



COOPERATIVE FUND
of New England

Invest in Cooperation

"I've had a twenty-year history with the organization and it hasn't let me down in any way. The high social impact is real; the financial discipline is real. I'm very happy with my decision to get involved."

*Amy Domini,
Domini Social Index Fund*

1-800-818-7833
www.cooperativefund.org

Cooperative Fund of New England ("CFNE" or the "Fund") is offering Social Investment Notes or Loans, which are referred to in this prospectus collectively as "Notes." CFNE will offer the Notes for sale directly and without any agent. No third party has been authorized to sell or promote the Notes, or to be paid any commission. The entire proceeds of this offering will be used to make loans and other investments in cooperative businesses and non-profits as described herein. This prospectus will be updated periodically and may be accessed on CFNE's website, www.coopfund.coop. You should read this prospectus carefully before investing. The termination date of this offering is December 31, 2009, if not terminated sooner by CFNE.

NO SECONDARY MARKET CURRENTLY EXISTS FOR THE NOTES, NOR WILL ONE EXIST AFTER THIS OFFERING. THE NOTES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND APPLICABLE STATE SECURITIES LAWS, OR PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. YOU SHOULD BE AWARE THAT YOU MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. INVESTMENT IN THE NOTES IS NOT TAX DEDUCTIBLE; NOR IS IT TREATED AS A DONATION.

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER NOR THE SOLICITATION OF AN OFFER TO SELL TO ANY PERSON IN ANY STATE OR ANY OTHER POLITICAL JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION MAY NOT LAWFULLY BE MADE. FEDERAL AND STATE SECURITIES LAWS MAY AFFECT OUR ABILITY TO CONTINUE TO SELL NOTES IN CERTAIN STATES.

IN MAKING AN INVESTMENT DECISION, YOU SHOULD RELY ON YOUR OWN EXAMINATION OF THE NOTES AND THEIR TERMS AND OF US, INCLUDING THE MERITS AND RISKS INVOLVED.

NONE OF THE SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION, STATE BANKING COMMISSION OR ANY OTHER REGULATORY BODY HAS APPROVED OR DISAPPROVED OF THE NOTES OR PASSED ON THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE NOTES ARE BEING OFFERED UNDER AN EXEMPTION FROM FEDERAL REGISTRATION PURSUANT TO SECTION 3(A)(4) OF THE SECURITIES ACT AND SECTION 3(C)(10) OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED; HOWEVER, THE SECURITIES AND EXCHANGE COMMISSION HAS NOT MADE AN INDEPENDENT DETERMINATION THAT THE NOTES ARE EXEMPT FROM REGISTRATION.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON.

THESE SECURITIES WILL BE OFFERED AND SOLD ONLY IN JURISDICTIONS IN WHICH A REGISTRATION STATEMENT IS IN EFFECT OR IN WHICH THE OFFERING IS EXEMPT FROM REGISTRATION.

THESE SECURITIES ARE BEING OFFERED AND SOLD ONLY TO ENTITIES WITH THEIR PRINCIPAL PLACES OF BUSINESS IN, AND TO RESIDENTS RESIDING IN, THE FOLLOWING JURISDICTIONS: ALASKA, CONNECTICUT, DELAWARE, HAWAII, ILLINOIS, IOWA, KANSAS, MAINE, MASSACHUSETTS, MISSISSIPPI, NEBRASKA, NEW HAMPSHIRE, NEW JERSEY, NEW MEXICO, NEW YORK, OREGON, RHODE ISLAND, SOUTH DAKOTA, TEXAS, UTAH, VERMONT, VIRGINIA, WEST VIRGINIA, AND WYOMING.

THIS PROSPECTUS IS NEITHER A SOLICITATION TO BUY NOR AN OFFER TO SELL TO PERSONS IN THE FOLLOWING JURISDICTIONS: ALABAMA, ARIZONA, ARKANSAS, CALIFORNIA, COLORADO, DISTRICT OF COLUMBIA, FLORIDA, GEORGIA, IDAHO, INDIANA, KENTUCKY, LOUISIANA, MARYLAND, MICHIGAN, MINNESOTA, MISSOURI, MONTANA, NEVADA, NORTH CAROLINA, NORTH DAKOTA, OHIO, OKLAHOMA, PENNSYLVANIA, PUERTO RICO, SOUTH CAROLINA, TENNESSEE, WASHINGTON, AND WISCONSIN AND NO PURCHASE OF THESE SECURITIES BY PERSONS IN THESE JURISDICTIONS IS AUTHORIZED.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE BANKING COMMISSIONER OF THE STATE OF CONNECTICUT OR ANY OTHER STATE NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

Cooperative Fund of New England

Information for Social Investors

OVERVIEW

The Cooperative Fund of New England is a non-profit organization supporting cooperative development in the Northeast area of the United States. The Fund provides alternative financial services and related technical assistance to cooperative organizations at favorable rates and terms. Its policies generally accord eligibility on the basis of community service, need and merit.

Operating on a small budget, the Fund has been successfully assisting a wide variety of cooperatives, non-profits, worker owned businesses, and community groups since 1975.

Funds for program lending are provided by "social investment loans" from individuals, religious groups, cooperatives and other organizations. Social investment loans are furnished on a long-term basis at low to moderate rates of interest. This investment option may be of interest to persons with discretionary financial resources who have strong social concerns about the use of their funds. Support may also be provided through tax-deductible contributions.

THE ORGANIZATION

The Cooperative Fund of New England was organized in 1975 through the efforts of people active in the region's cooperative movement and social investors associated with the Haymarket Peoples Fund. The impetus for the formation of the Cooperative Fund was the common perception of the need for a funding source to support and enhance the cooperative sector.

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A	<u>Loans Outstanding 12/31/08</u>
B	<u>Board of Trustees and Advisors</u>
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The **stated mission** and purpose of the Fund is as follows:

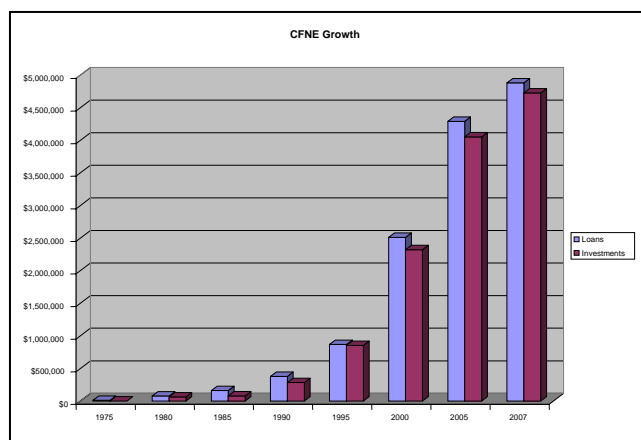
We advance community based, cooperative and democratically owned or managed enterprises with preference to those that serve low income communities through:

- **provision of prompt financial assistance at reasonable rates**
- **provision of an investment opportunity that promotes socially responsible enterprise; and**
- **development of a regional reservoir of business skills with which to assist and advise the above groups.**

The Cooperative Fund is organized and operated for charitable and educational purposes. The Internal Revenue Service has recognized it as a nonprofit, tax exempt 501(C)(3) organization since 1986. It is subject to regulation as a public charity by the Commonwealth of Massachusetts where it is incorporated.

