THE ORIGINAL COMMUNITY INVESTMENT

A Guide to Worker Coop Conversion Investments

project {EQUITY}
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A GUIDE TO WORKER COOP CONVERSION INVESTMENTS

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ABOUT PROJECT EQUITY
Project Equity’s mission is to foster economic resiliency in low-income communities by demonstrating and replicating strategies that increase worker ownership. For more information please visit www.project-equity.org.

ABOUT THE SERIES
This paper is the first in a two-part series about patient, risk capital for worker cooperative conversions. Read our companion paper, “Addressing the Risk Capital Gap for Worker Coop Conversions: Strategies for the field to increase patient, risk capital.”

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While the impact investing field has taken off in recent years and has influenced mainstream banking priorities, worker cooperatives are not yet a viable option for a typical impact investor interested in ‘investing with purpose.’ In other words, while assets under management in the United States’ impact investment space have grown to $15.2B, only a tiny portion of those investments are going into worker-owned cooperative businesses. What would it take for an investor to be able to easily target part of their investment portfolio to worker-owned cooperatives, to ‘mainstream’ the practice of investing in worker cooperatives?

Worker cooperatives provide a myriad of benefits. For worker-owners, benefits include better paying jobs, asset and skill building, and enhanced control over their work lives. For businesses, benefits include reduced employee turnover and increased profitability and longevity. For society more broadly, worker cooperatives foster social innovation, expand access to business ownership, and train people in democratic practices. Worker coops are also positively correlated with many health and other social benefits. However, in the U.S. today, there are only an estimated 3-400 worker coops.

Converting existing business to worker coops through a leveraged employee buy-out—with the support of appropriate capital—has the biggest potential to significantly grow the worker coop sector in the U.S., especially by tapping the baby boomer retirement wave, dubbed the ‘Silver Tsunami.’ There will be a dramatic shift in the landscape of local business ownership as baby boomers retire. It is estimated that boomers own between nearly half and two-thirds of privately held businesses with employees—or four million companies, leading to forecasts that “trillions of dollars of value are going to change hands in the next 10 to 20 years.”

Cooperative developers the world over agree that a successful cooperative ecosystem—like Spain’s Mondragón cooperative network, Italy’s Emilia Romagna region, or Quebec’s cooperative financing ecosystem (wielding nearly $200B in assets across five institutions)—has a large-scale source of capital to support it. Yet in the U.S., the estimated collective pool of lending and equity capital specifically earmarked to support cooperatives of all types is estimated at just shy of $50M; the portion of this targeted to worker-owned cooperatives is likely $25M or less.

As the pipeline of investment-ready deals for these ‘conversions’ grows in the coming years, available capital will also need to grow. A range of capital sources is needed, with a concerted effort needed to grow patient, risk capital, regardless of whether it is equity or debt:

- Junior/subordinated debt with a longer loan horizon (7-10+ years) and the ability to go for a time period without making principal payments
- Mezzanine financing
- Equity financing (preferred stock*)

Our series of two companion publications focus on patient, risk capital for worker coop conversions. This paper aims to help investors understand worker cooperative investing, especially in the context of worker coop conversions. Below, we first review the basics of worker cooperatives and worker coop conversions including how financial statements are different and how deals are structured. Then, we go into detail about investment options and considerations. An investor who wants to make a steady return and support the worker cooperative model has a range of options to invest either directly or indirectly in worker-owned cooperatives. We hope this information is helpful to encourage investment in this highly beneficial—and highly underrepresented—business model.

* In a worker coop, voting stock is issued only to worker-owners. Outside investors can hold preferred, non-voting stock.
WHAT IS A WORKER-OWNED COOPERATIVE?

In contrast to traditional corporations, whose fiduciary responsibility is focused on maximizing financial benefit to its shareholders, the purpose of a worker-owned cooperative is to maximize benefit to its worker-owners:

At their most basic, cooperatives are simply enterprises that are owned and controlled by their members for the benefit of those same members. Joint ownership, democratic control and member benefit are defining features that cooperatives the world over all share. Coops operate in all industries, can be found in every country in the world, and vary in size from a handful of members to Fortune 500 companies.

HOW ARE WORKER COOPS MANAGED?

There is no single way to manage a worker cooperative. Most mid-to-large coops have traditional (hierarchical) management structures, along with a participatory culture and governance through representative democracy. With representative democracy, worker-owners elect the Board of Directors, which typically hires, fires and evaluates the General Manager. There are a small number of decisions that need to be voted on by all worker-owners (such as selling the business, electing the majority of board seats, and amending the bylaws), and sometimes, important annual decisions such as approving the budget are made by the members. Other key decisions are made by the board (e.g. hiring-firing-evaluating the chief executive, setting policy), and day-to-day business decisions are made by the appropriate manager.

Some worker coops prefer a more 'flat' management structure, and some of these have used direct democracy at a larger scale. In direct democracy, all high-level business decisions are made by a vote of all worker-owners. Small worker coops are the ones that can usually use this approach most effectively, but there are some larger coops that have been able to continue to operate with this structure. All worker-owners are on the board, and the board makes major business decisions. Often committees are set up to manage different areas of the business, and those committees are granted defined decision-making authority within their area.

With either approach—and as in traditional business structures—effective business operations are only made possible by well-defined decision making authority and processes.
Profits in cooperatives (called 'surplus') are shared amongst worker-owners on the basis of 'patronage.' For a worker-owned coop, this typically means on the basis of hours worked. Some worker coops also incorporate pay level and seniority into the formula for allocating profits. Most typically, and as outlined in the coops’ bylaws, some portion of the surplus is reinvested in the business and some portion of the surplus is shared with worker-owners. Of the portion shared with the worker-owners, some of it is paid out (quarterly or annually) and some stays in the business in the workers' individual capital accounts. The money in these capital accounts is owned by individual workers, but is available to the business for working or growth capital, then is paid out when a worker leaves the business.

When worker-owners buy in to the cooperative and receive their single voting share, their Internal Capital Account—an equity account—is established. Over time, as profits (called surplus in coops) are shared with worker-owners, some of that profit is retained in the business, but still owned by the individual workers. This retained patronage increases the value of a worker’s individual Internal Capital Account.

