



**Eastside Food Co-op's Member Investment Program:**  
*Program Description, Financial Disclosure, and Statement of Risks*

***\* \* \* Member Investment Secures Our Future \* \* \****

Eastside Food Cooperative  
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## INTRODUCTION

This document outlines the details of the Eastside Food Co-op Member Investment Program, which is a key tool for member-owners who want to help improve the Co-op's financial stability and increase our capacity to grow and better fulfill our mission. The investment program allows member-owners to do what any business owner must do: invest in the business so that it can operate with less debt and more resources. Through the program, member-owners can purchase non-voting, preferred Class C and Class D stock at a cost of \$500 and \$100 per share, respectively. The purpose of the investment is to help our Co-op to continue to fill its pivotal role as a community-owned, community-minded business that strengthens our local economy and improves the lives of everyone it touches.

All potential investors need to understand that there are risks involved in making an investment in the Co-op, which has only recently achieved profitability, and will carry a significant debt load into the foreseeable future. A detailed description of these risks can be found at page 5. See also the condensed financial statements on page 7.

A full description of the Member Investment Program can be found on page 4, but essentially C-shares and D-shares:

- Are preferred, non-voting stock that costs \$500/share for C-shares and \$100/share for D-shares.
- Earn a dividend of 4% for C-shares and 3% for D-shares, but only in years that the Co-op has sufficient profits to pay it.
- Cannot be sold back to the Co-op until the store has achieved financial stability, which will not be for a number of years.

In this document, you will find the information necessary to appreciate the social value of your investment, while understanding the associated risks. We urge you to read the statement thoroughly, including all of the financial data provided in the financial statements, and to weigh carefully whether you can afford the risk that accompanies a C-share or D-share purchase. As always, thank you for your interest and support.

## ABOUT THE EASTSIDE FOOD CO-OP

The Eastside Food Cooperative is a community business that is owned and operated by its members. In 1996, our predecessor, the Northeast Community Cooperative, began working to establish a natural foods cooperative in Northeast Minneapolis. In March 1999, under the guidance of an entirely new Board of Directors, the organization changed its name to the Eastside Food Cooperative and formally organized as a nonprofit. In 2001, our members voted to convert to a cooperative under Chapter 308A of the Minnesota Statutes.

Self-christened "The Little Co-op That Could," the Eastside Food Co-op opened its store in Northeast Minneapolis on December 4, 2003, against considerable odds. Many doubted our ability to open a natural foods co-op in the community because of its demographic make-up, its relatively modest income levels, and the shopping patterns of its residents. We prevailed thanks to the perseverance of a core group of supporters, enthusiastic community support, and financial investment from many sources.

In March 2003, the Co-op purchased a 12,000-square foot building on Central Avenue, a main commercial thoroughfare in Northeast Minneapolis. A former grocery store, the building was

ideally suited to our needs, and included ample parking, existing tenants, and room for future expansion. Our construction and build-out budget was just under \$2 million. We raised this money through low-interest, long-term Neighborhood Revitalization Program (NRP) loans from the neighborhood associations of Audubon Park, Holland, Sheridan, Waite Park, and Windom Park, as well as through commercial loans, vendor credit, member loans, and loans from other Twin Cities co-ops.

Construction began in August 2003, and we opened for business on December 4, 2003. Since then EFC's member households have almost quadrupled, from 750 to over 2700. In our first year we had sales of over \$2 million, and our sales have continued to grow, exceeding initial projections. Our 2008 sales were \$3.8 million and have continued to exceed projections in 2009. A recent survey of pedestrians by the Northeast Community Development Corporation identified the Eastside Food Co-operative as the number one shopping destination on Central Avenue.

Our path to success has not been without its share of hazards. In 2005, the Co-op's management and Board of Directors realized that, due to a combination of factors, the business would face a projected cash flow deficit of unsustainable proportions by mid-2008 unless we found a way to better manage our sizable debt. In response, we undertook a comprehensive recapitalization campaign that included developing the Member Investment Program described in this statement. The Program allows members to invest in the business by purchasing stock, rather than making loans, which relieves the Co-op of the burden of additional debt while allowing a fresh infusion of capital. The recapitalization campaign was declared a success in April 2007, and the Co-op now projects manageable cash flow over the next few years and has a small capital reserve in place. Even so, a need for continued investment by our member-owners remains if we are to continue our progress toward long-term financial stability and to find new and exciting ways to implement our collective vision for the Co-op's future.

