



# Community Investment in the Local Food System

How a small local food business in western Massachusetts preserved its social mission through transitioning to a worker-owned cooperative and using an innovative financing strategy



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[www.buylocalfood.org/real-pickles-financing-case-study/](http://www.buylocalfood.org/real-pickles-financing-case-study/)

## Abstract

“We’re re-writing the standard storyline for a successful organic food business,” says Dan Rosenberg, founder of the twelve-year-old Greenfield, Massachusetts company Real Pickles, which makes naturally fermented and raw pickles from regionally grown vegetables in a 100% solar-powered facility.

Instead of selling their growing company to a large industrial-food corporation, as happens so often with successful natural products businesses (think: Odwalla, Naked Juice, Tom’s of Maine, Stonyfield, and so on), Rosenberg and his wife Addie Rose Holland (who had joined him in running the business in 2004) went the other direction, deciding to keep Real Pickles small, locally owned, and mission driven. In late 2012, Rosenberg and Holland formed a worker-owned cooperative with other staff members, and funded the co-op’s purchase of the business through a highly successful community investment campaign that raised a half-million dollars.

Transitioning to worker-ownership gave the company a way to protect its social mission. Since its founding, Real Pickles has been committed to promoting human and ecological health by providing people with delicious, nourishing food and by working toward a regional, organic food system.<sup>1</sup> In order to help ensure that this mission would continue, the worker-owners inscribed these principles in the co-op’s organizing documents, and made them very difficult to change. Still, even after organizing the cooperative structure, the worker-owners needed to raise a half-million dollars to buy the business from Rosenberg and Holland. They considered a number of options for financing, from subordinated debt to equity. In making

these decisions, the worker-owners drew from the experience that one of them had working with Equal Exchange, a successful cooperative with a long history of raising capital by selling non-voting preferred stock. Later, they sought the expertise of the PVGrows collaborative network in western Massachusetts. A financing expert in PVGrows also connected Real Pickles to Cutting Edge Capital, a pioneering consulting firm in the Bay Area that helped them navigate many legal hurdles. In the end, the worker-owners decided that the best way for them to raise \$500,000 was to sell non-voting preferred stock through a direct public offering. Real Pickles officially launched a community investment campaign in March 2013. Astonishingly, in just two months, the campaign was over. Seventy-seven investors — a mix of individuals, customers and suppliers, even a number of other co-ops — together invested \$500,000, which allowed Real Pickles to fully transition to worker-ownership.

*With interest growing in scaling up local food systems, the story of Real Pickles’ co-op transition and community investment campaign offers important lessons.*

With interest growing in scaling up local food systems, the story of Real Pickles’ co-op transition and community investment campaign offers important lessons. Communities need businesses that can model ways to stay small, vibrant, and locally owned. This story is both inspirational and rich in technical detail so that others can speak about it, replicate it, and, ultimately, build upon it to fit their own visions of resilient local economies.



<sup>1</sup>For more on Real Pickles, see [www.realpickles.com](http://www.realpickles.com)

Kristin Nicholas photo



## Not Your Average Pickle

**Real Pickles** sold its first jar of organic dills in 2001, after Rosenberg decided to take a chance and turn his pickle-making hobby into a startup food business. He purchased a thousand pounds of cucumbers from a family farm in western Massachusetts, pickled them, and convinced a number of local stores to make space for them on their shelves.

But these weren't your average pickles, and Real Pickles wasn't your ordinary company. For one, there was no vinegar in Rosenberg's recipes. These pickles were traditionally preserved using the ancient process of lactic-acid fermentation.<sup>2</sup> And Rosenberg didn't go into business just to make a living. He saw Real Pickles as a way of contributing to the growth of a healthy regional food system, opting to only source and sell in the northeastern United States.

