



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

Webinar Series



COOPERATIVES
BUILD A BETTER MAINE

Co-op Month
October
2023

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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



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Session 3 | Strategies for Planning and Financing Cooperative Expansions

October 25, 2023

Panelists:

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

CHRIS LINDER

Loan & Outreach Officer, Cooperative Fund of the Northeast
chris@coopfund.coop

DOUG JOHNSON

General Manager, Belfast Community Cooperative
doug@belfast.coop

KEVIN GADSBY

General Manager, Blue Hill Co-op
gm@bluehill.coop

ADAM PRESCOTT

Shareholder, Bernstein Shur, Business Restructuring & Insolvency Practice
aprescott@bernsteinshur.com

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