issue.
The BGS was a social center in the community and residents were upset about its closing. These sentiments helped rally Barnard residents and finally created Barnard Community Trust, a 501(C)3 nonprofit, which several residents started under a mantra of “Save the Store”. Initial funds were raised with low membership fees ($10) paid by approximately 500 residents. Encouraged by this support, the BCT made an initial offer on the property that was refused by the owners.

The store owners then placed the business and property on the market ($750,000) at well above the appraised market value ($450,000). The Preservation Trust was contacted for assistance in organizing community leaders since residents feared that it would be purchased by a national chain and possibly redeveloped into other uses with a loss of the social capital. The property is adjacent to a state park and is an integral part of the area. The owners called a meeting of interested buyers with only one proposal submitted ($500,000) using an option payment ($20,000) and a six-month window to assemble the overall financing. Thus, the purchase process had started and now the BCT had to arrange the remainder of the financing.

The Barnard Community Trust (BCT) raised $300,000 through grants and private donations in its first year and the previous owner assumed a $200,000 one-year mortgage, which allowed the BCT to take control of the property (Friends of Barnard, n.d.). During the interim, the BCT kept the store open in the morning so that it continued to be in continuous operation. Donuts and coffee were provided and residents congregated on a regular basis building additional interest and commitment in the community. In the course of a year, the BCT had raised $50,000 to $60,000 in small donations plus several large donations including $50,000 and $250,000 from families, or former residents. As of the end of 2012, the BCT was still short of funds, but by August 2013 the funds were raised and the debt was retired. Thus, the BCT owned the property needing major capital improvements which were then started.

Once it owned the property, the BCT had to find suitable operators so issued a Request for Proposal for a store operator. During the interim, volunteers ran a small cafe on the property using donated goods from local businesses (Peterson, 2014). Residents also donated considerable time and talent to improving the store and preparing it for operations. The town eventually found managers with previous store experience and looked for a business to operate.

The business opened in September 2013 and currently has between $800,000 and $1 million in annual sales. A standard 10-year lease arrangement was set up with the option to renew two additional times. The current relatively low rent will increase slightly when a certain level of sales is reached and the operator can sell the store operation with approval of the BCT.
which owns the real estate and building, pays property taxes, and covers insurance premiums. The financial returns to the BCT are from rental fees paid by the operator.

The store purchases merchandise from Associated Grocery Stores of New England which offers technical assistance in management practices and also will provide interim management in the event a change in operators were to occur. Residents responded well to the new managers who, in turn, tailored their business practices to the needs in the Barnard community. The lease requires the current owners to maintain the popular beach area nearby the store (Peterson, 2014). An important component of the store is an emphasis on selling local foods purchased from several cooperatives in the region.

Several lessons to learn from the Barnard experience include the importance of local leadership not only in launching the effort but also in maintaining enthusiasm for the project. The Barnard Community Trust has a 10-member board. Finding an operator(s) with previous relevant experience in the grocery business was essential as was the technical assistance from statewide organizations such as the Preservation Trust with both technical knowledge and contacts. Specialized legal knowledge and advice with operational issues such as writing leases and working through financing arrangements are important in situations where community leaders are unfamiliar with some of these issues. An organized capital campaign at the start, rather than a piece-meal approach, would have made the project move more quickly.

The BGS is part of a larger community and economic development effort. BCT is currently considering an application for a Vermont Downtown Program sponsored by the Vermont Agency of Commerce and Community Development. The BGS contributes heavily to the social capital in the community, is a regular meeting place, and provides access to essential goods for residents and surrounding areas.

Contact Info: 6134 VT-12, Barnard, VT 05031
(802) 234-9688; barnardstore@gmail.com
The Hinesburgh Public House (HPH) was started in December 2, 2012 on the site of a former cheese processing plant in Hinesburg, VT, (pop. 4,396) and operates as a Community Supported Restaurant. Planning and organizing the business took about 12 months. Building local community development was a major goal from the start since the business is organized as a Vermont Benefit Corporation and was an outcome of the owner’s previous experience with Ben and Jerry’s franchises and a triple bottom line. He also had experience with socially responsible businesses and previously had owned a restaurant.

Familiar with operations of the Bob Cat Café in Bristol, VT, two owners invested approximately $250,000 and obtained a bank loan for $100,000. They then pre-sold meals to the public at $500 expecting to receive $550 in return (10%). The 80 initial investors could renew their investments at a later date. The nearly $40,000 that was obtained from investors was used as operating capital and provided a market test for the viability of the socially responsible business. The business has a 5-person board of directors including the two owners and holds regular meetings with its “stakeholders” who participated in the initial solicitation of funds.

The business charter clearly identifies main stakeholder groups: local food producers, guests, HPH staff, local community builders, area producers, and investors. The overall intent is for the business to be financially sustainable but also to contribute to the overall betterment of the nine surrounding cities: Hinesburg, Starksboro, Monkton, Charlotte, Shelburne, St. George, Williston, Richmond, Huntington, and Bristol. It accomplishes this mission by working with nonprofits in these communities helping them raise funds as well as making contributions to the area.

In addition to serving the general public which is the mainstay of the business, the HPH also provides special support to local groups with an annual budget of less than $500,000; serve the targeted communities; and are nonprofit or tax-exempt and nonpolitical. The underlying premise is that these organizations improve the quality of life by adding to the social capital in the area. To meet its social purpose mission, the HPH hosts several regular events and activities.
On the first Tuesday of each month, HPH partners with a local nonprofit in a local fundraising venture, named “community dinners” that involve a three-course locally-sourced dinner for $20, in addition to the regular menu. The local nonprofit markets the event and receives one-half of the revenues generated. Thus, if 100 patrons attend the event, the nonprofit receives $1,000. In addition to raising funds, this event provides the local organization an opportunity to inform the public about its purposes and activities. The “community dinners” are also a way for HPH to gain exposure, attract new patrons, and reduce the need to advertise. The dinners help all groups named in its stated mission.

Another regular event is “Burger Night” which is held on Mondays and provides hamburgers for $7. This event is targeted to less fortunate in the community and not a regular clientele. However, it reaches into the community to meet a social need and has become popular. Both events are subsidized by the owners to improve quality of life in the area and fulfill one of the goals in the business plan.

Overall, the HPH has been profitable with revenues of approximately $1 million per year although the early years involved some adjustments in finding appropriate staff. The business model is to promote from within which not only addresses one of the identified groups to be served but also provides access to well-trained management. The community benefit reports, required as a Vermont Benefit Corporation, show that the five targeted clienteles are being served with management metrics indicating that the business is performing according to expectations or above during certain seasons of the year when the tourist traffic changes. Customer evaluations also have been positive with repeat trade at expected levels. The performance of the business exceeds expectations by the restaurant industry as a group.

Several lessons can be learned from the experiences with HPH. First, a champion for the project with a background in the industry was important. In this case, the owners were long-time residents of the community and had experience working with a socially-responsible company. Those ideas applied easily to the Community Supported Restaurant.

Second, a community restaurant filled a void in the community that did not have many other alternatives as social meeting places. The HPH met that need by engaging residents in the local decisions. The owners continue to work with residents by offering meeting space, communications with “shareholders” and incorporating their ideas into restaurant operations.

Third, the mission and vision for the venture are clear and well-communicated to both staff and guests. The regular community dinners, hamburger nights, and similar events are used effectively in marketing efforts which offset other traditional market costs. In essence, the community has a stake in the restaurant and local nonprofit groups are an effective part of the overall marketing efforts. Both the restaurant and the nonprofit groups benefit from this relationship.
Fourth, an obstacle common to most small businesses is the high cost of inventory, namely buying from local suppliers and producers rather than cheaper large volume suppliers. In addition, the staff is paid above the going wage which is another operating goal. However, this buying approach is an integral part of the CSRestaurant so can be partly incorporated into the overall operations and marketed accordingly. Likewise, there is minimal direct local competition which gives the business an advantage.

Finally, the extensive experience of the owners with a socially-responsible company prepared them well to start the HPH. They are open-minded to the needs and interests of the community. Being organized as a Vermont Benefit Corporation provides both a setting and a reinforcement for engaging the community in the restaurant decisions and activities as well as requiring the Corporation to produce an annual report to the community on the services provided. In turn, the designation is used in marketing the business.

