



**LOCAL ENTERPRISE ASSISTANCE FUND**

**Information for Investors**

**July 2017**

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### **SUMMARY**

LEAF is a non-profit Community Development Financial Institution (CDFI) established in 1982, whose mission is to promote human and economic development through a focus on cooperatives, community-owned businesses, and other social purpose ventures. LEAF is one of only three loan funds in the country with a specific focus on cooperatives. LEAF's specialized focus on cooperatives and social enterprises enables it to serve low-income target populations throughout the nation and bring expertise to a market niche that is frequently underserved by local lenders, even other CDFI's.

LEAF's target market is comprised of the low-income employees of the cooperatives, small businesses, and social enterprises it finances. In total, 87% of the employees of LEAF-supported companies are low-income, low skill workers. All of these enterprises are committed to providing living wages and to improving the financial well-being of their employees and members.

LEAF focuses on three sectors at a national level:

- Community-owned natural food cooperatives;
- Affordable cooperative housing; and
- Employee-owned cooperative businesses.

LEAF lends to these businesses nationally, a rare distinction among CDFIs and loan funds. As such, it has access to a greater pool of projects and can partner with a larger number of lenders across the country.

In addition to its national program, LEAF launched a local initiative in 2015 to provide 1-on-1 technical assistance, workshops, and small loans to diversely-owned small businesses in the Greater Boston Area. This work addresses systematic racial inequality "in LEAF's own backyard," specifically the difficulty that minority-owned, women-owned, and immigrant-owned businesses face when attempting to access capital from traditional financial institutions.

LEAF has been growing steadily over the past five years, and recognizes that it will accomplish its goals only if it is a financially sound organization. As a result, LEAF places a strong emphasis on a clean portfolio, strong capitalization, and "expecting the unexpected" through a robust loan loss reserve. Currently, it has a loan loss reserve of 6.7%, and its Net Assets stand at 38% of Total Assets<sup>1</sup>.

The three sectors served by LEAF have experienced significant growth over the past several years and the demand for capital has outpaced available capital. LEAF is seeking to raise additional capital through Impact Investment Notes ("the Notes") in order to continue to serve its markets.

This document provides information about the activities of LEAF, its markets, and its lending procedures.

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<sup>1</sup> Net Assets is defined as Total Assets minus Total Liabilities

## I. INTRODUCTION TO LEAF

LEAF is a 501(c)(3) nonprofit organization whose mission is to promote human and economic development. LEAF accomplishes its mission by providing financing and development assistance to cooperatives and social purpose ventures that create and save jobs for low-income people. LEAF was founded in 1982, and has invested and leveraged over \$112 million, resulting in the creation or retention of more than 10,000 jobs.

LEAF received its Community Development Financial Institutions (CDFI) designation in 2001 and is one of only three CDFIs in the country that focus on cooperatives. LEAF's focus on cooperatives allows it to meet the financing needs of a market that is underserved by traditional lenders due to their lack of familiarity with the cooperative ownership structure.

LEAF's decades of experience working with cooperatives has allowed the organization to develop the skill set, the tools, and the partnerships necessary to successfully invest in the sector.

In the cooperatives universe, LEAF lends to three primary sectors:

- Community-owned natural food cooperatives that create high quality jobs and provide access to healthy food in urban and rural communities;
- Low-income manufactured-home cooperative housing developments, sometimes referred to as trailer parks; and
- Worker-owned firms and other community-based businesses and social enterprises such as alternative staffing agencies.

The focus on these three sectors allows LEAF's team to develop expertise and insights and to build the relationships required to deploy capital judiciously. The exposure to the three sectors also provides the degree of diversification that allows LEAF to manage its portfolio risk.

In addition to being keenly focused on three sectors that it knows well, LEAF is one of very few CDFIs that lend nationally. Most CDFIs operate in a restricted geographical area, and have few partners available to work with on larger loans. CDFIs wishing to make loans at the upper end of their lending limits often seek out LEAF for its geographic flexibility and market expertise.

LEAF is also the only cooperative-focused CDFI that is committed to deploying a portion of its assets in Persistent Poverty Counties—defined by the USDA as counties in which “20 percent or more of the population has lived in poverty over the past 30 years,”<sup>2</sup> such as those along the US-Mexico border.

As a national lender, LEAF fills a crucial role in the cooperative sector as it is able to provide financing in settings where CDFIs tend not to have a strong presence. For example, LEAF reached an isolated population through a loan to a food co-op in Fairbanks, Alaska, half an hour drive from the Arctic Circle. This is the first food co-op in Alaska and serves a community with a high percentage of Native Alaskan households.

In sum, LEAF's strength comes both from its emphasis and experience in funding cooperative projects in three high growth and underserved sectors and from its ability to vet credits and manage risk.

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<sup>2</sup> “Geography of Poverty.” *USDA Economic Survey Service*, 15 December 2015. Web 06 Jun. 2016.