In 2002, Real Pickles moved into the **Western Massachusetts Food Processing Center**, a state-of-the-art, shared-use incubator kitchen run by the Franklin County Community Development Corporation in Greenfield, Massachusetts. Seven years later, the business grew big enough to need a facility of its own. They bought and renovated an old building across the street, outfitting it with energy-efficient refrigeration and enough solar panels to power the whole operation. Today, Real Pickles buys hundreds of thousands of pounds of certified organic vegetables from local farms, and offers eleven fermented products, running the gamut from their award-winning garlic dills to kimchi, sauerkraut, and tomatillo hot sauce.

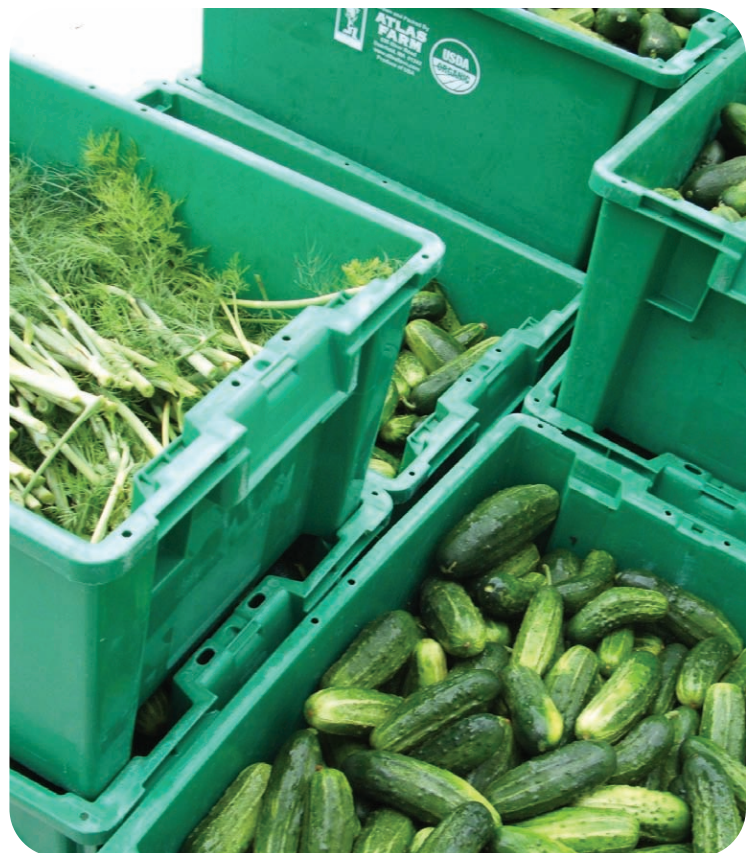
Whichever way you look at it, Real Pickles has enjoyed real success. They have built a loyal community following and profitable regional markets. But, this is also a point where entrepreneurs often confront the question of where to go from here. Although Rosenberg and Holland remain wholly invested in Real Pickles, they decided to do some long-term thinking about how to set up a structure that would support the business and help sustain its social mission should they ever decide to leave. And, if that meant altering the ownership structure of the business, this would also be the time for Rosenberg and Holland to receive compensation for the value that they had put into the business over the years.

But, the concept of fair compensation can mean different things to different entrepreneurs. In the traditional capitalist

system, the risks of building a business are accompanied by the potential for high financial returns down the road if the business is very successful, usually from taking the company public or selling to a larger corporate entity. Of course, only a handful of start-ups ever see high returns, and many business owners work for a long time, without much income, before seeing any significant profits. An alternative definition of entrepreneurial success might involve entrepreneurs receiving reasonable compensation for hours worked, with any additional reward coming in the form of gratification knowing they have taken steps to ensure that the business will continue to make an important social contribution.

For Rosenberg and Holland, the questions were less about whether they wanted to choose an alternative path, and more about exactly how to do it. In 2012, they began to find the answers and, along with Real Pickles' staff, made the decision to restructure as a worker-owned cooperative.