The Co-op has many written policies that guide our efforts to operate a socially conscious, community-minded business. Consistent with these policies, we provide our customers with products and services that are environmentally sound and socially responsible, and that promote the health of the individual and the planet. We embrace practices and make decisions that support a healthy, sustainable environment, and recognize the connections between our neighborhood and the communities of the world. We provide and support a market for local, organic, and sustainable agriculture and foods. And we give preference to spending the Co-op's money so that it stays in both our geographic and cooperative community.

At last count, almost 2800 member households owned the Eastside Food Co-op, a number that grows every day. We are governed by a voluntary, democratically elected Board of Directors and operated by a paid staff. We strive to maintain a safe, participatory workplace that promotes fair and respectful relationships, and that operates efficiently for the long-term benefit of our employees, our members, and our community. Members are the Co-op's backbone, supporting it financially, participating in its governance, and shopping loyally in its friendly, neighborly aisles.

## OVERVIEW OF THE MEMBER INVESTMENT PROGRAM

Our Member Investment Program offers member-owners the opportunity to support the Co-op through the purchase of C-shares and D-shares. C-shares and D-shares are a form of stock in the Co-op that only EFC members can buy, at a cost of \$500 and \$100 per share, respectively. By purchasing stock in the Co-op, member-owners can make a financial investment in the store and help to build its financial stability. Relying on members to provide capital is part of what makes co-ops unique, and it is a critical part of successful member ownership.

*C-shares and D-shares are preferred, non-voting stock.*

C-shares and D-shares are *preferred* stock, which means that if the Co-op were to dissolve or go bankrupt, they would be paid back before regular membership shares. (C-shares have priority over D-shares.) However, the Co-op's lenders, including the bank, the neighborhoods, and our member lenders, would be paid back *before* C and D-shareholders. C-shares and D-shares are *non-voting*, which means that they do not include any right to cast additional votes on Co-op matters. Regardless of how many C-shares or D-shares you own, you still have only one vote.

*C-shares and D-shares earn dividends, but only in years that the Co-op can afford to pay them.*

The Board has set the dividend rate of 4% for the current series of C-shares and a rate of 3% for the current series of D-shares. The Co-op will pay dividends only in years in which it can afford to do so. If dividends are not paid, they do not accumulate for payment at a later date.

*C-shares and D-shares can only be redeemed if authorized by the Board of Directors.*

These shares cannot be *redeemed* (that is, sold back to the Co-op by the shareholder) without the Board of Directors' authorization. Under our articles of incorporation, the Board cannot authorize the redemption of C-shares or D-shares unless the Co-op has sufficient capital reserves and working assets. Under current projections, the Co-op may not reach this point for a number of years. In short, there is no guarantee that investors will be able to sell their C-shares or D-shares back to the Co-op anytime soon, and they should be viewed as a long-term investment. These shares also cannot be sold to anyone other than the Co-op.

*Proceeds from the sale of C-shares and D-shares are used for purposes approved by the Board.*

The use of proceeds from sales of C-shares and D-shares requires approval of the Board. A separate accounting is kept so that we can report to investors how the funds are used. Proceeds are more likely to be directed at capital improvements or efforts to improve the Co-op's long-term financial stability (such as by debt reduction), rather than for operational expenses.

### *Administrative Details*

Each year, the Board determines whether a dividend is to be paid on C-shares and D-shares by the declaration date of October 15. If declared, dividends are paid on any stock held on the official record date of August 31 of that year. The Board did not declare a dividend in the first three years of the Member Investment Program.

When members purchase a C-share or D-share, EFC maintains a formal record of the purchase in electronic database form. Members receive a yearly account statement reflecting the number of C-shares and D-shares that they own, notice of the Board's decision whether to declare dividends, and the amount of any dividend the member is to receive. If members who share a household membership wish to purchase shares jointly, EFC will issue such stock in joint ownership form, and pay any dividends or redemptions accordingly.

