The U.S. Cooperative Landscape

Can you name a co-op?

• Co-ops are an everyday part of American life.

• Co-ops operate for the benefit of their member-owners.

• Co-ops take advantage of economies of scale, combined buying power and strength in numbers to save money and return a profit to their members.

• Co-ops provide jobs, support business and personal needs, and enhance the quality of life.

• Co-ops exist across a broad spectrum of industries and come in all shapes and sizes.
Core Sectors include Commercial Sales & Marketing, Financial Services, Utilities, Social and Public Services (does not include housing cooperatives).

Nearly 30,000 co-ops in U.S. economy operate at 73,000 places of business;

These co-ops have more than $3 trillion in assets;

They account for over $653B in revenue, more than 2 million jobs and $75 billion in wages.
The NCB Co-op 100 is an annual listing of the top 100 revenue-earning cooperative businesses in the United States.

In 2012, the top 100 co-ops had revenue totaling $226 billion.

Prominent brands such as REI, Land O’Lakes, Ace Hardware, Navy Federal Credit Union, and the Associated Press all make up the NCB Co-op 100 list.

View the report at www.coop100.coop

<table>
<thead>
<tr>
<th>INDUSTRY</th>
<th>REVENUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>$139,230</td>
</tr>
<tr>
<td>Grocery &amp; Food Distribution</td>
<td>$36,105</td>
</tr>
<tr>
<td>Energy &amp; Communications</td>
<td>$20,073</td>
</tr>
<tr>
<td>Finance</td>
<td>$12,121</td>
</tr>
<tr>
<td>Hardware &amp; Lumber</td>
<td>$8,648</td>
</tr>
<tr>
<td>Healthcare</td>
<td>$7,604</td>
</tr>
<tr>
<td>Recreation</td>
<td>$1,931</td>
</tr>
<tr>
<td>Pharmaceutical Distribution</td>
<td>$689</td>
</tr>
<tr>
<td><strong>TOTAL IN MILLIONS</strong></td>
<td><strong>$226,401</strong></td>
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</tbody>
</table>
Co-op performance for the past 4 years

- From 2009 to 2012, the total revenue for all co-ops experienced a steady increase.
- Total revenue for agriculture increased from 2010 to 2012.
- Total revenue for grocery, energy and finance are relatively flat.
## 2012 Top 20 Cooperatives