Contact Info: 10516 Suite 6A, Rt. 116, Hinesburg, Vermont, 05461
802-482-5500; http://hinesburghpublichouse.com

City Market, Onion River Co-op (https://www.citymarket.coop/)

The Onion River Co-op began as a buying club in Burlington, VT, in 1973 and since then has had many locational and growth changes. In 2002, the co-op entered into an agreement with the city of Burlington to operate a grocery store on land leased from the city (City Market, n.d). This new location opened in February of the same year and significantly increased the size of the business. The new store, City Market, offers prices comparable to those of larger chain sellers which differs from the original Onion River Co-op that sold only natural foods.

An agreement with the city helped shape the current grocery store and business, City Market, Onion River Co-op. Ownership is structured as a cooperative with open membership and democratic leadership. Currently, the co-op has more than 11,000 members/owners (City Market, n.d). Members elect a board of directors to represent them and make decisions implemented by a general manager and staff. Members must sign up and pay an annual membership fee of $15 but a full share in the co-op is $200. Cooperative members can also earn money on their purchases through the Patronage Refund Program. In 2014, patronage checks were sent to 10,000 members with an average payment of $93 (City Market, n.d).

City Market supports local growers and producers and donates to many local nonprofits, community fundraisers, and city events. The co-op directs its efforts to support programs that work to alleviate childhood hunger and promote sustainability in agriculture. Customers are offered an option to round up grocery totals with proceeds paid to several nonprofits monthly. This “Rally
for Change” program gives 50% of the proceeds to a nonprofit that helps the local food system alleviate childhood hunger; 40% is given to the Chittenden Emergency Food Shelf; and 10% is donated to a nonprofit that meets the co-ops’ global ideals (City Market, n.d).

With community ownership, the store can offer necessary products and services at reasonable prices and in ways that benefit the local area. Daily transactions in The City Market, Onion River Co-op average 4,500 with $38 million in total sales in 2014 (Pollack, 2015). The cooperative also gained local and national recognition for its community outreach and financial achievements (City Market, n.d).

Contact Info: 82 S. Winooski Avenue, Burlington, VT 05401
(802) 861-9700; info@citymarket.coop

Claire’s Restaurant [CLOSED]

Claire’s was a Community Supported Restaurant started in May 2008 in Hardwick, VT, by four partners including a chef and another store owner (BALLE, 2012). Initially, they considered a Co-op as an ownership model, but decided that an LLC model would be the most suitable way to manage the project. In turn, the community wanted to support a business that keeps money local and with the creation of Claire’s, 80 cents of each dollar spent would stay within the state. The community and owners began raising money in 2007 and formed two separate entities: Hardwick Restaurant Group LLC and Claire’s Restaurant and Bar LLC (BALLE, 2012). One LLC owned the building and equipment in order to keep it within the community and the other owned the actual business. They financed this initiative in several ways including:

- Community Supported Restaurant (CSR) subscriptions: 50 people bought CSR subscriptions, providing Claire's with $50,000 in operating capital. Subscriptions cost $1,000 each, and could be redeemed once per month, 10 months of the year, $25 at a time, for four years.
  - Coupons were transferable, e.g., to family members
  - Strict schedules as to control cash flow were maintained
- Community Lenders: 10 people loaned Claire's $5,000, providing $50,000 in operating capital. These simple loans were not guaranteed and were to be repaid with interest after 5 years.
- Grant: The Preservation Trust of Vermont, recognizing the importance of a vibrant restaurant and community gathering place to the economic and social vitality of a downtown, provided a grant for the first year of rent.
Claire’s was profitable for at least five years but management differences caused it to close. During this time, a pizza establishment started and provided some competition but this apparently was not the main reason for closure. Cost overruns and other management issues led to less than expected outcomes. At some point, current investors were unwilling to add money to the operations and other investors were not forthcoming.

Efforts by another group are currently underway to start a CSRestaurant but at this time it is unknown if they will succeed. Another restaurant had started and failed but the building and equipment remain. The Hardwick Restaurant Group holds a 12-year lease on the property with several years remaining and the Group is trying to entice another restaurant. The issue seems to be more management differences than lack of market. This suggests the importance of finding investors but also in organizing the operation so that internal issues can be resolved quickly without threatening the viability of the venture. It also shows the importance of a solid business plan that effectively guides the operations. Efforts are still underway to find an operator for the CSRestaurant and the market potential seems to exist.

Guilford General Store (http://www.guilfordcountrystore.com/)

Guilford, VT, (pop. 2,121) is in a relatively rural area in southern Vermont with relatively easy access to larger communities. The area had several businesses including a hardware store and a general store in close proximity that provided access to basic services. The Guilford Country Store provided groceries and other items plus a place where residents could congregate, so it played an important role in community life and stability in Guilford.

The owner of the Guilford General Store passed away and the surviving spouse was unable to continue the business so decided to discontinue operations and sell the property. This situation concerned Guilford residents since the area, with no zoning regulations, would allow developers wide discretion over what could be done with the properties. A national chain had already shown interest in the property and there was some fear that the site would be converted to other uses and purposes causing Guilford to lose a long-term business and historic landmark.
The Friends of Algiers Village (FAV), created in 2004, became interested in the local situation and launched a “save our village” initiative to purchase four deteriorating buildings with the idea that this historic area could be preserved as a gateway to the community. The Guilford Country Store remained closed for three years while FAV tried to raise local funds for the project. The Windham Housing Trust (WHT) in Brattleboro had been a major collaborator, with FAV buying and holding properties until WHT could develop them for affordable housing. Likewise, the Preservation Trust of Vermont provided technical assistance and guidance in the project.

The FAV organized an effort to purchase the Guilford Country Store at $300,000 of which $240,000 was the fair market value and $60,000 was goodwill. A local bank held a $140,000 mortgage on the property. The Vermont Housing & Conservation Board (VHCB) granted $70,000 for acquisition with the requirement that a historic façade easement be placed on the property. A large local donation of $60,000 was provided, along with many donations from local donors and beyond. After purchasing the property, FAV raised another $600,000 (to date) to rehab the failing structure, $100,000 of which came as a no-interest loan from a friend of the project. The final financial restructuring occurred in 2013 with $300,000 as a mortgage from the same local bank and the remaining $600,000 from donations and multiple grant awards.

Major local fundraising efforts with broad-based participation had occurred including local school children making a video about the project which along with other efforts increased “buy-in” from the community. Initially, there were 225 regular donors per year who do not receive a discount on purchases or expect a financial return. However, since FAV is a 501(C)3, donors can qualify for a tax deduction.

Housing in the area is relatively expensive so there was some interest in making housing more affordable which provided opportunities for FAV to collaborate. They partnered with Windham Housing Trust on two projects to build 24 affordable housing units and help stabilize the community. Thus, the Guildford project involved collaborations among private groups, state, federal, and local agencies.

By 2013, the Friends of Algiers Village owned a historic building, containing a century old general store with land that they could lease to an operator and obtain rental revenue. They next had to find an operator with both the knowledge and finances to start the business. Fortunately, they found a family in Manhattan with 12-years of experience running a catering business and market. They had recently relocated to the area and were interested in operating a business. A lease agreement was reached and the business reopened in 2013 after being idle for 3 years.
The FAV maintains the building and makes major capital improvements. Two residential rental units above the store contribute to the cash flow. Likewise, other groups participate in the venture. For instance, there is a large amount of snowmobile traffic in the area so they donated the labor and some equipment to install a gas pump at the store. Other residents contributed time and money toward reviving both the business and the building. The overall goal by FAV to obtain a positive cash flow has been achieved. Since they are strongly committed to having the General Store in the community, regular fundraising efforts will continue until the building is fully rehabbed and leased. Plans are under consideration to add a deli and a bakery in the store. The upstairs portion could also be converted into a co-working space that would appeal to local entrepreneurs.

The Guilford Country Store (business) has issues facing many, if not most, small businesses, namely high cost of merchandise and small markets. There is interest in expanding this business to increase the prepared food and catering activities provided as a way to generate additional profits. FAV is considering leasing additional space to a baker who could complement the Country Store business. Competition from larger operations limit the profit potential of the business thus it needs multiple profit centers. Rents from apartments plus a possible co-working space and other developments help stabilize the cash flow and eliminate the need to seek support from local fundraising.

