

## Sample Funds Investing in Employee Ownership

Fund and Organization	Target Fund Size	Target Returns	Overall Strategy	Target Investments
<p><b>A &amp; H Legacy Fund I—Apis &amp; Heritage Capital Partners:</b> Apis &amp; Heritage is a minority-led firm, with founding partners Todd Leverette and Philip Reeves. They are launching their first fund, aimed at addressing the racial wealth gap by converting businesses with workforces of color to employee ownership. Democracy at Work Institute will support portfolio firms in building strong ownership cultures.</p>	<p>Target fund size is \$25–\$40 million; ten-year closed-end fund.</p>	<p>Target returns are net IRR of 15%.</p>	<p>The Legacy Fund is focused on the business-closure crisis in Black and brown communities, aiming to create more wealth within these communities and to provide attractive, predictable returns for investors. It plans to develop a portfolio of eight to ten companies with 500-plus jobs, providing mezzanine financing to convert firms to ESOPs and building strong ownership cultures.</p>	<p>The fund will target SMEs and lower-middle-market firms (EBITDA &gt;\$750K) with strong cashflow and large minority/immigrant workforces (&gt;30 workers).</p>
<p><b>Accelerate Employee Ownership—Shared Capital Cooperative:</b> A national loan fund and CDFI, Shared Capital Cooperative provides financing to cooperative businesses and housing throughout the US. In 2019, it launched a new cooperative conversion initiative, Accelerate Employee Ownership, in partnership with Project Equity.</p>	<p>Currently at \$14 million, the fund aims to raise \$25 million.</p>	<p>Shared Capital offers two investment options through private offering: (1) fixed-rate, fixed-term investment notes (private debt) with returns of 2–4.5%, depending on the amount and term, with a minimum investment of \$1,000; and (2) preferred shares (private equity) with a target annual return of 3–6% with a minimum investment of \$5,000.</p>	<p>Through Accelerate Employee Ownership, Shared Capital, in partnership with Project Equity, brings together financing with technical assistance to enable successful businesses to transition to employee ownership. Shared Capital also provides financing to worker co-op start-ups and expansions, and to a range of other community-owned enterprises and cooperatively owned affordable housing.</p>	<p>Shared Capital provides financing nationally to micro and small cooperative businesses, typically ranging from 5 to 250 employees. Shared Capital is primarily focused on serving cooperatives organized by marginalized communities, including communities of color, women, LGBTQ, and low-income communities.</p>
<p><b>Business Legacy Fund—Co-op Cincy with Seed Commons:</b> A nonprofit co-op developer in Cincinnati, Co-op Cincy is building a network of cooperatives on the model of Mondragon. Seed Commons is a network of non-extractive locally based loan funds financing cooperative businesses.</p>	<p>SEED Commons has provided seed funding to launch this multimillion dollar business continuity fund. Conversions will be financed through debt instruments, but will be designed as patient capital similar to equity.</p>	<p>Institutional and individual investors can earn 0 to 5% returns over three- to ten-year terms.</p>	<p>Co-op Cincy hopes to grow employee ownership in Southwest Ohio by providing initial \$20,000 grants to consider the feasibility of employee ownership, and then financing the deals through the Business Legacy Fund.</p>	<p>The Business Legacy Fund will focus on successful sectors in Southwest Ohio—manufacturing, logistics, and industrial services—though the program is open to any business that could successfully convert to employee ownership. The fund is looking at small and mid-sized enterprises that can support jobs in the region.</p>

