

## Growing the Cooperative Economy: Tips and Strategies for Present and Future Cooperative Expansion in Maine

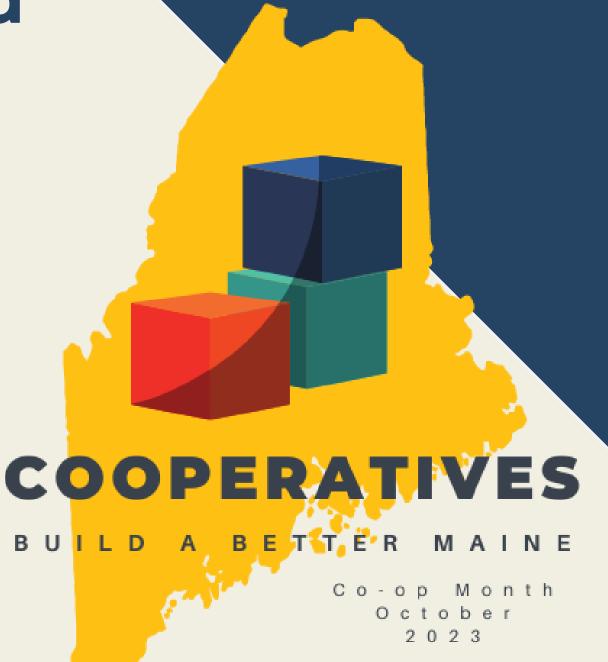
**Webinar Series** 











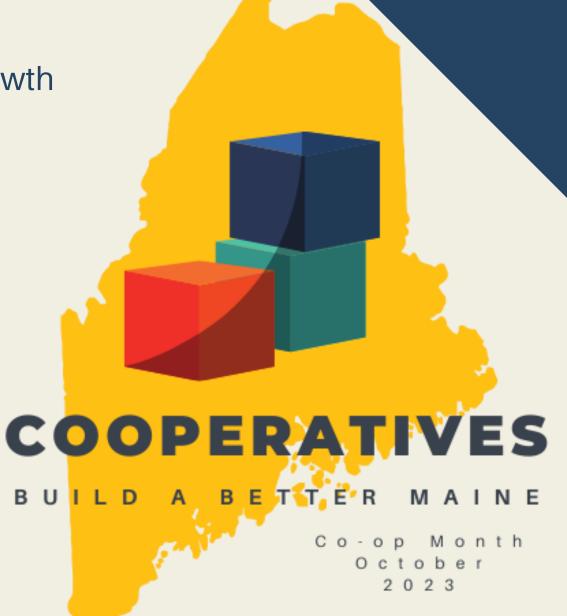


### Series Schedule

**Session 1** | Human Resources Best Practices for Your Growing Co-Op Business *October 11 - 11:00 AM - 12:00 PM* 

**Session 2** | Strategies for New Co-Ops: Financing, Business Planning, and Growth *October 18 - 11:00 AM - 12:00 PM* 

**Session 3** | Strategies for Planning and Financing Cooperative Expansions *October 25 - 11:00 AM - 12:00 PM* 











# Session 3 | Strategies for Planning and Financing Cooperative Expansions

October 25, 2023

#### **Panelists:**

CHRIS LINDER	Loan & Outreach Officer, Cooperative Fund of the Northeast
DOUG	General Manager, Belfast Community
JOHNSON	Cooperative
KEVIN	General Manager,
GADSBY	Blue Hill Co-Op
ADAM	Shareholder, Bernstein Shur, Business
PRESCOTT	Restructuring & Insolvency Practice









## Agenda

PART 1	Introduction to Financing and Expansion Options
PART 2	Deeper Dive: Blue Hill Co-Op
PART 3	Deeper Dive: Belfast Community Co-Op
PART 4	Deeper Dive: Financing Sources and Lessons from a Loan Officer
PART 5	Q + A











# Introduction to Financing and Expansion Options

- Thesis: Whether for-profit or not-for-profit, cooperatives are at their core business entities engaged in commerce, which requires access to capital.
  - "A cooperative is a business operated primarily to provide benefits to member-owners through commercial transactions and patronage distributions earned from those transactions."
  - Financial Management to Achieve Cooperative Principles: "Financial Management" means planning, organizing, directing, and controlling the financial activities of the cooperative, and applying general management principles to the financial resources of the cooperative.







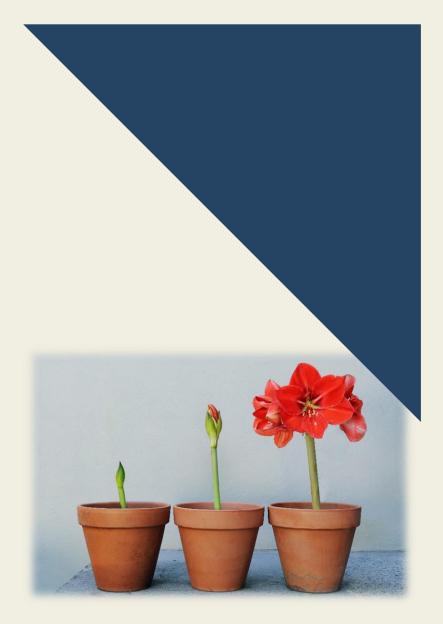




# Introduction to Financing and Expansion Options

Cooperative "Expansion" Can Have Many Meanings

Bigger physical space Production capacity Licensing Acquisition New Products
Geography
Franchising
Strategic Partnership/Joint Venture