## II. COOPERATIVE FOCUS

Cooperatives are the most important providers of products and services to a large and growing number of people. Traditional businesses avoid markets that don't meet their profitability goals, severely limiting access to basic products and services for low-income communities. Often, the only solution available to the communities is to create cooperatives to access those products and services. Cooperatives are thus a strong expression of commitment to a community by its members; they are organized and owned by the community in order to meet the needs of its members.

LEAF's experience in lending to cooperatives gives it a significant advantage over traditional lenders. Its due diligence process relies on rigorous business and financial analysis of potential borrowers in order to establish credit worthiness. In addition to evaluating their business outlook, LEAF evaluates the commitment of the community to the borrowers. Communities not only provide business support to their cooperatives through patronage, but can also often facilitate much needed capital assistance during times of need.

Cooperatives are exposed to the same business cycles as traditional businesses, and as such, they face similar financial needs. Unlike traditional businesses, however, they have the ability to access their membership as a source of financing—a funding source that is not available to traditional businesses. Cooperative members provide financing in a number of ways, including payment of initial membership fees, ongoing contributions to the cooperative, and member loans made at attractive rates and often subordinated to commercial loans. It is not uncommon to encounter cooperatives where a small number of committed members help meet financing gaps.

Cooperatives are businesses governed on the principle of one member, one vote. There are several common types of co-ops (as well as hybrids—which combine more than one type), including cooperatives owned and operated by:

- The people working there (worker cooperatives);
- The people buying the co-op's goods or services (consumer cooperatives);
- The people collaborating to process and market their products (producer cooperatives); and
- Groups uniting to enhance their purchasing power (purchasing cooperatives).

Demonstrating this strategy's vast scope and scale, there are 29,284 cooperatives across the U.S. operating within a range of diverse industries, including banking (credit unions), agriculture, utilities, and child care.



*The first known modern consumer cooperative was a retail store founded by 28 people in Rochdale, England in 1844. Originally selling butter, sugar, flour, oatmeal, and tallow candles, the*

*business expanded rapidly as the co-op succeeded in elevating food standards — rejecting then-common tactics such as watering down milk.*

Cooperatives play a critical role in building community wealth for several key reasons:

- They often provide quality goods and services to areas that have been overlooked by traditional businesses as less profitable markets.
- They typically invest in local communities. For example, many rural cooperative utilities finance community infrastructure projects, make equity investments in local businesses, make grants to neighborhood nonprofits, and sponsor a range of community-focused events.
- Since most cooperative members are local residents, business profits remain and circulate within the community.
- Cooperative membership builds social networks and strengthens social cohesion by connecting diverse community residents.
- Purchasing cooperatives, in particular, help small, local businesses remain competitive within markets dominated by large, national retailers.
- Worker cooperatives, in particular, create quality, empowering jobs for community members.

*Adapted from [community-wealth.org](http://community-wealth.org)*

### III. MARKETS SERVED

LEAF is at the intersection of two strong currents: rising demand for capital by community development entrepreneurs and rising demand for impact investment products by socially-conscious investors. In each of LEAF's program areas the demand for capital exceeds the supply. The national markets for both food cooperatives and manufactured-home communities are growing rapidly, worker-cooperatives are being formed at an increasing rate in response to the ongoing "Silver Tsunami" of retiring Baby Boomers, and LEAF is seeing significant expansion in the alternative staffing industry. These developments mean greater demand for LEAF loans and services.

Below is a more substantive introduction to LEAF's three sectors in the cooperative world:

#### A. Community-Owned Natural Food Cooperatives

Natural food cooperatives now find themselves at the nexus of the two most significant movements in the food industry in recent times: the demand for organic food and the demand for locally sourced food. According to the non-profit Food Co-op Initiative, there are 300 food co-ops across the country, of which more than a dozen each year require financing for significant expansion or relocation. The sector is also growing rapidly; 63 new co-ops have opened since 2006 and 102 new co-ops are currently in the development stage. LEAF is one of only three CDFIs in the nation that has developed expertise in lending to community-owned natural food stores nationally.



#### B. Housing Cooperatives

LEAF's loans to the residents of manufactured home parks meet another desperately underserved market. Manufactured-home communities, commonly referred to as "trailer parks," provide housing and a form of home ownership to some of the lower-income residents of our society. Despite this, residents are still in a highly precarious living situation and can lose their homes at any moment. While residents own their manufactured homes, they do not own the land on which they rest. The outside landowners can arbitrarily raise the land rent, putting residents at great financial risk. The landowner must also sign off on any infrastructure or area improvement the residents wish to make.



These parks are frequently located close to urban centers and, as towns expand and land prices rise, the landowners can decide to sell to other investors. This can force residents to find a new location. The average trailer sits in the same place for many years, and, even if once mobile, is often difficult or impossible to move. Residents of these parks who are forced to move often end up homeless or else under severe financial stress.