*Real Pickles products are traditionally preserved using the ancient process of lactic-acid fermentation.*



<sup>2</sup>For more on lactic-acid fermentation, see Real Pickles' discussion of the process: [www.realpickles.com/process.html](http://www.realpickles.com/process.html)



## Real Pickles Goes Co-op



Real Pickles founding worker-owners (left to right) Dan Rosenberg, Addie Rose Holland, Annie Winkler, Kristin Howard and Brendan Flannelly-King on the day Real Pickles converted to a cooperative.

Forming a worker-owned co-op would be a hugely significant step in defining the future of this successful food company.

For one, now a group of worker-owners would share in decision-making for the business, instead of just Rosenberg and Holland, helping Real Pickles to be less dependent on its founders in the long run. After being with the company for a year, Real Pickles employees could apply to become worker-owners. Profit-sharing and a role in decision-making would give employees an incentive to stay on for the long term, building a staff of committed, knowledgeable worker-owners. Doing business as a worker-owned cooperative also would help to keep the company's strong social mission and community roots intact. In addition to sourcing regionally grown and organic ingredients, and limiting sales to the northeastern United States, Real Pickles' commitments extend to producing food with high integrity, remaining a small business, and providing good jobs and opportunities for its employees. These principles would now be inscribed in the organization's bylaws and articles of organization, requiring a unanimous vote of the worker-owners to change. Further, the cooperative's owners would continue to be local residents involved in the company's day-to-day operations, making it highly unlikely that Real Pickles will ever relocate out of the community.

*Real Pickles has always been about more than just their fascination with things fermented. It's a company formed out of respect for good food, people, and the planet.*

At this point, "Why?" seems like it might be an appropriate question for Rosenberg and Holland. What makes it worth all the extra time, money, and effort? The decisions to convert to worker ownership and to fund that transition through community investments brought with them significant costs and obstacles for Real Pickles' founders and the other worker-owners. Nonetheless, these choices reflected priorities that Rosenberg and Holland had set for the business from the outset. Why not buy into the argument made by many other organic food entrepreneurs who have sold their businesses to multi-national corporations as a professed socially beneficial move? "As I see it, leaving it to big corporations to run the world leads to very bad social outcomes," says Rosenberg. "If we are to really change the food system, and our society as a whole, we need lots of small, mission-oriented businesses. And we need them to stay small."

Despite the clear demand for their products across the country, Real Pickles just sells direct to regional stores and smaller, family-run distributors serving only the Northeast — decisions that only seem to make sense if you look at their business from outside the lens of purely maximizing profit.<sup>3</sup> For Rosenberg and Holland, Real Pickles has always been about more than just their fascination with things fermented. It's a company formed out of respect for good food, people, and the planet.

<sup>3</sup>For a more detailed look at the costs and benefits of Real Pickles' decisions to source and sell regionally, see CISA's early business profile: [www.buylocalfood.org/real-pickles/](http://www.buylocalfood.org/real-pickles/)



## How to Raise a Half-Million Dollars

Forming a worker cooperative was only the beginning of this story. The worker-owners still faced the daunting task of raising over \$500,000 to buy Real Pickles from Rosenberg and Holland and to have the operating capital necessary to run the pickle business.

While each of the five new worker-owners bought a \$6,000 membership share to join the co-op, \$30,000 was hardly enough. Sure, the price tag on a membership share could have been much larger — conceivably up to one-fifth of the total capital amount needed — but this was a worker co-op, not a partnership. Share prices needed to be modest so that they were reasonably accessible to all employees.

**With hundreds of thousands of dollars still to be raised, the worker-owners looked at a number of options for financing.**

**The short list seemed to be:**

- 🌿 **Subordinated debt:** Taking out a loan with one or more lenders who would be willing to sign a subordination agreement with the existing lenders who already hold collateral in the business, thus taking 2nd or 3rd place in any payout scenario. The business would be responsible for payments on interest — likely 8% to 12% — and principal for a fixed term.
- 🌿 **Royalty financing:** Receiving an investment in exchange for monthly payments to the investor at a fixed percentage of gross revenue; the potential return for the investor could be as high as 15% or more annually in exchange for the inherent risk taken on with this type of financing.
- 🌿 **Non-voting equity investment:** Selling non-voting preferred shares in the company either through a private OR public offering; shareholders would likely receive an annual dividend, depending on business financial health and at the discretion of the Real Pickles Board of Directors, plus the ability to redeem their shares at a later date.