Lenders or investors who have never worked with cooperatives before may be unfamiliar with the relationship between the cooperative and its worker-owners, and how the relationship is reflected in the financial reports of a cooperative. Although cooperatives are subject to the same set of Generally Accepted Accounting Principles in their financial reporting as are all other types of business entities, there are two main areas where cooperative accounting differs from that of a typical business: the balance sheet and how profits are taxed.

The balance sheet:
When a new worker-owner joins a coop (or in the case of a conversion, at the time of conversion), each worker-owner 'buys in' to the coop and receives a single voting equity share. This buy-in becomes equity on the balance sheet, and is tracked in the individual capital account of each worker-owner.

How profits are taxed:
A worker cooperative can elect to receive single tax treatment (also called pass through treatment) for profits generated by worker-members (called surplus), which are allocated to those members based on their labor contribution to the cooperative. As mentioned previously, cooperatives can retain this allocated surplus in the business through member (worker-owner) equity accounts instead of paying it all out in cash to worker-owners. This retained patronage is tracked in the individual capital accounts in the equity section of the balance sheet.
A worker cooperative conversion is similar to a management buy-out, but instead of just a few key managers purchasing the business, most or all employees are offered an equal ownership stake. A conversion has three basic components:

- The creation of a business entity that is a worker-owned cooperative. Depending on the situation, this can be accomplished by converting the existing business, or forming a new cooperative entity;
- A sales transaction executed between the current owner(s) and the new worker cooperative to sell the existing business (or its shares or assets) to the worker coop and execute a Purchase & Sale Agreement. Each worker-owner 'buys in' to the coop and receives a single voting equity share. The sales transaction is typically financed by a group of lenders—the selling owner, a bank, and/or a Community Development Financial Institution (CDFI), or less commonly, by selling non-voting equity shares; and
- A transition of roles and culture among the new worker-owners to take on the ownership responsibility of the new entity and run it under democratic governance. Often, technical assistance from coop developers specializing in this work helps smooth this transition.

We have seen four common motivations for businesses to transition to worker ownership:

- As an exit strategy for the owner, whether leaving for retirement or other reasons
- As a component of the business’ mission, recognizing the employees as an important stakeholder group
- To create wealth-building opportunities for employees, especially in low-wage sectors
- Because it’s good business: employee-owned businesses have demonstrated their ability to be more financially successful than their peers, and to weather economic storms more effectively

An employee stock ownership plan, or ESOP, is a type of employee benefit plan (like a 401(k) or profit sharing plan) that can be used to transfer partial or full ownership of a company to employees. With an ESOP, shares are not held directly by employees, but through an ESOP trust, which is administered on employees' behalf.

Two key differences between ESOPs and worker cooperatives are:

1) Worker cooperatives are by definition democratically governed by workers, whereas ESOPs have only minimal requirements for worker voice (although they can be governed democratically).
Cooperative Home Care Associates (CHCA), based in the Bronx, was founded in 1985 and is now the largest worker coop in the U.S., with more than 2,000 employees (~1,300 worker-owners), nearly all of whom are Latina and African-American women. Its mission—to deliver quality care through quality jobs—is achieved through providing gold standard training, offering full-time hours, competitive wages, and worker ownership, and integrating peer mentoring, financial literacy training, and supervision that effectively balances coaching, support, and accountability. The company does over $60 million in sales per year. Worker-owner buy-in is priced at $1,000 per share, with a $50 initial buy-in amount; CHCA provides an interest-free loan for the remaining $950 and then deducts $3.50 a week until the member voting stock is paid off.9

Founded in 1986, Equal Exchange is dedicated to building long-term trade partnerships that are economically just and environmentally sound, to foster mutually beneficial relationships between farmers and consumers, and to demonstrate the contribution of worker coops and fair trade to a more equitable, democratic, and sustainable world. Equal Exchange is now one of the largest fair trade coffee producers that is also owned by its workers and farmer producers. With over $64 million in sales (as of 2015) and locations across the U.S. and world, its staff of 114 worker-owners keeps growing. Equal Exchange has been an innovator in their use of Class B preferred non-voting shares to finance the cooperative model, offering these shares starting in 1989 and returning an average dividend of 5.18% over the company’s history.10

Namaste Solar, a Boulder, Colorado-based solar energy system design and installation company, was co-founded as an employee-owned business in 2005 by Blake Jones, Ray Tuomey and Wes Kennedy. In 2011, Namaste officially converted from its unique form of employee ownership to a worker-owned cooperative. It finished FY 2014 with $23.8 million in sales, 50 worker-owners and a total staff of 115. Following in Equal Exchange’s footsteps, Namaste completed its second private-placement investment offering in Sept. 2015, selling a total of $5 million in shares at a 6.5% annual target dividend offered in five-year terms.11
WHAT ARE THE STEPS IN A COOP CONVERSION?

Once the decision has been made to transition to worker ownership, a business must prepare for the transition. The conversion team works to secure a business valuation, identify financing options and negotiate the terms of the sales transaction. The selling price of the company should be based on the market valuation as well the debt service capacity of the company. Lenders can play a valuable role in advocating for a price with terms that the cooperative can repay even if it does not meet forecasted performance targets. In addition to financials, the team drafts bylaws and decision-making frameworks for the new coop, and creates a training and support plan for the new worker-owners. This phase leads to a formal commitment to the coop conversion transaction by the selling business owner and the coop’s future worker-owners.

During the next phase, the conversion team finalizes the worker coop entity set up and the coop’s bylaws. The buyers and selling owner execute the agreed-upon financing options and complete the sales transaction, after which the business executes the coop governance structures and is officially a worker-owned company.

WHAT SUPPORTS HELP MAKE COOP CONVERSIONS SUCCESSFUL?

We recommend that businesses ensure they have the right supports in place, including experts in designing worker-owned business structures, legal counsel, financial and tax advising, and accounting support to transition the books to new financial structures. Effectively structuring the financing to not over-burden the new worker coop is critical.

In addition, it is important to invest in education and training for the selling owner and the future worker-owners, as well as ongoing support for key individuals who will help lead the governance and cultural transition. We recommend building in the cost of ongoing training and support into the sales financing, to ensure adequate investment for a period of 2-3 years after the transaction.

2) Worker cooperatives have fewer regulatory requirements, whereas federal law governs many aspects of how ESOPs are administered, including allocation, vesting, valuation, distribution, and more.