Contact Info: 475 Coolidge Hwy, Guilford, VT
(802) 490-2233; guilfordcountrystore@gmail.com

Latchis Hotel and Theatre in Brattleboro, VT

The Latchis Hotel and Theatre in Brattleboro, VT, (pop. 7,414) opened in 1938 and has continued as a major architectural fixture in the downtown since that time hosting major theater events and other community activities. It is an Art Deco building, one of only two in Vermont so is an area landmark and was named after an early family member prominent in the community. Its impact extends well beyond Brattleboro and into Southeastern Vermont. The Latchis family owned and managed the theater until the property needed major repairs and they put it on the market in 2001. It included a 30 room hotel, three retail spaces, a full-service restaurant, and three operating movie theaters (Bruhn).
After a feasibility study by the business community, the Brattleboro Arts Initiative (BAI), a nonprofit organization that included Arts participants and patrons, collaborated with the Preservation Trust to purchase and restore the theater and hotel in 2003. This project was part of a major revitalization effort for the city of Brattleboro which had experienced several business closures. The Latchis Theatre, along with several local movie theaters, competed for first-run movies as well as provided live performances. However, because of its long-term status in the area, a downtown hotel, and major Art Deco architecture, it had a special presence that enabled BAI and other organizations to solicit donations and investments in the restoration.

The Preservation Trust of Vermont provided a five-year no interest loan of $550,000 to assist in the $1.4 million purchase price and support needed to manage the project, fundraise, and provide an operating reserve. A state appropriation of $300,000 was obtained with $450,000 provided by foundation and corporate grants. Individual contributions raised an additional $300,000. More than $1.3 million was raised in this effort plus $550,000 in loans to launch the project. In addition, a federal grant of $300,000 was obtained.8

Two organizations participated in the project. The BAI changed its name to Latchis Arts in 2012 and, as a nonprofit, owns all the shares in the Latchis Corporation, a for-profit organization with a 10-person board of directors, which owns the building and manages the theater and hotel business. Latchis Arts has a 10-member board representative of the community including not only arts patrons but representatives of other professions as well. This board interacts with a donor list of people interested in preserving the Latchis and conducts fundraising efforts for special projects as needed. In essence, it creates and maintains a public awareness for the complex. The nonprofit organization receives revenues from the operations of the properties but does not manage the properties directly.

The Latchis Corporation is a for-profit with responsibility for managing the theater, hotel, and other operations. It has a board of directors from the community and hires a hotel manager as well as a theater manager. A general manager works one-half time for each organization. The corporation pays rent to Latchis Arts for use of the property as well as pays fixed dividends to the nonprofit organization and a surcharge based on ticket sales. These revenues provide approximately one-half of the operating budget for the nonprofit. Other sources of funds include concessions, an ATM rebate, and direct donations from several annual appeals.

The Latchis also has had major capital improvements since it was purchased. Between 2003 and 2014, a total of $2.4 million was spent on building improvements and safety upgrades--

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8 Based on materials obtained in personal interviews with Latchis personnel.
some of these funds coming from grants or donations and others from the operations of the hotel and theater. In each case, they represent additional investments in the community.

In addition to being run as a profit-making business, the Latchis also provides opportunities for local groups to use the facilities as fundraisers. In these events, the theater receives the first $500 in revenues and local sponsors receive the rest. In certain instances, the scheduling of nonprofit uses may have to yield to for-profit events such as the opening of a major film or similar activity.

The story of the Latchis Hotel and Theatre illustrates the importance of collaboration not only among public and private organizations but also direct involvement by the federal government, statewide foundations, and state government agencies. The for-profit and nonprofit partnership arrangement of the Latchis as well as its ability to reach out to other businesses indicates the importance of integration into the community. The successes in the past decade have now led to a new strategic planning effort to address the next several years. Efforts to use the theater facilities more completely during daytime hours, provides more access to community groups interested in renting space for meetings and events, and address capital needs are all included in the strategic plan (Latchis Strategic Plan).

In the case of Latchis as a Community Supported Enterprise and its impact on Brattleboro, the early intervention by the Preservation Trust to help initiate, organize, and support local efforts was key to the success of the project. A project of this magnitude in a community of Brattleboro’s size and location is an important local economic development effort. The fact that it can be operated as a business that pays taxes and generates other sources of revenue to local governments plus provide a social gathering place and help other nonprofits raise funds is important to the economic prosperity of the area. This is especially true because it attracts revenues from surrounding areas as visitors attend events and stay at the Latchis.

Contact Info: 50 Main Street, Brattleboro, VT 05301
(802) 254-6300; http://www.latchis.com/

The Bee’s Knees (http://www.thebeesknees-vt.com/)

The Bee’s Knees originally opened in Morrisville, VT, in 2003 as a cafe. The cafe soon became a place for community members to eat and socialize where employees and customers could interact. The small size of the restaurant could not accommodate the demand. The kitchen was too small and a larger seating area was needed but funds to remodel were not readily available (Roman, 2009). The owner considered selling the business but was convinced by community members to try a community supported venture instead.
The owner started the sale of Community Supported Restaurant certificates of $1,000 to finance the expansion and, in return, investors would receive $1,080 in food vouchers. The restaurant also obtained unsecured loans of $5,000 from customers to be repaid with a 4% return and an additional 10% discount on food purchases (Roman, 2009).

The Bee’s Knees remodeling effort began in December 2007 with an expansion and the cafe remained open during most of the construction efforts. Community volunteers helped in the project to ensure that the opening was on schedule. Renovations added to the restaurant’s available space and created outdoor seating along with a better functioning kitchen. The restaurant reopened providing a community centered meeting place and helped the local economy by supporting farms, artists, and musicians in the area. The restaurant closed in November 1, 2015. While the website still exists, information regarding reasons for closure were not available.

The Gleanery (http://www.thegleanery.com/)

The Gleanery is a Community Supported Restaurant in Brattleboro, VT, that uses surplus and unneeded crops from neighboring farms. Personnel create menus based on crops that farmers can provide during various seasons. A major café in the community had recently closed which triggered preparation of a business plan by three owners of the restaurant. They then entered an annual competition hosted by the Brattleboro Development Credit Corporation and Strolling the Heifers winning a $5,000 startup grant (Hirsch, 2013). Later, they created community membership shares of $500, $1,000, and $1,500 to help the restaurant through its first three years. This initial investment guaranteed membership that would be paid back monthly through food credits and other activities including special dinners, classes, and food baskets. A Kickstarter campaign was also used. The owners secured more than $10,000 from online backers who were reimbursed with a variety of rewards depending on donation level (James, 2012).

The partners worked with a local architect to design the restaurant and residents donated time and materials to help build tables and counters. Mugs are made by students in a local pottery
school and studios donate leftover materials for plates, dishes, and bowls (Hirsch, 2013). The entire process was started with an overall theme to reuse and not waste and that approach continues today.

**Contact Info:** 133 Main Street, Putney, VT 05346  
(802) 387-3052; thegleanery@gmail.com


Phoenix books is owned by two partners with three locations in Essex, Burlington, and Rutland, VT. The business began in 2007 with the opening of the first location in the suburban area of Essex. Then in 2011, a closure of a major bookseller left the nearby Burlington area without a bookstore. The owners considered moving the location of Phoenix Books to a larger market area, but then decided to open a second location there instead.

Hoping to avoid a costly and time-consuming market study, the owners decided to implement a community-based approach to help finance the new bookstore based on the philosophy described in *Locavesting* (Cortese, 2011) and on expert legal counsel well-versed in Vermont legislation and practices. Previous backgrounds in nonprofit development and fundraising enabled the owners to raise the capital quickly and launch the enterprise.

The following options were made available to community members interested in becoming involved:

- **Option 1**: Individuals loaned funds at 4% interest as ten year notes. Nothing is paid within the first five years. Accrued interest is paid in the following five years and then the principal and interest. These investors also had the option to convert the note to an ownership share though, as of now, no one has.
- **Option 2**: A pledge of $1,000 allowed individuals to pre-buy books and hold a book club membership with additional store discounts.
- **Option 3**: An annual membership cost $20. Individuals could pay $100 to purchase a membership for five years.

Fundraising events were held in people’s homes to obtain more support and advertise the business to the community. The owners also accommodated the financial abilities of community members encouraging them to invest only what they could afford. Other residents invested multiple amounts. Nearly $360,000 was raised from large increments offered through Option 1 with the remaining $65,000 from smaller pledges in Options 2 and 3. The total raised was $425,000.
The closing of Borders also offered a unique opportunity for Phoenix Books to secure relatively inexpensive bookcases and materials needed in their new bookstore. They purchased and stored them through in-kind help from a friend. Space was secured one block away from a major marketing location where a space of 7,000 ft. was rented at $11/foot, well below the going rate of $25/foot rental in the area. The Burlington Store opened in May 2012.