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<p><b>Fund for Employee Ownership—Evergreen Cooperative Corporation (ECC):</b> A network of worker-owned firms, including a commercial laundry and large urban greenhouse, Evergreen Cooperative Corporation is supported by contracts from anchor institutions like the Cleveland Clinic and University Hospitals. ECC provides management and financing support, and houses and manages the Fund for Employee Ownership (TFEO). ECC CEO is John McMicken; senior vice president is Brett Jones.</p>	<p>To date TFEO has raised \$11 million in capital. Two-year goal is a \$20 million debt fund. Three-year goal is a \$30 million private equity fund.</p>	<p>Initial investments received thus far have been via forgivable debt or philanthropic capital grants. Two-year goal is to raise market-rate debt. Longer term strategy is to offer investors concessionary private equity returns. The fund seeks to deploy mission-driven capital, delivering both social and financial returns.</p>	<p>This new mission-driven, nonprofit fund launched in November 2018 aims to create quality jobs through employee ownership, anchor wealth in Northeast Ohio, and generate value for investors. It will be a closed-end fund, acquiring companies, converting them to employee ownership, and supporting them through the Evergreen Cooperatives' network of firms. The fund could later go national.</p>	<p>The fund will acquire successful companies, providing quality jobs in Northeast Ohio. Fair valuation—an acquisition price fair to both exiting owner and employees—is the cornerstone of this mission-driven fund. Its first acquisition, closed February 2020, is Berry Insulation, an 11-year-old Cleveland firm with 15 employees that provides insulation services and energy assessments to residential and commercial clients in Northeast Ohio.</p>
<p><b>Fund for Jobs Worth Owning—ICA Group:</b> The Fund for Jobs Worth Owning is a new fund administered by the ICA Group, the oldest national organization dedicated to the development of worker cooperatives. Since 1977, ICA has launched dozens of worker cooperatives and helped dozens of companies convert to worker ownership. David Hammer is the executive director.</p>	<p>The Fund for Jobs Worth Owning was seeded with a grant from the Kendeda Fund. The fund expects to raise patient capital from impact and traditional investors. Recognizing the enormous need for higher-risk mezzanine financing in employee ownership transitions, the fund intends to grow significantly over time to fill this gap.</p>	<p>The Fund for Jobs Worth Owning will offer a variety of financial products and have sub-funds with different risk profiles. Returns will be based on the risk of the individual fund and nature of the borrowers, providing opportunities for both patient investors and those seeking market-rate returns. To mitigate risk, the fund works in partnership with the ICA Group and other technical-assistance providers to support businesses.</p>	<p>The Fund for Jobs Worth Owning supports the growth and development of employee-owned businesses with jobs worth owning. The fund designs capital solutions both for existing employee-owned businesses and for those transitioning to employee ownership.</p>	<p>The Fund for Jobs Worth Owning targets sectors that employ large numbers of women and people of color. Its initial focus is financing caregiver cooperatives in the childcare and home care industries, but its investments are not limited to these industries or to a particular geographic region.</p>

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<p><b>Inclusive Capitalism Fund—American Working Capital (AWC):</b> This Chicago-based merchant bank focuses on private middle-market U.S. firms, providing both direct investment and co-investment capital. AWC has particular expertise in ESOPs. Managing partner, Richard May. In 2018 AWC launched OT 1 Investco, LLC, a co-investment platform formed by Air Tractor, Inc. of Olney, Texas, an ESOP firm.</p>	<p>The planned Inclusive Capitalism Fund (ICF) is in formation. Target capitalization is \$300 million for a closed-end fund.</p>	<p>Expectation for ICF is gross IRR of 15% over the life of the closed-end fund.</p>	<p>The ICF will focus on creating positive social impact via broad-based employee ownership while generating attractive current returns and substantial capital gains, utilizing AWC's established reputation in ESOP financing and co-investing with family offices and institutional investors.</p>	<p>The ICF will invest in ESOP buyouts and growth transactions, as well as ESOP recapitalizations and acquisitions. The focus is making direct investments of \$5 million to \$50 million in companies with EBITDA of \$5 million to \$25 million.</p>
<p><b>Long Point Capital:</b> Long Point is a private equity firm that invests in firms with highly capable management teams and strong growth prospects. A portion of their portfolio includes junior capital investments in ESOP transactions, including six companies owned 100% by ESOP trusts.</p>	<p>Information not available.</p>	<p>Target returns are competitive for the private-equity asset class.</p>	<p>Long Point provides junior capital for new ESOP formation (partial or 100%) and mature ESOPs. They call their private-equity-backed ESOP transactions a PE+ESOP Recap.</p>	<p>Long Point targets middle-market firms with highly capable management teams and strong growth prospects.</p>
<p><b>Middle Bridge Capital (MBC):</b> Headquartered in Providence, RI, MBC aims to reinvent the standard private equity leveraged buyout (LBO) model. Its approach is to invest "purpose equity" to bring about employee-led buyouts, in what they call the ELBO model. Founding partners are Walt Mayo and Michael Brownrigg.</p>	<p>Plans to raise a fund of \$150 million are on hold, as of December 2020. Middle Bridge is supporting Apis &amp; Heritage's launch of its Legacy Fund.</p>	<p>N.A.</p>	<p>Middle Bridge aims to overcome key obstacles to employee ownership: complexity and liquidity. The firm provides financing for company buyouts, often sources new leadership internally, and works to build an ownership culture. All exits are to ESOPs.</p>	<p>The industry focus is value-added manufacturing, but will include other sectors proven successful in employee ownership.</p>
<p><b>Mosaic Capital Partners:</b> Founded in 2013, Mosaic was the first private equity firm with an exclusive focus on employee-ownership buyouts. Principals include Steve Buchanan, Keith Butcher, Bill Hayes, and Ian Mohler.</p>	<p>First fund closed at \$165 million.</p>	<p>Target returns are competitive for the private equity asset class.</p>	<p>With its inaugural fund of \$165 million, Mosaic created or supported over 3,000 employee-owners through 13 sponsored leveraged ESOP buyouts. The deals spanned a range of industries, including manufacturing, business services, retail, food and beverage, industrials, and health care.</p>	<p>Mosaic focuses on lower middle-market companies with EBITDA of \$3 to \$12 million.</p>