The Fund is managed and directed by trustees and staff experienced in financial and developmental issues affecting co-ops. Most are actively involved with cooperative organizations and non-profits of various types. The Board of Trustees of the Fund is drawn from the New England states and encompasses a talented and socially-committed group of people who are active in the operations of the Fund and, except for special projects, serve without compensation. The Executive Director is an experienced loan officer and management consultant who has worked as a bank examiner and has served with the Fund since 1986. Summary resumes of trustees and staff may be found in the Appendix B of this document.

Information for Social Investors



A summary chart of CFNE's growth

THE NEED

The Fund started by lending primarily to food co-ops. However, as cooperative development in New England expanded the fund's loan market expanded to include worker-owned businesses, land trusts, housing co-ops, nonprofits, and community organizations.

Co-ops and other nonprofits Cooperative Fund of New England serves need capital to function efficiently, but these funds are obtainable from members only over extended periods of time. For groups in the impacted urban and rural areas, the problem is usually more pressing. Meeting these capital needs is critical in the economically depressed areas that exist in many parts of New England.

The problem of under-capitalization for these small organizations is compounded by a widespread lack of commercial financing for such groups. Other challenges to cooperative development include the limited size of the funding requirements of small co-ops, lack of management and financial skills, novelty and riskiness of their activities, and lack of readily marketable collateral.

Closely related to the lack of financial resources is the pervasive need for technical and educational services among small co-ops. Cooperatives have a unique body of organizational principles, corporate laws, tax provisions, accounting practices and financial management techniques that differ markedly from conventional rules. Except in major urban and agricultural areas, qualified technical assistance is often unavailable at any price. Co-ops most needing such services are often the ones least able to pay for them.

In short, the experience of the Cooperative Fund indicates that the need for financial and technical assistance among small co-ops and non-profits in the area served is a significant and growing problem.

ELIGIBILITY STANDARDS

Program loans of the Cooperative Fund are available only to organizations operated on a cooperative or nonprofit basis. Applicants must also be located within the New England states of Massachusetts, Vermont, New Hampshire, Maine, Connecticut and Rhode Island or within parts of eastern New York State.

An organization is considered by the Fund to operate on a "cooperative" basis only if it exhibits the following characteristics:

- its purpose is supportive of the common good;
- its membership is open to persons who will use its services and accept its responsibilities;
- its membership policies are not applied to discriminate in any arbitrary or prohibited manner;
- its activities are broadly participatory by its members
- its governance is democratic or based on consensus;
- its monetary return on invested capital is strictly limited;
- its earnings are either equitably used within the organization or distributed on the basis of patronage.

To be considered as operating on a "non-profit" basis an applicant organization must not be controlled by or for persons who merely provide equity capital, nor may investors be permitted to realize more than a limited monetary return for the use of their money. In most cases, these criteria will be automatically satisfied by an organization that meets the above characteristics of a cooperative.

Eligible recipients of the assistance provided by the Cooperative Fund encompass the entire spectrum of cooperatives and non-profits. These include not only the more familiar consumer and farmer co-ops but also, for example, worker-owned businesses, community service organizations, craft marketing co-ops, fishermen's co-ops, day care centers, cooperative charter schools, health centers, housing cooperatives, co-housing, and community land trusts.

Information for Social Investors

Those who use its services may organize virtually any group on a cooperative basis and it may be operated for purposes other than maximizing investment profits. The function of the Cooperative Fund is to encourage and assist this type of community economic development, particularly for organizations that are resource poor but otherwise sound and promising.

PRIORITY CRITERIA

The financial assistance provided by the Cooperative Fund is intended primarily to benefit co-ops of greatest need. Priority among eligible organizations is therefore accorded to low-income co-ops and others with special problems of access to needed financial resources.

Low-income status is defined by the Fund to include organizations meeting any of the following standards:

- the co-op serves an economically disadvantaged community and this community is reflected in its membership and patronage;
- more than half of co-op members are low income persons; or
- the co-op has, through unusual and unavoidable circumstances, suffered a significant economic adversity that exceeds the ability of the organization and its members to rectify.

Low-income co-ops and non-profits are provided a number of benefits and prerogatives by the Fund in addition to being given priority over other applicants for available funds. For example, their application fee might be reduced and they receive the lowest practicable interest rates on their loans. As the resources of the Fund permit, they may also be provided technical assistance services on a low-fee or gratis basis.

LENDING POLICIES

The standards that the Fund uses in evaluating and deciding upon loan requests include the following:

- the need for and importance of the services provided by the co-op;
- the viability of the organization;
- the commitment and support of its members;
- the skill and effectiveness of its management;
- the adequacy of its capitalization program;
- its current and prospective financial condition;
- the adequacy of available collateral; and
- the ability of the co-op to repay the loan.

The Fund's lending practices are characterized by an unusually high degree of fairness, flexibility and service. Program loans are provided for any reasonable purpose. The interest rates charged to borrowers are below or at market levels, and repayment terms are arranged to accommodate the needs of the borrowing organization.

All borrowers are required to pledge adequate collateral as security for their loans, but the many contacts of the Fund among cooperative organizations in the region allow it to accept collateral of a type and quantity at variance with commercial lenders.

The terms and conditions of the loan agreement entered into with borrowers are significantly less restrictive and obtrusive than most commercial loan contracts. The agreement is nevertheless a detailed and comprehensive one that is fully protective of the legal rights and financial solvency of the Fund. Reporting requirements are quite strict in requiring borrowers to submit substantial information on a regular and timely basis. The Fund is thus able to closely monitor the financial performance and organizational development of its borrowers.

The Fund provides technical assistance services to its borrowers in connection with the loan application process and subsequently as circumstances warrant. The education and experience of staff and Trustees of the Fund allow it to provide a wide range of quality services, particularly in the areas of organizational development, financial management, and training in consensus process.

Because of the Fund's purposes and policies, many of its loans are of a high-risk nature. However the actual losses which the Fund has incurred from uncollectible loans have been remarkably low by any standard--less than one point two percent (1.2%) of all disbursed loans to date. The success the Cooperative Fund has enjoyed over its history can be attributed in large part to its extensive loan review and oversight activities, the availability of its technical assistance services, and the involvement of its Trustees on a local level. Much of the success is a direct result of the sense of shared responsibility flowing from its integral involvement with the New England network of the several of cooperative organizations as well as the integrity of the borrowers.

Information for Social Investors

LENDING HISTORY

During its early years, the Fund's program loans were made exclusively to food-related co-ops. This sector still represents a significant portion of the activities of the Fund. Included in this group are both producer and consumer co-ops involved in the production, processing and distribution of natural food products.

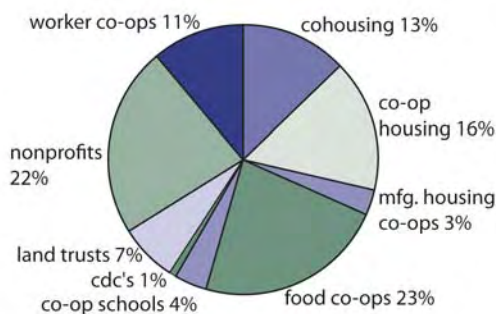
The fund has financed several bulk-food buying groups and dozens of small retail food co-ops in every part of New England. Over the years it has assisted in financing food co-op warehouses and federations. Food processing co-ops, which have benefited from the financial assistance of the Fund, have included a bakery, a grain milling project and several community canneries.