In November 2014, one of the owners was contacted by representatives from Green Mountain Power in Rutland, VT, to possibly open a third location there. Green Mountain Power was helping to revitalize Rutland after the town suffered economic declines and other issues. Rutland had two independent bookstores that had since closed. The community had secured support from 30 members who had committed to pledging $1,000 each to the new store with widespread support from important community leaders. A $10,000 grant to open the store also had been secured. The intent was to run the bookstore with local management so the owners sought a local business partner to be part-owner and manage the Rutland store. That person invested $50,000 which would be fully recovered within 3 years and would control 20% of the business. The Rutland location opened in September 2015.

Phoenix Books is currently doing well. The Burlington store is financially stable with sales of nearly $1 million. Their numbers increased substantially from May 2012 to the spring of 2015 and in 2015, jumped 17% over previous years. Investor support is positive and customers have shown additional support by keeping their money within the business. A majority of the initial pre-buyers who invested through Option 2 have all or mostly spent their store credit. A small number decided to reinvest with an additional pledge.

Contact Info: info@phoenixbooks.biz

Phoenix Books Essex
21 Essex Way #407, Essex, VT 05452
(802) 872-7111

Phoenix Books Burlington
191 Bank Street, Burlington, VT 05401
(802) 448-3350

Phoenix Books Rutland
2 Center Street
Rutland, VT 05701
(802) 855-8078
Shrewsbury Co-op at Pierce’s Store (http://www.piercesstorevt.com/contact-us.html)

The Town of Shrewsbury, VT, (pop. 1,056) had a general store in operation since 1865 and the Pierce family had operated it since 1918 until the last family member decided to close it in 1993 (Shrewsbury Co-op). The store was an integral part of the social fabric of the community and a regular meeting place for residents so there was concern about its loss. Fortunately, in 2001, a Pierce family member had left a bequest to the Preservation Trust to find a way for the store to reopen and continue operations and specifically to “draw the community together”. Two bequests were involved. The first bequest was a trust that provided $15,000 to the store operator to pay taxes and other expenses to open the store. The second bequest established a Vermont Community Fund that provided matching funds up to $30,000 for development efforts in surrounding communities.

In late 2007, the Historic Trust issued a request for proposals (RFP) from groups interested in purchasing and operating a grocery store in the building which had been idle since 2001. At that meeting, approximately 25 residents decided to organize a cooperative and respond to the RFP with several members taking the lead in designing the project. The members each contributed between $10 and $25 as earnest money. Initially, they had a target of $25,000 that increased it to nearly $125,000 with contributions from area residents. A Small Business Development Center at a local college analyzed the demographics, estimated potential markets, and helped with a business plan. The organizers wanted to avoid debt to the extent possible. The planning process determined that 325 patrons within 3 miles of the store would have to spend an average of at least $15 per week to make the store viable.

They filed the paperwork, set up a bank account, and completed the incorporation papers with the first meeting of the Shrewsbury Co-op held in June 2009. Members of the co-op pay $25 per year each and approximately 175 families hold memberships. The Co-op was not organized as a benevolent Co-op so it pays property taxes and income taxes. In return, members receive a discount of 2% on sales but do not receive dividends. However, the Co-op is open so that anyone can make purchases in the store.

Preparing the store for operations was a community event with 80 residents donating time and materials as needed on the first day. An inventory of $10,000 was purchased to open the store. The business model is to sell products from the surrounding area such as meat, cheese, eggs, maple syrup, and artisan crafts on consignment to maintain close ties with the community.
The business opened after several delays and conflicts with operators and in some instances a minimum wage plus free housing was provided. Each of the first two managers left after approximately two years. The third, and current, manager is from the area and has previous business training and is integrally involved in both the Co-op and the community.

The store has exceeded sales targets in the past several years. It is working to meet industry standards regarding profit levels and mark-ups while remaining competitive with other stores in the region. Efforts are underway to increase staff wages and to increase the discounts provided to members. Because of the small size of the store, the cost of merchandise is high so efforts are underway to tailor products sold to specific tastes of patrons. The initial organizers preferred to restrict alcohol and tobacco sales but they are now included in the inventory. The store contracts with a baker in a neighboring area for delivery of popular items.

The number of paid staff is small because volunteers regularly assist with various duties required in operating this type of business. The volunteers do not receive financial credit for their efforts and, thus, are essential to the success of the venture by keeping costs under control. The store has a licensed kitchen which offers opportunities for residents to make and sell products in the store. It is currently considering adding sliced meats and cheeses as well as hosting wine-tasting events. The store holds monthly community dinners produced by residents that build rapport and support among customers. Also under consideration is renovating another building on the property to expand the capacity to accommodate community events that the store could cater.

The store faces obstacles of other similar-size business ventures. The cost of merchandise is more expensive than in larger stores in nearby locations. The size of the market is small which makes the store vulnerable to changes in the local economy. Shrewsbury lost population between 2000 and 2010 which affects the potential market so effective management practices will be needed to make the store continue to succeed.

At the same time, however, several lessons can be learned from the experiences with Shrewsbury Co-op at Pierce’s Store. First, the foresight of the Pierce family in making a bequest to see the store continue was crucial to its continuation. Second, the availability of a statewide agency such as the Preservation Trust to work with local groups to buy and reopen the store is important. Third, the willingness of residents to invest in the store and participate in the Co-op may well be the main ingredient in the continuation of a strong community asset.

Contact Info: 2658 Northam Road, Shrewsbury, VT  05738
802-492-3326
The Putney General Store is the oldest continuous operating general store in Vermont, starting in 1796. As with many Vermont general stores, in Putney (pop. 2,702) it was a social gathering place and contributed heavily to the social capital and quality of life in the area. It provided access to basic groceries and other items to area residents. A major fire in 2008 destroyed the facade and gutted the interior of the building but part of the structure could be salvaged. The loss caused significant concern among residents. The insurance proceeds were inadequate to rebuild and the owner had too much debt to take on a rebuilding effort so additional capital had to be raised to reopen the business. The building sat idle for several months.

Because of its importance to the community, the Putney Historical Society (PHS) was contacted by the Preservation Trust of Vermont, and encouraged to acquire the property and stabilize it with the potential of resale. Instead, the PHS decided to return it to the former status as a General Store with expanded merchandise. The purchase price for the building was $105,000 and the estimated cost of the entire rebuilding process was nearly $500,000. They proceeded with reconstruction efforts using donations from community members along with grants and loans from the Vermont Housing and Conservation Board, the Vermont Community Development Program, the Vermont Community Loan Fund, the Preservation Trust of Vermont, and the Windham Regional Commission. The Putney Historical Society is a 501(C) 3 so could accept donations from residents and other groups.

Work continued until the structure was nearly complete by November 2009 when an arsonist burned the building to the foundation forcing the PHS to start over. The outpouring from the townspeople was significant as was their commitment to bringing the General Store back to life. The Preservation Trust of Vermont assisted PHS with organizing and evaluating planning options for another reconstruction. Fortunately, in this case, the insurance coverage was adequate so the losses were not as serious as in the previous case.

PTV also provided a small grant to help launch the effort and secure other funding including a $160,000 federal grant from the Village Revitalization Initiative through Senator Leahy’s office. Vermont’s Community Development Program recommitted its 2008 Community Development Block Grant and increased it from $200,382 to $287, 382 to allow for construction
instead of rehabilitation. The total cost was estimated at $1.3 million to rebuild and increase operations. The PHS wanted to minimize long-term debt to keep the rent reasonable for a store operator over the long term.

Publicity about the fire and its impact on the community helped fundraising efforts. The main donations (more than $420,000) came from more than 350 residents, both current and past, who wanted to be a part of the rebuilding project. Other grants came from the Woodtiger Foundation, Block Foundation, Thomas Thompson Trust, Pepsi Refresh, Brattleboro Subaru, and Chittenden Bank, among others. The PHS owns the building and the property with a mortgage of $230,000. They purchased used equipment to outfit the store and issued a RFP from interested store operators. By December 2011, the PHS was in a position to reopen the store.

The first operator did not succeed and in 2013 sold the business to an experienced pharmacist in Brattleboro who was interested in setting up a pharmacy on the second level of the store. The store is back in operation with access to basic health care needs and prescriptions in the community. Residents have responded positively to the store but, as in many small businesses, the cost of merchandise is relatively high, making it difficult to compete with other stores in neighboring cities. The store is successful but operates on a tight margin and since it is still young, the future is not completely clear.

Putney residents commute to other areas to work so have access to other stores for purchases. The cost of housing is relatively high in Putney which may limit its future growth potential. In a small store, payroll costs can be a substantial expense especially when the store is open long hours for the customer convenience. Its close proximity to neighboring towns such as Brattleboro means stiff competition. Nevertheless, at this time, the store continues to operate and provides a quality and essential service to the community that, in turn, makes it a more attractive place to live and raise a family.

