

Succession Planning



SELLING YOUR STORE TO YOUR EMPLOYEES

**DANIEL WALLACE
RURAL GROCERY SUMMIT
JUNE 2014**



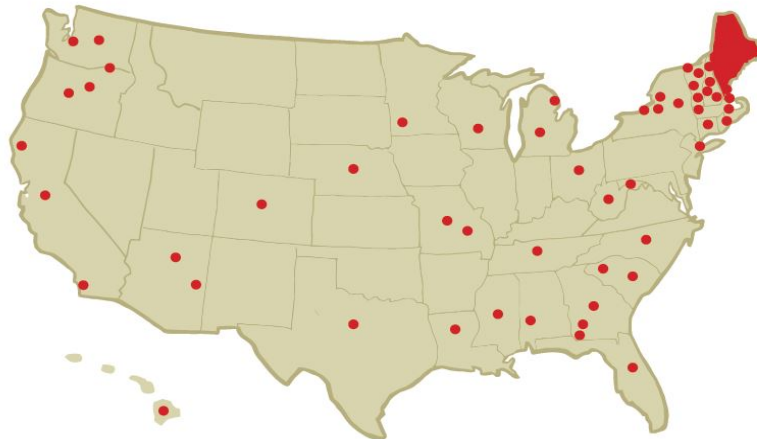
Capital for Opportunity and Change

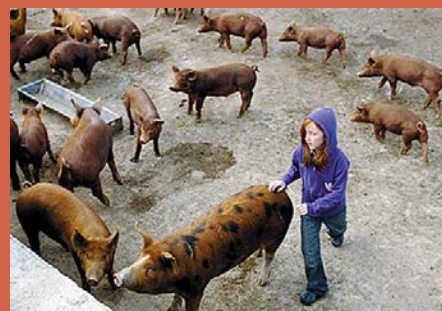


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Platform for Sustainable Lending & Investing 2013 - 2017

- \$128MM platform
- Market: rural communities – Maine & U.S.
- Financing, business development and policy
- Alignment of capital with social justice