The Fund's lending activities have been growing among community service, worker, and other nonfood co-ops. The activities of these organizations have included alternative education, marketing of home-produced craft products, wool spinning, fishing, and small-scale manufacturing. In the educational area, for example, financing has been furnished to co-ops engaging in printing, publishing, local and regional book distribution, community pre-school, elementary and adult education. The Fund has also provided for housing cooperatives, cohousing, land trusts and non-profit housing developers. In addition, loans have been made to non-profit groups that serve community needs in healthcare, housing, job training and family services.

Since 1975 the Cooperative Fund has extended over 440 program loans. Most of these have been to co-ops. These loans have benefited many thousands of families in low-income areas of New England. They have also helped to provide an alternative means of livelihood, jobs, greater control of workplace and community, and self-empowerment for hundreds of workers and co-op members. A description of the currently outstanding program loans is presented in the appendix.

A chart that depicts the loan mix of the Cooperative Fund's 12/31/08 loan portfolio follows:

CFNE LOAN MIX 12-31-08



FUNDING

Since its inception, the Cooperative Fund has operated with an unusually small budget without significant impairment to capital. Most of the Fund's revenue and support are derived from interest on program loans and cash reserves. The function and scale of the organization have, however, required some subsidization of operations. Subsidies are furnished by contributions and grants and by the volunteer services of trustees, members, outside persons and even its staff. Social investors who forego higher interest rates, lower risk factors, and greater liquidity for their investment funds in favor of conscientious social considerations also provide an important measure of support.

Social investment loans have been received by the fund from individuals, cooperatives, trusts, religious groups, and banks. Even co-ops, some of which are former borrowers, have supported the Fund in this way. Most social investment loans are lent on a definite long-term basis. Since many of these loans have been provided at no interest or at low interest, the weighted average rate that the Fund pays on all its investments is less than three percent.

Financial statements of the Cooperative Fund are presented in Appendix C. They summarize the financial condition and results of activities of the Fund over the last six years. Audited financial statements are prepared annually. In addition, an unaudited financial statement is prepared on a tertiary basis and sent to all investors.

Information for Social Investors

TERMS OF SOCIAL INVESTMENT LOANS

Social investment loans to the Cooperative Fund are provided on terms chosen by the investor within a range of options. The interest rate may vary between zero and three percent. The social investor may also designate whether the interest will accumulate with principal or be paid out on a quarterly basis. Repayment may be set at either a fixed or indefinite term.

The Fund encourages long-term investment. Social investment loans, however, may be called for repayment within a short period of time. For those that are particularly large, the Fund asks that repayment be limited to five thousand-dollar increments within each 30-day period after it receives notice of withdrawal.

Social investment loans are not insured in any way or collateralized through secured interests in any property of the Fund. They rest only on the general credit of the Cooperative Fund of New England. Social investment loans are however provided with a significant measure of security. There is protection in the form of loan loss reserves as well as first loss money. Several social investors have agreed to designate their funds as the first to assume losses that would otherwise prevent full repayment to other investors.

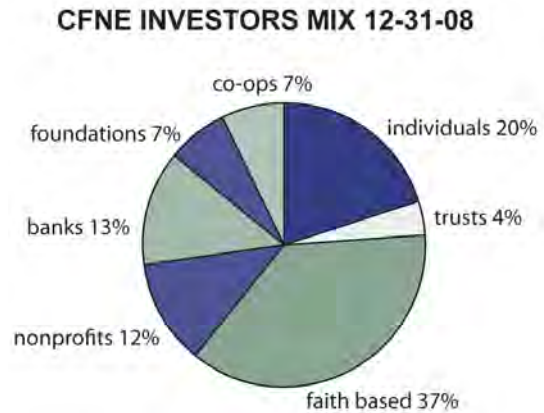
Social investment loans made directly to the Cooperative Fund are not tax deductible nor are they included in the income of the investor when they are repaid. Any accrued interest, whether paid out or left to accumulate with principal, is fully taxable to the social investor. An IRS 1099 form is sent out at the end of each year.

A social investment loan may, however, be rendered tax deductible when it is provided indirectly through a self-directed individual retirement account with a bank providing such a service. Under this option, funds are deposited with the participating bank and then self-directed for investment in the Cooperative Fund of New England. Funds on deposit in the IRA account may not be prematurely withdrawn without substantial penalty. They may, however, be removed from the Cooperative Fund and redirected elsewhere. Persons desiring to use this tax benefit are advised to obtain further information regarding the restrictions and dollar limitations that apply to the use of this procedure.

Funds remitted to the Cooperative Fund will be acknowledged by a promissory note with the terms chosen by the social investor. Under this

note the Fund is obligated to provide financial statements and reports on its activities at least three times a year. The specimen promissory note in Appendix D provides full information as to warranties and obligations assumed by the Fund in its relationship with a social investor.

A chart depicting the mix of the investors at December 31, 2008 follows:



PROVIDING SUPPORT

Social investment loans provided to the Cooperative Fund are used exclusively to further its program services to small co-ops and nonprofit organizations. For persons with discretionary funds who are motivated to invest in social change, social investment in the Cooperative may be a unique option to employ one's funds in a manner rigorously consistent with conscience and principle.

In addition to loan money, the Fund is in need of donations. Support through contributions and grants is vitally important to the development of the Fund and the maintenance of program activities. It is especially needed to extend the limited ability of the Fund to provide technical and educational services that support lending activities and contribute significantly to the success of borrowing co-ops and non-profits. Contributions are tax deductible for federal income, estate and gift tax purposes for persons who itemize on their income taxes.

Many of our borrowers and potential borrowers are in need of technical assistance. We often teach cooperative members how to complete business plans and cash flow projections, how to monitor their co-op's progress and how to use consensus process. This develops good borrowers. We also help cooperatives find financing from other sources.

Information for Social Investors

The Fund started with \$11,000 in original capital and has been able to lend out more than \$16.7 million to 440 groups. In order to keep growing we need infusions of permanent capital as well as loan dollars. Grant dollars often provide a base upon which further extension of our services may proceed.

Operations are generally supported by the interest charged on loans. As the loan portfolio grows, there is a need to increase both the loss reserve level and the permanent capital base. This protects our investors and makes Cooperative Fund of New England a more creditworthy institution.

Although our loss reserves are rarely used they need to be increased as our investment and outstanding loan balances increase. Although the historical loan loss is only 1.3% a loss reserve of at least 3.5% of our loan portfolio is our target. As our lending dollars increase, the loss reserve in absolute dollars increases. These reserves, which are funded from the profit of the operations and grants, are not lent out. Investors are encouraged to consider providing a tax-deductible contribution to increase our permanent capital base.

NATIONAL CONNECTIONS

CDFI

The Cooperative Fund is certified as a Community Development Financial Institution (CDFI) by the US Department of the Treasury. This endorsement says to the financial services industry that the Cooperative Fund of New England is a solid lending institution that is able to meet the credit needs of low-income and underserved areas in a professional manner. Through its underwriting process and loan servicing the Cooperative Fund is able to assist its borrowers in developing their capacity as community development institutions. CFNE was recertified in 2003 and 2005.

CFNE has also been designated as a Community Development Entity so we will qualify for the New Market Tax Credit Program.