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<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>CHS Inc.</td>
<td><a href="http://www.chsinc.com">www.chsinc.com</a></td>
<td>40,599</td>
<td>36,916</td>
<td>13,423</td>
<td>12,217</td>
<td>AG</td>
<td>Carl Casale</td>
<td>Saint Paul, MN</td>
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<td>2</td>
<td>3</td>
<td>Land O’Lakes, Inc.</td>
<td><a href="http://www.landolakesinc.com">www.landolakesinc.com</a></td>
<td>14,116</td>
<td>12,849</td>
<td>6,357</td>
<td>5,438</td>
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<td>Christopher J. Policinski</td>
<td>Saint Paul, MN</td>
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<td>3</td>
<td>2</td>
<td>Dairy Farmers of America</td>
<td><a href="http://www.danilk.com">www.danilk.com</a></td>
<td>12,140</td>
<td>13,013</td>
<td>2,860</td>
<td>2,295</td>
<td>AG</td>
<td>Rick Smith</td>
<td>Kansas City, MO</td>
</tr>
<tr>
<td>4</td>
<td>4</td>
<td>Wakefern Food Corp.</td>
<td><a href="http://www.wakefern.com">www.wakefern.com</a></td>
<td>11,010</td>
<td>10,326</td>
<td>1,556</td>
<td>1,499</td>
<td>GR</td>
<td>Joseph Colalillo</td>
<td>Keasbey, NJ</td>
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<tr>
<td>5</td>
<td>5</td>
<td>GROWMARK, Inc.</td>
<td><a href="http://www.growmark.com">www.growmark.com</a></td>
<td>10,057</td>
<td>8,597</td>
<td>2,763</td>
<td>2,631</td>
<td>AG</td>
<td>Jeff Solberg</td>
<td>Bloomington, IL</td>
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<tr>
<td>6</td>
<td>6</td>
<td>Associated Wholesale Grocers, Inc</td>
<td><a href="http://www.awginc.com">www.awginc.com</a></td>
<td>7,852</td>
<td>7,767</td>
<td>1,185</td>
<td>1,132</td>
<td>GR</td>
<td>Jerry Garland</td>
<td>Kansas City, KS</td>
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<tr>
<td>7</td>
<td>7</td>
<td>Ag Processing Inc.</td>
<td><a href="http://www.agp.com">www.agp.com</a></td>
<td>4,920</td>
<td>4,358</td>
<td>1,395</td>
<td>1,332</td>
<td>AG</td>
<td>Keith Spackler</td>
<td>Omaha, NE</td>
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<td>9</td>
<td>8</td>
<td>HealthPartners Inc.</td>
<td><a href="http://www.healthpartners.com">www.healthpartners.com</a></td>
<td>3,975</td>
<td>3,851</td>
<td>2,445</td>
<td>2,269</td>
<td>HC</td>
<td>Mary Brainerd</td>
<td>Bloomington, MN</td>
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<tr>
<td>10</td>
<td>10</td>
<td>ACE Hardware Corp.</td>
<td><a href="http://www.acehardware.com">www.acehardware.com</a></td>
<td>3,833</td>
<td>3,709</td>
<td>1,413</td>
<td>1,346</td>
<td>HL</td>
<td>John Vehivzen</td>
<td>Oak Brook, IL</td>
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<td>11</td>
<td>9</td>
<td>Unified Grocers, Inc</td>
<td><a href="http://www.unifiedgrocers.com">www.unifiedgrocers.com</a></td>
<td>3,794</td>
<td>3,848</td>
<td>921</td>
<td>924</td>
<td>GR</td>
<td>Alfred A. Flamm</td>
<td>Commerce, CA</td>
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<td>12</td>
<td>14</td>
<td>Navy Federal Credit Union</td>
<td><a href="http://www.navyfou.org">www.navyfou.org</a></td>
<td>3,651</td>
<td>3,302</td>
<td>52,436</td>
<td>46,925</td>
<td>FN</td>
<td>Culler Dawson</td>
<td>Merrifield, VA</td>
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<td>13</td>
<td>13</td>
<td>Group Health Cooperative</td>
<td><a href="http://www.gnhc.org">www.gnhc.org</a></td>
<td>3,629</td>
<td>3,494</td>
<td>1,597</td>
<td>1,779</td>
<td>HC</td>
<td>Scott Armstrong</td>
<td>Seattle, WA</td>
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<td>14</td>
<td>11</td>
<td>California Dairies, Inc.</td>
<td><a href="http://www.californiadairies.org">www.californiadairies.org</a></td>
<td>3,240</td>
<td>3,639</td>
<td>812</td>
<td>809</td>
<td>AG</td>
<td>Andrei Mikhelevsky</td>
<td>Visalia, CA</td>
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<td>15</td>
<td>15</td>
<td>Do-It-Best Corp.</td>
<td><a href="http://www.doitbest.com">www.doitbest.com</a></td>
<td>2,589</td>
<td>2,329</td>
<td>748</td>
<td>699</td>
<td>HL</td>
<td>Bob Taylor</td>
<td>Fort Wayne, IN</td>
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<td>17</td>
<td>22</td>
<td>United Suppliers, Inc</td>
<td><a href="http://www.unitedsuppliers.com">www.unitedsuppliers.com</a></td>
<td>2,371</td>
<td>1,946</td>
<td>942</td>
<td>887</td>
<td>AG</td>
<td>Brad Oelmann</td>
<td>Bidora, IA</td>
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<tr>
<td>18</td>
<td>16</td>
<td>Associated Wholesalers, Inc</td>
<td><a href="http://www.aw%D0%B8%D0%B2%D0%B0.com">www.awива.com</a></td>
<td>2,315</td>
<td>2,314</td>
<td>425</td>
<td>441</td>
<td>GR</td>
<td>J. Christopher Michael Robozenia</td>
<td>PA</td>
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<td>19</td>
<td>18</td>
<td>Southern States Cooperative</td>
<td><a href="http://www.southerncstates.coop">www.southerncstates.coop</a></td>
<td>2,294</td>
<td>2,075</td>
<td>517</td>
<td>545</td>
<td>AG</td>
<td>Thomas R. Scribner</td>
<td>Richmond, VA</td>
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<td>20</td>
<td>24</td>
<td>CoBank</td>
<td><a href="http://www.cobank.com">www.cobank.com</a></td>
<td>2,139</td>
<td>1,907</td>
<td>92,478</td>
<td>63,290</td>
<td>FN</td>
<td>Robert B. Engel</td>
<td>Greenwood Village, CO</td>
</tr>
</tbody>
</table>
About NCB