### Each option came with its own pros and cons.

Traditional financing, or taking out a loan, is often the first thing that comes to mind for start-ups or growth-stage businesses. Loans generally require the borrower to put up collateral — business assets like buildings, equipment or inventory, or personal assets — which the lender could sell off if the borrower defaulted on their debt. But, with Real Pickles, much of the company's value was intangible in the form of "goodwill," or the worth of the business's reputation.



Real Pickles employee Rebecca Mokey preps ingredients for Tomatillo Hot Sauce.

The tangible assets that they did have were already tied up with a local bank to secure a line of credit used for working capital. The company's new worker-owners could be asked to cover a loan with their personal resources — assuming that their resources would be sufficient — but this would create challenging questions around fairness, risk, and the basic characteristics of worker-owned cooperatives in general. A few local, mission-driven lenders were willing to subordinate their loans, or agreeing, in the case of default, only to be re-paid after existing lenders had been paid, and not necessarily require that the co-op completely cover the loan amount with collateral. But the worker-owners were hesitant to put Real Pickles so deeply in debt. And these would be expensive loans, with interest rates of 8% to 12%. Such rates might have been workable if the capital were to be used to fuel rapid growth, but not for a co-op transition used to preserve the company's social mission.

Another option was royalty financing, or repaying an investment in the company with a slice of monthly sales. While the cost of royalty financing can work out to 15% or more annually, this alternative still drew brief consideration from





Worker-owners Annie Winkler, Rebecca Lay, and Brendan Flannelly-King load cucumbers into the walk-in cooler.

the worker-owners due to its benefit of flexibility in repayment, with adjustable rates and due dates based on business performance. In the end though, the worker-owners came to see royalty financing as an option much better suited for a startup or younger company, where the risks are high, but so is the potential for serious growth, which can produce

the profits necessary to generate the high return on investment

demand by royalty financing. Real Pickles was already an established company with a good track record that had passed its period of fast growth in earlier years, and wanted to be able to control growth carefully and deliberately going forward. It was important that the worker-owners be able to make decisions in line with the business's social mission, with no pressure from investors to expand just so that they could achieve their high return. Royalty financing simply did not make sense given the stage of the business and its commitment to multiple bottom lines.

Selling non-voting preferred stock equity investments was the cheapest financing option — one that could mean paying investors a 4–5% annual dividend, as opposed to the 8% to 12% interest expected on a subordinated loan or 15% annual return for a royalty arrangement.<sup>4</sup> The reduced cost of capital, however, would be at least partially offset by all the personnel time needed to prepare for an offering and to manage the marketing, outreach, and ongoing communications that come with a business selling stock to investors.

The idea for financing the co-op transition through sale of preferred stock came from one of the new worker-owners and her husband, both of whom were familiar with this kind of equity offering from their work at another cooperative, **Equal Exchange**.<sup>5</sup> The worker-owned, fair-trade co-op—well

known for its coffee and chocolate—has enjoyed success over the last 20 years selling preferred stock. After extensive conversations with Equal Exchange's current and former capital coordinators, the Real Pickles team wanted to see if they could do the same.