## Deeper Dive: Blue Hill Co-Op

TOTAL # MEMBER-INVESTMENTS: 259

TOTAL \$ PREFERRED SHARES SOLD: \$1,499,100

TOTAL # CASH DONATIONS: 80 (TO-DATE)

TOTAL \$ CASH DONATIONS: \$678,236

TOTAL # MEMBER-OWNER CONTRIBUTIONS: 322

TOTAL \$ MEMBER-OWNER CONTRIBUTIONS:

\$2,177,336













# Deeper Dive: Belfast Community Cooperative

- Total estimated cost of \$6.4 million, which includes 10% contingency and additional 8% for construction expenses
- Sources of Funding
  - \$900,000 of available cash
  - \$4 million loan from the Cooperative Fund of the Northeast
  - \$1.5 million raised through national member-owner capital campaign (combination of donations and loans)











Source of Capital	Examples	Products/Services	Positives/Negatives
Conventional Banks & Credit Unions (regulated)	Community Banks, Regional and National Banks: Citibank, Wells Fargo, TD Bank, M&T/People's, Mascoma Bank (B Corp), Bangor Savings Bank	lines of credit, term loans, banking services	+can lend higher amounts +likely need a bank account anyway! +some more community-minded -focused on credit scores -personal guarantees and strict collateral requirements
Government Programs	USDA, SBA, Economic Development Agency (EDA), local city and CDBG funds/gifts of land	Loans, Guarantees, and Grants	+less expensive +often longer-term loans -difficult to apply for/competitive -high compliance
Community Lenders	Community Development Financial Institutions (CDFIS), Nonprofit Loan Funds, Community-driven: Cooperative Fund of New England, LEAF, Shared Capital, Fair Food Fund, Coastal Enterprises, Inc., Genesis Community Loan Fund	mostly term loans (long-term)	+more flexible on underwriting and terms – medium term loans 3-10 years -sometimes limited by the amounts can lend
Impact Investors	Foundations, Individual Social Investors: Sewall Foundation, Omidyar Fund, Kachuwa	equity and debt	+lower interest rates +more flexible – less focused on collateral -sometimes hard to access/find if not connected
Nonbank (Virtual) Lenders	Online Lenders, Peer-to-Peer Lenders, Factoring Companies, Merchant Cash Advance Lenders: Lendio, Kabbage, SquareUp, Amazon Lending	mostly only lines of credit (short-term)	+very fast -not the best reputation -high cost
You & Your Networks	Crowdfunding, Personal Savings, Sweat Equity/In-kind time, Bootstrapping/barter: <b>GoFundMe</b> , <b>Kickstarter</b> , <b>IndieGoGo</b>	grants, debt, and equity	+often "free" or low cost -administratively difficult/high touch -smaller amounts











## Financing Sources

**Crowdfunding**: Considered taxable income to the business; platforms (GoFundMe, etc.) usually take a fee; can use them and still take donations off-line.

Preferred Investors: Class of ownership that has a higher claim on assets and earnings than common stock has.

Capital Campaigns: Targeted fundraising effort that takes place over a defined period of time; the offering can take many different forms, including debt or equity (stock).

#### **BE CAREFUL**

Each funding strategy may present legal compliance issues, including federal and state securities law.











#### Lessons from a Loan Officer

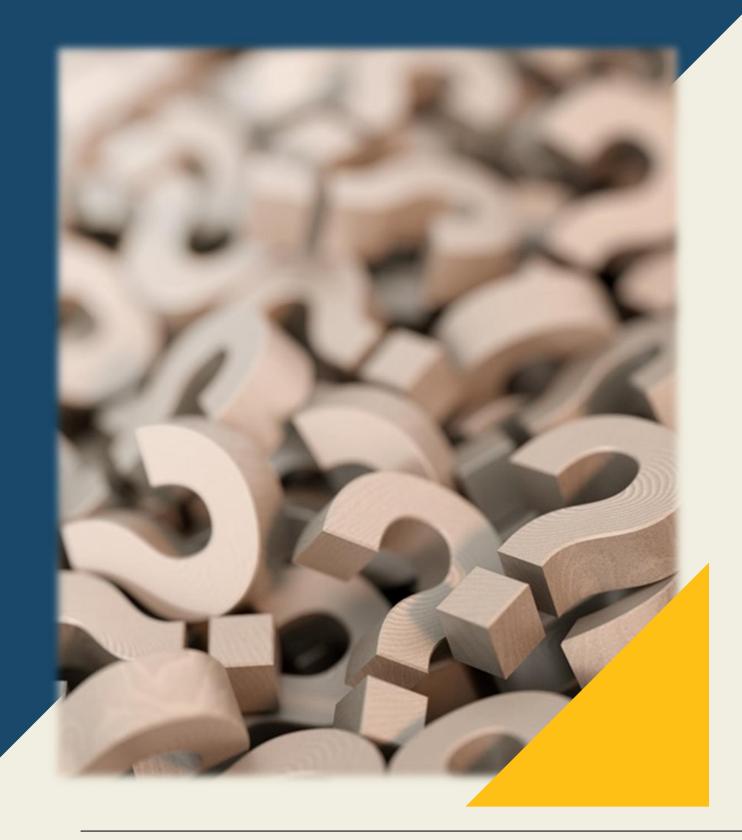
- What do you look for when approached by a new or existing cooperative seeking to borrow?
- What documents do you expect to see?
- What are common "red flags" or "mistakes" co-ops should avoid?
- What collateral is "good" and what collateral is less attractive?
- Audience Questions











## **Questions and Answers**











# Thank you!

#### Contact us:

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