CAPITAL CAMPAIGN FAQ

Investment Campaign

1. **What is a preferred share?** A preferred share is a special type of non-voting stock that pays a return (up to 5.5%) out of cooperative profits called dividends. They are called preferred to differentiate them from the ownership shares that do not earn a dividend.

2. **Isn't my ownership enough? Why is a preferred stock purchase needed**? When a co-op needs capital funds for projects, those dollars come from a mix of owner equity, preferred shares, donations and sometimes outside loans. Preferred stock purchase programs are long-standing methods used by co-ops to raise money and gather community support for their stores. They demonstrate the existence of a loyal customer and community base and reduce debt service, making the business stronger.

3. **How are dividends paid?** Every year the Board of Directors will assess whether a dividend can be paid, based on the financial performance and needs of the co-op. The dividend rate for preferred shares is 4% (with an additional .75% for investments over $10,000, and another .75% for investments over $25,000). Dividends do not accrue annually, whether or not the Board is able to issue payments. If dividends are not paid in a given year, they will not be payable at the next Board-declared distribution.

4. **When do the preferred shares mature?** Preferred shares have no fixed maturity date. Shareholders can request to cash out their shares in writing to the Board of Directors after year 5, but in order to benefit the cooperative and community, these shares should be considered long term investments.

5. **What if we don't reach our $1,000,000 goal?** Our strategic plan outlines numerous objectives for the near future, some of which are relatively achievable with a modest infusion of capital, others would require a more substantial investment. Even if we only achieve a fraction of our capital campaign goal, any money that we raise can still help the Co-op grow. For example, hiring an architect, consultants, and contractors to expand the store's footprint may not be achievable with less than $1,000,000, but upgrading our deli cooler with a larger and more reliable unit would allow us to offer a greater selection and improve quality control.

6. **How do I get my money back?** Preferred Stockholders may request to redeem their stock from the cooperative's Board of Directors 5 years after investment, Any redemption request requires approval of the cooperative's Board of Directors and is subject to availability. It is recommended that you only invest funds that you will not need for 10+ years.

   If the co-op ever goes out of business its assets will be liquidated and funds will be used in the following order: liabilities will be paid and the remaining cash will be distributed to shareholders. It is unlikely that all of an owner's investment could be returned if the co-op ceases operation because capital expenses will have been incurred. We have a high degree of confidence in the future of the co-op in the near and long term and yet always, investment has risk.

7. **Will this affect my taxes?** Consult your tax advisor to learn how these preferred shares might affect your taxes. The co-op will send out the appropriate forms to shareholders each year they receive a dividend

8. **If I invest, will the co-op [GET A NEW NUT BUTTER GRINDER, REPLACE THAT FUNKY COOLER, IMPROVE THE PARKING or anything else folks may ask or complain about?]** We don't know the full scope of the changes yet, but many are described in our 2026-2028 Strategic Plan. We love to hear your input and we'll pass your question on to the store management.

General Co-op Questions

1. **What is a co-op?** A co-op is a member-owned and directed enterprise that operates for the mutual benefit of all owners and others in the community.

2. **Can the co-op be financially successful?** Financial performance of co-ops around the country has shown the potential to be extremely good, and East End has served Pittsburgh for many years and expects to continue for many years to come.

3. **Why do co-ops have ownership?** Co-ops are built on ownership. Owners help make decisions about the co-op. Owners also provide the start-up financial foundation of the business.

4. **What is the Board of Directors?** The Board of Directors is responsible for legal and financial decisions that affect the co-op. The Board is elected by the owners of the co-op.

5. **What has the co-op done so far?** Since 1972, the East End Food Co-op has been a trusted resource for Pittsburgh residents seeking organic, local, and fair-trade groceries. Over the years, our co-op has grown and adapted, yet its commitment to providing high-quality, wholesome foods has remained unwavering.

6. **How much does it cost to become an owner?** $100. This amount purchases one voting share of East End Food Co-op . It is not a subscription or a recurring fee. This share conveys ownership benefits to all members of the household.

7. **What constitutes a household?** People living at the same address. They don't have to be related.

8. **Do single member households pay the same price for a share?** Yes because when one joins a co-op as an owner one is buying an equal portion of the business.

9. **Will each member of the household be able to vote in co-op elections?** There is one vote per share so only one vote will be allowed for each share of common stock purchased.

10. **Is East End Food Co-op a non-profit?** No. East End Food Co-op is a for-profit business that operates as a cooperative. This type of business makes a profit but returns a portion back to its members as a patronage dividend.

    On the other hand, East End Food Co-op is not profit-driven. Some businesses exist to earn a profit for their owners. Cooperatives exist to provide a service to their owners. A well-run co-op needs to be able to earn a modest profit. This profit allows the co-op to invest in the growth of the business to better serve its member-owners, to invest in the community or to take other actions consistent with its mission.

    For the purposes of charitable giving, East End Food Co-op itself cannot accept tax-deductible contributions, however we have partnered with a co-op development 501c3 that can facilitate tax deductible donations for significant donations.

Legal Assurance *All of the legal documents related to investment have been reviewed by an attorney experienced in co-op law and the Board understands they are appropriate. None of the information in this document should be considered legal advice nor a solicitation to invest.*