Given the costs, ESOP experts generally advise that companies with fewer than 50 employees may be too small for an ESOP, although there are many exceptions. Worker cooperatives, on the other hand, typically have much lower transaction and ongoing administration costs, and are appropriate for companies of all sizes.
There are four main ways that worker coops raise capital. All but the first are available to outside investors.

### PATIENT RISK CAPITAL INVESTMENT OPTIONS FOR WORKER COOPERATIVES

<table>
<thead>
<tr>
<th>Type</th>
<th>Equity, debt, or hybrid</th>
<th>Distinguishing features</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Member Equity Voting Shares</strong></td>
<td>Equity</td>
<td>Class A stock (full voting rights) reserved for worker-owners. One member, one share.</td>
</tr>
<tr>
<td><strong>2. Private Offering of Class B Preferred Stock</strong></td>
<td>Equity</td>
<td>Class B stock confers limited/no voting rights and a target dividend. Only available to accredited investors. Advertising not allowed.</td>
</tr>
<tr>
<td><strong>3. Investment Crowdfunding</strong></td>
<td></td>
<td>Shares available to accredited or unaccredited investors, voting rights vary. Registration process and costs vary. Advertising is allowed.</td>
</tr>
<tr>
<td>Direct Public Offering (DPO)</td>
<td>Equity, debt, revenue share or other</td>
<td>Shares available to accredited or unaccredited investors, voting rights vary. Registration process and costs vary. Advertising not allowed.</td>
</tr>
<tr>
<td>Title III Federal Crowdfunding</td>
<td>Equity, debt, revenue share or other</td>
<td>Shares available to accredited or unaccredited investors, voting rights vary. Registration process and costs vary. Advertising not allowed.</td>
</tr>
<tr>
<td>Investor-Member Shares through California Worker Cooperative Act (AB 816)</td>
<td>Equity only</td>
<td>Shares available to accredited or unaccredited investors with limited voting rights. Low barrier due to minimal costs and no registration requirements. Offered in CA only. A small number of other states may have similar statutes.</td>
</tr>
<tr>
<td><strong>4. Indirect investments through Cooperative Loan Funds</strong></td>
<td>Equity, debt, revenue share or hybrid / other</td>
<td>Investment of debt or equity into funds dedicated to worker cooperative development. Return rates and terms dependent on the fund.</td>
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The worker-owners of South Mountain Company, a design/build company based in Martha’s Vineyard and founded by John Abrams, sets its member equity buy-in share price at the price of a good used car. Abrams describes the rationale for the “good used car” buy-in price as such:

“Originally, we decided this needed to be significant but affordable. If it was too steep it would discourage participation, so we set it at the price of a good used car, an expense everyone seems to be able to manage when necessary. At the initial 1987 re-structuring it was set at $3,500. It escalates at a rate determined by the Owners; as of April 2012, is approximately $13,000. The fee may be paid in cash, or payments may be spread, at no interest, over a period of time not to exceed 36 months. A new owner begins to accumulate equity when the fee is half paid.”

There is wide variability on the buy-in cost based on the capitalization needs of the coop and the capacity of the worker-owners to afford the shares. In contrast to South Mountain (see profile below) or Namaste Solar ($5K member equity buy-in), Rainbow Grocery Cooperative sets its buy-in cost at $1 per worker-owner.

Frequently, the coop will lend a portion of the buy-in to a new worker-owner, enabling full payment to be completed over time through a payroll deduction. Unless there is significant time between starting the coop organizing effort and the sale transaction, most of this equity won’t be available at the time of the conversion.

Because member buy-in amount is designed to be financially within reach for the worker-owners, it is not expected that this source of equity will fully finance the cost of purchasing the business from the selling owner; in fact, it has historically covered less than ten percent of the sale price. In cases where the workforce is on the lower end of the pay scale (so unlikely to have much money to pay the buy-in), the cooperative will often allow new worker-owners to pay their buy-in over time through affordable payroll deductions, so at the time of sale, there may be very little available as equity.

Equity in the form of member buy-ins from worker-owners is not expected to cover the full cost of purchasing the business. Historically, this equity has covered less than 10% of the sale price.
PRIVATE OFFERING OF CLASS B PREFERRED STOCK

The next most common form of equity investment in worker cooperatives is through a private offering of Class B Preferred Stock. Depending on the specifics of the offering, it is possible for both accredited and non-accredited outside investors to purchase preferred shares in a worker cooperative. In the event of dissolution, preferred shares must be paid out before other classes of shares, although they are in line for payout after loans. Based on IRS code, return on investment is capped at 8% or the state’s maximum, whichever is higher. For example, in the state of CA, the maximum allowable rate is 15%. These shares do not confer voting rights—voting rights are limited only to the worker-owners, though there are some exceptions in which outside investors have limited voting rights on major issues like dissolution.

Private offerings of Class B preferred shares, also called 'Private Placements,' have been successfully utilized by established worker cooperatives—like Equal Exchange and Namaste Solar. For these offerings, the majority of investors must be accredited, meaning that they meet certain wealth and income thresholds. Class B shares can allow for unaccredited investors under the 506 exemption, which allows businesses to accept up to 35 non-accredited (but financially ‘sophisticated’) investors per offering, as long as a comprehensive disclosure document is provided.

As an accredited investor, the best way to learn about opportunities to invest in Class B shares is to inquire directly with the business itself. These offerings are only publicly posted if all investors in the deal are accredited investors (506b exemption). Otherwise, with both unaccredited and accredited investors purchasing shares, public solicitation is expressly prohibited.

EQUAL EXCHANGE

At Equal Exchange, the company issues stock to investors at a fixed price per share, with non-guaranteed returns of approximately 5% on average. Daniel Fireside, Equal Exchange’s Capital Coordinator, emphasized that the company was still paying its investors 5% returns even during the worst periods of the 2008 financial crisis. At the end of 2015, Equal Exchange had over $16 million in Class B stock, and 600 outside individual and institutional investors. Additionally, the worker-owners put in half of their annual profit sharing (called 'patronage') into an internal capital account that is then converted into preferred stock. This account is the single largest shareholder, and represents $1.6 million of the outstanding stock.
INVESTMENT CROWDFUNDING

Investment crowdfunding / community capital raising is an investment strategy in which small businesses raise small amounts of investment capital from a large number of investors, rather than raising a large amount of capital from a small pool of investors. Crowdfunding enables businesses to solicit both accredited and non-accredited investors (the majority of people: those whose wealth and income levels are below accredited investor requirements). This can be especially beneficial for businesses with a broad customer or community base, and also avoids cumbersome and expensive SEC regulation requirements. We have detailed the following three types of investment crowdfunding:

- Direct Public Offering (DPO)
- Title III Federal Crowdfunding
- State-specific investment exemption through a state cooperative statute

Direct Public Offering (DPO)

DPOs allow entrepreneurs to publicly issue stock in the states in which it has registered to accredited and non-accredited investors through direct outreach to their networks, their website or social media, or other types of advertising. Unlike doing a Private Placement of preferred stock, which does not allow for public sale, a DPO enables the coop to solicit to a broad audience, in effect enabling it to raise a larger number of smaller dollar amount investments.

