



# in business

THE MAGAZINE FOR CREATING SUSTAINABLE ENTERPRISES & COMMUNITIES

Search In Business

Search

[Home](#)

[About In Business](#)

[Current Issue](#)

[Back Issues](#)

[Departments](#)

[Editorial](#)

[In Business World](#)

[Bus. Develop.](#)

[Events Calendar](#)

[Article Archives](#)

[Resources & Links](#)

[Compost Science](#)

[BioCycle](#)

## BUILDING VALUE WITHIN YOUR COMMUNITY

In Business, March-April, Vol. 29, No. 2, p. 31

BALLE BEAT

Laury Hammel and Gun Denhart

DAVID VAN SETERS is an innovative entrepreneur who not only built a company that contributes to the community but also makes a further impact by partnering with socially conscious investors. While working for years as an environmental management consultant, David sensed a vision for a new business bubbling up within him. His vision combined four business trends: Leveraging the Internet; Catering to customers' needs, Selling locally grown organic food; and Helping preserve the environment. In 1998, he founded Small Potatoes Urban Delivery (SPUD) in Vancouver, British Columbia, with the following mission: "To be the most socially responsible, environmentally sound, and financially profitable Internet home delivery company in North America while simplifying and enriching the lives of our customers, staff, suppliers, and community partners."

After eight years of doing business, SPUD has been profitable for the last four years and has grown to become a \$10 million business, making 3,500 deliveries a week in four locations: Vancouver, Victoria, Calgary, and Seattle. With seventy-five employees, SPUD is the largest organic and the largest stand-alone grocery delivery firm in Canada. Its five-year business plan calls for doing \$50 million in sales and growing by two locations every year.

When David began SPUD, he was well versed in the intricacies of local organic food systems, but a novice when it came to raising money. Now he is a leading example of an entrepreneur who has been able to raise significant capital from socially conscious investors and still maintain control of his company.

SPUD's substantial growth required that David spend much of his time raising funds because his primary source of capital has been short-term promissory notes, which often need to be repaid in a year or two. Each year, he has needed to raise more capital than the last, from \$200,000 in 2000 to over \$1 million in 2006. He has done this by selling the mission of

[Contact Us](#)

SPUD to financial investors who share his values. In fact, David feels that although he provides a good return on investment, the primary motivating factor of his capital partners is their desire to promote local and organic food systems.

He got SPUD jump-started with \$150,000 of his own money. A year later, he brought in Joel Solomon of Renewal Partners, who put up \$120,000-\$70,000 in stock and \$50,000 in debt. Renewal Partners is a group of professional angel investors who endeavor to help build a network of entrepreneurial businesses that have a strong social purpose and make a contribution toward a long-term, conservation-centered economy in British Columbia. Not only did bringing in this respected firm as a lead investor provide SPUD with capital and helpful guidance, but, equally important, it also introduced SPUD to a network of other investors.

Subsequent investors have been individuals David met through his networking, including Investors' Circle and Social Venture Institute (a joint SVN and Renewal Partners program). David raised \$400,000 from a local bank, which he has since repaid. SPUD also has two lines of credit with socially responsible local credit unions in Vancouver - Vancity and Coast Capital. David looks for financial partners who support the SPUD vision, and he devised an investment strategy that would make it relatively easy to invest in SPUD and just as simple to exit. He did this by offering convertible debentures (a type of debt) that could be converted to stock after one year or rolled over into a new two-year note. The interest rates varied between 6 percent and 12 percent based on the size of the investment - the larger the investment, the higher the interest.

It is generally easier to raise short-term debt (debt due in five years or less) because the exit strategy is clear. But an obvious problem is that investors can choose to opt out after the term of the debenture and need to be paid back then. Usually a young company's cash flow isn't strong enough to cover substantial repayment of debt, and this generally means raising more capital every year to pay investors back or risk being in default. In the case of SPUD, every year an average of 50 percent of the investors have opted to get their money back and SPUD has repaid over \$1 million in principal to debenture holders.

At the beginning of each year, David and his management team calculate the debt service the company can realistically handle and the repayment of principal required and then set the amount of capital they will raise for expansion. As of May 2006, Renewal Partners (the second largest stockholder) owned 16 percent of the stock, several individual investors converted their debenture to a cumulative total of 33 percent of the stock, and David retained 51 percent of the stock in the business. David is now contemplating how much equity he is willing to sell. Like so many values-driven entrepreneurs, he is concerned more about control than about money. Since he feels aligned with his investors and has developed such deep trust in them, he is leaning toward giving up another 10 percent of the business in order to meet his growth objectives.

David's long-term financing strategy for SPUD is to make the company so attractive that he can sell a minority portion of the business to a friendly investor at a high price and buy out all the convertible debentures. He's also looking into various forms of employee ownership that would reward current employees and tie managers of new locations more closely to the business. Currently all staff members participate in a profit-sharing plan and have the opportunity to purchase discounted shares of the company.

When asked about his choice to become an entrepreneur and spend so much time raising capital, David responded, "SPUD has proven that a strong social and environmental ethic is

good for business, and while SPUD has been a very challenging business, I cannot think of any other work I would rather do. We have a great team of talented and dedicated people who truly believe that we can change the world, one grocery order at a time. What more could one ask for?"

This material has been excerpted from *Growing Local Value: How to build business partnerships that strengthen your community*, published in 2007 by Berrett-Koehler Publishers ([www.bkconnection.com](http://www.bkconnection.com)). Laury Hammel is the owner and president of The Longfellow Clubs, four New England health and recreation clubs. He is also cofounder and cochair of the Business Alliance for Local Living Economies (BALLE) and the founder and chair of the International Symposium on Spirituality and Business. Gun Denhart cofounded the Hanna Andersson children's clothing company.

Copyright 2007, The JG Press, Inc.

[SEARCH ARTICLE ARCHIVES](#) | [BIOCYCLE](#) | [IN BUSINESS](#) | [COMPOST SCIENCE](#) | [CONFERENCES](#) | [BOOKS](#) | [LINKS](#) | [CONTACT US](#) | [ABOUT US](#) | [HOME](#)

[www.jgpress.com](http://www.jgpress.com)  
[Copyright & Trademark Notice](#)