*Real Pickles was already an established company — and wanted to be able to control growth carefully and deliberately going forward.*

Still, holding an equity offering, especially one that would seek investment from throughout the community, would create additional hurdles for the worker-owners. The federal Securities Act of 1933, largely written in the wake of the Great Depression, regulates who can invest in what, and makes it hard for small businesses to create investment offerings available to those of us of average means.<sup>6</sup> As a result, the extreme majority of the collective \$30 trillion of wealth from US households ends up invested in corporate stocks, bonds, and mutual funds, with less than a percent supporting small, local businesses like Real Pickles.<sup>7</sup> The federal securities law does, however, include a few exemptions that allow for community investment. **Rule 504 of Regulation D** — the exemption that Real Pickles in the end chose to follow — allows companies to raise up to one million dollars from any type of investor, wealthy or not, so long as they provide substantial documentation to assist investors in their understanding of the terms of the investment — particularly the risks — and register with each state's Securities Division.<sup>8</sup>

But, the worker-owners struggled at first to find a local attorney who could provide them with definitive advice on these securities laws, as well as a price quote. The worker-owners certainly would have preferred working with a law firm in western Massachusetts, but none had the experience they needed. In need of some advice, as well as new connections, the team at Real Pickles reached out to some local experts.

<sup>4</sup> "Preferred" means that the investors would receive payout in the case of liquidation before the worker-owners, making the investment more attractive. "Non-voting," on the other hand, means that the investors would not be able to participate in business decisions, like electing board members, which helps to keep the worker-owners in control of decision-making.

<sup>5</sup> For more on Equal Exchange, go to [www.equalexchange.coop](http://www.equalexchange.coop)

<sup>6</sup> From Shuman, Michael H., **Creating a Community Investment Fund: A Local Food Approach**, 2013. Cutting Edge Capital: "The threshold for an accredited investor is \$200,000, which is earned by **fewer than 1%** of Americans. The threshold for an accredited couple is \$300,000. **Under 2%** of Americans earn this much income. Since households can have more than a couple as earners—grandparents pensions and children's work might also contribute to household income—probably the percentage of couples earning over \$300,000 is closer to 1%. Institutions, such as churches or foundations, can achieve accredited status if their assets exceed \$5 million." Simply put, accredited investors get to invest in all sorts of opportunities unavailable to those not accredited.

<sup>7</sup> See "The 25% Shift: The Economic Benefits of Food Localization for the Pioneer Valley & the Capital Required to Realize Them" by Michael H. Shuman (2013); available here: [www.pvgtrows.net/wp-content/uploads/2013/07/The-25%25-Shift-by-Michael-Shuman-for-PVGTrows.pdf](http://www.pvgtrows.net/wp-content/uploads/2013/07/The-25%25-Shift-by-Michael-Shuman-for-PVGTrows.pdf)

<sup>8</sup> For more on Rule 504 of Regulation D of the Securities Exchange Act of 1933, see [www.sec.gov/answers/rule504.htm](http://www.sec.gov/answers/rule504.htm)



## Sometimes It Takes a Village

The worker-owners soon connected with financing expert Jeff Rosen, Chief Financial Officer for the [Solidago Foundation](#) in Northampton, Massachusetts, a socially driven funder that works with those less likely to receive support from traditional funding sources.<sup>9</sup>

With his years of work on alternative financing, Rosen has become a wellspring of advice and connections within the burgeoning industry. For legal counsel, he referred Real Pickles to Oakland, California-based [Cutting Edge Capital \(CEC\)](#), a pioneering consulting firm working to make community investment accessible and affordable to small local businesses, headed up by CEO Jenny Kassan, a securities lawyer.<sup>10</sup> Through helping a number of clients make public securities offerings, Kassan and CEC have become experts in the field, and found ways to dramatically cut the costs through streamlining the legal work required. Kassan introduced the worker-owners to the concept of selling shares publicly through a direct public offering (DPO), instead of keeping the offering private. A DPO would allow for smaller investments to be made by a wider range of community members. This option came with the freedom to advertise and take on an unlimited number of investors. Plus, it provided an excellent marketing opportunity for their business, and would enable Real Pickles to leverage all the community support that they had amassed over the years. Yet, with these freedoms typically came much bigger legal, accounting, and other fees than with a private offering. Luckily, Real Pickles would be able to do a lot of the work needed to prepare the prospectus and state registration materials which would keep costs relatively low.