Important lessons from the Putney example are similar to those in other examples. A local champion and residents committed to the future of their town are crucial. This was especially borne out in Putney after the second fire. Leaders and residents did not give up. Rather, they rebuilt a second time and continue to patronize the store. Putney may have had an advantage because it was experienced with other CSE projects so may have been more inclined to take this route.

Equally important in this case is the strong help provided by state agencies such as the Vermont Community Development Program and VHCB as well as private statewide nonprofits such as the Preservation Trust. While financial assistance is crucial, the expert guidance provided
and the contacts with other federal, state, and local agencies were essential for the Putney Historical Society to succeed with the project. This point has come up in nearly every discussion with local agencies involved with CSEs. It starts with recognition of a need or crisis, a willingness of residents to collaborate, local leadership, participation by private agencies, and support by other governmental units.

Contact Info:  Putney General Store & Pharmacy; 4 Kimball Hill, Putney, VT 05346  
(802) 387-4692; putneyrx@gmail.com

Wisconsin

Mobcraft Beer ([https://www.mobcraftbeer.com/](https://www.mobcraftbeer.com/))

Mobcraft Beer is reported to be the first completely crowdsourced brewery (Mobcraft Beer Inc., 2016). It used the equity crowdfunding platform CraftFund and raised $67,000 by selling shares in the company to 52 investors (Hurst, 2015). This intrastate campaign was one of the first of its kind and Wisconsin was an early state to adopt a crowdfunding law. Mobcraft Beer has won silver medals at the Great American Beer Festival and was named the top brewery in Wisconsin through ratebeer.com. They hold contests where individuals submit ideas for beers and the ideas with the most pre-orders are brewed. This subscription based method is similar to other Community Supported Breweries that have become popular in recent years. The brewery works in conjunction with House of Brews, also in Madison, to create and supply their products. Recently, they were on the television show Shark Tank but turned down the initial offers received (Mobcraft Beer Inc., 2016).

Contact Info: 4539 Helgesen Drive, Madison, WI 53718  
(608) 535-4553; beer@mobcraftbeer.com

Cow & Quince ([http://www.cowandquince.com/](http://www.cowandquince.com/))

Cow & Quince was started in September 2014 in New Glarus, WI, (pop. 2,172) by a first time restaurant owner and member of Soil Sisters ([soilsisters.org](http://soilsisters.org)), a women’s farmer initiative for sustainable agriculture (McColl, 2015).
The business, located in a 1930’s building in New Glarus that formerly was a grocery store in the heart of downtown, is a market and a restaurant designed to provide a farm-to-table experience with locally-prepared “sauces, bread, jams, desserts, and fermented delicacies.” The ingredients are local and organic food products grown on nearby Wisconsin farms. Monthly prix fixe dinners with several courses at a fixed price are prepared. These meals require reservations. In addition, an annual members’ dinner is provided for participating members.

The Cow & Quince has several forms of memberships incorporated into the financing plan. A community membership ($125) provides a 10% discount on meals and other items in the market plus a 15% discount on the prix fixe dinners. Full Membership ($360) provides a 15% discount on all grocery, market, and restaurant purchases plus 15% discount coupons (transferable) for the prix fixe dinners. These members also receive two invitations to the annual members’ dinner. When joining, members receive a $25 gift card which provides visibility to a wider audience. Suppliers are also offered a “farmers membership” which invites them to receive part of their receipts in credit at the Cow and Quince.

The business stocks other items made locally so it represents a community supported business and a source of local merchandise for tourists. They engage the community in raising capital and in creating an awareness of sustainable food practices. New Glarus is home to several local community efforts including the New Glarus Brewery with a well-known product and a marketing strategy that concentrates on sales in Wisconsin. Combined, these ventures make New Glarus a significant tourist attraction.

The Cow & Quince also supports community improvement issues. A new processing kitchen, funded by a grant from the USDA’s Local Food Promotion Program, makes a canning facility available to producers. These services expand the exposure of the store and further illustrate a commitment to inform the community about the accessibility and affordability of local food and organic food plus, in the process, add to the local economic stability of the area by purchasing locally.

Contact Info: 402 2nd Street, New Glarus, WI 53574
(608) 527-2900; info@cowandquince.com
The Mercantile in Powell, WY, (pop. 6,476) was created after a major department store closed. The closure forced Powell residents to drive more than 50 miles for basic necessities and community members were concerned about the economic losses that the closure would bring. Residents tried to attract other chain retailers but efforts failed because they did not meet the necessary population criteria (Batdorff, 2004). News then traveled about a small town department store in Plentywood, MT, Little Muddy Dry Goods, that had been started by community members, each contributing $10,000 in capital (ILSR, 2008). Powell residents visited Plentywood and decided that the same model could work in Powell.

The town formed a board of members and filed paperwork with the state to offer stock in the new enterprise, The Powell Mercantile (Mitchell, 2008). The business plan required $400,000 in capital which was raised by the sale of more than 800 shares in $500 increments (Bloom, 2010). The board also held fund-raising sessions and brought in speakers to help raise needed funds. The Powell Mercantile opened in 2002 and after several years expanded into an adjacent building with the help of a $180,000 grant from the Wyoming Business Council adding additional needed space (Monday, 2009).

Dividends were not initially paid to shareholders, but were reinvested in the business, until the fifth year of operation, when a $75 dividend per share was paid (Monday, 2009). The Mercantile was profitable during its first few years and did not have a net loss until the seventh year of operation (Monday, 2009). The store began to show signs of financial difficulty in 2013 when half of the building was sold to create three other businesses (Lawrence, 2014). The store also reduced the number of employees and sales later decreased dramatically in 2014. In March 2016, the decision to close the Powell Mercantile was made and operators are trying to sell the building and remaining merchandise (Powell, 2016). This closure is attributed to changes in buying habits, competition from new businesses, and increased internet shopping.

Contact Info: 235 N Bent Street, Powell, WY 82435
(307) 754-5888; themerc@tctwest.net
Lessons Learned from CSE Approaches

While CSEs differ in purpose, design, and operations, they have common features that can help other groups interested in using the CSE approach in local development efforts. The diversity of issues addressed as well as the types of organizational structures and purposes used in CSEs speaks highly of their versatility and potential for community enhancement. However, these efforts are a blend of economic development strategy and a business startup, which adds a dimension to CSEs that may not exist in all private business.

Above all, however, a CSE faces the normal difficulties associated with this type of business activity. Obtaining adequate financing upfront is paramount and is a frequent cause of failure in the early years. A CSE can be even be more challenging due to the need to organize a large number of small part-time investors caught up in the excitement of this community effort. Maintaining the necessary level of interest over a long time requires continued efforts and communication as is noted below.

Accurate assessment of markets and effective management practices are essential to success. Because investors are not always well-versed in business practices, an education process may be needed to control expectations and guide potential investors in the process. At the same time, it is crucial that the organization is structured effectively to minimize potential negative effects of disagreements. The fact that CSEs are driven partly by social goals does not absolve them from meeting a market test.

Also important to understand is that the interest in using a CSE approach may signify that the private market did not accept the initial business venture. Several grocery store examples showed that previous owners wanted to sell the business partly because profit goals were not met. The motivation of residents was to help retain the business but the market conditions did not change. Thus, tight management practices or a different business model were needed to keep the venture viable.

Several key ingredients in organizing a CSE/CSB were identified in the comparisons of CSE examples. First, and perhaps foremost, is a recognized need, or deficiency, in a specific activity or service in the community. This need must then be marketed well. Community-wide recognition of the need is what seems to drive the successful organization and mobilization of residents who then invest in the project. Several CSEs in this study were triggered by the loss of a grocery store. Faced with the inconvenience of less access to basic food items motivated residents to invest or donate funds for an effort to reopen a store. In any event, it is important that the project be clear and communicated as an opportunity to residents or potential investors.
Second, a suitable organizational model or approach is necessary to attract overall support in the community for initial investment as well as continued patronage. In some instances, the model or management approach did not seem to function well and deteriorated into financial disagreements resulting in closure even when the CSE was profitable. Initial interest and excitement can start a project but it must be able to support the effort for a long period. When organized correctly, an attraction of CSEs, especially using the CSA pre-payment approach, is that a steady clientele is built into the venture when investors receive part of their returns in trade. This can be an important source of long-term market stability.