OFN/NCCA

The Cooperative Fund of New England is a founding member of the Opportunity Finance Network (OFN), originally known as the National Association of Community Development Loan Funds (NACDLF) then National Community Capital Association (NCCA). After several years of informal networking and mutual assistance over the phone, in 1986 a small group of

community loan funds established the NACDLF to develop an industry of community-development financial institutions that combine social and economic justice with solid business performance. It has instilled a sense and system of mutual accountability across the industry and has built a strong national voice for community development loan funds. OFN's mission is as a catalyst for lasting social, economic, and political justice that helps institutions and individuals provide capital that increases resources and opportunities for economically disadvantage people and communities. Member funds represent thousands of investors and millions of loan dollars. Our Executive Director has served a term on the Board of OFN. CFNE has been rated by OFN's independent CARS rating system. To subscribe to CARS: www.opportunityfinance.net.

INVESTING IN THE FUND

The Cooperative Fund is a way to leverage funds. An investor or grantor can put funds to use in a socially responsible manner, aid in empowering others, and promote social change at a grassroots level.

Social investment notes are not guaranteed or insured and investment in the Fund's social investment notes is subject to certain risks, as described herein and summarized in Appendix E. You should not invest in the Notes if you cannot afford to lose all of the principal amount of your investment or if you need liquidity.

The response form at the end of this document should be helpful in choosing among the various terms available for such loans.

Inquiries for further information on any aspect of the Cooperative Fund are always welcome.

Address:

P.O. Box 185
South Freeport, ME 04078
or

P.O. Box 3413
Amherst, MA 01004-3413

Telephone:

(910) 395-6008 or (800) 818-7833

Fax:

(910) 397-2857

E-mail: cfne@cooperatiefund.org

Website is www.coopfund.coop

COOPERATIVE FUND OF NEW ENGLAND SCHEDULE OF PROGRAM LOANS

As of December 31, 2008

Borrower and location

(Description of activities and purpose of loan)

Belfast Food Co-op;
Belfast, Maine
A retail food co-op; loan to fund roof and store repairs.

Bethlehem Cooperative School;
Slingerlands, New York
A cooperative primary school; loan for purchase and renovation of a building for school expansion.

Boston Community Cooperative;
Boston, Massachusetts
A new housing cooperative; loan to purchase property and renovations.

Broad Park Development Corporation;
Hartford, Connecticut
A nonprofit housing developer serving the Hispanic population in Hartford, CT; loan for predevelopment costs.

Burlington Cohousing Partnership;
Burlington, Vermont
Community Cohousing program in development; loan to cover predevelopment costs.

Cleanscape;
Providence, Rhode Island
A worker-owned paper recycling company created by a community development corporation; loans for start-up funding and equipment purchases.

Cold Pond Community Land Trust;
Acworth, New Hampshire
A community land trust and intentional community; loan to purchase and develop property.

Collective Copies;
Amherst, Massachusetts
A worker-owned copy store; loans for renovations, expansion in new location, and working capital.

Common Fire Foundation;
Tivoli, New York
Student housing cooperative; loan to purchase land and construction.

Community Economic Development Corporation of Southeast Massachusetts;
New Bedford, Massachusetts
The only CDC in New Bedford with a number of programs including business counseling, job training, job referral, and fishermen support functions; loan to cover cash flow needs.

Concord Food Co-op;
Concord, New Hampshire
A retail food cooperative; loan to prepare an expansion program.

Corporation for Independent Living;
Wethersfield, Connecticut
A nonprofit developer of accessible housing; loan for predevelopment costs.

Dollars and Sense;
Boston, Massachusetts
A small collectively management publisher; loan for working capital.

Schedule of Program Loans (continued)

Borrower and Location

(Description of activities and purpose of loan)

Faire Bande a Part Housing Cooperative;
Lewiston, Maine
A limited equity housing cooperative; loan for property purchase.

Flynn Avenue Housing Cooperative;
Burlington, Vermont
A limited equity housing cooperative; loan for property renovations.

FEDCO Seeds;
Waterville, Maine
A wholesaler/distributor of seed and gardening products; loan to rehab production facility.

Fenway Studios;
Boston, Massachusetts
A housing co-op for artists; loan for renovation of building facade. Participation loan with NCB.

14 Carrots Food Co-op;
New London, New Hampshire
A retail food co-op; loan to purchase inventory and for working capital.

Francis Small Heritage Trust;
Limerick, Maine
A small rural land trust; loan to purchase additional property for conservation.

Hampden Hampshire Housing Partnership (HAP, Inc.);
Springfield, Massachusetts
A nonprofit providing a wide range of housing services (home ownership, rental assistance, lead abatement, and safe housing for domestic violence victims) to the low income population; loan for working capital.

Handwork, Inc.;
Ithaca, New York
A retail artisan cooperative; loan for building renovations.

Hartbeat Ensemble;
Hartford, Connecticut
A nonprofit social justice motivated community theater group; loan for working capital.

Harvest Food Cooperative;
Cambridge, Massachusetts
Retail food cooperative; loan to renovated storefront.

Intervale Foundation;
Burlington, Vermont
The oldest nonprofit, community supported agriculture (CSA) farm in Vermont; loan for working capital and construction of Food Enterprise Center.

Land for Good;
Keene, New Hampshire
A small land preservation nonprofit; loan for working capital.

Massachusetts Woodlands Cooperative
Deerfield, Massachusetts
A hardwood producer/farmer cooperative; loan for working capital.

Oak Street Housing Cooperative;
Bath, Maine
A limited equity housing cooperative; loan for property purchase.

Schedule of Program Loans (continued)

Borrower and Location

(Description of activities and purpose of loan)

Onion River Food Co-op d/b/a City Market;
Burlington, Vermont
A large urban retail food store; loan to purchase equipment and to save leasing costs.

Operation Hope;
Fairfield, Connecticut
A nonprofit that provides support and services to those in need of housing and food (including a homeless shelter, daycare drop-in center, community kitchen and other support); loan for temporary cash flow needs.

Plainfield Food Cooperative
Plainfield, Vermont
A small retail food cooperative; loan for energy related renovations and working capital.

Pelham Auto Co-op;
Amherst, Massachusetts
Employee-owned auto repair shop; loan to purchase additional real estate.
Pioneer Cooperative of Franklin County
Greenfield, Massachusetts
A 26 unit housing cooperative; loan for renovations, working capital and debt repayment.

Pioneer Valley Photovoltaics
Greenfield, Massachusetts
Solar energy system producer, loan to provide working capital for system installations in residences.

Putney Food Co-op;
Putney, Vermont
A rural retail food cooperative; loans to purchase point of sale system and for working capital.

Renew Building Materials and Salvage;
Brattleboro, Vermont
A nonprofit that deconstructs buildings and then recycles and sells the materials; loan for working capital.

Rising Tide Food Co-op;
Damariscotta, Maine
A retail food co-op; loan for move and expansion. Participation loan with Damariscotta Bank and Trust.

River Valley Market Co-op;
Northampton, Massachusetts
A retail food cooperative; loan for start up costs.

Sawyer Hill Cohousing;
Berlin, Massachusetts
A rural cohousing project that will provide 34 affordable homes to families while preserving the land; line of credit loan for predevelopment costs.

Turnpike Park Cooperative;
Westborough, Massachusetts
A 46 member manufactured housing cooperative; loan for acquisition of their park.

Urban Oaks
New Britain, Connecticut
An urban farm and farm stand growing and selling organic produce; loan for working capital.