With all their options laid neatly on the table, the worker-owners reached out to the Finance Working Group of the local [Pioneer Valley Grows \(PVGrows\)](#) network, where Rosen also contributes. Committed to a healthy local food system, PVGrows is a collaborative professional organization that provides financing and technical assistance to area food businesses. “Real Pickles was a perfect fit for PVGrows,” says PVGrows Coordinator Sam Stegeman. “They came to us at the right time in their decision-making process with solid ideas to vet and the energy and determination to find the best solution.” The whole engagement with PVGrows spanned just two months. During that time, the worker-owners’ interest in selling equity through a direct public offering continued to



grow. Even though it was an uncommon funding mechanism, the PVGrows team stood behind the option, seeing enormous value in the novel experiment. “The PVGrows finance folks are experts in local food business,” says Rosenberg. “They were essential partners in helping us find a financing option that worked with our needs and values, and navigate the new frontier of community investment.”

*Instead of keeping the offering private, a direct public offering (DPO) would allow for smaller investments to be made by a wider range of community members.*

With Equal Exchange laying the groundwork, Cutting Edge Capital providing accessible consulting services, and PVGrows fully supporting the DPO option, the idea of publicly raising capital from the community had come to feel like a real possibility. Soon the worker-owners decided that Real Pickles would be offering non-voting preferred stock to finance its transition to a cooperative, and doing so via a direct public offering.

<sup>9</sup> For more on the Solidago Foundation, go to [www.solidago.org](http://www.solidago.org)

<sup>10</sup> For more on Cutting Edge Capital, go to [www.cuttingedgecapital.com](http://www.cuttingedgecapital.com)



## Decisions, Decisions

With the question of financing resolved and momentum building, the next steps for the worker-owners were to figure out the terms that would be offered to investors, navigate the securities regulations, and prepare for the ensuing marketing campaign. Again, they turned to their connections at Equal Exchange and PVGrows for help in thinking things through.

Real Pickles decided to sell shares of preferred, non-voting stock for \$25 each, with a minimum purchase of 100 shares. “Looking back, the \$2,500 minimum investment was a key decision,” says Rosenberg. “It was a figure low enough to allow for relatively broad participation, while high enough to keep our investment pool a manageable size.”

The worker-owners also decided on a 4% target annual dividend, paid only if the board chose to declare one for the year. It would also be non-cumulative, meaning that if a dividend was not declared for a given year that no dividend from that year would need to be paid in the future. Was 4% the right number? “Some people thought it was high. Some thought it was low. So, we figured it was just right!” says Holland. “It also felt like a reasonable return these days given the state of other investment options, like the stock market.” More importantly, it was a number that the worker-owners felt that the business could reasonably declare year after year, given recent sales growth and conservative projections. Further, as it is rare today for small local businesses to reach out to their communities for capital, some of their advisors, like Rosen, pointed out that the lack of viable options existing for investment in the local food system has likely bottled up a bit of demand.

Finally, the worker-owners decided to make the shares non-transferable, except to the co-op, and to allow them to be redeemed for cash at the original issue price, pending approval from the co-op’s board, five years past the issue date. The worker-owners felt that, if the value determined for the business, as well as the growth projections under the co-op model, were accurate, Real Pickles should be able to absorb the cost of the business purchase within five to seven years.

Next, the worker-owners went through a “registration by qualification” process with state securities regulators to get the go-ahead to open the offering. This process required them to write up the investment terms in a prospectus, a financial-disclosure document for potential investors



Chamutka Farm and Red Fire Farm are two of the six primary farms from which Real Pickles sources vegetables, herbs, and spices.