REAL PICKLES

Founded by Dan Rosenberg in 2001, Real Pickles is a Greenfield, Massachusetts-based company that makes naturally fermented and raw pickles from regionally grown vegetables. Addie Rose Holland joined Dan Rosenberg as co-owner in 2004, and in 2012, Holland, Rosenberg, and their employees made the decision to convert Real Pickles to a worker-owned cooperative. To finance the conversion, Real Pickles chose the DPO model in order to control their growth and expansion. The DPO was also chosen for its community and marketing benefits: the option allowed Real Pickles to advertise, take on an unlimited number of investors, and make public their conversion to the community—which would provide their consumer base for years to come. The DPO raise was highly successful: within two months, Real Pickles raised $500,000 from seventy-seven local investors. These were preferred shares at five-year terms with a target dividend rate of 4%.17
To utilize the DPO, a cooperative must:

1) Register its investment offering in its state and all other states in which the securities will be sold. This can be a single state (Intrastate Offering) or multiple states (Interstate Offering). Every state allows for DPO offerings.

2) File and submit documentation like a prospectus, business plan, and financials. Do not need to submit audited financials.

3) Have a robust marketing campaign to advertise the investment offering. (Unlike private placements, you can advertise your DPO and unlike Title III, you are not limited to advertising only on an online platform.) Re-file the DPO to extend the investment offering if the cooperative does not reach its desired capital raise within the initial window of time.

There are a few limitations to the DPO:

1) It can be expensive: Legal costs are in the $15-$30K range for most raises up to $5 million with no success fees; marketing costs range depending on the issuer.

2) If raising capital in more than one state, there is a $5 million limit to total fundraising across all states in any 12-month period (no limit if raising capital in just one state).

3) If you have more than $10 million in assets, onerous reporting requirements are triggered if a business has more than 500 non-accredited investors or more that 2,000 total investors. 

Timeline: 3-6 months for preparation of materials and approval of registration.

As an investor, there is one online platform that offers a range of DPO investment opportunities, including cooperatives: CuttingEdgeX. CuttingEdgeX is an online DPO tool and marketplace, offering a range of companies and social enterprise investments to choose from.

"Because direct marketing and advertising is permitted (and not limited to an online platform), DPOs offer a special opportunity for coop members to directly reach out and meet with potential investors and allies. This type of community connection can strengthen the capital raise."

- Kim Arnone, Vice President, Cutting Edge Capital
Title III Federal Crowdfunding
Title III allows entrepreneurs to publicly offer an investment opportunity nationwide to nonaccredited and accredited investors through intermediary online portals and broker-dealers. This new crowdfunding provision took effect in May 2016 through implementation of the federal JOBS Act.

To utilize Title III, a cooperative must:

1) File disclosure materials with the Securities and Exchange Commission which include financials, details about the coop’s business plan and risk disclosures, among others.
2) Choose a portal through which to sell the investments. This intermediary must be listed and approved by FINRA (Financial Industry Regulatory Authority).

There are a few limitations to Title III:

1) It can be expensive, due to intermediary web portal costs and fees as well as marketing costs; portals charge a success fee of between 4-10% of the capital raise and often charge listing or other fees as well. For example, for a $500,000 raise with a 5% fee, the cost would be $25,000 plus any upfront portal listing fees. Costs increase the larger the raise. For a $1 million raise, the success fees alone could be $50,000 to $100,000 (from 5% to 10% in fees) in addition to possible listing and design fees.
2) The coop cannot advertise its shares directly to investors; it must direct investors to the intermediary’s portal and provide all potential investors with the same information.
3) There is a $1 million limit to the capital-raise.¹⁹

Timeline: 2-4 months for preparation of materials.

Investors interested in financing a cooperative through Title III Crowdfunding can visit Finra.org to access a list of dozens of funding portals regulated by FINRA and open to accept investments.

State-specific investment exemption through a state cooperative statute
The California Worker Cooperative Act AB 816 provides an exemption from filing with the SEC for California cooperative corporations to sell investment shares directly to outside, unaccredited investors (designated as ‘community investor members’) up to $1,000 per investor. This form of investment crowdfunding is the least cumbersome and least expensive of the three, available to any type of coop, including worker cooperatives. The worker coop does not need to register with the state or federal government to issue these investments so long as they are capped at $1,000 per person and up to $500,000 in total investment dollars raised.
Unlike the Title III option, advertising to investors is allowed. The class of stock issued is called ‘investor member’ stock, available only to investors in the state of California. At the discretion of the cooperative, investor-members may be granted limited voting and approval rights over decisions that may affect their investment, such as approval to sell major assets or to merge with another cooperative—though these rights are not guaranteed. There are other states in addition to California that have similar (and more favorable to coops) legislation, including Illinois and Minnesota, and we’d love to see more follow suit.

Cost: Approximately $5,000 or less in legal fees, depending on how far along the coop is in their process.

Timeline: 2-3 months to prepare materials depending on the complexity of the disclosures. All coops that use this exemption must still provide all relevant facts and disclosures to investors about all possible risks.

California-based investors interested in becoming ‘investor-members’ of California cooperatives should inquire directly with the business itself. Cooperatives accepting investor member shares in California may be fairly easy to find online, as they are allowed to publicly solicit investors as a part of this law.

Besides purchasing Class B stock directly, investors can place their capital into funds dedicated to cooperative lending and investing, helping diversify the risk and due diligence investment servicing, as well as taking advantage of fund managers’ experience with worker cooperatives. Returns to investors from those funds vary depending on the fund—typically ranging from 1%-8%, with the average interest paid to investors at 2.8%.