Voluntown Peace Trust;
Voluntown, Connecticut
A nonprofit community land trust and retreat center; loan to purchase property.

Willimantic Food Co-op;
Willimantic, Connecticut
Retail food cooperative; loan to expand and move operations.

Schedule of Program Loans (continued)
Borrower and Location
(Description of activities and purpose of loan)

Other Loans Pending and Past Loans Repaid

Chatham Cooperative Market
Chatham, New York
A small rural retail food store; loan for start up funding Collective Voice;

Collective Voice
Colrain, Massachusetts
Employee-owned fundraising telemarketing collective; loan for working capital.

Community Children's Center;
Storrs, Connecticut
A nonprofit childcare provider; loans to purchase land for new facility and for working capital.

Deep Root Farmers Co-op;
Johnson, Vermont
A rural farmers co-op; seasonal line of credit for working capital during growing season.

Fiddleheads Food Cooperative
New London, Connecticut
An start-up urban retail food store; loan to provide working capital for start-up.

Green Mountain Spinnery;
Putney, Vermont
A worker-owned wool spinning mill; loan for seasonal working capital.

Littleton Food Cooperative
Littleton, New Hampshire
An start-up retail food store; loan to provide working capital for construction and start-up.

Rutland Area Food Co-op;
Rutland, Vermont
A small, rural retail food cooperative; loans to fund start-up of first storefront operation and inventory.

Troy Food Cooperative
Troy, New York
A small rural retail food store; loan for start up funding.

Women's Economic Development Corporation;
Providence, Rhode Island
Nonprofit housing developer; loan for land purchase and predevelopment funding.

BOARD MEMBERS AND STAFF

EXECUTIVE DIRECTOR

REBECCA DUNN, Wilmington, North Carolina. Rebecca has been the Executive Director since March, 1986. She manages the Fund from her home office (which moved in April, 1994.) She commutes to New England on an as needed basis and to facilitate tertiary Board and Executive Committee meetings. She has extensive experience as a business consultant and as a commercial loan officer for Barclays American. She was formerly a bank examiner for the State of Connecticut. Rebecca has also worked as a consensus process trainer and non-profit advisor to a number of groups. These include her local food co-op, an urban grocery store project, a symphony orchestra, an artists collective, and Dance New England. She has served on the Board of the Opportunity Finance Network, WHQR public radio advisor board, Temple of Israel, the Wilmington YWCA, New Hanover County Human Relations Commission, and Tidal Creek Food Coop. She has a BA in economics from Trinity College and an MBA in finance.

NEW ENGLAND OUTREACH COORDINATORS

BETSY BLACK, Concord, New Hampshire. Betsy works part-time assisting Rebecca with visiting current and potential borrowers, providing technical assistance, administration of the loan portfolio, and marketing the Fund in northwestern part of New England. Betsy's background is working with community development financial institutions (CDFIs) and nonprofit organizations. She is a long time cooperative member, volunteer, board and committee member, and enthusiast. Betsy assists CDFIs nationally with capitalization and strategic planning, and instructs for Opportunity Finance Network and Oweesta Corporation. She formerly worked for the New Hampshire Community Loan Fund for a decade as Capitalization and Communications Director before starting her own consulting business in 2002. Previously, she worked as a solo law practitioner in Manchester and Concord (NH); for the Concord Feminist Health Center (a collective); and for the Argus Champion (NH) and Milford Cabinet (NH) newspapers. She holds a law degree from Pierce Law (NH), a BA in American Studies from Middlebury College (VT), is accredited through the International Coach Federation, and is a certified Kripalu yoga instructor.

DEREK CAVENAUGH, Boston, Massachusetts. Derek works part-time assisting Rebecca with development and fundraising for the Fund in New England and the Cooperative Capital Fund. He is the owner of Hart Street Associates LLC, a real estate investment and consulting firm located in Beverly, MA. Prior to joining CFNE Derek was a Senior Investment Officer for Massachusetts Housing Investment Corporation. He is past president member of the Board of H.A.W.C., a non-profit organization which aids women and children who are the victim of domestic abuse on the North Shore. Mr. Cavanaugh has also worked in various commercial real estate capacities at Massachusetts Mutual Life Insurance Company, Bank of New England and Bank of Boston. He holds a B.A. from the University of Pennsylvania and Master's in City Planning from Harvard University. Derek lives in the South End of Boston.

ERBIN CROWELL, Charlemont, Massachusetts. Erbin works part-time assisting Rebecca marketing the Fund in New England. Erbin has worked for over ten years with Equal Exchange, a worker-owned co-operative marketing fairly traded coffee, tea and chocolate from small farmer co-ops. His experience at Equal Exchange has included sales and marketing, and he created and for five years served as director of the cooperative's innovative Interfaith Program. He is currently working on a pilot program for Domestic Fair Trade. He has served in a number of elected roles with Equal Exchange, including chair of the board and worker-owner coordinator. Erbin brings to CFNE a commitment to workplace democracy, community-based economics and sustainable agriculture. He holds a BA in anthropology and the visual arts from Brown University, and is currently working toward a Masters in Management (Co-operatives and Credit Unions) from St. Mary's University in Nova Scotia, Canada.

MARY HOYER, Amherst, Massachusetts. Mary works part-time assisting Rebecca with visiting current and potential borrowers, providing technical assistance, administration of the loan portfolio, and marketing the Fund in the southwestern part of New England. She is a former educator in the Hartford Public Schools and is now working as a community development consultant, having worked in the nonprofit and cooperative development arenas for over twenty-five years. She has been active in anti-racism and anti-apartheid work, union organizing, alternative and parent education, and local electoral politics. She has a doctoral degree from the University of Massachusetts/Amherst, an MA from the University of Kentucky, and a BA from Occidental College. She joined the Fund's Board of Trustees in 1992.

GLEN OHLUND, Hopkinton NH. Glen works part time as works part-time assisting Rebecca with visiting current and potential borrowers, providing technical assistance, administration of the loan portfolio, and marketing the Fund in the northeastern part of New England.. In his previous position as Development Coordinator with the City of Manchester, NH, he managed the City's Revolving Loan Fund, among other responsibilities. Prior positions include serving as Assistant Director for the New Hampshire Main Street Center, facilitating revitalization in Downtowns across the State. He also worked and lived in Boston for most of the 1990's, working on both brick and mortar projects as well as building community capital. He worked with the Boston Building Materials Cooperative during Graduate School, growing a building material recycling project of the BBMC. Originally from New Hampshire, Glen spent much of the 1980's working on economic, environmental, and social justice issues with membership-based statewide organizations. He is committed to sustainable development issues facing the Granite State and the Country. He holds a Bachelor's Degree in Business Administration and a Master's Degree in Community Economic Development, both obtained at Southern NH.

BOARD OF TRUSTEES

ANDREW DANFORTH, Board President, Foxborough, Massachusetts. Andy is a self-employed management consultant specializing in enterprise solutions for mortgage companies, commercial banks, governmental agencies and whole loan traders. He has 21 years of executive, accounting, technological and operational experience in banking and finance, and has held executive officer positions for two public companies. His clients have included 5 of the nation's 20 largest banks, as well as the FDIC, OTC, RTC, several states and GSOs. Andy has an interest in affordable housing issues and has worked with several housing agencies and non-profits as well as Habitat for Humanity chapters. He is a CPA and serves on the Loan Committee.