Third, several people interviewed in the project emphasized the importance of a spark plug or champion for the project who has credibility in the community. In some instances, it was a financial person leading the effort while in other cases it was the prior business experience of an investor or manager. Nevertheless, gaining and retaining this credibility for a long period of time can be challenging but is essential for the project to flourish. The local champion is often someone with business experience and who can convey an entrepreneurial spirit to community leaders and residents. This person(s) often has a major stake in the venture—financially or otherwise—to retain credibility when the project faces challenges. An appropriate local leader is also important because most CSEs involve several sources of financing that require credibility to raise funds from other than traditional financing sources.

Fourth, a positive and supportive economic environment in which the CSE is located has been especially important. A deteriorating economic environment adversely affects all stores and can threaten a newly-formed CSE. In many cases, financial institutions have made loans to help initiate a CSE and its personnel have been major players in helping to organize and manage the ventures. A review of the CSE examples in this report suggest that the source of expertise and commitment may be less important than the fact that it is available and willing to become involved.

The overall economic conditions in the area greatly affect not only the potential for the CSB but also can contribute to the need for this approach. Changes in population and employment create conditions that can discourage or even prevent private investments. In these cases, a CSE may be the only alternative to preserving a business and stabilizing the economy. At the same time, however, this situation makes it more difficult for the CSE to survive, let alone prosper. This study identified several cases where a CSE approach may have been the only suitable alternative and even though the CSE performed reasonably well, the economic declines threatened its continued viability. In several such cases, the CEB was used in a transitional process to help retain a private business and ultimately return it to the private sector.
The research in this project makes it clear that the CSE approach works best in conjunction with a broader economic development strategy to promote the local economy. A CSB, in essence, includes a combined community development and an economic development approach. One venture, by itself, is unlikely to reverse a local economic downturn and without clear indications of success, may cause investors to lose interest. A significant challenge is how to create an exit or succession plan. More experienced CSEs clearly show that maintaining interest among investors, past or future, can be difficult. An aging population initially vested in the project may have moved on lessening the local commitment. This is especially important in the CSEs that rely on substantial donated time and materials.

While many aspects involved in starting a CSE resemble those in starting other businesses, there are several important considerations for CSEs including a need to work with the public as investors without a clear expectation of financial return. While, initially, the public can become caught up in the excitement and making a commitment to their community, they can lose interest without continued communication regarding the contributions and success of the venture. In other words, maintaining a relationship with investors is especially important even when they may not have control of management decisions.

CSEs are only one of several approaches to financing a business. The increasing use of crowdfunding platforms and the relative ease of accessing residents will likely mean that this financing approach will grow in popularity especially in areas with sparse and declining populations and small markets. Community and economic development practitioners can explore some of the examples in this report and determine whether the models used, or some variant, could work in their area. Not all, but many have proven successful and are making a serious contribution to the quality of life in their community.
Appendix One. Legal business structure formation

All information presented here is from the U.S. Small Business Administration website. It is provided as a resource to aid in future business creation.

**Limited Liability Company (LLC)**

*Description:* Owners of the LLC are its “members” and can include single individuals, multiples, corporations, or other LLCs (depending on state regulations). There are no restrictions to how many members may be included.

*Formation:* The name of the business must indicate that it is an LLC and must be unique to the business. Articles of organization must be filed to legitimize the LLC and include information regarding name, address, and members’ names. A majority of the time these will be filed with the Secretary of State though that may differ from state to state as do filing fees. Operating agreements are not required by most states but are recommended for LLCs with many members. These agreements set in place regulations and rules for the operation of the business and include information on the following: percentage of interests, allocation of profits and losses, members’ rights, responsibilities, and other supplemental information.

Licenses and permits must be obtained once the LLC is registered. These also vary by state, related industry and locality. Federal and state guidelines must be followed when hiring employees. Some states may also require an announcement of LLC creation in a public outlet, such as a newspaper.

*Taxes:* The LLC itself is not taxed and all federal income taxes are paid through members’ personal income. Some states may still tax income for the LLC. Some LLCs will automatically be classified as a corporation when filing taxes though if this is not the case, they may choose to file either a partnership or sole proprietorship tax return.

*Benefits:*

- Limited Liability protects members from personal losses
- Less registration paperwork
- Smaller startup costs
- Less restriction in profit sharing - members decide how to distribute

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9 [https://www.sba.gov](https://www.sba.gov)
**Corporation (C Corp)**

*Description:* A corporation is a business that is owned by a set of shareholders. The sale of shares often takes place through public stock offerings. Shareholders are not legally liable for any actions or decisions made by the business.

*Formation:* A business name must be established and registered with the state government. If an operating name is chosen that differs from the registered name, then the business must file a fictitious name. Some states may require the inclusion of a corporate designation after the proposed name.

Registration is done through the Secretary of State office and may require articles of incorporation, establishment of directors, and issuance of stock certificates to initial shareholders. (These will also depend on the state in which the corporation is filed.) Once registration is complete, licenses and permits must then be acquired. These will likely vary by state, industry, and locality. Any employment must also adhere to state and federal legal requirements. Registration and filing fees vary by state.

*Taxes:* Corporations must pay federal, state, and local taxes. They are required to pay income tax on profits and in some cases may be double-taxed; when profits are made and when dividends are paid to shareholders (on their personal tax returns). When reporting revenue to the federal government, corporations fill out the U.S. Corporation Income Tax Return, IRS Form 1120 or 1120-A. Employees who are also shareholders will pay income tax on their wages.

*Benefits:*

- Limited Liability: shareholders are legally protected from the actions of the corporation and are only accountable for their investment of stock into the company
- Able to raise funds through the sale of company stock
- Corporations and owners file taxes separately; owners pay taxes only on profits paid to them and additional payments are taxed at a corporate rate which is usually less than personal tax rates

**Partnership**

*Description:* A partnership is a business with shared ownership between two or more people. All parties contribute equally into the various aspects of the business and share in the gains/profits and losses.

*Formation:* A legal partnership agreement is required to outline how decisions will be made, how profits will be distributed, a resolution process for disputes, and future changes to the business. A business name must be created, either from the partnership agreement or the last names of the partners. If operating under a different name, then a fictitious name must be filed. Registration is
through the Secretary of State’s office. After registration, licenses and permits must be acquired and vary by state, industry, and locality. Any employment must follow federal and state guidelines. Required registration and filing fees vary by state.

*Taxes:* Partnerships must file an “annual information return” that reports income, gains, deductions, and losses. Income taxes are not paid by the business, but are paid by individual partners on personal tax returns. Partners are not issued a W-2 as they are not employees. Partnerships must file a Form 1065 and any extensions needed must provide copies to all partners by the required date.

Partnership taxes include: Annual Return of Income, Employment Taxes, and Excise Taxes.

Partners are responsible for: Income Taxes, Self-Employment Tax, and Estimated Tax.

*Benefits:*
- Inexpensive and easy to form
- Pooling of resources to obtain capital
- Shared financial burden

**Sole Proprietorship**

*Description:* A Sole Proprietorship is one of the simplest business structures since it is owned and operated by an individual with no distinction between the business and owner. The owner receives all of the profits and is accountable for all losses, debts, and liabilities.

*Formation:* No formal action is needed to form a sole proprietorship but the necessary licenses and permits must be obtained along with any associated fees which vary by state, industry, and locality. Operating under a name different from one’s own requires filing a fictitious name and another name must be chosen that is not already claimed by a different business.

*Taxes:* Since the business and owner are the same, the income of the sole proprietorship is the owner’s income. The owner reports income with a standard Form 1040 and a Schedule C. It is the owner’s responsibility to pay all income taxes including estimated taxes and self-employment.

*Benefits:*
- Least expensive business structure to form
- Complete control over business decisions
- Lowest taxes of all business structures
- Easier tax filings - as the business is not taxed separately
Cooperative

Description: A cooperative is a business that is owned and operated by its members and for the benefit of those members. Membership guarantees voting rights in the business while a board of directors and officers are elected to manage the business. Membership is obtained by the purchase of shares in the cooperative though the number of shares bought does not affect the value of one's vote because this structure has a one member one vote policy.

Formation: A group of individuals meet and agree on a common need and strategy to implement this business. Often meetings, surveys, and feasibility analyses are conducted. If the cooperative incorporates, the following actions must be done:

- Article of incorporation must be filed and approved by the state registry;
- Create bylaws that comply with state laws;
- Create membership application to legally recruit members;
- Elect directors of the cooperative;
- Conduct a charter member meeting to amend and adopt bylaws;
- Obtain relevant business licenses and permits which vary by industry, state, and locality; and
- Any employment must comply with state and federal regulations.