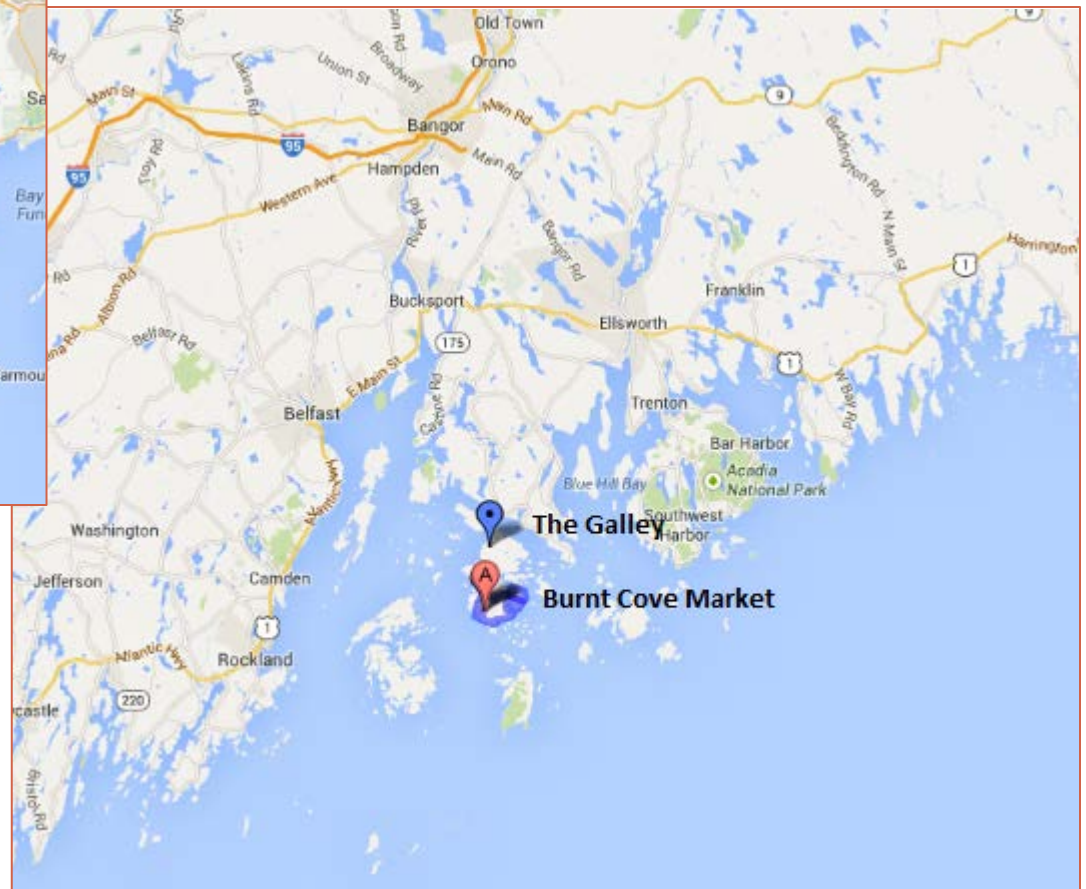
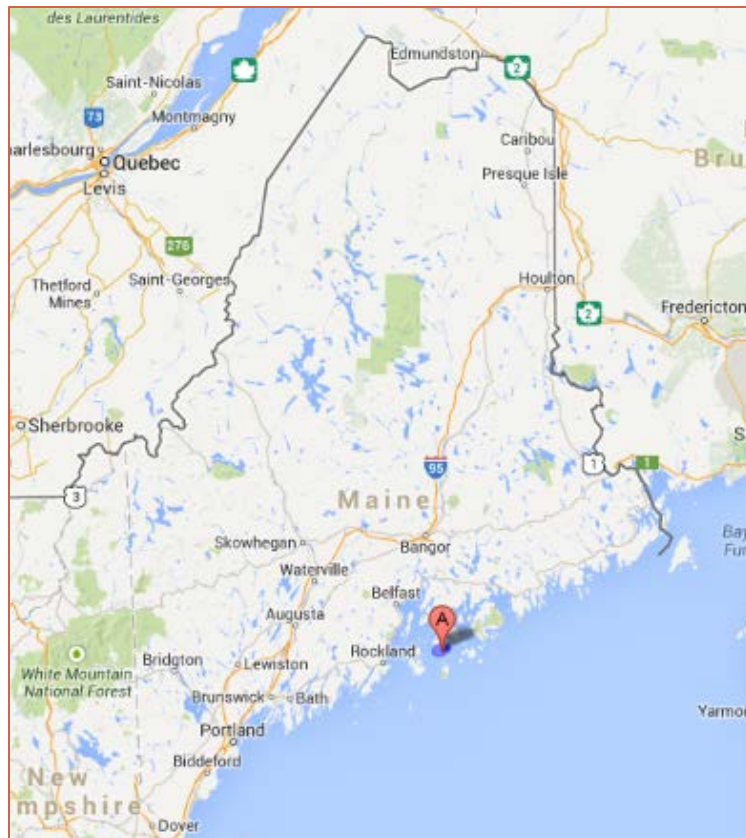
- CEI's Agriculture & Food Systems Program supports farms, food businesses, and healthy food access for all.
- Since 2010, over \$5MM invested in farmers and the value-chain, creating 360+ jobs and maintaining 4,000+ acres of farmland.