## DISCLOSURE OF RISKS

*Investors should be aware that an investment in C-shares or D-shares is speculative, non-liquid, and involves a significant degree of risk. While the Co-op has listed all of the known risk factors, there may be additional, unrecognized risks. An investment in the Co-op is suitable only for people who can afford the loss of their entire investment. Accordingly, in making their investment decision, investors should carefully consider the following risk factors, as well as other information supplied by the Co-op.*

*This Disclosure Statement contains “forward-looking statements” within the meaning of the United States federal securities laws. Such statements involve risks and uncertainties and can be identified by the use of forward-looking terminology, such as “may,” “will,” “expect,” “anticipate,” “estimate” or “continue.” Actual results could differ materially from those projected in the forward-looking statements due to a number of factors, including those identified in this section and elsewhere in this Disclosure Statement.*

**General Risks.** There are general risks inherent in any undertaking of this nature, many them beyond management’s control. The likelihood of the Co-op achieving successful growth and financial stability must be considered in the light of potential difficulties and unforeseen problems encountered in such efforts.

**Risk of long-term minimal profitability.** While the Co-op is presently exceeding its projected sales and earned a small profit in 2008, current projections do not anticipate significant profitability until 2011. There is no guarantee that the Co-op will be able to achieve sufficient store sales and operational efficiency to achieve profitability.

**Risk of unforeseen catastrophic events.** While the Co-op maintains normal insurance coverage, there is no guarantee that it will be able to recover from the financial consequences that might accompany major losses.

**Competitive conditions.** The retail food industry is highly competitive, and many of the Co-op’s competitors are owned by large, diversified food companies with far greater resources. At least one large supermarket chain has made preliminary efforts to open a store on Central Avenue within blocks of the Co-op in recent years. The 2006 opening of Lund’s grocery store in the St. Anthony West neighborhood and the subsequent opening of a SuperTarget in Fridley appeared to have a temporary negative impact on the Co-op’s sales.

**Reliance on key personnel.** The Co-op relies on the management staff and its Board of Directors, none of whom has any legal commitment about their length of service with the Co-op.

**Nonliquidity of shares.** C-shares and D-shares cannot be transferred or sold, and cannot be redeemed until authorized by the Board of Directors. The Board cannot call any shares for redemption until the Co-op has achieved various measures of financial stability, which is not projected to occur for many years.

**Suitability standards.** The opportunity to purchase a C-share or D-share is only available to persons having a pre-existing relationship with the Co-op, and who are fully-paid members and bona fide residents of the State of Minnesota. It is only suitable for those who understand the nature of the risks involved and can afford to assume them; who can afford to sustain a loss of their investment; and who have adequate financial means and no need for liquidity in any funds invested. Dividends are taxable and will be reported with a 1099DIV to the federal government. If you have any questions, you should talk to a tax advisor or an attorney.

## CONDENSED FINANCIAL INFORMATION

*This condensed financial information provides a snapshot of the Co-op's current financial picture and is drawn from the Co-op's detailed pro formas, which are available at the store. While we have made every effort to base these projections on reasonable and prudent assumptions, there is no guarantee that they will prove to be accurate. We will gladly provide detailed financial statements to prospective investors upon request.*