Taxes: Cooperatives are not required to pay federal taxes from the business entity. Instead, members pay federal taxes when filing personal income tax forms. A Form 1099-PATR should be filed on any income received from a cooperative. A consumer cooperative of retail goods or family, personal, or living services must file a Form 3491 Consumer Cooperative Exemption Application. Some cooperatives may be exempt from state and federal taxes.

Benefits:

- Less taxation: only tax the income received from cooperative
- More funding opportunities through various grant programs
- Less disruption when members leave and join
- Democratic leadership
Nonprofit Corporation\textsuperscript{10}

Description: A nonprofit corporation is similar to a regular corporation, although nonprofits are tax-exempt entities that serve a public purpose. They can make a profit, but their main purpose cannot be to do so.

Formation:\textsuperscript{11} An available name must be chosen that complies with state legal requirements. A board of directors is required as well as the creation of bylaws for the organization. Articles of incorporation must be filed with the state where the business is headquartered. Registration with the state is often required prior to engaging in charitable solicitation and fundraising. Other licenses and permits may be required depending on the specific practices of the nonprofit and whether any employment practices will take place.

Taxes: Nonprofits must apply for a Federal 501(c) 3 tax-exempt status by submitting an application through the IRS. Other state applications may be required. If approved, the nonprofit will be exempt from any local, state, and federal taxation. The nonprofit may be required to pay other taxes on related activities, such as employment taxes. Contributions to the nonprofit are eligible for a tax deduction for donors.

Benefits:

\begin{itemize}
  \item Tax exempt status
  \item Tax deductible contributions for donors
  \item Public and private grant programs offer greater funding
  \item Limited liability to shareholders
\end{itemize}

\textsuperscript{10} There are other legal structures for a nonprofit organization though the nonprofit corporation is the most common.

\textsuperscript{11} For more information on separate state requirements please check here.
Appendix Two. Hybrid Organizations

Benefit Corporation

A for-profit corporation that legally recognizes a public benefit as one of its business purposes. There are similar taxation and formation procedures as with a traditional corporation; however, requirements vary in states where this structure has been legalized. The charter of a benefit corporation must state the adopted public benefit. In some cases, a benefit director must be appointed and annual benefit reports are required. These reports are set and assessed by a third party standard that is pre-selected by the benefit corporation.

B-Corporation

Not to be confused with a benefit corporation, a B-Corporation is a for-profit business entity that has been certified through the third party, nonprofit, B-Lab. Companies that have this certification are assessed through strict social, environmental, and performance standards. Recertification is required every few years as well as separate filings, reports, and fees.

Benefit LLC

Combines the legal recognition of social purposes and the organization of traditional LLC’s. Similar practices as with benefit corporations though in an LLC format. This is done so as to allow current LLC’s to adopt social purposes without a requirement to convert to a corporation. Formation, organization, and taxation are similar to traditional LLC’s. Legal efforts regarding BLLC’s are substantially less than other forms.

Social Purpose Corporation (SPC)

Formerly known as a Flexible Purpose Corporation. A for-profit corporation that pursues one or more explicitly stated social or charitable purposes in addition to other corporate goals. Organization, formation, and taxation requirements are similar to those of regular corporations with a few exceptions. Special purposes of the SPC must be included in the articles of incorporation and adhered to by the corporation’s actions and activities. These “special purposes”

12 Information in this section is based on Which Legal Structure is Right for my Social Enterprise? A Guide to Establishing a Social Enterprise in the United States by Morrison & Foerster LLP. For more information regarding legal business formation, social enterprises, and hybrids, this guide may be found here.

13 Further information on B-Lab and B-Corporations can be found here.
must also comply with legal definitions and restrictions which depend on the state of operation. Further annual and current reports must be done to ensure compliance with the set special purposes of the corporation.

**Low-profit Limited Liability Company (L3C)**

A traditional LLC structure that operates for a charitable purpose. Articles of organization must include the social purpose of the L3C. Formation and taxation is similar to traditional LLC’s though further requirements and filings are needed. These will depend on the state in which the L3C will be located. This form offers few advantages over traditional LLC’s aside from greater association to social purposes.

**Hybrid Subsidiary**

Can be a for-profit entity that creates a private nonprofit foundation or a nonprofit organization that creates a for-profit subsidiary. This is done so as to engage in social purpose activities typically associated with nonprofit charities, though through less financially restricted means. The nonprofit organizations are tax-exempt entities and the for-profit businesses are driven by financial incentives. If the nonprofit is the parent company, as long as it holds sufficient ownership of the for-profit subsidiary, it is able to engage in other financial activities and retain its tax-exempt status. If the nonprofit organization is the subsidiary, as a private foundation it is regulated similar to typical nonprofits with some variations.
Appendix Three. Choosing a Business Structure

The following chart is included to help with deciding which business structure is best for an intended enterprise. This diagram is modeled after a guide found in *Which Legal Structure is Right for my Social Enterprise? A Guide to Establishing a Social Enterprise in the United States* by Morrison & Foerster LLP.

Check current state laws and regulations regarding the creation of Social Enterprises and hybrid organizations.\(^{14}\)

\(^{14}\) A guide to the legal status of some Social Enterprises can be found [here](#).
## Appendix Four. Funding Options for Small Businesses

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Traditional Private Sector Capital</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private Equity &amp; Venture Capital</td>
<td>Private investors provide funds in exchange for an ownership share</td>
<td>• Can provide substantial capital and opportunities for growth and follow up funding</td>
<td>• Low successful obtainment rate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Access to new customers, suppliers, and service providers through specialized networks</td>
<td>• Focus on traditional venture sectors</td>
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<tr>
<td></td>
<td></td>
<td>• Providing advisement and management services through due to ownership share</td>
<td>• Due diligence process is expensive and time-consuming</td>
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<td></td>
<td></td>
<td></td>
<td>• Loss of ownership and diminished control</td>
</tr>
<tr>
<td>Angel Investors</td>
<td>Private individuals invest their money for an ownership share</td>
<td>• Includes non-accredited investors</td>
<td>• Concentrated in only a few industries</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Can provide more patient capital</td>
<td>• May not have resources for multiple funding rounds</td>
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<tr>
<td></td>
<td></td>
<td>• Capital is flexible and includes small and large loans</td>
<td>• Active angels may interfere with business operations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Can be less time-consuming and typically requires less due diligence</td>
<td></td>
</tr>
<tr>
<td>SBIC Program</td>
<td>Partners with privately owned, professionally managed investment firms. Most provide debt financing</td>
<td>• Operate similar to private equity and venture capital</td>
<td>• Competitiveness in securing funding</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Provide funding in broader industries and regions</td>
<td>• Amount invested each year is small compared to other forms</td>
</tr>
<tr>
<td><strong>SBA Programs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SBIR &amp; STTR Programs</td>
<td>SBA dispersal of capital from 11 federal agencies that supports small business engagement in federal R&amp;D with the potential for commercialization</td>
<td>• Grants provide zero cost capital</td>
<td>• Suited only for early stage funding</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Federal agencies do not take ownership or property rights</td>
<td>• Working with governmental agencies can be a bureaucratic and time-consuming process</td>
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<tr>
<td></td>
<td></td>
<td>• Competitive but higher acceptance rates</td>
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<tr>
<td></td>
<td></td>
<td>• Finance a broader set of industries</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Some matching funds and gap funding</td>
<td></td>
</tr>
<tr>
<td>Program Related Investments</td>
<td>Investment treated as a grant from a foundation to nonprofit and for-profit organizations</td>
<td>• Debt financing – Retain full ownership</td>
<td>• Relatively small market</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Good source for long-term, patient capital</td>
<td>• Intermediaries may lack knowledge and resources to facilitate investment</td>
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<tr>
<td></td>
<td></td>
<td>• May provide lower-cost capital</td>
<td>• Decision process may be lengthy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Financing across diverse industries and geographies</td>
<td></td>
</tr>
<tr>
<td><strong>Specialized Opportunities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Development Venture Capital</td>
<td>Mission driven VC funds investing in small businesses in underserved communities</td>
<td>• Provides to more diverse industries and regions</td>
<td>• Amount invested each year is relatively small</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Combine VC resources with social/environmental impact investment</td>
<td>• May not be as effective as traditional VC</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Flexibility and ability to make smaller investments</td>
<td></td>
</tr>
<tr>
<td>EB-5 Immigrant Investor Program</td>
<td>Issuance of visa to considerably high investments from immigrants. Created to increase jobs in high unemployment areas using foreign capital</td>
<td>• Can be relatively low cost of capital</td>
<td>• Complex program and small market</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Provides to diverse set of industries and regions</td>
<td>• Costly and difficult to hire intermediaries</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Financing across diverse industries and geographies</td>
<td>• Longer approval times</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Some ownership obligations to investors, typically less control</td>
<td>• Not patient capital</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• May not have resources available for multiple funding rounds</td>
</tr>
<tr>
<td><strong>New Sources</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Revenue Based Capital</td>
<td>Pay fixed percentage of top-line revenues monthly, quarterly, or annually until full investment is paid back. Both debt and equity characteristics</td>
<td>• Debt financing – Retain full ownership</td>
<td>• Relatively small market</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Can be used to fund growth projects</td>
<td>• If structured as equity – dilute ownership and control</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Does not require personal guarantees, collateral, or restrictive covenants</td>
<td>• Payments may have to be made before cash flow is realized</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Incentives to support additional business growth</td>
<td></td>
</tr>
<tr>
<td>Rewards-based Crowdfunding</td>
<td>Web-based platform used to offer a set reward (product or service) in exchange for financial commitment</td>
<td>• Retain full ownership of company</td>
<td>• Smaller funding amounts</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Highly flexible, low cost capital</td>
<td>• May not have resources available for multiple funding rounds</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Low risk, less time-consuming source</td>
<td>• Must leverage network and provide clear value proposition</td>
</tr>
<tr>
<td>Equity-based Crowdfunding</td>
<td>Use of an online platform to raise equity in exchange for an ownership share in a company</td>
<td>• Larger pool of investors – Accredited and Non-accredited</td>
<td>• Loss of ownership and control</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Direct advertisement to the public through online channels</td>
<td>• Complex and new federal and state regulations</td>
</tr>
</tbody>
</table>