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The Galley

Burnt Cove Market

Store details



- **The Galley: 8,000 sq ft**
- **BCM: 13,000 sq ft**
- **Nearest “big” city**
 - Bangor, 58 miles, 90 min drive, pop 32,817
- **Primary competitors**
 - Tradewinds, Blue Hill, 23 miles, 44 mins
 - Walmart, Ellsworth, 37 miles, 60 mins



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Stonington 1



Stonington 2



Demographics



- **Stonington**

- Pop 1043, declining
- MHI: \$36,772 (Maine is \$46,033)
- Ave age: 50.1
- Unemployment: 10.3%, seasonal

- **Deer Isle**

- Pop 1975, rising
- MHI: \$41,776
- Ave age: 51.6
- Unemployment: 9.6%, seasonal

- The population of both towns **DOUBLES** in the summer.
- Local economy: Lobster fishing, arts, and tourism



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Store history



- BCM built in 1960, purchased by current owners in 1971
- Galley built in 1972
- (Variety, pharmacy, gas added in 1995)
- 43 year history!
- Many of the employees have worked there for decades



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Project timeline



- May 2013 – TA providers approach owner
 - Coop conversion model
- June 2013 – First meeting with key employees
- August 2013 – Employee commitments
- December 2013 – Incorporate
- January 2014 – Sign purchase & sale agreement
- February 2014 – Complete application for finance
 - Business plan!
- June 11, 2014 – Close deal



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Key elements



- Support of retiring store owner
- Technical assistance providers
- Time, patience, and drive



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Technical Assistance Providers

- Cooperative Development
- Industry
- Accounting
- Legal



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Cooperative Development

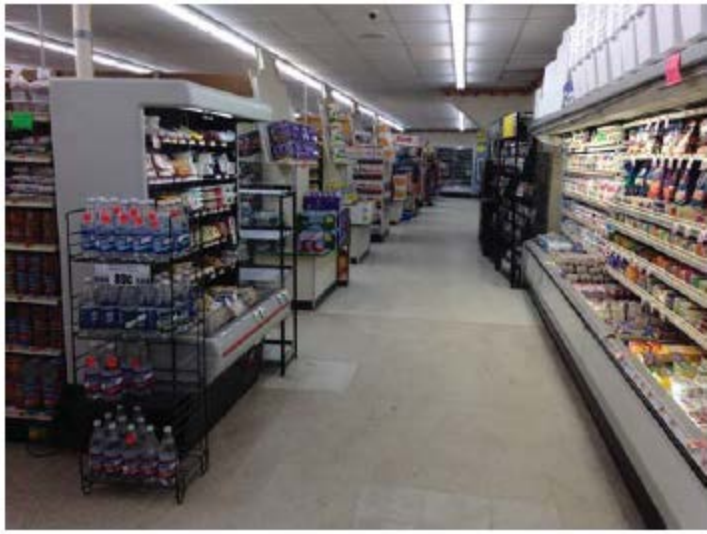


- **Choosing a type: worker cooperative**
 - Worker conversions
 - Consumer, producer, resident-owned
- **Organize and get buy-in from employees**
- **Create governance documents**
- **Develop management structure**
- **LEARN how to democratically operate a business**



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Finance Structure



- CEI's role: organizing a financing consortium
- Seller financing - equity
- Inventory financing
- Plus three lenders



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Finance Details



- Class A (voting) and Class B shares
- Employee owner contribution
- Real estate valuation and business valuation
- 5 year TA contracts
- Going concern made it hard to find conventional lenders



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Benefit to store owner



- Purchase price
- Community legacy
- 1042 rollover
- Reward employees



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Benefit to employees



- Wealth creation event
- Job protection
- Select management, participate in running the business
- Equitable share in company proceeds



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What's next?



- **Closing is Wednesday!**
- **42 employee-owners**
- **Motivation to improve stores**
 - Category management
 - Leakage: surveys and strategies
 - Deferred maintenance
 - Update marketing
- **Maine farm and value-add products**



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Contact Info:

Daniel Wallace

Program Developer

Sustainable Agriculture
& Food Systems
Program

CEI

36 Water Street

P.O. Box 268

Wiscasset, ME 04578

Email: dwallace@ceimaine.org

CEI

- www.ceimaine.org
- Twitter: @ceimaine
- Facebook: Coastal Enterprises Inc.



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