The need is enormous. Manufactured homes are the largest source of unsubsidized affordable housing in the US, accounting for more than 60% of the housing stock in some counties. HUD estimates that there are more than 50,000 manufactured home communities representing 3.5 million families nationally, the overwhelming majority of which are low-income. LEAF's loans allow the residents to purchase the land, creating both stability and locally-rooted wealth.

### **C. Worker Cooperatives:**

The third market we serve is cooperatively-owned businesses and social enterprises that create living wage jobs for low income individuals and communities. Worker-owned cooperatives are businesses that are owned by their workers. In addition to paying fair compensation to their workers, they provide them with the ability to accumulate wealth through sharing in the profits of the business. Building equity is one of most effective means to escaping the vicious cycle of poverty.



In addition to sharing in the profits of the business, workers participate in the management of the business through a democratic vote in management decisions and/or in election of a board.

A typical investment in this sector that illustrates our impact is San Francisco Green Cab, a worker-owned, all-hybrid taxi service started in 2007 by eight drivers with a single Toyota Prius. Only LEAF stepped forward to provide financing to the cooperative, which now has a fleet of 19 cars and has created 25 new jobs in an area where incomes are 47% of the median.

Another example of our investment in this sector is our financing of members of the Alternative Staffing Alliance, a network of agencies that has found employment for over 8,000 low-income people with obstacles to employment.

Each of LEAF's sectors is unique, impactful, and has been experiencing significant growth due to increased demand for its products and services.

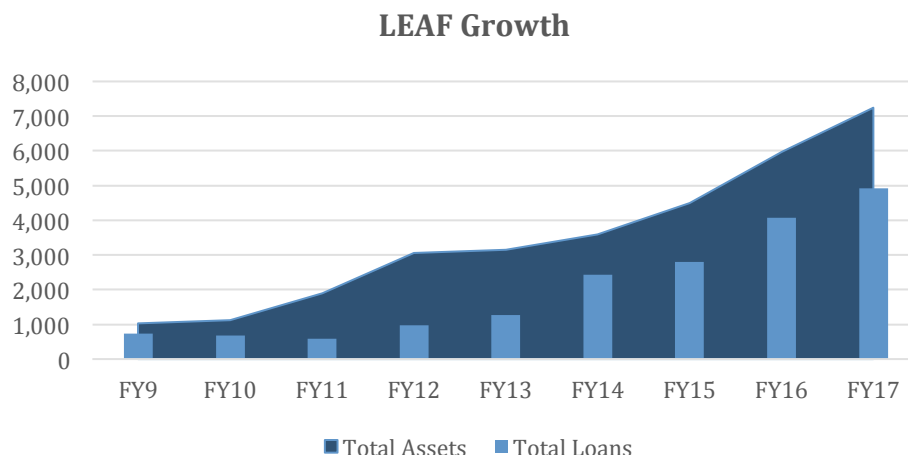


#### IV. FINANCIAL PERFORMANCE

##### A. Fund Growth

LEAF has successfully enlisted the support of investors that wish to deploy their savings in a manner aligned with their values. LEAF’s investors, profiled in section VII, include a diverse mix of institutional and individual investors, who have found LEAF’s mission to be consistent with their values and have placed their trust in LEAF to invest their capital responsibly.

LEAF has committed its resources to projects that use its investors’ capital to maximize social impact without sacrificing the quality of the portfolio. Even during the uncertain years following the Great Financial Crisis (“GFC”), LEAF remained a strong and credible destination for impact investment dollars, illustrated by a total assets compounded annual growth rate of 26% over the past eight years. This strong growth in total assets has led to an equally strong growth in its loan portfolio as total loans have grown by 26% compounded annually over the same period. LEAF has always met its financial obligations to investors since inception.



LEAF has developed a robust and scalable investment process that can accommodate a larger investment base.