• NCB delivers banking and financial services to cooperative organizations complemented by a special focus on cooperative expansion and economic development

• Organized under the National Consumer Cooperative Bank Act in 1978; privatized in 1981 as a cooperative financial services company

• In 1988, expanded to a full-service, deposit-taking financial institution with the purchase of the federally chartered savings bank, NCB, FSB

• Today owned by 2,900 customers, participating in the success of NCB

• Total assets of $1.8 billion; when combined with assets managed for investors, total assets under management over $7.5 billion
NCB and Credit Unions

• NCB currently services more than 650 Credit Unions, Leagues and CUSO’s across the United States

• 170 Credit Unions invest in NCB’s Community Investment Fund (CIF with NCB) NCB’s partnership with the National Credit Union Foundation

• Strong supporter of the National Federation of Community Development Credit Unions

• CU representation on the NCB Board of Directors
NCB and Credit Unions

- $616MM in deposits from Credit Union related organizations
- Approximately 100 Credit Unions using NCB’s correspondent banking services platform
- $60MM warehouse line of credit for indirect auto loans to a Georgia CUSO
- $152.7MM in residential loan sales and participations to Credit Unions in Georgia, California, Oregon, Michigan and Maryland
NCB and Credit Unions

• $22.5MM in commercial real estate loan participations to Credit Unions in California, Arizona and Alaska

• $10.5MM in solar loan participations with a Credit Union in California

• NCB will typically retain servicing responsibilities for loan sales and participations

• NCB is a highly rated servicer and special servicer by S&P and Fitch
NCB Core Areas of Focus

- Member-owned, Member-driven organizations (examples include worker-owned, non-profit associations and ESOP)
- Community-owned **housing** such as co-ops and community associations
- Community-driven **healthcare** solutions
- Retailer-owned grocers and consumer-owned **food** cooperatives
- Small business cooperatives
- Consumer-owned **credit unions** and credit union service organizations
- **Community-focused** enterprises
Housing Cooperatives

The leading lender in the US- providing underlying mortgage financing for co-op corporations and share loan financing for purchasers of co-op units.

St. Francis Square Cooperative
San Francisco, CA
299 unit housing co-op
$2 million First Mortgage for patio/ deck repair
$1,000,000 Line of Credit for solar panel installation

860 Lake Shore Drive Trust
Chicago, IL
238 unit housing co-op
$8 million First Mortgage for debt refinance and interior capital improvements
Housing Co-ops Demographics

- New York: 6,619 housing co-ops
- Florida: 449 housing co-ops
- California: 347 housing co-ops
- DC/MD/VA: 168 housing co-ops
- Illinois: 132 housing co-ops
- Michigan: 80 housing co-ops
- Washington State: 44 housing co-ops
NCB is the nation’s top co-op housing lender
- Began lending to co-ops in the early 1980’s
- Pioneered the sale of the product to Fannie and Freddie
- Market share: approximately 45% of co-op underlying finance (inside NY) and 30% of unit finance (outside NY)
- Educated Wall Street, rating agencies and investors on co-ops
- Viewed as the cooperative expert by rating agencies and investors
- Originated over $3 billion in co-op housing loans in the last five years
- Currently service 2,304 co-op housing loans totaling $5.1 billion
Overview of Housing Cooperatives

Residential Housing Cooperatives Defined

• Form of multi-family homeownership

• Cooperatives are single-purpose entities, whose purpose is to own and operate their cooperatives for the benefit of their member residents

• Cooperative corporations own the fee-simple interest in both the land underlying the cooperative and the improvements thereon

• The member resident owns a share in the cooperative corporation and signs a proprietary lease that affords the right to occupy a specific unit

Market Size and Location

• Approximately 8,000 residential housing cooperatives in the United States representing approximately 1 million apartment units

• Majority are located in New York City (6,800 co-ops)

• The remainder in other urban markets (such as Chicago, Los Angeles, Miami, San Francisco, Seattle, Washington DC)
Co-operative Housing Loan Types

- **Co-op Underlying Mortgage Loans** ("Blanket Loans") are financing transactions to the cooperative housing corporation.
- The loans are secured by "real property," a first or second mortgage on the land and buildings, and by an assignment of all leases, receivables, accounts and "personal property" of the co-op.
- Not to be confused with co-op apartment unit **Share Loans**, which are loans to individual co-op owners secured by the co-op shares and proprietary lease (not real property).
Co-op Structure Benefits

