

# **Coteau Community Market DISCLOSURE DOCUMENT**

## **OFFERING OF NONVOTING INVESTMENT STOCKS TO EXISTING CO-OP MEMBERS ONLY**

Coteau Community Market (the “Cooperative” or “Co-op”) is currently offering up to 15,000 of its Class B nonvoting stock only to its existing members who are residents of (Individual Members) or headquartered in (Institutional Members) South Dakota. The purpose of this offering (the “Offering”) is to raise gross proceeds for the Cooperative of up to \$1.5 million, under the terms and conditions outlined in the accompanying Term Sheet. This offering is being made pursuant to the exemptions from federal registration contained in Rules 147 (17 CFR §230.147) and 147A (17 CFR §230.147A) and Section 3(a)(11) (15 U.S. Code §77c) of the Securities Act of 1933, and the registration exemption afforded by the South Dakota Uniform Securities Act of 2002 [SDCL §47-31B-201(8)].

### **RESTRICTED**

By accepting this Disclosure Document, the recipient acknowledges that all information contained in this Disclosure Document is only for members of the Cooperative and is not for general dissemination. The recipient also agrees not to use the information for personal benefit (other than in connection with the recipient's investment decision).

# Coteau Community Market

## TERM SHEET

This Term Sheet summarizes the principal terms of the Cooperative's Offering of Class B nonvoting stock to its existing members only. This Term Sheet will be subject to and qualified by the provisions of: (1) a stock purchase agreement (the "Stock Purchase Agreement") to be entered into between the Cooperative and each investor (the "Investor") in the form attached to this Disclosure Document as Exhibit 1; (2) the Cooperative's [Articles of Incorporation](#) and [Bylaws](#) (the "Charter Documents") attached to this Disclosure Document as Exhibits 2 and 3 respectively; and (3) the provisions of applicable law.

<b>The Cooperative</b>	Coteau Community Market is a member-owned cooperative food market serving Watertown, SD, and the surrounding region. Coteau Community Market incorporated in 2018 as a Cooperative under the South Dakota Cooperative Association Act (SDCL chapters 47-15 to 47-20 inclusive).
<b>The Offering</b>	<p>The Cooperative is offering up to 15,000 of its Class B nonvoting stock only to its existing members who are residents of (Individual Members) or headquartered in (Institutional Members) South Dakota. The purpose of this Offering is to raise gross proceeds to the Cooperative of up to \$1.5 million under the terms and conditions outlined on this Term Sheet.</p> <p>This offering is being made pursuant to the exemptions from federal registration contained in Rules 147 (17 CFR §230.147) and 147A (17 CFR §230.147A) and Section 3(a)(11) (15 U.S. Code §77c) of the Securities Act of 1933, and the registration exemption afforded by the South Dakota Uniform Securities Act of 2002 [SDCL §47-31B-201(8)].</p> <p>Offered stocks are subject to the restrictions contained in the Charter Documents.</p> <p>The Offering will open on May 1, 2021, and close on August 31, 2021, or earlier upon sale of all the offered stocks. The Cooperative may extend the Offering closing date in one or more increments to no later than December 31, 2022.</p>
<b>No Escrow; No Minimum Offering</b>	The proceeds from the sale of stocks may be released immediately and be available to the Cooperative as received in the course of the Offering. There is no minimum number of stocks that must be sold in the Offering.
<b>Minimum Investment Amount</b>	The minimum investment amount is \$100.
<b>Terms and Provisions</b>	The rights, preferences, terms, and provisions applicable to stocks are described in detail in the attached Charter Documents, and are further summarized in this Term Sheet.
<b>Purchase Price</b>	\$100 per stock

<p><b>Dividend Rights</b></p>	<p>Stockholders are entitled to receive, out of the Cooperative's legally available funds and assets, when and if declared by the Board of Directors, non-cumulative cash dividends at rates declared each year by the Board, not to exceed eight percent (8%) by law. <b>The Cooperative is not required to declare or pay dividends on stock in any given year.</b></p> <p><b>The Cooperative's Board does not always consider maximizing profit as the first or only criteria for decision making.</b> The Cooperative's Board of Directors establishes policies that guide management and board decisions. Some of these ends are non-financial in nature, and achieving them can mean that the board and management will not always consider maximizing profit as the first or only criteria for decision making, which could adversely affect the Cooperative's profitability, the Cooperative's ability to declare or pay dividends to stockholders and patronage refunds to members, or to pay for the redemption of stock.</p> <p>Dividends earned on stock are taxable and will be reported for the year paid with a 1099-DIV to the federal government.</p>
<p><b>Liquidation Preference</b></p>	<p>If the Cooperative is dissolved, including through a merger or sale, the holders of outstanding Class B stocks are entitled to receive the original purchase price they paid for the stocks plus declared but unpaid dividends prior and in preference to any payment or distribution, including patronage dividends, to the holders of Class A stocks. If the funds available to the Cooperative upon liquidation are insufficient to pay the holders of Class B stocks their full amount, then all the available funds shall be distributed among them in proportion to the full amount they would otherwise have been entitled to receive. Refer to Article V, section 8 of the Articles of Incorporation in the Charter Documents for more information.</p>
<p><b>No Voting Rights</b></p>	<p>No voting rights are conveyed with stock.</p>
<p><b>Redemption Rights</b></p>	<p>The Cooperative reserves the right to acquire or recall any stock. Stock in this Offering is redeemable at the option of the holder or the Cooperative at any time after five (5) years from date of issue, for a redemption price equal to their original purchase price plus any declared but unpaid dividends, as funds are determined by the Board to be available. Refer to <a href="#">Article V, section 7</a> of the Articles of Incorporation in the Charter Documents for more information.</p>
<p><b>Non-Transferable</b></p>	<p>Stock shall not be sold or transferred except back to the Cooperative. Refer to <a href="#">Article V, section 6</a> of the Articles of Incorporation in the Charter Documents for more information.</p>
<p><b>Use of Proceeds</b></p>	<p>The Cooperative intends to use the funds raised in this Offering to establish the market, including but not limited to: obtaining a physical location (lease or purchase) and renovation of the location; purchasing fixtures and inventory; and paying staff. The total proceeds of this Offering are the estimated operating budget for the first five years of the market.</p>