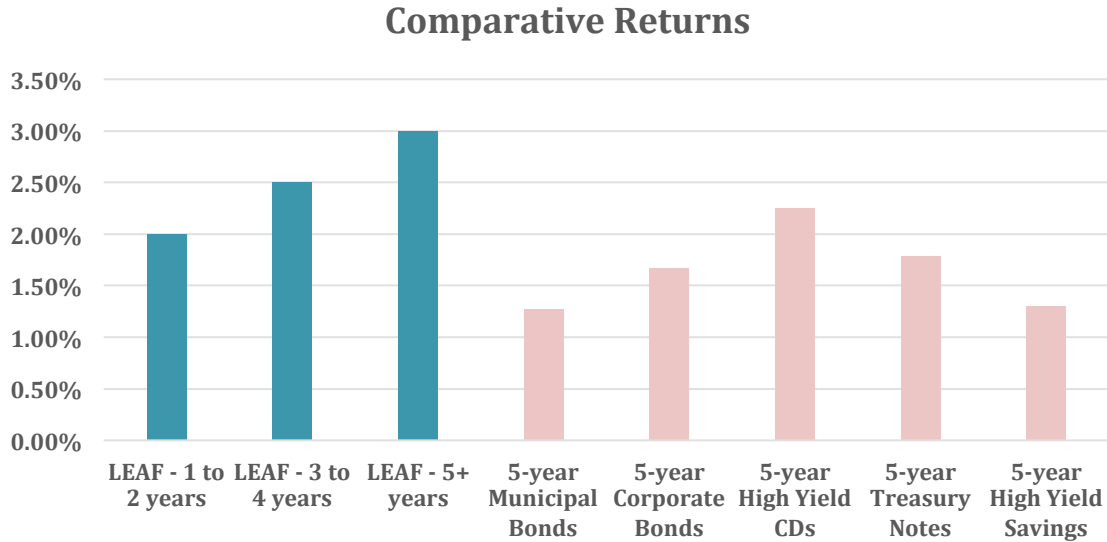
##### B. Portfolio Quality

LEAF’s investment strategy was constructed on the idea that risk management occurs at every step of the investment process. On the front-end of that process, the steps of loan origination and underwriting ensure that individual credits present minimal probabilities of failure. As such, LEAF places the highest priority on its due-diligence efforts. On the back-end of that process, portfolio management policies emphasize diversification and conservative reserves against loan losses.

LEAF’s risk-minded approach to investing has contributed to its strong track-record as a lender. Since its inception, LEAF has always met its obligations to its investors. LEAF has no write-offs and as of the end its 2017 fiscal year (May 31, 2017) its loan loss reserve was robust at 6.7%.

### C. Comparative Returns

LEAF is able to offer returns that are superior to current fixed income investment products. The chart below compares the returns that LEAF is offering for its Impact Investment Notes to current returns of other loan products.



*Municipal Bonds yield for A-Rated municipal bonds with 5-year maturities from [Bloomberg](#) as of July 20, 2017  
Corporate Bonds yield for A-Rated corporate bonds with 5-year maturities from [Bloomberg](#) as of July 20, 2017  
High Yield CDs APY is highest available for 5-year maturity as provided by [Bankrate](#) on July 20, 2017  
Treasury Notes yield for treasury notes with 5-year maturities from [Yahoo! Finance](#) as of July 20, 2017  
High Yield Savings APY is highest available for as provided by [Bankrate](#) on July 20, 2017*

## **V. IMPACT METRICS**

LEAF aims to maintain a portfolio of projects that fit its mission and are financially viable. It carefully reviews the impact of its investments on the communities that the businesses serve. LEAF relies on required reporting from its borrowers as well as its own due diligence in tracking the impact of its investments. The impact is generally evaluated along the lines of job creation and housing empowerment by cooperatives.

Since its inception in 1982, LEAF has invested and leveraged over \$112 million, resulting in the creation or retention of more than 10,000 jobs. Each of LEAF's cooperative sectors affects different impact metrics as presented below:

### **Worker-Owned Cooperatives:**

In the area of worker cooperatives, LEAF's financing has empowered nearly 1000 worker-owners since 2004, giving them meaningful ownership in small businesses throughout the nation.

### **Natural Food Cooperatives:**

For the natural food cooperatives that LEAF has supported, it has helped create or retain over 1600 jobs. LEAF's food co-op borrowers combined have over 65,000 families as member-owners, and purchase food from ~2,400 local farms. These co-ops have provided access to healthy food in the most needed areas of the country; 90% of the food co-ops supported by LEAF are located in areas designated as "food deserts."

### **Resident-Owned Communities:**

For LEAF's work with resident-owned communities since 2009, 400 households now own the land under them and have benefited from infrastructure improvements. These communities often represent ethnic minorities. Currently, 54% of the beneficiaries of LEAF's resident-owned portfolio represent an ethnic minority.

### **Alternative Staffing Agencies:**

LEAF has financially supported alternative staffing agencies for over a decade. That support has contributed to the placement of over 5,100 individuals into temporary work positions, many of which have resulted in full time employment. In addition, over 15,000 individuals were able to receive professional support and career development counseling services.

Based on LEAF's lending history, it is estimated that a \$10,000 investment in LEAF has enabled the creation of 1.1 full-time equivalent jobs in the food cooperatives sector, has contributed to 175 households' access to healthy food, and has given 1.3 residents of manufactured homes more control over their housing destiny.

LEAF continues to work diligently on delivering the greatest impact for its investors by ensuring that the projects in its pipeline meet not only its mission but also its financial objectives. To that end, LEAF's investment process remains an integral part of its value proposition.