We are in a fortunate position in the U.S. to have five well-established and experienced loan funds that are explicitly or exclusively dedicated to worker coops, and have deep expertise in worker coop conversion financing. They are all Community Development Financial Institutions, or CDFIs, lenders granted this status by the U.S. Treasury that qualifies them for some types of federal support, and with a mission to help historically disinvested communities join the economic mainstream. Opportunity Finance Network (the membership organization for CDFIs) has an easy-to-use searchable database of CDFIs nation-wide. More detail on each of the cooperative loan funds is in the Appendix.

National: Local Enterprise Assistance Fund, Shared Capital Cooperative, The Working World
Regional: Common Wealth Revolving Loan Fund (CWRLF), Cooperative Fund of New England

These loan funds have been able to attract mission-aligned investors including institutional investors, such as faith-based investors, university endowments, large cooperatives and foundations through their program-related investments (PRIs), and wealth / asset managers.
focused on SRI investments. As CDFIs, they can also leverage capital sources like the Treasury’s CDFI Fund, bank deposits through the CRA and BEA programs, and new online marketplaces like Mission Markets, ImpactUs, and Partners for the Common Good’s CapNexus platform.25

The need for industry expertise does not differ between underwriting a conversion or a conventional financing applicant, though lenders should ensure that the valuation was conducted by a firm with industry expertise and access to industry-specific data. Lenders or investors can also reach out to conversion experts with experience in the industry or to converted companies in that industry for support around effective practices and common issues that may arise.

These loan funds coordinate amongst themselves through the Co-op Lenders Working Group (jointly convened by all participants) that meets regularly. This group includes the five funds noted above as well as Capital Impact Partners and National Cooperative Bank.26

WHAT ARE OTHER INVESTMENT CONSIDERATIONS?

WHAT ROLE CAN LOAN GUARANTEES PLAY?

In a worker coop, in which many individuals own a small part of the business, personal guarantees can be a challenge to enforce and collect on. As a result, when lenders are unable to collateralize the loan using only business assets, limited loan guarantees can play an important role, for example:

- Limited guarantees from the selling owner or top management. These guarantees might expire after a set period of time or cover a fixed amount of the debt.
- Loan guarantee through the USDA Business & Industry Loan Guarantee program:27 Available for cooperatives in rural locations (as defined by the USDA) and with some exceptions, food-related businesses outside of rural areas. The USDA expanded its loan guarantee program to cooperatives in 2016, explicitly stating applicability for worker coop conversions. The loan must be done through an eligible lender (most experienced business lenders will be eligible), and the guarantee can be 80% of the loan amount, up to $25M loan value. The ownership transfer must 100% completed with equal governance rights for the worker-owners (including selling owner if staying on) by Year 5, but the loan can be for a longer term.28
- Small Business Administration (SBA) loans are a potential source of financing that require loan guarantees. The SBA 7(a)
FAQ’s

loan may be used to “establish a new business or to assist in the acquisition, operation, or expansion of an existing business.”

Currently, for all SBA loans (including to cooperatives), personal guaranties are required from every owner of 20% or more of the business, as well as from other individuals who hold key management positions. As of the time of this paper’s publication, there is an effort underway to work with the SBA to find an alternative to the guarantee requirement for cooperatives, to enable the cooperative entity itself to provide the guarantee.

CDFIs may have more flexibility than banks, given the regulatory differences. Coop-focused lenders have used limited guarantees and have also used a vehicle similar to a CD-backed guarantee, where a guarantor provides a cash investment with a promissory note clarifying that the investment is at risk if the coop defaults. Structuring a guarantee this way provides interest income to the guarantor while assuring the lender that the cash will be available if needed. CDFIs generally provide a higher rate of return on these guarantees than a bank’s CD or money market fund rate. Furthermore, if the CDFI is a nonprofit and the guarantee is called upon, the amount is a tax-deductible donation, giving the guarantor favorable tax treatment. This option is not available to all CDFIs, depending on their policies and source of funds.

HOW ARE WORKING CAPITAL AND GROWTH CAPITAL NEEDS TAKEN INTO ACCOUNT?

As with any business, converted coops need access to sufficient working capital. In the case where the available business collateral is fully committed for the business acquisition loan, lenders might struggle to approve additional working capital debt. As a series of five financing case studies developed by Cooperative Fund of New England, Democracy at Work Institute and Project Equity illustrates, rarely are member equity and senior debt sufficient to finance a conversion. The other capital sources, including subordinated debt and outside investor preferred equity, are essential not only to the coop’s ability to buy the business, but also to its continued operational and growth needs.

WHO STRUCTURES OR SIGNS FOR AN INVESTMENT ON BEHALF OF THE COOP?

There is no inherent difference between coops and other business types regarding signatory powers. They are governed by the bylaws. Frequently, General Managers will have the right to execute loan documents, but board approval is required before taking on debt.
The figures below show an estimation of current dollars under management that could be tapped for worker cooperative conversions. The message is clear: what is currently targeted to worker cooperatives is a drop in the bucket compared to potential capital.

The authors used a variety of sources to populate this data: the funds’ own annual reports and financials provided most of it; the rest was gathered from US-SIF’s 2016 Report on US Sustainable, Responsible and Impact Investing Trends. See Appendix B for more detail.
CURRENT STATE SNAPSHOT

Existing CDFI Cooperative Loan Funds

- Commonwealth Revolving Loan Fund: $1M
- The Working World: $5M
- Local Enterprise Assistance Fund: $7M
- Shared Capital Cooperative: $13M
- Cooperative Fund of New England: $24M

Pie chart showing:
- 49% share
- 25% share
- 14% share
- 10% share
- 2% share

THE ORIGINAL COMMUNITY INVESTMENT
An investor who wants to make a steady return by investing in worker cooperatives—a powerful business model that delivers impact to workers and communities, and builds strong businesses—has a range of options for direct or indirect investment.

Given the low number of worker cooperatives in the U.S. today, there is low familiarity with this business form and how investments can be structured. This low familiarity can introduce a sense of higher risk, even when actual higher financial risk isn’t demonstrated or merited. This in turn can discourage unfamiliar investors to go the extra mile to seek out this type of investment.

We hope the information we have shared is helpful to demystify this impactful business model, and can inspire investors to find ways to get involved, as the field of worker cooperatives continues to grow in the U.S.