Source: Initiative for a Competitive Inner City, 2015
Appendix Five. CSEs, CSBs, and Businesses Using CSE Financing Methods
(Listed Alphabetically by State)

Arizona
   Barrio Bread Company, Tucson

California
   Awaken Cafe, Oakland
   KPFA Radio, Berkeley
   Shingletown Library, Shingletown
   Three Stone Hearth, Berkeley

Colorado
   Fresh Thymes Eatery, Boulder
   Walsh Community Grocery Store, Walsh
   Westwood Food Co-op, Denver

Delaware
   88.7 The Bridge, Milford

Florida
   Dandelion Communitea Cafe, Orlando
   Orlando Health, Orlando

Georgia
   Empower Family Medicine, Decatur

Idaho
   Boise Brewing Company, Boise

Illinois
   40 North, Champaign
   Begyle Brewing, Chicago
   Luna Herb Company, Troy
   Nauvoo Market, Nauvoo
   Recess Brewing, Edwardsville
   Sitka Salmon Shares, Galesburg
   Sketchbook Brewing, Evanston
   SuperValu, Toulon
   Washburn Community Foods, Washburn
Indiana
Burlington Community Library, Burlington

Iowa
The Copper Penny, West Liberty [CLOSED]
The Mercantile, Correctionville
Township Grocery, Bonaparte

Kansas
GCIA Grocery, Gove
Hometown Market, Minneola
The Merc Co-op, Lawrence

Maine
Local Sprouts Cooperative, Portland
Port Clyde Fresh Catch, Port Clyde

Michigan
Mulefoot Gastropub, Imlay City

Minnesota
Northeast Investment Cooperative, Minneapolis
Project Resources Corp, Minneapolis

Montana
Little Muddy Dry Goods, Plentywood
Livingston Mercantile, Livingston

Nebraska
Cambridge General Store, Cambridge
Circle C Market, Cody
Wolf Den Market, Arthur

Nevada
Garnet Mercantile, Ely

New Mexico
New Mexico Tea Company, Albuquerque
New York
  All Good Bakers, Albany
  Community Beer Works, Buffalo
  Greenlight Bookstore, Fort Greene
  Greyston Bakery, Yonkers
  Saranac Lake Community Store, Saranac Lake
  Stolen Chair Theater, New York
  Sweet Deliverance, Brooklyn
  Third Root Community Health Center, Brooklyn

North Carolina
  Renaissance Community Coop, Greensboro

Oregon
  CS Fishery, Garibaldi
  Salt, Fire, & Time, Portland

Pennsylvania
  The Head & The Hand Press, Philadelphia
  Yoga Matrika, Pittsburgh

South Dakota
  Clark Hometown Variety Store, Clark

Texas
  Lenoir Restaurant, Austin

Vermont
  Barnard General Store, Barnard
  Brattleboro Food Co-op, Brattleboro
  Cabot Creamery Cooperative, Waitsfield
  City Market Co-op, Burlington
  Claire’s Restaurant, Hardwick [CLOSED]
  Guilford Country Store, Guilford
  Latchis Hotel & Theater, Brattleboro
  New Leaf Deli & Market, Shelburne [CLOSED]
  Peacham Cafe, Peacham
  Phoenix Books, (Rutland, Essex, Burlington)
  Putney General Store, Putney
  Shrewsbury Cooperative, North Shrewsbury
The Bee’s Knees, Morrisville [CLOSED]
The Commons, Brattleboro
The Gleanery, Putney
The Savoy Theater, Montpelier
West Townshend Country Store, West Townshend
Windham Foundation, Grafton

Wisconsin
   Black Sheep, Rice Lake [COMING SOON]
   Braise, Milwaukee
   Cow and Quince, New Glarus
   House of Brews, Madison
   Mobcraft Beer, Milwaukee

Wyoming
   The Mercantile, Powell [CLOSING]
Appendix Six. Interview Protocol

Name of CSE: ____________________________            State: _______________

Background

These questions ask how the idea for the enterprise came about and the methods used to gain support and momentum from the community. Who initiated the project? Was it a community group, private individual, a government organization? Also, was there a general application of business knowledge (i.e., marketing, sales, finance, operations, etc.) and principles to the venture?

1. How did the business start?
2. When was it started?
3. What was the motivation or intended outcome (note: try to probe for discrete, if possible measurable social, revenue and if relevant, environmental sustainability goals/outcomes)?
4. Who were the main players in creating the business? (positions in community, not names)
5. Were they from the current community or neighboring areas?
6. How many investors contributed to the business initially?
7. Was there an option to invest “in-kind”, namely donated labor, services, etc., along with or instead of money?
8. How much was raised initially from investors to launch the business?
9. Was there a set business plan from the onset? If so, is it followed, updated? (is a copy available?)
10. What products/services/industry best describe the business?
11. Who are the main targeted customer segments?

Structure of Enterprise

What type of ownership structure was chosen for the enterprise and whether this ownership is limited to private individuals, the entire community, or a specific organization? We can then distinguish between public and private ownership. Have the businesses had transitional
ownership from public to private or vice versa? Also looking for different management structures where one group owns the building and equipment and leases to another group.

How was the enterprise funded, both through community financing and other means? Also, the ways that the community provided support, such as volunteering, donation of materials, fundraising events, promotion, etc., will be useful. Was the community the main driving force in this project? If it was, then how and, if not, then what was their level of involvement?

1. What is the legal ownership structure of the business, e.g., LLC, cooperative, etc.? Why was this option chosen?

2. Has this structure changed since the creation of the business? If so, explain.

3. Are those who invested in (own) the business the same as those who operate it? If so, explain.

4. What were the main forms of startup financing? e.g., personal contacts, crowdfunding

5. Has additional financing been needed/secured since startup? For what purposes?

6. Were community financing methods used? Which ones and why?

7. In what other ways was/is the community involved?

Takeaways

The intent is to obtain ideas about what to expect when creating a CSE that can be put to further use for others wishing to start one.

How is the business currently doing and expectations for the health of the business? Also, have the initial goals of the business been realized?

1. How long did the entire process take to start the venture or enterprise? (until it opened)

2. What types of financial rewards were provided? Any in-kind, e.g., discounts on trade as part of the financial return?

3. What were the greatest hurdles to overcome in starting the enterprise?

4. Would anything be done differently, if starting it again?

5. Has this venture succeeded?
   - How has it benefitted the community other than employment?
   - Is it financially profitable? What are current sales?
   - For the past three years?
If the business has since closed, discuss the reasons for closure and what has happened to the building, equipment, and any investors. Has the business reopened under different management or have other similar ventures tried to replace it.

**Future of the Enterprise**

How has the connection to the community grown or dissipated and whether the business is likely to expand? Also, what future developments are planned?

1. How has the business changed since its beginning?
2. What are the plans for the future?
3. Any other comments you would like to make about the experience of starting this venture?

Thanks for participating in this survey. If you wish a copy of the tabulated results, please provide a name and e-mail address.

_________________________________
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