### EASTSIDE FOOD CO-OP BALANCE SHEET (April 2009)

	Budget 2009	Budget 2010	Budget 2011	Budget 2012	Budget 2013	Budget 2014
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash	77,185	36,810	71,539	129,602	211,710	306,122
Prepaid Items	5,355	5,518	5,683	5,854	6,029	6,210
90-Day CD - RESTRICTED	21,350	21,950	22,608	23,287	23,985	24,705
Inventories	166,961	172,039	177,200	182,516	187,991	193,631
Accounts Receivable	4,834	4,981	5,130	5,284	5,443	5,606
<b>Total Current Assets</b>	<b>275,684</b>	<b>241,297</b>	<b>282,161</b>	<b>346,543</b>	<b>435,159</b>	<b>536,274</b>
<b>Fixed Assets</b>						
Land	186,000	186,000	186,000	186,000	186,000	186,000
Building	429,506	429,506	429,506	429,506	429,506	429,506
Start-up Costs	-15,709	-15,709	-15,709	-15,709	-15,709	-15,709
Equipment & Fixtures	390,478	430,678	473,745	521,120	573,232	630,555
Capitalized Loan Fees	14,254	14,254	14,254	14,254	14,254	14,254
A/A - Cap. Loan Costs	-12,603	-14,583	-14,583	-14,583	-14,583	-14,583
Building Improvements	589,980	625,980	644,760	664,103	684,026	704,547
Accumulated Depreciation	-472,251	-589,731	-641,225	-696,307	-758,665	-828,793
<b>Net Fixed Assets</b>	<b>1,109,655</b>	<b>1,066,395</b>	<b>1,076,748</b>	<b>1,088,383</b>	<b>1,098,061</b>	<b>1,105,776</b>
<b>Other Assets</b>						
Other Assets	46,790	46,790	48,194	49,640	51,129	52,663
<b>Net Other Assets</b>	<b>46,790</b>	<b>46,790</b>	<b>48,194</b>	<b>49,640</b>	<b>51,129</b>	<b>52,663</b>
<b>TOTAL ASSETS</b>	<b>1,432,129</b>	<b>1,354,482</b>	<b>1,407,103</b>	<b>1,484,566</b>	<b>1,584,349</b>	<b>1,694,713</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Accounts Payable	176,889	183,969	189,489	195,173	201,028	207,059
Accrued Expenses	35,988	38,514	19,481	20,260	21,071	21,808
Income Tax Payable	0	0	0	0	0	0
Dividend Payable - C-Shares						
Pending	0	0	12,020	0	-12,020	0
Current Portion Member Loans	28,700	9,500		0	0	0
Current Portion MDCA 2% Loan	4,494	4,586	4,594		0	0

	<i>Budget 2009</i>	<i>Budget 2010</i>	<i>Budget 2011</i>	<i>Budget 2012</i>	<i>Budget 2013</i>	<i>Budget 2014</i>
Current Portion						
Audubon/Holland/WP/Sheridan	15,320	15,787	16,267	16,761	17,271	17,797
Current Portion Waite Park #2	369	380	1,980	1,991	2,004	2,017
Current Portion NE Bank 1st Mortgage	18,174	19,879	21,744	23,784	26,015	28,455
Current Portion NE Bank 2nd Mortgage	3,775	4,129	4,516	4,940	5,404	5,911
Current Portion NE Bank Line of Credit	9,141	9,801	10,510	11,270	12,084	12,958
<b>Total Current Liabilities</b>	<b>292,849</b>	<b>286,545</b>	<b>280,601</b>	<b>274,180</b>	<b>272,857</b>	<b>296,005</b>
<b>Other Liabilities</b>						
Security Deposits Payable	6,400	6,400	6,400	6,400	6,400	6,400
<b>Total Other Liabilities</b>	<b>6,400</b>	<b>6,400</b>	<b>6,400</b>	<b>6,400</b>	<b>6,400</b>	<b>6,400</b>
<b>Long Term Liabilities</b>						
Member Loan	15,000	0				0
MCDA 2% Loan	11,123	6,886	2,649	0	0	0
Member Loans - Interest Payable	183	49				0
Audubon/Holland/Windom NRP Loan	463,429	447,641	431,374	414,612	397,340	379,542
Waite Park NRP loan #2	10,481	10,100	8,120	7,716	7,299	6,870
NE Bank Mortgage	442,974	423,095	401,351	377,567	351,552	323,097
NE Bank Loan - 2nd mortgage	92,023	87,894	83,377	78,436	73,031	67,120
Bank Loan - Revolving	64,612	54,811	44,300	33,030	20,946	7,987
<b>Total Long Term Liabilities</b>	<b>1,099,825</b>	<b>1,030,476</b>	<b>971,171</b>	<b>911,361</b>	<b>850,168</b>	<b>784,617</b>
<b>TOTAL LIABILITIES</b>	<b>1,399,074</b>	<b>1,323,422</b>	<b>1,258,171</b>	<b>1,191,941</b>	<b>1,129,425</b>	<b>1,087,022</b>
<b>EQUITY</b>						
C-Shares	300,500	300,500	300,500	300,500	300,500	300,500
Less: Dividend on C-Shares	12,020	12,020	0	0	12,020	12,020
D-Shares	2,000	10,000	10,000	10,000	10,000	10,000
Memberships	294,806	329,806	364,806	399,806	434,806	469,806
Retained Earnings	-471,272	-576,271	-621,265	-526,375	-417,681	-302,403
Y.T.D. INCOME/LOSS	-104,999	-44,995	94,891	108,694	115,278	117,768
<b>TOTAL EQUITY</b>	<b>33,055</b>	<b>31,061</b>	<b>148,931</b>	<b>292,625</b>	<b>454,923</b>	<b>607,691</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,432,129</b>	<b>1,354,482</b>	<b>1,407,103</b>	<b>1,484,566</b>	<b>1,584,349</b>	<b>1,694,713</b>