Our call to action to those focused on expanding worker coops in the U.S. is to focus on building pipeline of investor-ready deals. We outline this and other recommendations in our companion publication, “Addressing the Risk Capital Gap for Worker Coop Conversions,” which discusses on strategies for increasing equity or equity-like capital investment in worker cooperatives.
## Cooperative Loan Fund Sources & Sizes

<table>
<thead>
<tr>
<th>Fund</th>
<th>Fund type</th>
<th>Size as of 2016 unless otherwise noted</th>
<th>Average $ investment into a single worker coop</th>
<th>Average rate of return to investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commonwealth Revolving Loan Fund</td>
<td>CDFI/Cooperative loan fund (regional; 100% to worker coops)</td>
<td>$1.05M</td>
<td>$125K</td>
<td>2%</td>
</tr>
<tr>
<td>The Working World</td>
<td>CDFI/Cooperative loan fund (national; 100% to worker coops)</td>
<td>$4.8M</td>
<td>$75K</td>
<td>Equity-like profit sharing model: 3-8%; Higher at longer terms (5+ years, variable)</td>
</tr>
<tr>
<td>Local Enterprise Assistance Fund</td>
<td>CDFI/Cooperative loan fund (national)</td>
<td>$7M</td>
<td>$150K</td>
<td>1-2 yrs= 2%; 2-4 yrs= 2.5%; 5 + yrs= 3%</td>
</tr>
<tr>
<td>Shared Capital Cooperative</td>
<td>CDFI/Cooperative loan fund (national)</td>
<td>$12.5M</td>
<td>$60K</td>
<td>2% avg; Highest is 4.5%; (higher at longer terms and larger investments)</td>
</tr>
<tr>
<td>Cooperative Fund of New England</td>
<td>CDFI/Cooperative loan fund (regional)</td>
<td>$24M</td>
<td>$170K</td>
<td>0-2%</td>
</tr>
</tbody>
</table>

**Total funds under management** $49.4M
## Current and Potential Sources of Capital for Worker Coops

<table>
<thead>
<tr>
<th>Source of capital</th>
<th>Type</th>
<th>Size</th>
<th>Invest in worker coops?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DEBT</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cooperative loan funds (5) see Appendix A for detail</td>
<td>CDFI Loan funds</td>
<td>$49.4 Million</td>
<td>Yes. These loan funds invest in cooperatives of all kinds, including worker coops.</td>
</tr>
<tr>
<td>National Cooperative Bank</td>
<td>Mission-connected cooperative bank</td>
<td>$2.23 Billion (as of 2015)</td>
<td>Some</td>
</tr>
<tr>
<td>Capital Impact Partners</td>
<td>CDFI Loan fund</td>
<td>$284 Million (as of 2015)</td>
<td>Some $5M lent to coops of all types in 2015</td>
</tr>
<tr>
<td>CDFIs in the US (total funds: includes CDCUs)*</td>
<td>CDFI</td>
<td>$121.6 Billion</td>
<td>Some</td>
</tr>
<tr>
<td>Community Development Credit Unions in US*</td>
<td>CDCU</td>
<td>$65.1 Billion</td>
<td>Some</td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coop Investment Clubs</td>
<td>Investment club</td>
<td>$50,000</td>
<td>Yes. Clubs invest in cooperatives of all types, including worker coops.</td>
</tr>
<tr>
<td>Investment Funds (all types) Incorporating ESG and impact investment criteria*</td>
<td>Investment funds</td>
<td>$2.597 Trillion</td>
<td>Some</td>
</tr>
<tr>
<td>Foundation investments incorporating ESG and impact investment criteria*</td>
<td>Foundation endowments</td>
<td>$63.6 Billion</td>
<td>Some: indirectly through CDFI funds</td>
</tr>
<tr>
<td>Family Funds incorporating ESG and impact investment criteria*</td>
<td>Investment funds</td>
<td>$2.4 Billion</td>
<td>Some</td>
</tr>
<tr>
<td>Public Funds (pension funds, municipal, state, etc.) incorporating ESG and impact investment criteria*</td>
<td>Publicly managed funds</td>
<td>$2.71 Trillion</td>
<td>Very little</td>
</tr>
<tr>
<td>Labor Funds (SEIU, AFL-CIO, etc.) incorporating ESG and impact investment criteria*</td>
<td>Labor</td>
<td>$62.3 Billion</td>
<td>Very little</td>
</tr>
<tr>
<td>Faith-based Funds incorporating ESG and impact investment criteria*</td>
<td>Funds, endowments</td>
<td>$44 Billion</td>
<td>Some: indirectly through CDFI funds</td>
</tr>
</tbody>
</table>


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APPENDIX B

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**Project Equity** | **THE ORIGINAL COMMUNITY INVESTMENT**
LEAF SAMPLE TERM SHEET
Reproduced with permission from Gerardo Espinoza, Executive Director, Local Enterprise Assistance Fund

SUMMARY OF TERMS

[DATE]

INVESTOR: [investor name]
SSN: [social security number]
BORROWER: LEAF (Local Enterprise Assistance Fund, Inc.)
FACILITY: Unsecured Term Loan
PRINCIPAL AMOUNT: $100,000
TERM: Five (5) Years
INTEREST RATE: Three percent (3%) per annum, payable annually in arrears
AMORTIZATION: No repayments prior to the Maturity Date
MATUREY DATE: On the Fifth anniversary or the Closing Date
CLOSING DATE: [date]
NOTICES TO INVESTOR: [contact information]
NOTES TO BORROWER: [contact information]

SHARED CAPITAL COOPERATIVE EXAMPLE INVESTMENT NOTES TERMS AND RATES
Summarized with permission from Christina Jennings, Executive Director, Shared Capital Cooperative
Investment notes have been issued to members and accredited investors, where allowable. Below is a sample of terms and rates:

<table>
<thead>
<tr>
<th>INVESTMENT NOTES</th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>7 Years</th>
<th>10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $25,000</td>
<td>1.00%</td>
<td>1.50%</td>
<td>2.00%</td>
<td>2.50%</td>
<td>3.00%</td>
</tr>
<tr>
<td>$25,000 TO $99,000</td>
<td>1.25%</td>
<td>2.00%</td>
<td>2.50%</td>
<td>3.00%</td>
<td>3.50%</td>
</tr>
<tr>
<td>$100,000 TO $499,000</td>
<td>1.50%</td>
<td>2.50%</td>
<td>3.00%</td>
<td>3.50%</td>
<td>4.00%</td>
</tr>
<tr>
<td>$500,000 and up</td>
<td>1.75%</td>
<td>3.00%</td>
<td>3.50%</td>
<td>4.00%</td>
<td>4.50%</td>
</tr>
</tbody>
</table>
Note: These were the stated terms of Shared Capital Cooperative’s (SCC) last private placement offering. This offering is no longer open to investors interested in SCC. Shared Capital Cooperative is planning to open a new preferred equity offering in 2017.