• Co-op properties are superior credits compared to multi-family rental properties
• Co-op maintenance charges are not fixed and can be readily increased as required
• Ownership component of the property
  – Democratic management structure reduces risk of mismanagement, fraud and cash flow short falls
  – Homeowners exercise more care in maintaining their property
• Quality of financial information
• Superior reserve levels
• Lower average LTVs
• Higher debt service coverage ratios
• Lower delinquencies
Why Housing Co-ops Borrow

• Refinance
• Capital improvements
• Replenishing reserves
  – Not a cash-out as in the case of a multifamily rental deal
  – Average refinancing is every seven years
  – Breakeven budget
  – Future capital improvements
  – Rainy day fund
  – NCB requires at least 10% of operating reserves
Co-op LTV as the Best Indication of Value

• A property’s co-op LTV is more telling than its rental LTV
  – Individual shareholders have equity in their respective units
  – Individual shareholders have share loan debt
  – In a shareholder default scenario, the cooperative can sell a unit, and often the provider of share loan debt will step in to make maintenance payments

• The cooperative LTV indicates true value as opposed to the rental LTV, which caps NOI in a manner that is not customary for single family homes
Co-op Risk Assessment

When do housing co-ops experience problems?

If the sponsor has cash flow difficulties that result in a default of its maintenance

- Sponsor units may be rent stabilized and may generate a large amount of negative cash flow
- The problem can be compounded if the Sponsor owns a large portion of the units, since upon default, the remaining shareholders will have to raise charges to support the co-op

How does NCB mitigate this risk?

- Evaluate a certified Sponsor rent roll vs. maintenance
- Certify that the Sponsor has historically been current on obligations
- Examine ability of co-op to absorb negative carry units
- Monitor reserve levels to ascertain ability to cover temporary shortfalls without raising maintenance
- Examine general receivable history
Sponsor Default Scenario

Sponsor defaults on monthly maintenance fees

- Cooperative acts quickly
- After approximately 30 days, the co-op collects the rents directly from the tenants
- The co-op initiates UCC foreclosure on the stock certificates (approximately three months)
- Co-op assumes ownership of Sponsor units and sells them, either individually or in bulk
- If unsold units generate negative cash flow, the shareholders will increase the level of monthly charges to cover shortfall
The cooperative has excessive debt

- Higher debt results in monthly assessments above comparable properties
- Shareholders are more likely to default, hence putting pressure on the co-op to meet its obligations

How does NCB mitigate this risk?

- Generally limit co-op LTV to 50% and Rental LTV to 60%
- NCB commissions a MAI appraisal from an independent firm
- For credits that warrant financing, NCB may originate a 1st mortgage and a 2nd mortgage and securitize only the senior portion
Co-op Risk Assessment

When do co-ops experience problems?

Management risk

– Poor financial management
– Fraud or flagrant misuse of co-op funds
– Substandard property maintenance

How does NCB mitigate this risk?

– Three years of audited financial statements as part of normal underwriting
– NCB standard loan documents allow for the Bank to remove manager
– Any large increases in maintenance are examined during underwriting
– Borrower is required to have fidelity insurance (employee dishonesty)
– All properties are inspected by NCB and consultants during underwriting
Housing Co-op Example

• University Townhouses Cooperative is a 609 unit affordable housing cooperative located in Ann Arbor, Michigan.

• They approached NCB to refinance existing HUD debt and for siding replacement and interior kitchen and bath replacement.

• NCB provided a $8 million first mortgage and $500,000 line of credit.
Underwriting

• NCB ordered third party reports including an appraisal, property condition report and an environmental report.

• Appraisal came back with the following values:
  – Income Approach (as a rental) of $50.5 million
  – Sales Approach of $50.51 million

• LTV of 16.8%
Loan Approval

- Mature co-op: The cooperative was built in 1969 and has been used for residential purposes since its construction.
- Low implied LTV
- Positive cash flow and sufficient reserves to cover typical, on-going repairs
- Low maintenance receivables:
- High owner occupancy: The cooperative is 100% owner occupied and no sublets are allowed as per the member occupancy agreement.
  - Wait list/low turnover: The co-op has a 2-3 year wait list which currently has 132 applicants.
CO-OP HOUSING SHARE LOANS
Co-op Structure & Purchasing a Unit

Co-op Structure
• The co-op corporation is formed to own the real property
• Its shares can be owned by:
  – Sponsor / Investors
  – Individual shareholders
  – The cooperative
• Each shareholder is issued a Proprietary Lease entitling the shareholder to occupy the unit
• As a requirement of the lease, shareholders must pay monthly maintenance fees that are applied to the operating expenses, capital expenses, and debt service of the co-op
• Co-ops are democratically governed by the corporation and elects a board of directors