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<p><b>National Worker Ownership Impact Fund—Community Development Venture Capital Alliance (CDVCA):</b> CDVCA is a 25-year-old mission-driven, not-for-profit fund manager and CDFI. It is managing \$250 million in various equity funds that focus on quality jobs for low-income workers. President Kerwin Tesdell began his career in worker ownership with groups like ICA and the precursor to Cooperative Home Care Associates.</p>	Target fund size is \$50 million.	Target returns in the low teens.	CDVCA is in discussion with investors about a worker-ownership fund to be launched in 2021. CDVCA's strategy is to invest in companies and then work with management to improve job quality and employment opportunities for low-income people. In addition to managing capital, CDVCA supports the field through training for fund managers, technical assistance, and policy work.	For all funds run by CDVCA, investments made in enterprises range from \$100,000 to \$8 million. The aim of the National Worker Ownership Impact Fund is creating and retaining good jobs for low-income workers.
<p><b>Torana Group:</b> Torana invests in middle-market businesses to help them grow responsibly and transition ownership in meaningful ways. Torana uses an independent sponsor model to finance employee ownership transitions through a range of structures, including employee-owned trusts (EOTs). The managing director is Malini Ram Moraghan, whose experience includes positions with McKinsey, JPMorgan &amp; Chase, and private family offices.</p>	Torana puts together deal-specific special purpose vehicles capitalized at up to \$25 million.	Target returns are net IRR of 10–13%.	Torana invests in companies where frontline employees are essential to creating enterprise value, operating in the sectors that predominantly employ women and people of color. The firm recognizes employee ownership as a meaningful form of ESG-driven risk mitigation. Torana's strategy is to engage employees as owners to both reduce financial volatility and benefit workers.	Target companies range from \$10 million to \$100 million in revenue in the food and agriculture and senior care sectors. Characteristics of target businesses include positive EBITDA, available debt capacity, and opportunities for measurable improvements to employee wages, wealth, and working conditions while preserving enterprise value.
<p><b>Working World Fund—The Working World:</b> Launched in 2012, this fund seeks to benefit low-income workers and people of color through converting firms to employee ownership. The Working World was founded in Argentina in 2004, where it financed more than 250 worker cooperatives. Argentina has the largest concentration of enterprises converted to employee ownership in the world.</p>	Target is a \$50 million evergreen-style fund. Since 2012, \$17 million has been raised and deployed. The fund is working with the New York City's Office of the Mayor and city council to raise capital to reach a sustainable capacity of \$30 million.	Impact-rate debt with performance upside.	The Working World Fund structures non-extractive deals with priority given to deals with significant benefits for workers after conversion. Capital is deployed primarily through acquisition of equity held temporarily, before converting firms to employee ownership. The fund provides operational support and "value engineering" to develop a strong ownership culture.	The fund targets firms with \$1 million to \$5 million EBITDA in sectors that employ large numbers of low-income workers and people of color, including light manufacturing, caregiving, and other service industries. The fund is national but focuses on the New York City area.