describing the offering in detail, in addition to filing a variety of other documents. Once submitted to the regulators, Rosenberg worked closely with Cutting Edge Capital to prepare responses to the regulators’ successive rounds of questions. While they were initially told that the approval process would take just a month, in the end it took five. The regulators asked many questions to understand how the value of Real Pickles was determined, and to make sure that the sale was fair. A primary duty of securities regulators is to protect investors, so a lot of back and forth ensued about highlighting the investment’s risk factors, and making sure the benefits and risks were balanced in presentation and advertising. A few significant changes also emerged from working with the regulators. First, in an effort to protect community investors, the regulators wanted individual investments to be limited to 10% of the investor’s liquid net worth. Secondly, Real Pickles reduced the offering from \$550,000 to \$500,000 in order to avoid a requirement for audited financial statements, a step that would have significantly added to their costs. Ultimately, they ended up filling the \$50,000 gap with a subordinated loan from the Cooperative Fund of New England. “Although working with the regulators took a lot of time,” reflects Holland, “It made for a stronger prospectus. In the end, we came out knowing our prospectus very well, and able to answer almost any question that came up.”

The worker-owners also decided to make the offering in both Massachusetts and Vermont. But, why not extend the offering to investors in New York, New Hampshire, and other states in their sales region, too? First there were the filing costs, which would accumulate with each state added. Then there were the varying difficulties of working with different state securities divisions. Real Pickles also has a special connection with the Vermont community, as the company both employs people and buys vegetables from the state. Conveniently, after the worker-owners filed in Vermont, the state’s regulators stated that the offering would be approved in Vermont as soon as it was approved in Massachusetts. In fact, this sort of deference from one state’s regulators to their counterparts in the state where a business is organized is not uncommon in multi-state offerings, and allowed Real Pickles to open up the offering in Vermont as soon as it was accepted across the border.





## A Community Investment Campaign

While Real Pickles was waiting for the go-ahead from regulators to launch their investment offering, the marketing team at Real Pickles was busy at work crafting their communication and marketing strategies for the DPO.

In fact, their first decision was not to call it a “DPO” at all. Instead, the offering was termed a “community investment campaign” in order to underscore the community aspect of this initiative, and also to avoid the perception of Real Pickles becoming a publicly traded company, which was anything but the case. “We worked hard to craft our messaging strategy,” says Holland. “Since so many people would read or hear about what we’re doing, we needed to give the correct impression. We wanted to make sure our community understood and supported the rationale for a fundraising campaign, which would effectively pay Dan and me for the value we’ve created in Real Pickles, plus help keep the business locally owned and driven by its social values.”

An official timeline of just six months was set for the campaign, with a plan to complete the campaign within three months, if possible. Even though the worker-owners could have given themselves up to a year to complete the offering, with the

potential to renew, they set a tighter deadline to keep motivated and work quickly. “We figured that if we were not on track to raise the money after a few months of the DPO, we would need to look at other ways of raising money,” says Holland. Another reason for limiting time was that it might encourage potential investors to act more quickly, lest they lose their chance to be part of the offering. Additionally, the worker-owners wanted to avoid having the money of those who had already invested sit too long in an escrow account. The timing was tight, but this is often the case for a business like theirs with a big impending project, notes Holland.

Going into the community investment campaign, the worker-owners knew that the success of the offering would primarily be based on how well they would be able to leverage the support in their community. They carefully designed their digital communications, including blog posts, social media, and regular e-newsletters with updates, events, and appeals; developed a list of potential investors to contact; and put on a series of public events, from investor briefings, tours, and store demonstrations, to a presentation at the Slow Money Pioneer Valley and Boston chapter meetings. They also sent out a press release to the media, got articles on the front page of three local newspapers, and had a story on the regional public radio station. The word was out, and, fortunately, this unique proposition resonated well with the community.



## Two Months

As potential investors started to reveal themselves — some with more resources than expected, Rosenberg notes — the worker-owners made themselves available to meet face-to-face with as many of them as possible, in stark contrast to the traditional investor experience.

“We used the opportunity provided by a direct public offering to fully engage with our investors,” says Rosenberg. “Obviously, this takes a lot of time, but it was worth it to us.” Some investors, of course, had quite a few questions, and others just required a phone call or email exchange to answer the questions that they had.