## Eastside Food Co-op Income Statement (April 2009)

	<i>Budget 2009</i>	<i>Budget 2010</i>	<i>Budget 2011</i>	<i>Budget 2012</i>	<i>Budget 2013</i>	<i>Budget 2014</i>
RETAIL SQ/FT	4162	4162	4162	4162	4162	4162
GROSS SALES SQ/FT ANNUALIZED	971	1,013	1,058	1,101	1,145	1,185
<b>GROSS SALES</b>	<b>4,042,054</b>	<b>4,214,783</b>	<b>4,404,449</b>	<b>4,580,626</b>	<b>4,763,852</b>	<b>4,930,586</b>
% SALES GROWTH	8%	4%	5%	4%	4%	4%
COST OF GOODS SOLD	2,607,756	2,702,725	2,807,836	2,920,149	3,036,955	3,143,249
• AS % OF SALES	65%	64%	64%	64%	64%	64%
<b>GROSS MARGIN</b>	<b>1,434,298</b>	<b>1,512,059</b>	<b>1,596,613</b>	<b>1,660,477</b>	<b>1,726,896</b>	<b>1,787,338</b>
• AS % OF SALES	35%	36%	36%	36%	36%	36%
<b><u>EXPENSES</u></b>						
Personnel	917,918	979,834	1,013,023	1,053,544	1,095,686	1,134,035
• AS % OF SALES	23%	23%	23%	23%	23%	23%
Total Occupancy Expenses	317,335	276,483	190,663	200,653	214,635	229,429
• AS % OF SALES	8%	7%	4%	4%	5%	5%
Total Operating Expenses	99,200	104,998	107,477	110,068	112,777	115,607
• AS % OF SALES	2%	2%	2%	2%	2%	2%
Total Administrative Expenses	42,082	33,950	34,600	35,283	35,999	36,752
• AS % OF SALES	1%	1%	1%	1%	1%	1%
Total Governance/Member expense	79,282	59,809	62,188	64,676	67,277	69,997
• AS % OF SALES	2%	1%	1%	1%	1%	1%
Total Advertising	37,112	39,000	39,750	41,738	42,564	44,693
• AS % OF SALES	1%	1%	1%	1%	1%	1%
<b>Total Expenses</b>	<b>1,492,929</b>	<b>1,494,075</b>	<b>1,447,702</b>	<b>1,505,962</b>	<b>1,568,938</b>	<b>1,630,513</b>
• AS % OF SALES	37%	35%	33%	33%	33%	33%
<b>INCOME FROM OPERATIONS</b>	<b>-58,631</b>	<b>17,984</b>	<b>148,911</b>	<b>154,515</b>	<b>157,958</b>	<b>156,825</b>
• AS % OF SALES	-1%	0%	3%	3%	3%	3%
Total Other Revenues (Expenses)	24,807	15,850	15,396	14,927	14,445	13,988
• AS % OF SALES	1%	0%	0%	0%	0%	0%
Total Interest Expense	69,175	77,528	68,016	59,149	55,405	51,285
• AS % OF SALES	2%	2%	2%	1%	1%	1%

	Budget 2009	Budget 2010	Budget 2011	Budget 2012	Budget 2013	Budget 2014
PROFIT/(LOSS) BEFORE TAXES	-102,999	-43,695	96,291	110,294	116,998	119,528
• AS % OF SALES	-3%	-1%	2%	2%	2%	2%
INCOME TAXES	2,000	1,300	1,400	1,600	1,720	1,760
• AS % OF SALES	0%	0%	0%	0%	0%	0%
<b>PROFIT/LOSS</b>	<b>-104,999</b>	<b>-44,995</b>	<b>94,891</b>	<b>108,694</b>	<b>115,278</b>	<b>117,768</b>
• AS % OF SALES	-3%	-1%	2%	2%	2%	2%
<b>TOTAL CASH FLOW</b>	<b>39,834</b>	<b>-40,375</b>	<b>34,729</b>	<b>58,064</b>	<b>82,108</b>	<b>94,411</b>
BEGINNING CASH	37,351	77,185	36,810	71,539	129,602	211,710
<b>ENDING CASH</b>	<b>77,185</b>	<b>36,810</b>	<b>71,539</b>	<b>129,602</b>	<b>211,710</b>	<b>306,122</b>