CORY GREENBERG, Board Vice-President, Shutesbury, Massachusetts. Cory is a financial and management consultant to small businesses and serves as part-time CFO to one of those businesses. He is Treasurer of a movie theater management and investment company in the New York metropolitan area, and is active in various socially responsible and other investments. Cory is Treasurer and board member of Ten Directions, Inc. and is on the advisory board of the Center for Mindfulness in Medicine, Health Care and Society. He has been CFO at a publicly traded company as well as a financial manager of a worker cooperative, and is a graduate of Hampshire College. He is chair of the Cooperative Fund's loan committee.

TIMOTHY WINGATE, Board Treasurer, Montpelier, Vermont. Tim is the finance manager for the Hunger Mountain Food Co-op and has served as the co-op's general manager. He is a CPA who has his MBA from Plymouth State College and a BS from the University of Maine at Machias. Tim serves on CFNE's Loan Committee.

ERBIN CROWELL, Board Clerk, Charlemont, Massachusetts. Erbin has worked for over ten years with Equal Exchange, a worker-owned co-operative marketing fairly traded coffee, tea and chocolate from small farmer co-ops. His experience at Equal Exchange has included sales and marketing, and he created and for five years served as director of the co-operative's innovative Interfaith Program. He is currently working on a pilot program for Domestic Fair Trade. He has served in a number of elected roles with Equal Exchange, including chair of the board and worker-owner coordinator. Erbin brings to CFNE a commitment to workplace democracy, community-based economics and sustainable agriculture. He holds a BA in anthropology and the visual arts from Brown University, and is currently working toward a Masters in Management (Co-operatives and Credit Unions) from St. Mary's University in Nova Scotia, Canada.

JENNIFER GUTSHALL, Manchester, Connecticut. Jen is the Executive Director and Co-op Specialist at the Cooperative Development Institute in Greenfield, Massachusetts. She is a recent graduate of the Southern New Hampshire University (SNHU) School of Community Economic Development in which her master's thesis involved the provision of business and organizational support to Connections Co-op in an effort to breaking-down language barriers in Providence, Rhode Island. She spent seven years as a community organizer and cooperative business developer focusing on energy issues in the state of Connecticut and she co-founded the CT Energy Cooperative, Co-opPlus of Western Mass. She has completed the CooperationWorks! Professional Development Training Program for Cooperative Development. She has a BA in philosophy from Pennsylvania State University and a MS in Community Economic Development from SNHU.

VALERIE HALL, Concord, New Hampshire. Val spent five years as the general manager of the Concord Cooperative Market, during which the store went through a significant expansion. She participated in the National Co-op Grocers Association changes in structure and strategy that were happening in the cooperative food industry nation-wide as it moved from a regional to a national organization. She has eight years experience as a trustee of The Friends Program (a multi-service local non-profit agency). Her educational and professional background is largely in the area of finance and spent most of her career in financial management, primarily in the manufacturing sector. Val currently works for the State of New Hampshire at the Department of Justice as a business administrator reporting to the Director of Finance. She has a BS in Business Administration from Salem State College, Salem, MA and is a Certified Public Accountant, State of New Hampshire.

DON KREIS, Norwich, Vermont. Don is President of the Board of the Hanover Consumer Cooperative Society in Hanover, New Hampshire. He is an assistant professor of law, and associate director of the Institute for Energy and the Environment, at Vermont Law School. He has previously served as general counsel to the New Hampshire Public Utilities Commission and as a law clerk with two state supreme courts and a federal district court. Don is Justice of the Peace in Norwich, Vermont. He is an active participant in the Neighboring Food Co-ops Association (formerly Connecticut Valley Neighboring Co-ops). He has a special interest in governance and fiduciary responsibility of boards. He has served as a third mate on the Hudson River Sloop Clearwater and served as a newsman for the Associated Press and the Maine Times. Don is enthusiastic about the cooperative model and its need for capital. Don has a BA from Middlebury College, a MS in Journalism from Columbia University and a JD from the University of Maine School of Law.

PHEBE QUATTRUCCI, South Freeport, Maine. Phebe is a former outreach coordinator for CFNE in New Hampshire and Maine. She is an experienced loan officer formerly with Coastal Enterprises, Inc. (CEI), a CDFI in Wiscasset, Maine. She is an experienced grant writer and works with CDFIs to develop comprehensive capitalization plans. Her past experience includes portions with the Maine Credit Union League, Peoples Heritage Bank and the Massachusetts Department of Mental Retardation. Phebe has a BA from Middlebury College in Middlebury, Vermont.

L.J. TAYLOR, Somerville, Massachusetts. L.J. is a worker-owner and senior sales representative at Equal Exchange, in West Bridgewater, MA, a worker-owned co-operative marketing fairly traded coffee, tea and chocolate from small farmer co-ops. He has worked in Bulk Foods at Weaver Street Co-op in Chapel Hill, NC. He has volunteered for the post of Mentor/Buddy coordinator at Equal Exchange to help push the continuing education needed to help cooperatives survive. L.J. helped in the formation of the Independents Coffee Cooperative in Philadelphia, which consists of café owners who support Fair Trade. He has a BA in mathematics from the University of Virginia where he specialized in business development and raised funds through the UVA Development Office.

BOARD OF ADVISORS

BOARD OF ADVISORS

JOHN ABRAMS, West Tisbury, Massachusetts. John is cofounder and CEO of South Mountain Company, a 32-year-old employee owned design/build and renewable energy company on the island of Martha's Vineyard, Massachusetts. His book *THE COMPANY WE KEEP: Reinventing Small Business for People, Community, and Place* was published by Chelsea Green Publishing in 2005. *Business Ethics* magazine awarded South Mountain its 2005 National Award for Workplace Democracy. He roams far and near to speak, write, and teach about Good Business. Close to home, he concentrates on re-localizing the economy and solving the island's affordable housing crisis. John and his family live in a cohousing neighborhood developed by his company.

VALERIE DAHL, Guilford, Vermont. Valerie is director of finance of Drew's All Natural Food. She is the former CFO of Northeast Cooperatives. She advises local non-profit arts organizations, and is active in Rotary. Her professional background includes work in software development and higher education. Valerie holds a BA in history and anthropology from the University of California, a MA in education from Boston University and an Executive MBA from the University of Tennessee.

SUSAN ELLIS, Spruce Head, Maine. Susy served on the CFNE board from 1982 to 1996 and served for many years as the Board President. She provides accounting and management services to small businesses across Maine. Management services include personnel, business planning and financial analysis. She also provides Coast Guard documentation for commercial fishermen and yachtsmen throughout New England. Susy was formerly President of the Federation of Co-ops and was co-author of "A Comparative Financial Analysis of Maine Co-op Stores".

LINDA GALLAGHER, Halifax, Canada. Linda is a Community Development consultant working in the areas of finance and development. Linda has over 25 years of experience in the fields of development banking and commercial banking in both Canada and the US. Linda holds a BA in Russian and History from McGill University and a MBA from Southern New Hampshire University ("SNHU"). She was on the adjunct faculty at SNHU in the School of Community Economic Development. Linda is particularly interested in multiculturalism, and has done two international development assignments with NGO's.