*In the end, seventy-seven investments were made in Real Pickles. The mix included sixty-six individual investors, some using funds from self-directed individual retirement accounts (IRAs).*



Kristin Nicholas photo

In the end, seventy-seven investments were made in Real Pickles. The mix included sixty-six individual investors, some using funds from self-directed individual retirement accounts (IRAs). In a fantastic display of support for worker ownership, five other co-ops also purchased shares, two of which sell Real Pickles' products. Three other business customers invested, too, along with one of Real Pickles' farm suppliers, a foundation, and a nonprofit community development financial institution (CDFI). \$500,000 was raised in just two months, and Real Pickles was officially sold to the worker-owned cooperative on May 9, 2013. Ah, the fermented smells of success!



*“I am very grateful to be able to invest in a business like Real Pickles, a company who is leading the way in sustainable business practices. I can support everything that Real Pickles is doing, from purchasing vegetables from local farms to cooperative ownership to managing growth thoughtfully. It was an easy decision to invest with Real Pickles,” says Annie Guion (pictured above), a Real Pickles investor from Newfane, Vermont.*



## Lessons Learned

So would Rosenberg and Holland recommend a DPO to other small natural products businesses? “It depends,” says Holland.

“Over the last twelve years in business, Real Pickles developed a strong community network, and the backing of this network was absolutely vital to our success.” At the time of the DPO, Holland and Rosenberg were already very well connected in their community, as one might expect from an established company that has been selling its products for over a decade, helping to educate folks about the wonders of lacto-fermented pickles. Because of the extensive marketing and personal connection required in a community investment campaign, the credibility and reputation of the business seeking capital are likely to be major determinants of a DPO’s success or failure.

The time and place also seemed to be right for Real Pickles. Asked about key factors in their success, the worker-owners are quick to point to strong support in the Pioneer Valley — ultimately the source of 75% of their investment dollars — for local food and agriculture, as well as for local business in general. Since 1993, local nonprofit **Community Involved in Sustaining Agriculture (CISA)** has worked in the Pioneer Valley on building support for a sustainable food and farming system in the region.<sup>11</sup> CISA’s *Be a Local Hero, Buy Locally Grown*<sup>®</sup> marketing and education program is widely recognized in western Massachusetts, with many farm stands proudly displaying their signs and vehicles often seen sporting “Local Hero” bumper stickers. Rosenberg and Holland also take care to acknowledge that enough wealth exists in the Valley to support a DPO. In fact, Real Pickles was able to build on the strong recognition of the ‘buy local’ concept that exists there by appealing to some in the community to ‘invest local’ as the next step. The community investment campaign worked so well for Real Pickles that investors kept raising their hands even after they hit their goal, giving the worker-owners the welcome task of referring them to other regional organizations offering opportunities for local investment: **Equity Trust**, **The Cooperative Fund of New England**, **Common Capital’s Community First Fund**, **Co-op Power**, the **Slow Money Pioneer Valley Chapter**, and the **PVGrows Loan Fund**. “Fortunately,” says Rosenberg, “It’s a time in our society when increasing numbers of people are very excited for an opportunity to move their money away from Wall Street and into something they believe in.”



It is also important to reiterate the hugely valuable connection that Real Pickles made with Jenny Kassan and Cutting Edge Capital. The option of raising capital from their community felt out of reach until the worker-owners learned of the innovative work being done by the Bay Area firm. Their research having failed to turn up any local options for legal assistance, their advisor Jeff Rosen luckily pointed them to Kassan, which got the worker-owners out of their proverbial pickle.

Clearly, the time is ripe for community investment. The days of Slow Money, “nurture capital,” patient investors, and community investment are upon us, and those investors need more viable opportunities to place their investments. The strategy described here offers one innovative model to connect those committed investors to the local economy they seek to nurture. While more and more of us enjoy eating local food, some of us can, and should, do more. Said simply, we can begin to put our money where our mouths already are.

<sup>11</sup> For more on CISA, go to [www.buylocalfood.org](http://www.buylocalfood.org)





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