## CO-OP STRUCTURE AND MISSION

The Eastside Food Cooperative is a member-owned, natural foods cooperative. Each member household is entitled to vote for directors, to vote on other matters as mandated by our by-laws and articles of incorporation, and to participate in policy discussions concerning co-op business.

EFC adheres to the Rochdale Cooperative Principles:

- *Voluntary and Open Membership*
- *Democratic Member Control*
- *Member Economic Participation*
- *Autonomy and Independence*
- *Education Training and Information*
- *Cooperation among Cooperatives*
- *Concern for Community*

In April 1999, EFC adopted this Mission Statement:

*Eastside Food Cooperative will provide wholesome, high-quality natural and organic food at the lowest possible cost to members, volunteers and customers. The cooperative is committed to building community through volunteerism, neighborhood reinvestment and local participation. Our actions, policies and products will reflect our role as an environmental steward of our planet and will be guided by the Rochdale cooperative principles.*

## KEY PERSONNEL

*Amy Fields* is the General Manager of EFC. She has worked in natural foods cooperatives for twelve years (nine as a general manager), and has worked in the non-profit sector for all of her professional life. Prior to coming to EFC, Amy worked at The Community Mercantile in Lawrence, Kansas, where she launched the co-op's first major relocation and expansion. She

subsequently led The Merc through a tenuous financial phase, which set the stage for an even larger expansion and relocation in 2000. Amy lives in the Holland neighborhood with her family.

*Kristina Gronquist* has been EFC's Assistant Manager since the store opened. She has extensive management experience in the construction and energy conservation industries and in the non-profit field. Before joining the co-op, she was self employed as a small business consultant, and operated a successful coffee shop. Kristina lives in Northeast Minneapolis with her father, Nels and her teenage daughter, Sofia.

## BOARD OF DIRECTORS

A nine-member Board of Directors, democratically elected from among the membership, governs the Eastside Food Cooperative. The Board of Directors oversees the Co-op's fiscal health, sets policy, hires and holds accountable the General Manager, and represents the membership. The Board of Directors currently includes:

*Joy Anderson, Treasurer.* Joy is a resident of the Windom Park neighborhood and a longtime supporter of the Co-op. She holds a degree in business from the University of Minnesota, and works in the catering business and as a jewelry designer. She joined the Board in May 2005.

*Kathryn Brewer.* Kathryn Brewer is retired from a career in banking and academics, and currently sells organically grown produce at the Northeast Farmer's Market, among other things. She has degrees in finance and management from the University of Minnesota. Kathy has served on the Board since 2004.

*Tom Dunnwald, Vice-President.* Tom Dunnwald joined the Board in 2006 and presently serves as its vice-president. Originally from Waterville, MN, the "Bullhead Capitol of the World," Tom spent three seasons as a deckhand and mate on upper Mississippi towboats during his salad days. He now practices law with his wife, Sonja Peterson, at their firm, Dunnwald & Peterson, PA. They live in the Audubon Park neighborhood along with their daughter, Clara, who attends the Pillsbury School.

*Bobbie Fredsall* has been a board member since 2008. She has lived in Northeast Minneapolis and been an EFC member since 2003. A resident of St. Anthony Village, has worked as a college professor, teaching undergraduate computer science, and in academic administration and student advising. She recently completed a graduate certificate program in nonprofit management at the University of Minnesota.

*Lisa Friedman.* Elected to the board in 2008, Lisa Friedman lives in the Audubon Park neighborhood. She is an ordained Unitarian minister and the parent of two young children.

*Patty Hickey.* A Northeast resident since 1976, Patty has a degree on Medical Technology from the University of Minnesota. Since 1992, she has worked in the hematology quality control lab at R&D Systems, a biomedical manufacturer located in Northeast Minneapolis. She has been a member of the Board of Directors since 2003, where she oversees policy governance.