## **VI. INVESTMENT PROCESS**

LEAF recognizes that in order to meet its objectives, it must maintain a strong portfolio of loans that fit its mission. LEAF accomplishes this by following an investment process that helps maintain a pipeline of well-sourced and robust projects. The process is made up of the following steps:

1. Loan Origination
2. Analysis & Due Diligence
3. Investment Decisions – Loan Approval
4. Portfolio Construction & Monitoring
5. Risk Management
6. Supporting Borrowers

LEAF takes great care in ensuring tasks in each step are performed to minimize the risk to loan



performance.

### **A. Loan Origination**

LEAF’s long history and good standing in the cooperative market affords it visibility as both a trusted capital provider and a credible partner in the lending business. As such, it is constantly informed of capital needs in its sectors either directly by borrowers or indirectly through partnerships with other lenders.

#### **1. How do Prospective Borrowers find LEAF?**

With over 30 years’ experience, LEAF is well-known in the market sectors in which it operates. All the major developers in the fields know LEAF and have worked with it over the years. In the cooperatively-owned healthy food store market, LEAF works with Cooperative Development Services, the Cooperative Grocers Association, and the Food Co-op Initiative. It is unlikely that any cooperative under development or undergoing an expansion would not be in contact with at least one of these organizations. In addition, the successful cooperatives LEAF has financed refer new borrowers to it.

The conversion of manufactured housing parks to cooperatives is a relatively new concept that was developed by ROC USA, a New Hampshire based non-profit. Virtually all these cooperatives are developed by ROC-trained development partners. LEAF knows ROC well and regularly gets referrals through them.

#### **2. Partnerships**

Partnering with like-minded funds to increase the combined impact is an important part of LEAF’s strategy, and an increasing number of lending opportunities are brought to it by other CDFIs. They appreciate that LEAF’s rare national scope allows it to partner with them on worthwhile projects in their geographic area. LEAF is frequently invited to participate with other organizations on transactions. This has two significant advantages: LEAF is able to pool money to make larger loans to bigger projects and is able to share the risk to reduce individual exposure.

All of the loans in LEAF’s portfolio were structured with the support of development partners in each area of expertise, and over half of LEAF’s loans involve partnerships with other

CDFIs, including Shared Capital, The Cooperative Fund of New England, ROC USA, and NCB Capital Impact.

### **3. Conferences and Outreach**

LEAF staff attend and frequently present at conferences and seminars where prospective borrowers gather. For example, the Consumer Cooperative Management Association (CCMA) Conference each year draws over 75 food co-ops from across the country to address industry needs and to connect with service providers and lenders like LEAF. LEAF also connects with borrowers at Worker Co-op Conferences and Food Co-op Initiative Summits across the country. LEAF continues to find lending partners at Opportunity Finance Network Conferences. In addition, LEAF makes presentations at diverse types of gatherings. Recently LEAF has presented at the Carsey Institute of University of New Hampshire, NYC Network of Worker Cooperatives, and the Hyams Foundation.

### **B. Analysis and Due Diligence: The Underwriting Process**

LEAF's team conducts the appropriate analysis to make sound investment decisions. This analysis includes a review of the project's objectives and impact in order to insure a fit with LEAF's social mission. Primarily, the staff reviews the number of low-income individuals served by the project relative to the size of the investment, whether it be the number of jobs created, the number of individuals or households served, or the number of individuals with obstacles to employment placed in jobs.

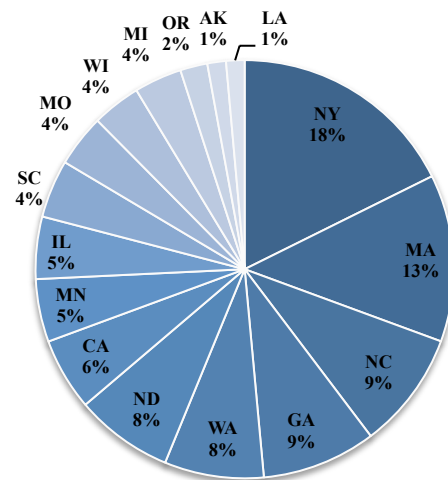
LEAF's credit analysis includes a review of the borrower's business. The LEAF team conducts site visits, which include interviews with managers, employees, board members, customers, suppliers, and community members. The team frequently seeks input from consultants who provide expertise in the relevant industries, such as CDS Consulting Group, a leading food cooperatives development and management advisory firm. LEAF constructs cash flow models and evaluates multiple scenarios and their impacts on the balance sheet. It seeks to objectively confirm project feasibility, evaluate appropriateness of project capitalization, and review debt servicing capacity. Projects that demonstrate the ability to sustain and grow operations are considered for approval by the Board. The analysis also generates an internal risk-rating of the loan which influences the size of LEAF's participation as well as the loan loss reserve taken on the loan.