<b>Offering Limited to Existing Members</b>	<p>Only existing members (“Members”) in good standing may participate in this offering. Individual Members must be residents of the state of South Dakota and Institutional Members must be headquartered in South Dakota to participate in this Offering. Refer to <a href="#">Bylaws sections 2.6 and 2.5</a> in the Charter Documents for more information.</p>
<b>Closing Conditions</b>	<p>The Investor must deliver to the Cooperative:</p> <ol style="list-style-type: none"> <li>1. a signed Stock Purchase Agreement,</li> <li>2. a completed <a href="#">IRS Form W-9</a> (Request for Taxpayer Identification Number and Certification),</li> <li>3. and the purchase price of the stocks being purchased, in immediately available funds.</li> </ol> <p>The Offering is subject to all other conditions set forth in the Stock Purchase Agreement.</p>
<b>Risk Factors</b>	<p><b>As with all stocks, any investment in the Cooperative is subject to a variety of risks, and could possibly lead to loss of an Investor's entire investment.</b> In view of the myriad risks to which the Cooperative is inherently subject, an investment should not be made by anyone who cannot afford to lose their investment in its entirety.</p>
<b>Additional Information</b>	<p>This Term Sheet and the accompanying materials do not purport to be all-inclusive or to contain all of the information that a prospective Investor may desire in investigating the Cooperative and evaluating an investment. Each prospective Investor must conduct and rely on their own evaluation of the Cooperative, its business, and the terms of the Offering in making an investment decision with respect to the stocks. Any prospective Investor having questions regarding this Offering or desiring any additional information or documents to verify or supplement the information contained in this Term Sheet or the accompanying materials is strongly encouraged to contact the Cooperative through its representative Anne-Marie Mullin.</p>

# Coteau Community Market

## BUDGET ASSUMPTIONS

What	Amount	Notes
Location square footage, total	976	
Location square footage, retail	675	
Projected annual sales	\$205,000	0.5% of annual grocery spending in 10 minute drive radius

### INVESTMENTS NEEDED TO RAISE \$120,000

\$120,000 will cover startup costs

Investment Size	Number of Investments	Total	Percent of Goal
\$10,000	2	\$20,000	16.67%
\$5,000	5	\$25,000	20.83%
\$1,000	70	\$70,000	58.33%
\$100	50	\$5,000	4.17%
<b>Total</b>	<b>127</b>	<b>\$120,000</b>	<b>100.00%</b>

### INVESTMENTS NEEDED TO RAISE \$1,500,000

\$1.5 million will cover startup and five years of operating costs

Investment Size	Number of Investments	Total	Percent of Goal
\$100,000	1	\$100,000	6.67%
\$50,000	5	\$250,000	16.67%
\$10,000	20	\$200,000	13.33%
\$5,000	100	\$500,000	33.33%
\$1,000	400	\$400,000	26.67%
\$100	500	\$50,000	3.33%
<b>Total</b>	<b>1,026</b>	<b>\$1,500,000</b>	<b>100.00%</b>

## Coteau Community Market START-UP BUDGET

Use	Amount	Percent of Total
Rent location, renovations, utilities	\$14,000	11.52%
Contingency fund	\$15,000	12.35%
Equipment, fixtures, and POS system	\$35,000	28.81%
Inventory	\$30,000	24.69%
Working capital	\$13,000	10.70%
Employee salaries and benefits	\$13,200	10.86%
Marketing	\$1,300	1.07%
<b>Total</b>	<b>\$121,500</b>	<b>100%</b>

\* Totals may not add up exactly to 100% due to rounding.

## ESTIMATED FIVE-YEAR OPERATING BUDGET

Use	Amount	Percent of Total
Inventory	\$680,000	58.52%
Employee salaries and benefits	\$300,000	25.82%
Rent	\$62,000	5.34%
Marketing	\$31,000	2.67%
Monthly operating costs	\$10,000	0.86%
Credit card fees	\$19,000	1.64%
Miscellaneous	\$60,000	5.16%
<b>Total</b>	<b>\$1,162,000</b>	<b>100%</b>

\* Totals may not add up exactly to 100% due to rounding.