<table>
<thead>
<tr>
<th>Total Offering</th>
<th>The total amount shall not exceed $1,500,000.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A Preferred Stock</td>
<td>A maximum of 150,000 shares.</td>
</tr>
<tr>
<td>Offering Price</td>
<td>$10.00 per share.</td>
</tr>
<tr>
<td>Minimum Investment</td>
<td>An investor must purchase a minimum of $5,000 or Five Hundred (500) shares of Class A Preferred Stock and a current debt holder must convert at least $5,000 of principal.</td>
</tr>
<tr>
<td>Debt Conversion</td>
<td>Current debtholders of SCC may convert the principal amount of such debt into shares of Class A Preferred Stock at a rate of one (1) Share for each $10 of principal outstanding.</td>
</tr>
<tr>
<td>Redemption Right</td>
<td>A holder of Class A Preferred Stock may request redemption in writing and the Board of Directors, at its sole discretion may redeem such holder’s Shares at an amount equal to the per share purchase price plus any declared but unpaid dividends.</td>
</tr>
<tr>
<td>Dividends</td>
<td>Up to 8% per annum, non-cumulative, at the discretion of the Board of Directors of SCC payable in the form of cash or additional shares of Class A Preferred Stock. The Board of Directors anticipates that dividends, if declared, will range between 2% and 6% per annum.</td>
</tr>
<tr>
<td>Liquidation Preference</td>
<td>Shares of Class A Preferred Stock have a liquidation preference prior to all other equity of SCC.</td>
</tr>
<tr>
<td>Voting Rights</td>
<td>None.</td>
</tr>
<tr>
<td>Transferability</td>
<td>Shares of Class A Preferred Stock are only transferable at the discretion of the Board of Directors.</td>
</tr>
<tr>
<td>Use of Proceeds</td>
<td>To provide loans to SCC’s members consistent with lending policies or for other corporate purposes.</td>
</tr>
</tbody>
</table>
This is the Fundraising Plan section of Namaste Solar's August 2015 Business Plan for a 2015 private offering. Reproduced with permission from Blake Jones of Namaste Solar.

OUR FUNDRAISING PLAN

Private Offering
Namasté Solar is seeking up to $5M in external investment via a private offering of preferred stock that will have the following attributes:

1) 6.5% annual target dividend (non-guaranteed and non-cumulative)
2) $10k minimum investment amount
3) 5-year minimum investment term
4) No voting rights (in order to maintain our cooperative structure – i.e. one employee, one vote)
5) Preferred rights for dividends, redemption, and dissolution/liquidation
6) Non-assignability and non-transferability
7) A non-guaranteed “put” option – i.e. an option to request redemption by the company that can be granted at the Board of Director’s discretion (for example, while considering the overall financial health of the company).
8) It is not our intention to sell Namasté Solar, but if this were ever to happen, any residual value would be divided as follows:
   a) First, declare and redeem any “undeclared” and/or “unredeemed” preferred dividends in any year(s) in which the full dividend target was not met;
   b) Second, divide the remaining residual value as follows:
      i) 33% to preferred stockholders collectively, divided pro-rata on a dollar-for-dollar basis;
      ii) 33% to common stockholders collectively (i.e. “Co-Owners”), divided per person;
      iii) 34% to one or more charitable organizations, as selected by the Board of Directors.

Investor Profile
Since our private offering is very unconventional, we realize that it will not appeal to most traditional investors. Our “ideal” investor would have the following attributes:

- Identifies with being an “Impact Investor” and “Patient Investor”;
- Is interested in or is passionate about cooperatives, employee-owned companies, and/or democratic workplaces;
- Supports our high level of charitable giving (as opposed to using those funds to increase stockholder return);
- Believes in our mission and has personal values aligned with ours;
- Measures investment return holistically, not just in terms of financial gain.

In general, this investor profile also: (a) resembles the profile of our “ideal” Co-Owner who measures happiness and compensation holistically; and (b) aligns with how our company measures its profit and success in the same way.
“Exit Strategy”
Our vision for Namasté Solar is to remain an employee-owned company in perpetuity and to never sell the company. Despite this, our Bylaws stipulate that the company can be sold with a two-thirds passing vote by Co-Owners. In the absence of a company sale, the “exit strategy” for each individual Co-Owner and preferred stockholder is for the company to redeem their stock using a combination of: (a) paid-in capital from new preferred investors and Co-Owners; and (b) cash generated by the company’s operations. We intend to hold a private offering of preferred stock every few years (or as needed) in order to create a continual cycle of investment whereby new investors would essentially replace redeeming investors and Co-Owners. From the proceeds of each private placement, we envision that a portion would be allocated towards redemptions – depending on the number of redemption requests – and the balance of the proceeds would go towards funding the company’s growth and operations. Ultimately, additional capital will be raised only as/if needed, and the amounts will depend on future requirements for both redemption requests and pursuing growth opportunities.

Equity Capital Structure
Namasté Solar is an employee-owned cooperative with separate classes of voting common stock and non-voting preferred stock. Only employees can purchase a single share of voting common stock for $5,000 per share, but first they must complete a one-year “candidacy” period and be approved by a two-thirds vote of existing Co-Owners. If a Co-Owner departs from the company, or if their employment is terminated for whatever reason, the company must redeem their single share of common stock at its original purchase price. Thus, only Co-Owners can own voting common stock on a one-person, one-share, one-vote basis. Non-voting preferred stock can be purchased both by Co-Owners and by select, mission-aligned external investors (see “Investor Profile” section above) as part of a registered private offering (see “Private Offering” section above).