Cooperative members are a significant asset for most borrowers. They provide seed capital as well as on-going business and financial support for the cooperative, especially during times of financial stress. In evaluating the strength of the cooperative membership, LEAF looks at the size of the membership base, its past and on-going financial support, its patronage, its active involvement with the cooperative's business and community events, and a number of other sector-specific parameters. Community support sometimes comes from "anchor institutions" that can provide the commercial support a borrower needs to sustain its operations. LEAF evaluates the purchasing power of these anchor institutions and their demonstrated commercial commitment to the borrower.

### **C. Investment Decision – Loan Approval Process**

LEAF uses a set of Board-approved policies and procedures for underwriting and approving new loans. All loans are assessed on the basis of the “fit” with LEAF’s social mission, the number of low-income individuals served compared to the size of the investment, the viability of the project, and the collateral available. At least five business days before the Board meeting, the Executive Director sends members of the Board a credit memo that addresses all pertinent facts about the proposed loan, including the structure of the transaction (rate, term, cash coverage and available collateral), company history, resumes of key individuals, the community partners, due diligence on suppliers, key customers, and financial projections for the life of the credit facility. The LEAF Board votes on all credit and investment decisions. Only non-staff board members are eligible to vote. If the Board deems it necessary, it may ask the Executive Director to conduct additional due diligence before approving the loan or, as frequently happens, makes the loan conditional on certain requirements or borrower actions.

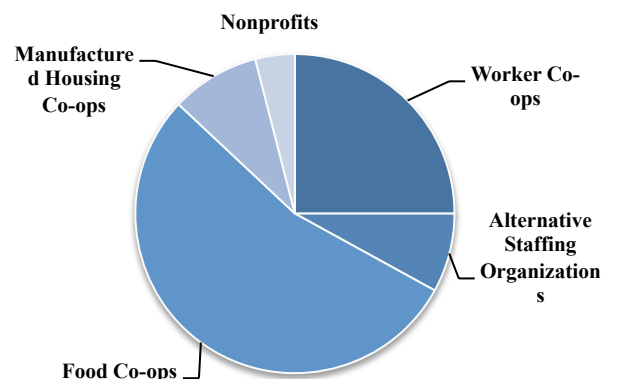
**Portfolio Exposure by Geographic Location: May 2017**



**D. Portfolio Construction and Monitoring**

Portfolio construction is informed by diversification among sectors, geographies, and risk profiles. The proportion of assets invested in any sector typically reflects the investment capacity of the sector and the soundness of the credits identified. LEAF’s maximum exposure to any credit typically does not exceed 10% of its assets, though it is rare to be near that limit. Current average exposure to any credit is 2.9%. Risk sharing is crucial to LEAF’s success as a loan fund, and it has developed strong co-investment relationships with several loan funds and cooperative lending institutions.

**Portfolio Exposure by Sector: May 2017**



LEAF also recognizes that startups present significantly greater investment risk than established companies. As such, it manages its exposure to the startup risk by evaluating the robustness of the pre-development work completed (i.e. feasibility studies, market analysis, location analysis, trade-area evaluations, site surveys, design and architectural support, legal, permitting, regulatory, etc.) and the quality of expert support being used by the borrower.

LEAF monitors its portfolio risk on an ongoing basis. Our team has established a set of reporting procedures to monitor progress on both the financial and the social impact sides of the portfolio loans.

### **1. Financial Performance Monitoring**

All borrowers are required to file financial statements including an income statement, balance sheet, and auditor's review letter with the fund within 90 days of the year-end, and unaudited statements within 30 days of the end of each quarter.

The Executive Director monitors the status of the portfolio on a regular basis. Each quarter the risk level of each loan is assessed using a scoring system that rates each loan according to the borrower's years in business; on-time payment history; financial performance against plan; compliance with loan covenants; management character and competence; cash cushion; and strength of collateral. The Executive Director produces a summary of the status of outstanding loans and amounts reserved against them for the Board. For each loan, the summary shows: the borrower, CDFI eligibility (CDFI Investment Area, Hot Zone, Low-income Target Population served), initial loan balance, closing date, amount drawn down, interest rate, current loan balance outstanding, payment status, maturity date, loss reserve percentage, and loan loss reserve amount.

Each year LEAF undergoes a full audit by independent external auditors. The audit includes an examination of the adequacy of the loan loss reserve.

### **2. Social Impact Monitoring**

LEAF requires borrowers to send a "social audit" at the end of each year, in which they report on the number of employees and the average hourly wage and average cost of monthly benefits per employee. In addition, consumer cooperatives report on the number of member owners and on the purchase of local products that benefit the regional economy, while alternative staffing companies report on the number of people placed into jobs in the previous year.

## **E. Risk Management**

LEAF's loan origination and due diligence processes are designed to insure that appropriate measures have been taken to reduce the probability of failure of any credit. LEAF's portfolio diversification policy was designed to maintain a high-quality fund. To that end, we have also adopted industry-leading practices for prudent loan-fund investment. These practices include:

### **1. Portfolio-at-Risk (PAR):**

Portfolio-at-Risk is defined as the ratio of total outstanding balance of overdue loans to the total outstanding loans. The minimum prudent standard for portfolio-at-risk is less than 10% for business loan funds. LEAF's average three-year figure is only 0.75%. LEAF does not currently have any delinquencies in its portfolio, nor did it have any at the close of its fiscal year.