JANE LIVINGSTON, Veazie, Maine. Since 1993, Jane has been active as a publicist, editor, marketing consultant and study tour guide for cooperative enterprise. She has particularly focused on crossing co-op sector boundaries to explore common interests, build solidarity for co-op values, and forge cooperative business relationships. As communications consultant to the Cooperative Development Institute, she created several print and electronic publications including *Cooperative Life Leader*, the nation's first regional co-op e-letter. She also was on the CDI team that created the first Marketing Our Cooperative Advantage (MOCA) program with Canadian colleague Tom Webb. Currently she is working with several co-op clients and serves as Editor of NetWorks, the newsletter of CooperationWorks!, an organization of 21 co-op development centers serving people in 45 states.

MARY O'HARA, Boston, Massachusetts. Mary is a partner with Burlington Associates in Community Development, LLC and provides organizational development, strategic planning, and market analysis services to CDFI's and community land trusts. She has served as the Director of Lending at the Institute of Community Economics and was a founding board member of the Boston Community Loan Fund. Mary has served as a guest lecturer at the Graduate Program in Community Economic Development at New Hampshire College and as an Instructor at National Community Capital Association's and the National Community Land Trust annual conferences. She has a BA in Government and Human Services from Cornell.

MARC REICH, West Hartford, Connecticut. Marc is President of Ironwood Capital Ltd., an investment-banking firm serving middle market and larger firms throughout the US. He is a principal in IronBridge Mezzanine Fund, L.P; an investment fund that invests principally in businesses owned by women, people of color located in low and moderate income communities. Prior to founding Ironwood in 1990 he headed Aetna's investment banking unit and was an institutional private placement lender. He was a bank examiner with the FDIC as well as a long time food co-op member. He holds a BA from the University of California, Los Angeles and an MBA from the University of Connecticut.

DON SCHRAMM, Burlington, Vermont. Don is co-owner of a worker owned software development firm. He was an organizer and president of a retail food co-op, instructor at various universities and is currently the project leader of a 32 unit cohousing project.

JOHN TALVACCHIA, Boston, Massachusetts. John is a partner in the law firm of Eckert Seamans Cherin & Mellott, LLC. John specializes in corporate law and finance. He represents many start-up and emerging companies, as well as non-profit organizations and banking institutions. He was formerly Treasurer of the Boston Food Co-op and a co-author of the *Food Co-op Handbook*. John has a BA from the College of the Holy Cross and a law degree from Boston University. He was a Trustee for over six years and has been an Advisor since 11/85.

STAN WARNER, Amherst, Massachusetts. Stan is professor of economics at Hampshire College. He has a Ph.D. in economics from Harvard University and has previously taught at the University of California, Santa Cruz. His teaching includes courses in workplace democracy, the economics of globalization, and making social change. He is past coordinator of the Five College Project on Work and Democracy and consults in the area of community economic development. He is an avid fisherman.

**Cooperative Fund of New England, Inc.
Audited Balance Sheet
For the Year ended December 31**

	2003	2004	2005	2006	2007	2008
Current Assets						
Cash	1431378	777812	975281	815383	1010323	1431740
Prepaid Expenses	1021	1026	1107	1058	1096	1096
	603					
Current Maturity of Program Loans	<u>902100</u>	<u>1387207</u>	<u>759487</u>	<u>1009949</u>	<u>910702</u>	<u>1544363</u>
Total Current Assets	<u>2335102</u>	<u>2166045</u>	<u>1735875</u>	<u>1826390</u>	<u>1863349</u>	<u>2977199</u>
Program loans – Long-term net of loss reserve* (and participations)	1862101	2427320	3100313	3400131	3640366	4213191
Other Investments	24447	24447	24447	34447	34447	34447
Property and Equipment (net)	<u>1621</u>	<u>1350</u>	<u>1843</u>	<u>3280</u>	<u>5663</u>	<u>4195</u>
Total Assets	<u>4222668</u>	<u>4619162</u>	<u>4862257</u>	<u>5264248</u>	<u>5602600</u>	<u>6631518</u>
Current Liabilities						
Accounts Payable	603	801	127	0	0	0
Deferred Revenue						
Current Portion of Social Investment Loans	<u>669923</u>	<u>789675</u>	<u>637696</u>	<u>1703827</u>	<u>785491</u>	<u>989381</u>
Total Current Liabilities	670526	791092	637823	1703827	785491	989381
Social Investment Loans - Long-term	<u>3024625</u>	<u>3277469</u>	<u>3652975</u>	<u>2965486</u>	<u>4096889</u>	<u>4685119</u>
Total Liabilities	<u>3695151</u>	<u>4068561</u>	<u>4290671</u>	<u>4669313</u>	<u>4882380</u>	<u>5674499</u>
Net Assets						
Unrestricted	197097	220798	241039	264515	389783	626599
Permanently Restricted	<u>330420</u>	<u>330420</u>	<u>330420</u>	<u>330420</u>	<u>330420</u>	<u>330420</u>
Total Net Assets	<u>527517</u>	<u>551218</u>	<u>571459</u>	<u>594935</u>	<u>720203</u>	<u>957019</u>
Total Liabilities and Net Assets	<u>4222668</u>	<u>4619162</u>	<u>4862257</u>	<u>5264248</u>	<u>5602600</u>	<u>6631518</u>
*Loan Loss Reserves	148123	163123	123061	159951	176951	197514
Total Loans Outstanding	2912324	4127649	3982861	4610031	4728019	5357554
Total Investments Outstanding	3694548	4067143	4290671	4669313	4882380	5674499

Cooperative Fund of New England, Inc.
Audited Statement of Activities
For the Year ended December 31

	2003	2004	2005	2006	2007	2008
Revenues and Other Support						
Interest on Program Loans	213788	252741	293820	303811	345664	357721
Investment Income	21527	18027	33996	45160	50157	46472
Contributions	3675	5405	14022	38461	148182	324916
Other income	<u>14430</u>	<u>21170</u>	<u>18714</u>	<u>13528</u>	<u>11195</u>	<u>17080</u>
Total Revenues and support	253420	297343	360552	400960	555198	746188
Expenses						
Program Services						
Operations	184728	205470	249298	284881	354995	411195
Support Services						
Administrative	<u>67037</u>	<u>68172</u>	<u>91013</u>	<u>94960</u>	<u>74935</u>	<u>98,177</u>
Total Expenses	251765	273642	340311	379841	429930	509372
Change in Net Assets	<u>1014</u>	<u>23701</u>	<u>20241</u>	<u>21119</u>	<u>125268</u>	<u>236816</u>
Net Assets at Beginning of Year	526503	527517	551218	571459	594935	720203
Net Assets at End of Year	<u>527517</u>	<u>551218</u>	<u>571459</u>	<u>594935</u>	<u>720203</u>	<u>957019</u>

*numbers are audited

RISK FACTORS

Investing in social investment notes issued by the Cooperative Fund of New England (the “Notes”) involves significant risks. You should only invest in the Notes if you can afford to lose your entire investment and do not require liquidity. These risks include the following:

The Notes are unsecured and uninsured. The Notes are not secured by any collateral, nor are the Notes guaranteed or insured by the Fund, the FDIC or any other entity. The Fund’s ability to pay interest or repay principal depends on solely on the Fund’s financial condition. Risks associated with investments in the Notes may be greater than implied by the relatively low interest rates on the Notes.

The Notes are not liquid. There is no secondary market for the Notes, nor is a public market expected to develop. These factors may therefore require that you retain the Note until its maturity, even under circumstances where it is economically undesirable to do so. You should invest in the Notes only if you have independent means for providing for your current and future needs and contingencies.