*Ginny Sutton, Secretary and Past President.* Ginny Sutton is a past president of the Board of Directors, and led EFC during its critical pre-opening years. She is a freelance graphic designer and landscape designer and has served on the Board since 2000. Ginny lives in the Holland neighborhood.

*Shawna Thompson.* Shawna Thompson joined the Board in 2006. She brings 15 years of customer service experience to the board, have worked as a salon manager and a 911 operator for the City of Minneapolis. She is currently the Financial Literacy Program Coordinator for WomenVenture, where she teaches personal finance classes and does case management for a program designed to get individuals and families out of poverty. She is also working toward a BA in social work with a minor in women's studies.

*Leslie Watson, Board President.* Leslie is an attorney and a freelance writer and lives in the Columbia Park neighborhood. She has been actively involved in the Co-op's last two member loan campaigns and this C-share program. Leslie has been a Board member since 2002.

## **EFC CAPITAL STRUCTURE**

Eastside Food Co-op's articles of incorporation authorize up to \$2,500,000 in stock, divided into four classes:

- Class A stock of up to 150,000 shares with a par value of \$5.00 per share.
- Class B stock of up to 150,000 shares, with a par value of \$5.00 per share.
- Class C stock of up to 1,000 shares, with a par value of \$500.00 per share.
- Class D stock of up to 5,000 shares, with a par value of \$100.00 per share.

Class A stock is the "ownership share," and is the only class of stock that includes the right to vote. All member-owners purchase one share of Class A stock as part of their membership fee. No dividends are paid on Class A stock.

Class B Stock can be issued in lieu of patronage refunds, in exchange for Class A stock, or to organizations that are not otherwise eligible to be members. Class B stock is non-voting and is not eligible for dividends.

Class C and Class D stock may only be issued to holders of Class A stock, i.e., to member-owners. Because of restrictions under state and federal securities laws, purchasers of Class C and Class D stock must also be residents of Minnesota. Dividends may be paid on Class C and Class D stock at the discretion of the Board of Directors. Class C and Class D stock may be issued with any dividend rate up to eight percent per year. Dividends are not cumulative.

## **IMPORTANT NOTICE TO INVESTORS**

The information in this Disclosure Statement is confidential. By accepting delivery of the Statement, you agree not to reproduce and to return it and all enclosed documents to the Co-op if you do not purchase any shares. Any reproduction or other distribution of this disclosure statement, in whole or in part, without the prior written consent of the Co-op, is strictly prohibited.

This Disclosure Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state other than Minnesota.

You should be aware that you will be required to bear the financial risks of this investment for an indefinite period of time, and that you cannot sell or transfer C-shares or D-shares to any person or entity except the Co-op.

These C-shares and D-shares have not been registered under the Federal Securities Act of 1933, as amended, or any state securities laws, and are being offered and sold under a claimed exemption from registration requirements of such laws. Neither the Securities Exchange Commission nor any state securities authority has made an independent determination that these C-shares are exempt from registration.

The Co-op reserves the right to reject any Agreement to Purchase for any reason. The Co-op will be deemed to have accepted an Agreement to Purchase only when an authorized officer has signed the agreement on behalf of the Co-op and returned it to the investor. *Deposit of an investor's check will not constitute acceptance.*

The Co-op and its directors, officers, and any other representative of the cooperative do not assume any responsibility for economic or tax advice or consequences concerning this investment.

The Co-op has supplied and is responsible for the contents of this Disclosure Statement. No one has been authorized to give any information or to make any representations other than those in this Disclosure Statement.

The delivery of this Disclosure Statement does not imply that there has been no change in the affairs of the Co-op since the date the Statement was written, or that the information in the Statement is correct at any time after that date.

We urge you to read this Disclosure Statement carefully. We will give each prospective investor an opportunity to ask questions of persons authorized to act on behalf of the Co-op, and will provide any additional information that we can to verify the accuracy of the information in this Disclosure Statement. If you desire additional information or documents to verify or supplement the Disclosure Statement, please contact Amy Fields, General Manager, Eastside Food Cooperative, 2551 Central Avenue NE, Minneapolis, MN 55418, (612) 788-0950, [amy@eastsidefood.coop](mailto:amy@eastsidefood.coop). As part of the Agreement to Purchase, investors will be required to verify in writing that they were given the opportunity to obtain additional information.