Purchasing a Unit
• Loans to individuals living in a co-op to finance the purchase or refinance of the stock certificate
• Each new member must be approved by board of directors
NCB’s History with Share Loans

• NCB began originating unit loans in the 1980’s
• Over the past 5 years, NCB has originated $1.2 billion for 5,595 cooperative units nationwide.
• Currently service 10,000 cooperative loans $1.2 billion
• Offer purchase and refinance products; 15-yr and 30-yr Fixed; 1/1, 5/1, 7/1, 10/1 ARMs
• HELOCs and second mortgages
• Fannie Mae-approved co-op share/single-family seller and servicer
Share Loan - Lien Security

• Each share loan is secured by a UCC lien as well as the filing of a mortgage where applicable

• Each borrower signs:
  – Recognition Agreement -- an agreement that recognizes specific rights of lenders who finance share loans as well as the rights of the borrower and the co-op
  – Occupancy Agreement -- contract between each member and co-op association that gives the member the right to occupy a specific unit, participate in the governance of the co-op as well as receive tax benefits and equity increases in return for financial / participatory support of the co-op
## Co-op Unit Compared to Condo Unit

<table>
<thead>
<tr>
<th>Co-op</th>
<th>Condo</th>
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<tbody>
<tr>
<td>• Members own shares</td>
<td>• Residents own their units</td>
</tr>
<tr>
<td>• Members pay monthly fees or carrying charges</td>
<td>• Residents pay monthly condo fees to the association</td>
</tr>
<tr>
<td>• Members with individual share loans make payments directly to their lender</td>
<td>• Residents with mortgages make their loan payments directly to their lender</td>
</tr>
<tr>
<td>• Closing costs are lower for co-ops because there is typically no transfer tax</td>
<td>• Closing costs include title search, title insurance and tax proration</td>
</tr>
<tr>
<td>• Co-op can terminate membership and evict residents who violate any part of the occupancy agreement</td>
<td>• Condo Association has little or no control over sale of units or behavior of unit owners</td>
</tr>
<tr>
<td>• Members can personally itemize pro-rata blanket interest</td>
<td>• Residents cannot itemize interest on HOA loans</td>
</tr>
</tbody>
</table>
COMMUNITY ASSOCIATION FINANCING
Overview of Community Associations

Community Association Loans Defined

• Community association (CA) loans are financing transactions to condominium or homeowner associations
• Secured by an assignment of assessments, accounts, and rents and the associations’ right to collect them
• The loans are secured by personal property, not real property

Market Size and Location

• According to the Community Association Institute, there are 274,000 associations, which are home to 54 million residents, throughout the United States
Why Community Associations Borrow

• Helps fund immediate capital improvement repairs without a large one time special assessment that many unit owners may not be able to afford
• Allows member assessments to increase incrementally because the loan payments can be spread over a longer period of time
• Associations can receive more competitive bids on improvements because all the work can be done at once. For example, an association can replace all roofs at once rather than spreading the work over several years
NCB’s History with CA’s

- Began lending to community associations in 1995 given their similarities to and NCB’s expertise within the housing cooperative sector
- Originate for portfolio and for sale to individual institutional investors (typically financial institutions)
- National program, with greatest geographic penetration in Mid-Atlantic, Northeast and Atlanta Metropolitan Area
- Since inception, NCB has originated @ $400 million
- Total annual originations from $15 million to $30 million
- Average loan size of $750,000
- Average loan life is typically 5 to 7 years
Community Association Financing

Village Oaks Condominium Association
Dunwoody, GA
56 townhouse units in 29 buildings
NCB provided a $505,000 term loan for siding and painting

Garden Court Condominium Association
Philadelphia, PA
116 unit association
NCB provided a $3,000,000 term loan for roof replacement, façade repairs and other capital repairs.
CA Underwriting Guidelines

• Existence: Association has to be in existence for at least five years
• Reserves: Association must have replacement reserves greater to or equal to 10% of the gross annual income
• Owner Occupancy: primary owner occupancy must be at least 60%
• Loan Structure: Fixed rate or adjustable rate loans
• Lien: UCC lien securing all receivables, accounts and rents of the association
• Receivables: Past due assessments may not exceed 10% of the gross adjusted income
• Assessments: Required assessment to cover loan payments can not increase more than 45%
Financing Options

• Types of Loans
  – Line of Credit
  – Term Loan
  – Line of Credit/ Term Loan (12 month line of credit)

• Interest Rates
  – Fixed or adjustable rates over a three, five, or seven year treasury for term loans.
  – Prime plus a spread for lines of credit.