### **2. Loan Loss Reserve:**

LEAF's loan loss reserve ratio exceeds the minimum prudent standard of 0.5 to 1.5% of Portfolio-at-Risk (PAR). LEAF has adopted a conservative loan loss reserve policy. Currently, LEAF's Loan Loss Reserve ratio is at 6.7% and LEAF anticipates the ratio to remain above

5% for the foreseeable future. This conservative policy has served LEAF well and has allowed it to maintain a strong financial position and to always meet its financial obligations.

#### F. Supporting the Borrowers

Given its social mission, LEAF works with potential borrowers in considerably more depth and detail than most lenders to ensure that the loan truly meets their needs, that they can repay it comfortably without putting undue stress on their business, and that there is sufficient “cushion” to cover unanticipated bumps in the road. A key component of the support that a borrower requires to succeed comes from its community partners, and evaluating this support is an essential piece of the loan review process. In addition, LEAF works to ensure the borrower has access to competent sources of technical assistance, especially partners that are well known to LEAF. In cases where a potential borrower is relying on a technical assistance provider not known to LEAF, it reviews their track record carefully to consider adding them to its list of potential providers for future projects.

In cases where, despite everyone’s best efforts, a borrower is unable to service a loan as it was originally structured, LEAF is open to restructuring the loan to align the repayment schedule with the anticipated capacity of the borrower. Sometimes this restructuring requires the cooperative to make some changes, such as working more intensively with a technical assistance provider or shuffling staff roles.

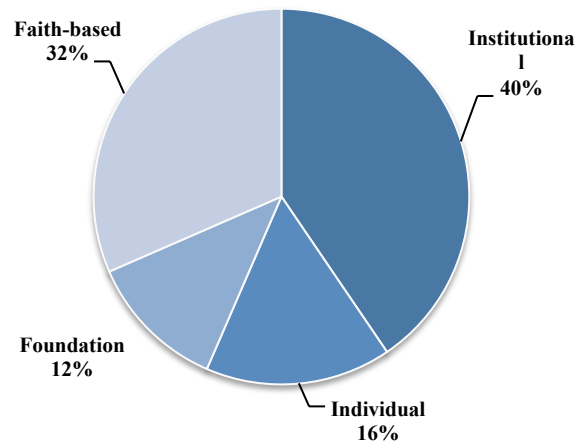
### VII. INVESTOR PROFILE

LEAF targets investors who believe that in addition to philanthropic effort, well-placed investments can achieve significant social gains while delivering investment returns. LEAF has enjoyed the support of a large number of individuals and institutions who have trusted LEAF with their capital and with investment decisions that achieve measurable positive impact on the lives of individuals and households most in need of assistance.

LEAF has been vetted by private and public institutions and has demonstrated that its investment process maintains the highest standards of fiduciary duty and responsibility to its investors and the highest attention to the needs of its borrowers.

Our investors are diverse and include faith-based organizations such as Religious Communities Investment Fund, Unitarian Universalist Congregation, and Mercy Partnership Fund. Our institutional investors include Twin Pines Cooperative Foundation, Opportunity Finance Network, CDFI Fund, and the National Cooperative Bank (NCB).

Investor Mix: End of Fiscal Year 2017





## VIII. MANAGEMENT AND GOVERNANCE

### A. The Board

- **Christina A. Clamp**, *Professor of Community and Economic Development at Southern New Hampshire University*. Professor Clamp is an expert on the Mondragon system of cooperatives and the role cooperatives can play in community economic development.
- **Gerardo Espinoza**, *Ex-Officio Board member, Executive Director of the Local Enterprise Assistance Fund*. Mr. Espinoza has over twenty years of banking and investment management experience.
- **David Hammer**, *Executive Director, the ICA Group*. David has served as the Executive Director of the ICA Group since June 2013. He has over 15 years experience working for organizations dedicated to workplace democracy.
- **Melissa Hoover**, *The founding Executive Director of the Democracy at Work Institute*. Previously, Ms. Hoover was the founding Executive Director of the United States Federation of Worker Cooperatives and worked for six years as a cooperative developer with the Arizmendi Association of Cooperatives.
- **Janet Van Liere**, *Director Community Jobs Program, the ICA Group*. Ms. Van Liere has been a member of the ICA Group since 2001 where she oversees the Community Jobs Program, which includes the Alternative Staffing Alliance.
- **Damilola Odetola**, *Vice President, National Cooperative Bank*. A new board member in 2017, Mr. Odetola brings over a decade of a banking experience, with much of it focused on the cooperative sector. His recent area of expertise has been the cooperative wholesale and retail grocery sector in the East Coast.
- **Alexander H. Pyle**, *Partner at Sheehan, Phinney, Bass & Green PA, a Boston-based law firm*. Mr. Pyle's practice focuses on advising entrepreneurial companies on corporate and transactional matters, including financings, securities law compliance, mergers and acquisitions, and technology licensing.
- **José Luis Rojas**, *Vice President, Boston Private*. A new board member in 2017, Mr. Rojas has extensive experience in providing flexible capital to small businesses as a Vice President at Boston Private. Before that, he worked as the Community Group Manager at Mass Growth Capital and as working as a Loan Officer for Root Capital.
- **Rand Wilson**, *SEIU Local 888*. Mr. Wilson, the current Chair of the ICA Board, has held positions with several local unions and was Director of the Massachusetts Jobs with Justice for a number of years. He is President of the Center for Labor Education and Research, a trustee of the Center for the Study of Public Policy.