The Notes are unrated. The Notes have not been submitted to any rating agency to obtain an opinion or rating of the risk of timely collection of principal and interest.

The Fund has limited liquidity. The Fund expects to lend substantially all of the proceeds from the sale of the Notes and the source of repayment of the Notes will be loan payments from borrowers. The Fund may or may not choose to allow early redemption of the Notes based on both market conditions and current liquidity. Substantial losses or delinquencies in the loan portfolio may impede the Fund’s ability to pay principal and interest in a timely fashion or at all.

The Fund’s ability to raise capital is limited. Traditional for-profit financial institutions sell stock and retain earnings to build capital. This capital is available to cover overhead and to provide liquidity and reserves against losses. As a non-profit organization, the Fund will not issue stock and does not have or expect to have substantial retained earnings. It must rely largely on donated funds and cash flow from operations to serve as its capital and therefore may be unable to increase or maintain its current capital balance.

The Fund’s loans may have weak risk profiles. As described in this Prospectus, the Fund’s lending program is an essential component of its charitable mission, and its underwriting criteria will include mission-related factors that extend beyond a traditional lender’s focus on credit risk. Accordingly, the Fund often makes loans that would be considered high-risk by traditional for-profit lenders. Any of these borrowers could default, which could make it difficult or impossible for the Fund to meet its obligations under the Notes.

Changes in laws. Changes in federal or state laws, rules or regulations regarding the sale of securities by religious, charitable or other non-profit organizations may make it more costly and difficult for the Fund to offer and sell Notes in the future. Such an occurrence could result in a decrease in the amount of Notes that the Fund sells, thus affecting the Fund’s operations and ability to meet its obligations under the Notes.

Interest rate spread risk. The Fund makes loans at a higher interest rate than it pays on borrowed funds. The “spread” between interest earned and interest paid is intended to cover the Fund’s cost of doing business, including credit losses. The terms of loaned and borrowed money are not identical, and under certain circumstances, market and credit conditions may cause the spread to decline to the point where the Fund’s annual expenses exceed its annual income, thus negatively affecting the Fund’s ability to meet its obligations under the Notes.

The Fund is not obligated to proceed with planned operations. At any time, the Fund could discontinue its operations and either undertake different activities or discontinue activities altogether. At this time, the Fund fully intends to proceed with the operations described in this Prospectus indefinitely but is under no legal obligation to do so.

Note holders have no control. All decisions with respect to the management of the Fund will be made exclusively by the Fund’s board of directors or by officers to whom the board delegates authority. Investors have no right to take part in the management of the Fund or to vote on any matters affecting the Fund, including the election of Directors. Accordingly, you should not invest in the Fund unless you are willing to entrust all aspects of the management of the Fund to its board of directors.

Earnings from the Notes are taxable to you. All of the interest you earn on the Notes will be taxable income to you, regardless of whether it is paid out to you or is retained and reinvested. Even though the Fund is a tax-exempt organization under Internal Revenue Code section 501(c)(3), your earnings from your investment in the Fund

SAMPLE
PROMISSORY NOTE
(for Social Investment Loan)

FOR VALUE RECEIVED, the Cooperative Fund of New England, Inc., a Massachusetts corporation having its mailing address at P.O. Box 185, South Freeport, ME 04078-0185 and its administrative office at 5533 Peden Point Road, Wilmington, NC 28409 (hereinafter "the Fund") promises to pay to the order of _____ (hereinafter "the Social Investor") the principal sum of ____ thousand dollars (\$____,000.00) together with interest on the principal sum at the rate of ____ per cent (__%) per annum.

Interest shall be accrued on a monthly basis and will be payable _____ or accrued _____. Principal shall be payable on _____ or upon 30 day notification by the social investor.

This Note shall be subject to the following warranties and obligations on the part of the Fund:

1. The Fund warrants that it is duly incorporated and in good standing under the laws of the Commonwealth of Massachusetts. The Fund further warrants that it is in compliance with all laws and regulations respecting its manner of organization and operation.

2. The Fund warrants that it is empowered to execute this Note and that this Note has been duly authorized and executed and constitutes a valid and legally binding obligation of the Fund and does not violate any existing restrictions upon or contractual obligations of the Fund.

3. The Fund warrants that the purpose for which it has solicited the loan evidenced by this Note is to further its charitable and educational activities in support of non-profit cooperative organizations. The Fund will not use any material portion of the proceeds of this loan for any other purpose without the prior consent of the Social Investor.

4. The Fund agrees to prepare financial statements which fairly present its financial position and results of activities as well as narrative summaries of its activities no less frequently than at four month intervals ending in April, August and December of each year. The Fund will submit a copy of such documents to the Social Investor within sixty days after the end of each such period.

5. The Fund agrees to promptly notify the Social Investor in writing of any change of its principal office or the occurrence of any event of default described in paragraph 6A below.

6. Each of the following shall be considered an event of default of this Note:

- A. The Fund fails to make any payment or perform any obligation required under this Note within ten days of the date when due;
- B. The Fund ceases to conduct its normal activities or sells, assigns or otherwise disposes of all or substantially all of its assets or makes an assignment for the benefit of creditors or becomes subject to any proceeding under bankruptcy laws or for the appointment of a receiver or for any other form of debtor relief; and

C. The Social Investor deems himself or herself, for any reason, to be insecure in relation to his or her rights under this Note.

7. Whenever any event of default occurs and is not remedied to the satisfaction of the Social Investor, then, or at any time thereafter, the Social Investor may, by written notice, cause all indebtedness of the Fund under this Note to become due and payable in increments not to exceed five thousand dollars per thirty day period beginning immediately upon such notice. The Fund waives all other forms of notice, demand, presentment or protest to which it may otherwise be entitled. No waiver by the Social Investor of any event of default shall operate as a waiver of any other event of default or of the same event of default on a future occasion.

8. In the event that the Social Investor reasonably and in good faith considers it necessary to take action to protect or enforce his or her rights under this Note, whether or not suit is instituted thereby, the Fund agrees to pay all resulting costs and expenses, including reasonable attorney's fees.

This instrument shall be governed in all respects by the laws of the State of Massachusetts. Any provision of this Note which is determined to be unenforceable shall be ineffective to the extent of such unenforceable provision without invalidating the remaining portions of this Note.

IN WITNESS WHEREOF, the Fund has caused this Note to be duly executed as a sealed instrument as of _____.

WITNESS: COOPERATIVE FUND OF NEW ENGLAND, INC.

Signed in my presence

_____ by _____
As its Executive Director

RESPONSE FORM

To: Cooperative Fund of New England
Administrative Office
5533 Peden Point Road
Wilmington, NC 28409

To assist community based cooperative development in New England,
I enclose the following:

___ Social investment loan of \$_____ (minimum investment \$1000)
at an interest rate of _____% (choose from 0-3%)

with interest to be:
___ added to the principal
or
___ paid out quarterly

and the loan to be repaid:
___ upon notification to the Cooperative Fund
or
___ at the following time _____

___ I wish to designate that this loan convert to a gift to the Cooperative Fund
in the event of my death before the maturity date of the loan _____(initial)

___ Contribution of \$_____
(Contributions are tax deductible)

Signature _____ Date _____

From: Name _____
Address _____
Telephone (____) _____
Social Security Number _____
Email _____
