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IOFN CONFERENCE 2019
WASHINGTON, D.C.



Employee Buyouts of Legacy Businesses: The Lending Opportunity of a Generation

Jennifer Bryant, David Hincapie, Micha Josephy, Todd Leverette /
October 23, 2019

Cooperative Fund of New England



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We work for economic, social, and racial justice by advancing community based, cooperative, and democratically owned or managed enterprises with a preference to assisting cooperatives in low-income communities by:

- Providing financial products at reasonable rates
- Developing business skills
- Offering an investment opportunity that promotes socially conscious enterprise



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Conversions Are Good Business

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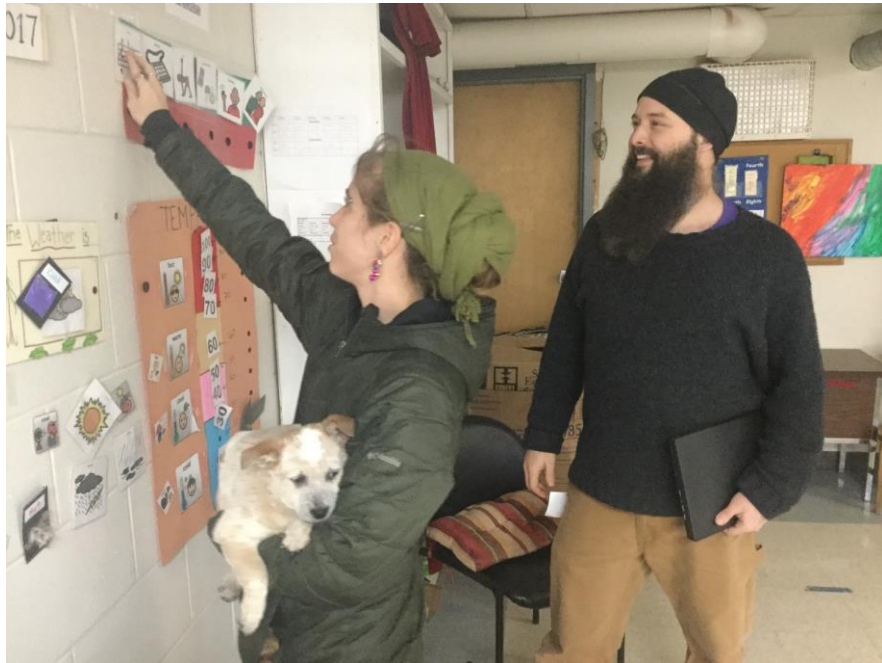
10 Conversions Financed since 2012

- Two additional approvals expected to fund in 2019
- Plus 6 working capital lines to other recent conversions
- \$3.3M in Loans Receivables to Co-op Conversions
- Conversions = 56% of our worker co-op portfolio, 14% of total
- Pipeline: 13 Businesses (8 active)



Ewing Controls – converted 2017

Conversion Financing Sources



The New School of Montpelier converted 2015

	Members	Non-Members
Equity	Voting Shares	Preferred Shares Contributions & Grants
Debt	Member Loans	Bank Debt (inc. NCB) CDFI Debt (inc. CFNE) Seller Financing Community Loans

Rock City Coffee

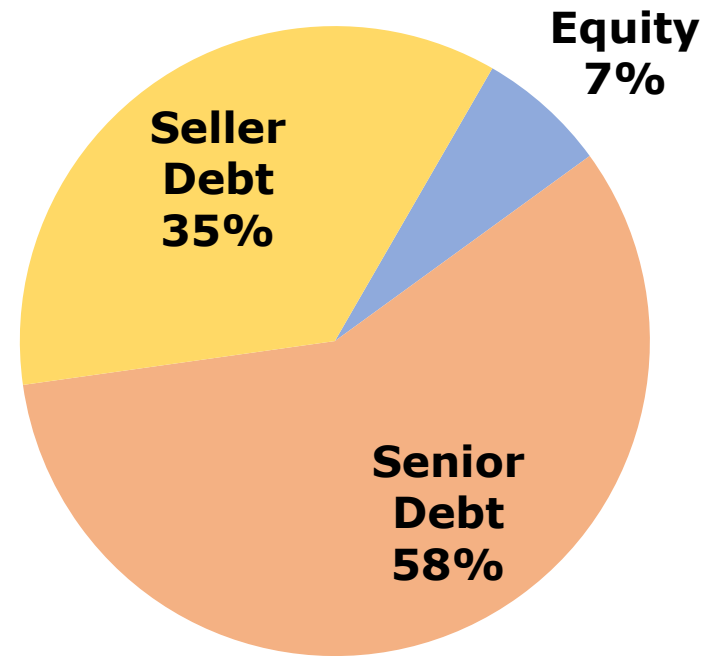
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Rock City Coffee

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Sources	
CFNE (Senior)	\$322,800
Seller (Sub.)	\$200,000
Member Equity	\$14,150
MaineStream-financed Member Equity	\$23,350
Total Sources	\$560,300
Purchase of Business	\$438,500
Inventory	\$40,000
Working Capital	\$55,000
Closing Costs	\$15,000
Technical Assistance	\$11,800
Total Uses	\$560,300



Insource Renewables

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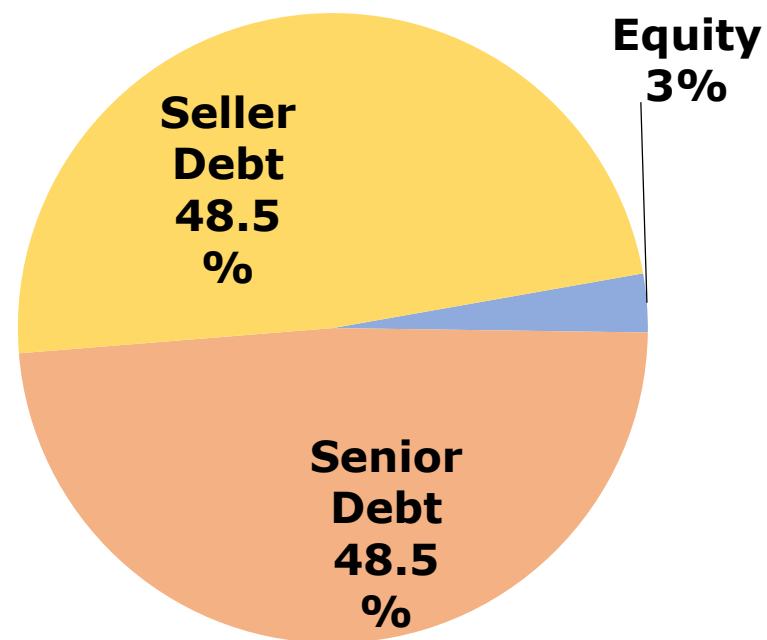
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Insource Renewables

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Sources	
CFNE (Senior)	\$326,000
Seller (Sub.)	\$326,000
Member Equity	\$20,000
Total Sources	\$652,000
Purchase of Business	\$350,000
Inventory	\$202,000
Working Capital	\$100,000
Total Uses	\$652,000



Underwriting Worker Co-ops



Sole Proprietorship	Cooperatives
<ul style="list-style-type: none">• Credit Scores	<ul style="list-style-type: none">• Management & Governance Experience• Sufficient Support Resources• Relationship Building
<ul style="list-style-type: none">• Personal Guarantees	<ul style="list-style-type: none">• Business Assets• Limited/External Guarantees