WHAT WE DO
Namasté Solar is a solar photovoltaic (PV) contractor and consultant that specializes solely in solar PV or solar electricity (as opposed to solar thermal or solar hot water). We are often referred to as an Engineering, Procurement, and Construction (EPC) contractor, meaning that we provide “turnkey” solutions whereby we sell, custom design, procure, install/construct, and service solar PV systems for each of our customers. We do not manufacture any products. We serve residential, commercial, government, and non-profit customers, and we have implemented solar PV projects at homes, office buildings, banks, credit unions, hospitals, schools, government buildings, municipal landfills, homeless shelters, and low-income housing projects. In addition to turnkey solutions, we also provide consulting services that assist with any one or more of the steps that are required in order to implement a solar PV project from start to finish.
We wish to acknowledge the individuals listed below—our interviewees and reviewers—without whom this paper would not have been possible. We are so appreciative of all of your time, insight, and critical feedback. From impact investors to worker-owners to asset managers and cooperative developers, all of your contributions were tremendously helpful. Thank you.

- Alison Powers, Program Officer, Capital Impact Partners
- Amy Orr, Director, Capital Markets, F.B. Heron Foundation
- Andrea Armeni, Executive Director, Transform Finance
- Annelise Grimm, Program Officer, James Irvine Foundation
- Ben Selden, Development and Marketing Manager, Local Enterprise Assistance Fund
- Brendan Martin, Executive Director, The Working World
- Camille Kerr, Associate Director, The ICA Group
- Catherine Yushina, Founder and COO, Startwise
- Christina Jennings, Executive Director, Shared Capital Cooperative
- Christina Oatfield, Policy Director, Sustainable Economies Law Center
- Corinne Florek, Executive Director, Religious Communities Investment Fund
- Dan Fireside, Capital Coordinator, Equal Exchange
- David Henry, Community Investment Portfolio Associate, Trillium Asset Management
- Drew Tulchin, Founder, Upspring Associates
- Estee Segal, Loan Officer, Capital Impact Partners
- Esther Park, Cienega Capital
- Gary Wyngarden, Investor in Namaste Solar
- Gerardo Espinoza, Executive Director, Local Enterprise Assistance Fund
- Hilary Abell, Co-Founder, Project Equity
- Jessica LaBarbera, Vice President, Strategic Innovation, Nonprofit Finance Fund
- Justin Conway, Vice President, Investment Partnerships, Calvert Foundation
- Kate Danaher, Lending Manager, RSF Social Finance
- Kerwin Tesdell, President, Community Development Venture Capital Alliance
- Kim Arnone, Vice President of Cutting Edge Capital
- Lauryn Agnew, President, Seal Cove Financial
- Lor Holmes, CERO Cooperative
- Lynne Hoey, Underwriting Manager, RSF Social Finance
- Marco Vangelisti, Founder, Slow Money California
- Margaret Lund, cooperative developer and consultant
- Mary Ann Beyster, Founder, Foundation for Enterprise Development
- Matt Glatting, Investor Management, Capital Impact Partners
- Matt Meyer, Boston Cooperative Investment Club
- Melissa Hoover, Executive Director, Democracy at Work Institute
- Micha Josephy, Program Manager, Cooperative Fund of New England
- Miriam Joffe Block, former Program Manager, Beneficial State Foundation
- Morgan Simon, Managing Director, Pi Investments
- Nicole Grabos, Operations & Communications, Cutting Edge Capital
- Rebecca Dunn, Executive Director, Cooperative Fund of New England
- Sandy Osborne, Senior Officer of Investments, Impact Assets
- Scott Budde, Project Director, Maine Harvest Credit Project
- Sherman Kreiner, Managing Director, University of Winnipeg Community Renewal Corporation
- Simeon Chapin, Director of Community & Social Development, VSECU
- Stacey Cordeiro, Boston Center for Community Ownership
- Tom Abood, Investor in Namaste Solar


3For more detail on these other benefits, see Worker Cooperatives, Pathways to Scale, available at http://www.project-equity.org/worker-cooperatives-pathways-to-scale


7The $50M figure represents capital for the purpose of lending to cooperatives of all types; the authors estimate that the capital specifically available for worker cooperatives is $25M or less. Data on size of cooperative loan fund pool is estimated by author based on original research surveying and interviewing the five CDFI Cooperative loan funds, 2015-2016. For a more complete picture, please refer to the chart in the appendix, “Current and Potential Sources of Capital for Worker Coops.”


15Accredited investors (definition): for an individual, need $1 M in net worth or be making $200 K per year or $300 K as a household; for an enterprise, need $5 M in assets.


18Cutting Edge Capital. (28 September 2016). Webinar: Creative Sources of Capital for your Cooperative. Project Equity and Cutting Edge Capital.

19Cutting Edge Capital. (28 September 2016). Webinar: Creative Sources of Capital for your Cooperative. Project Equity and Cutting Edge Capital.


21Research completed by author by surveying & interviewing the five CDFI Cooperative loan funds, 2015-2016.


23Micha Josephy, Program Manager, Cooperative Fund of New England, phone interview, 10 February 2015.

24Christina Jennings, Executive Director, Shared Capital Cooperative, phone interview 28 June 2016.


26Alison Powers, Program Officer, Capital Impact Partners, phone interview Octobe: 3, 2016.

27USDA Business & Industry Loan Guarantee Program details can be found here: http://www.rd.usda.gov/programs-services/business-industry-loan-guarantees

28Bruce Reynolds, Economist, USDA, phone interview 10 August 2016.

29https://www.sba.gov/loans-grants/see-what-sba-offers/sba-loan-programs/small-business-loans-sba-advantage-loans-7a

30Condra, RL, National Cooperative Bank, Vice President of Advocacy and Government Programs, email communication February 2017.

31Available at: http://www.project-equity.org/case-studies-of-worker-cooperative-conversion-funding/
This report was made possible through financial support from Capital Impact Partners' Coop Innovation Award. A nonprofit Community Development Financial Institution, Capital Impact delivers strategic financing, incubate new social programs, and provide capacity-building to help ensure that low-to-moderate income individuals have access to quality healthcare and education, healthy foods, affordable housing, and the ability to age with dignity. The Coop Innovation Award represents just one part of Capital Impact’s strategy to promote and scale food, worker, and housing coops in underserved communities. Over its 30-year history, Capital Impact has disbursed more than $283 million in financing to more than 200 cooperative businesses that serve 850,000 and more customers.