### B. Key Personnel

#### **Gerardo Espinoza**, *Executive Director*

Gerardo has served as Executive Director of LEAF for the last eight years, spearheading the Fund's move into retail food co-ops and healthy food financing. He joined LEAF after spending many years in the commercial banking and investment management field. His background includes ten years as a Vice President at First National Bank of Chicago, and 15 years in investment management in the positions of Portfolio Manager and Senior Vice President with

Baring Asset Management and John Hancock funds. He has a master's degree in Economics from Stanford University and an MBA from the Harvard Business School.

**Nathan Hixson**, *Loan and Investment Manager*

Nathan performs financial analysis for LEAF and identifies new sources of funding to support our work. Prior to joining LEAF, Nathan served as an AmeriCorps New Sector Fellow at Aspire Institute. He has also performed underwriting at RSF Social Finance, co-founded the BYU Social Innovation Leadership Council, and served a two-year mission in Albania. Nathan graduated with a B.S. in Finance and International Development from Brigham Young University. Nathan is a candidate in the CFA program and has passed the level 2 exam.

**Amine Benali**, *CFA, Managing Director, Strategy & Development*

Amine is a Chartered Financial Analyst (CFA) and brings with him a vast experience in investment analysis and management. He joined LEAF after 19 years as an investment analyst and portfolio manager focused on Emerging Markets and Global Natural Resources. He worked as an equity analyst at Baring Asset Management, as Senior Research Officer at John Hancock Advisors, and as Managing Director at Manulife Asset Management. He has co-managed equity portfolios with up to \$1.8 billion in AUM. Amine has devoted himself academically and professionally to development economics. He is also an entrepreneurship Lecturer at Northeastern University and holds a bachelor's degree in Finance from Northeastern University and a master's degree in Economics from Boston University.

**James Louney**, *Controller*

James has significant experience in the accounting field, holding CFO-level positions in a variety of private and publicly traded companies, as well as working for Deloitte.

**Ben Selden**, *Development & Marketing Manager*

Ben joined LEAF for an 11-month fellowship as part of New Sector Alliance's Residency in Social Enterprise. RISE is an AmeriCorps program that pairs fellows with nonprofits to work on capacity-building projects. Ben previously interned at the Harvard Art Museums and Dumbarton Oak's Research Library. He graduated with a degree in Classics from Harvard University.

**Chris Hunter**, *Strategy & Development Analyst*

Chris is an undergraduate student studying Business Analytics and Operations research at the MIT Sloan School of Management. He is using his finance and operations background to support Amine's work in LEAF's Technical Assistance Program.

**David Merchan**, *Digital Content Intern*

David is a senior at MIT studying materials science and engineering, and found LEAF through the MIT Community Service and Work-Study program. He's tasked with spreading knowledge via social media about LEAF's activities, the benefits of socially responsible investing and the cooperative business model, and new strategies for spurring community development.

**David Tisel**, *Affordable Housing Cooperative Associate*

David is a graduate student at the MIT Department of Urban Studies and Planning. He has experience in cooperative development and community outreach, specifically in the area of housing co-ops as a Program Associate for City First Homes. He graduated from Oberlin College with a double major in Politics & Economics.

**Margaret Lund, Consultant**

Margaret brings over 15 years of experience in healthy foods retail lending gained in her previous position as Executive Director of the Northcountry Cooperative Development Fund (NCDF), a 30 year-old CDFI which focuses on financing cooperative enterprises. More recently, Ms. Lund has served as a trainer and consultant for a number of CDFIs through the Opportunity Finance Network's healthy food lending program. She holds a master's degree in industrial and labor relations from Cornell University.

**Jim Megson, Consultant**

Jim is the former Executive Director of LEAF. Since his retirement, he continues assisting LEAF on a part time basis, with the credit analysis of loans and other special projects. Mr. Megson also spent twenty years as Executive Director of LEAF's affiliate technical assistance arm, the ICA Group, which focuses on community and worker-owned enterprises.