• Loan Terms
  – Loan term up to 10 years self-amortizing for term loans
  – Line of Credit up to 3 years.
Comparing CA’s to Housing Co-ops

Similarities:
• Community association and housing co-op unit owners both elect a board of directors
• CA and co-op boards are empowered to levy and collect assessments
• Both are nonprofit entities operating for the efficient management of the property

Differences:
• CA owns no real property, while co-op owns the real property
• No mortgage possible for a CA, while co-op may grant mortgage as collateral
COMMERCIAL COOPERATIVES
Business Cooperatives

• NCB has provided more than $1 billion to business co-ops including retailer-owned grocery co-ops, consumer-owned natural food co-ops and independent hardware retailers.

• Some examples of business co-ops financed by NCB include Shoprite (Wakefern Co-op), Associated Grocers of New England, ACE Hardware and Dunkin Donuts.
Food Cooperatives

- In the United States there are currently 345 food co-ops operating in 385 locations.
  - **Largest markets include**
    - Minnesota with 43 food co-ops
    - New York with 27 food co-ops
    - Wisconsin with 26 food co-ops
    - California with 19 food co-ops
- National Cooperative Grocers Association (NCGA) is a business services cooperative for retail food co-ops located throughout the United States which represents 136 food co-ops operating nearly 180 stores in 37 states with combined annual sales of over $1.5 billion and over 1.3 million consumer-owners.
Food co-ops across the US
New Food Co-op Development

- There are currently 103 new food co-ops in development across the United States.
- Many have used the technical assistance from The Food Co-op Initiative for start up assistance.
NCB and Food Co-ops

- Food co-ops have been a line of business for NCB since the bank's inception.
- Over the past 5 years, NCB has provided $17.3 million to 10 consumer-owned food co-ops serving 120,000 members.
- Over the past 5 years, there have been no financial losses or defaults on the food co-op portfolio.
Food Co-op Examples

Onion River Co-op/ City Market
Burlington, Vermont
$1,900,000 Real Estate Loan
217 employees
Onion River Cooperative dba City Market is a 16,000 square foot food co-op in Burlington, VT. The cooperative is owned by over 6,600 community members and has been in existence since 1973 when it was started as a buying club. USDA provided the original $1.9 million real estate loan to purchase the building in 2006. NCB’s loan refinanced the existing debt.

Wheatsville Food Co-op
Austin, TX
$4,700,000 Term Loan
235 jobs created (two store locations)
Wheatsville Food Co-op is a full service, natural foods cooperative grocery store, which has been serving the central Austin community since 1976. Wheatsville is the only retail food cooperative in Texas and has over 15,000 invested owners and has two store locations.
Food Co-op Example

**Borrower:** Wheatsville Food Co-op located in Austin, TX and has over 15,000 investor/owners

**Need:** The food co-op was a current customer of NCB and was looking for financing for their second store location.

**Financing:** NCB provided a $4.7 million term loan to refinance outstanding debt totaling $1.7 million and to provide term financing for leasehold improvements and equipment related to the Borrower's new facility at 4001 South Lamar Blvd., Austin, TX.

**Collateral:** First Security Interest in all business assets of the Borrower, including an assignment of the leases on S. Lamar
Sources and Uses

Sources

- NCB Term Loan: $4.7
- Member Equity: $2.55

Total Sources: $7.25

Uses

- NCB loan refinance: $1.7
- Building improvements: $2.0
- Equipment: $1.9
- Inventory: $350
- Engineering fees: $250
- Contingency: $300
- Pre-opening staff: $100
- Working capital: $600
- Other fees: $50

Total Uses: $7.25
Risks/Mitigants

• Risk:
  – No Personal Guaranties
    • In a consumer owned cooperative, such as a food co-op there are no personal guaranties since the co-op is owned by its members.

• Mitigant:
  – Collateral
    • NCB is a cash flow lender and relies on the operating cash flow of the business. Collateral for the transaction includes a first security interest in all business assets of the borrower, including an assignment of the leases on the new store location.
Next Steps

• NCB is very interested in working with credit unions in sourcing transactions, selling loans and participations.

• If you have a transaction, contact Eben Sheaffer at NFCDCU to coordinate communication.
QUESTIONS