

## Capital Campaign FAQ's

### Questions Specific to the C-Shares Structure:

#### 1. What are C-shares?

C-shares are a unique investment opportunity to help fund the co-op's expansion and earn a reasonable rate of return. C-shares are a special series of share of Co-op stock that are being offered only to Owners who are residents of Maryland. We also think it's great that Owners will get an opportunity to purchase shares – why should the co-op borrow more money and give all of the interest to the bank?

#### 2. Can I purchase more than one C-share?

Yes. Each share is \$500 and the minimum purchase amount is 2 shares (or \$1,000 in Stock). The maximum amount is 200 shares (or \$100,000 in stock).

#### 3. What is the rate of return on the C-shares?

- The C-shares earn dividends at a Base Rate of 4.5% annually.
- The Base Rate will adjust March 1<sup>st</sup> 2024 (5 years from the filing date of the Articles Supplementary) to the Prime Rate plus 1%. This new rate will become a "Floating Rate" – adjusted annually on March 1<sup>st</sup> of each year thereafter.
- The Floating Rate will not be less than 4% or greater than 8%.
- Dividends will be paid out on the C-shares annually on the 1<sup>st</sup> day of December each year, as determined by the Board.
- The Board will determine if any such payment would cause default under other loan covenants. If a dividend payment is deferred, dividends will accumulate and be paid out when possible.

#### 4. Isn't my ownership enough? Why are C-shares needed?

As with any project, there are large construction and equipment costs. Expansion funds will come from a combination of operating cash, owner equity, C-shares, and outside loans. C-shares are time tested methods used by co-ops across the country to raise money and obtain community support. They demonstrate the existence of a loyal customer base to our lenders and reduce debt service, which makes the business stronger.

#### 5. What is the likelihood that the Co-op will be able to buy back my share(s) and when?

We expect that buying back shares will be possible once the Co-op's second location has reached a reasonable level of profitability. We have been in operation since 1974 and have weathered many changes in market conditions over the years. Our Route 85 store, which opened in 2006, was financed through Owner loans and bank loans. We successfully paid off our bank loan in 8 years (2 years early) and we paid off all Owner loans in 7 years (many Owners voluntarily extended their original term lengths to 7 years to continue to earn interest). Based on this track record, we expect to be able to begin to buy back the C-shares after only a modest holding period. In addition, the C-shares have a "Put Right" which takes effect on March 1<sup>st</sup>, 2029, at which time we expect the Co-op to have enough working capital, subject to the discretion of the Board, to redeem the C-shares in groups or in full.

**6. What happens if I need the money back early?**

You should not expect to get the money back early. The Board is not obligated to redeem shares prior to 2029, though it has the discretion to do so in special circumstances if it does not harm the operations of the co-op.

**7. What happens to my investment if I die?**

Your investment is part of your estate and is treated like the rest of your assets. The heirs would then be the owners of the shares. Consult with your financial advisors about it.

**8. What are the risks involved with the C-shares?**

There are risks that are outlined in the Subscription Booklet. Anyone interested in purchasing C-shares will be required to review the Subscription Booklet.

**General Expansion Questions:**

**1. Did the Common Market purchase the building?**

Yes! With savings and financing from Woodsboro Bank we were able to purchase the 7th Street location in February of this year. The staff and Board went through a detailed due diligence period to ensure our purchase was a sound decision. We are proud to have this investment on the books as it gives us greater collateral to leverage for current and future financing needs.

**2. When is the second location going to open?**

We hope to open the location in Spring 2020!

**3. What has the Co-op done so far?**

The planning process for this expansion project began in May 2018 when the 7<sup>th</sup> Street location became available. We purchased the building in February of this year and have worked with the National Cooperative Grocers to develop a Store Plan. We have engaged our Architect, Bates Architects, and our General Contractor, Waynesboro Construction, as part of our team. We have started demolition on the interior of the building and are now in the construction documents and permitting phase.

**4. If I buy a share but the second location does not open, do I get my money back?**

The terms of the C-shares would remain the same, and payout would be at the discretion of the Board and the Co-op is not obligated to buy back the shares until March 1<sup>st</sup>, 2029. We have researched other co-ops who have expanded and built pro forma financial statements to confirm for ourselves and the Owners that an expansion can be successful. We have a high degree of confidence in the project; however the investment does come with risks that are disclosed in the Subscription Booklet.

**5. This is a lot of money to raise. Why so much?**

The 7th Street location was built in 1985 and involves a complete renovation to bring it up to our standards and current code requirements. We will be adding many building enhancements including a new glass front entrance and a more efficient heating and cooling system. If you would like a more detailed breakdown, you may refer to the Subscription Booklet, which has financial information including a Projected Sources and Uses of Funds.

**6. What is this money being used for?**

The C-share money will be used for expenses involved in expanding the Co-op. This includes construction, inventory, equipment expenses, and working capital.

**7. I would like to help, but I don't have the minimum investment amount.**

There are a number of other ways you can still help your Co-op:

- If you have not paid your ownership share in full, it is very helpful if you can do that during our capital campaign.
- Let other Maryland Owners know about this opportunity.
- Telling everyone you know that we need their help to get our second location financed! Encourage them to become Owners.
- You can also buy a \$200 gift equity ownership share for friends and family.

**8. Can't I donate?**

Unfortunately, we do not have the ability to accept charitable donations as we are not a 501c-3 organization. We pay taxes similar to a for-profit corporation.