### **HOW TO PURCHASE C-SHARES or D-SHARES**

To purchase C-shares or D-shares, complete the Agreement to Purchase attached to this Disclosure Statement and return it, along with your check, to the Eastside Food Cooperative, Attn: Member Investment Program, 2551 Central Avenue NE, Minneapolis, MN 55418. The Co-op reserves the right to reject any Agreement to Purchase for any reason, and to withdraw, cancel, or modify this offering at any time.

**Thank you for your support!**

## AGREEMENT TO PURCHASE CLASS C AND CLASS D SHARES

*If you are interested in purchasing shares of Class C or Class D stock in the Eastside Food Cooperative, please complete and return the following form. When accepted by the Eastside Food Cooperative (“the Co-op”), this Agreement to Purchase will constitute an irrevocable subscription for shares of, preferred, nonvoting of the Co-op. A copy of the signed, accepted Agreement will be returned as a receipt and an electronic account will be established in your name. The Co-op will provide regular, written statements of your holdings at the address provided in the Registration Information.*

I/we, \_\_\_\_\_ (“Purchaser”) hereby agrees to purchase:

\_\_\_\_\_ **shares of series 2 Class C, preferred, nonvoting stock** in the Eastside Food Cooperative (“the Co-op”) at a price of \$500 per share;

**- and/or -**

\_\_\_\_\_ **shares of series 1 Class D, preferred, nonvoting stock** in the Co-op at a price of \$100 per share.

By signing this agreement, I acknowledge that the Co-op is relying on my representations in complying with its obligations under federal and state securities laws.

Purchaser makes the following representations:

1. I have relied only on the information contained in the Disclosure Statement provided by the Eastside Food Cooperative in evaluating this offering.
2. I have had an opportunity to review any documents that I requested from the Co-op to verify the information contained in the Disclosure Statement.
3. I am a fully-paid member of the Eastside Food Cooperative and a resident of Minnesota.
4. I have the knowledge and experience to adequately evaluate this investment.
5. I realize that these shares are sold pursuant to an exemption from federal and state securities laws, and that they are not freely transferable.
6. I have examined the Co-op’s financial disclosures and realize that the business has negative equity and has yet to achieve operating profitability.
7. I understand that this investment is highly speculative and involves a substantial degree of risk, including, but not limited to, the risk factors identified in the accompanying Disclosure Statement.
8. I understand that if the Co-op were to fail, my investment would be lost.

<b>REGISTRATION INFORMATION: (Please print)</b>	
Name of Purchaser(s):	Purchaser #1:
	Purchaser #2:
Street Address (Mail notices and reports to):	
City/State/Zip Code:	
Telephone Number(s):	
Social Security Number: (Note that 1099-DIV will be issued under SSN of Purchaser #1.)	Purchaser #1:
	Purchaser #2:
Tax I.D. (If applicable):	
# Shares Purchased:	_____ C-shares @ \$500 per share (series 2)  _____ D-shares @ \$100 per share (series 1)
Amount of Funds Enclosed:	\$ _____

The Purchaser(s) is/are (check one):

- \_\_\_\_\_ A Corporation
- \_\_\_\_\_ A single person
- \_\_\_\_\_ Husband and wife, community property
- \_\_\_\_\_ Tenants in common
- \_\_\_\_\_ A married (man) (woman) as (his) (her) separate property

**SIGNATURES (All Purchasers must sign.):**

Purchaser #1: \_\_\_\_\_ Date: \_\_\_\_\_  
 Print name: \_\_\_\_\_

Purchaser #2: \_\_\_\_\_ Date: \_\_\_\_\_  
 Print name: \_\_\_\_\_

**Please mail this completed Agreement along with your check or money order to:** Eastside Food Cooperative, Attn: Member Investment Program, 2551 Central Avenue NE, Minneapolis, MN 55418.

**ACCEPTANCE BY COMPANY:**

Subscription accepted this \_\_\_\_\_ day of \_\_\_\_\_, 2009, by the Eastside Food Cooperative.

By \_\_\_\_\_  
 Its President, Board of Directors