



# CCIF

canadian co-operative  
investment fund

## Financing that works for co-operatives

*Strengthening Canadian Co-operatives by providing  
access to innovative capital*

# Agenda

- Considerations for seeking financing
- Type of financing options
- Loans and other debt financing
- Hybrid financing
  
- CCIF and CCIF case studies
  
  
- Contact info



**Social finance options**

**Investment considerations and examples**

**Reflections and Conclusions**

# Why co-ops are seeking new forms of capital

## Constraints on existing funding

- Government spending constraint and competition for funding, especially predevelopment
- Slow approval and funds disbursement process for government funding
- Requirements of some funders/lenders for existing experience leaving few options for new co-operatives

## Gaps in financing requiring flexible funds

- Need for flexible financing to begin predevelopment work
- Need for non-debt or junior debt financing to complement senior lender(s) in project
- Need to acquire property in tight timelines



# Typical non-grant financing options



Flexibility



Complexity



# What types of financial options are there?

## Grants / government support

**Desjardins GoodSpark Grants**



## Loans:



**Tenacity Works Fund**



## Equity:



## Community Bonds:





# Considering your financing choices

## Organization should assess:

- Financing Needs
  - *Amount and timing – do you need it all at once?*
  - *Duration and amortization – how much can you pay?*
  - *Contingency – will you need one?*
- Risk
  - *Potential impact of borrowing and covenants*
  - *Impact of raising equity*
- Capacity
  - *Financial - what key assets can you leverage?*
  - *Organizational*
  - *Governance*
  - *Project Management – in house or with consultants?*
- Options

# Loans Types

Type	Line of credit	Bridge loans	Construction loans	Term loans	Capital loans
Special features	Can be revolving	Bridge to receiving funds from another source, typically interest only during term	Typically interest only	Can have an interest – only period, typically 6-12 months	
Typical purpose	Managing cash flow	Temporary financing before other funding is received	Construction /renovations of hard assets	Program costs	For purchase of hard assets - typically facilities
Typical maturity	1-5 years, can be renewable	3-24 months	1 – 5 years	Up to 15 years	5-25 years
Typical security	General security agreement	Land / buildings, general security agreement	Land / buildings, general security agreement	Can be tailored	Asset being financed, other collateral possible
Amortization	No	No	No	5-25 years	Yes - up to 25-30 years
Repayment	From cash flow	One principal payment at the end	Take out financing or convert to longer term mortgage	Regular payments from revenues over term	Refinancing or repayment from regular payments



# Hybrid Financing

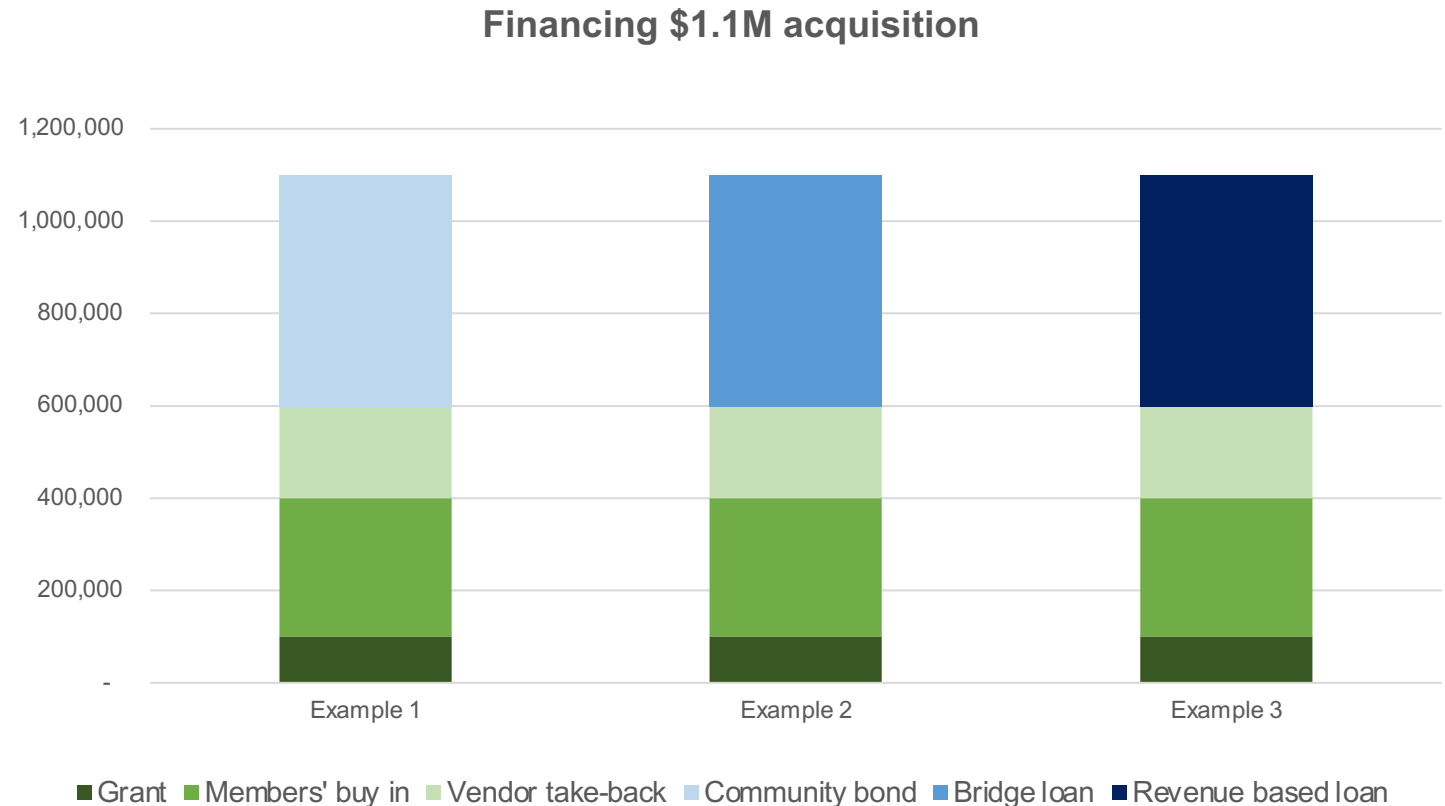
- Elements of both debt and equity (participation in financial success of the the organization)
- Self liquidating (no exit “event”)
- Can be useful for pre-revenue or early stage organizations that do not yet have the ability to pay set interest rates
- Some can be used for non-profits that cannot issue equity.
- Examples:
  - Subordinated debt
  - Revenue / profit / cash flow based loans
  - Convertible debt
  - Preferred shares
    - Common terms: set dividend rate (but unlike interest, the organization chooses to issue dividends), cumulative, requirement for redemption/repurchase over a period of 2-4 years



# Combining different financing sources

Consider:


- All financing options and timing of those options
  - i.e. might take longer to raise a large crowdfunding or community bond issuance
  - Will the seller be amenable to getting partly paid through a vendor take back?
- What will monthly payments for all financing be?
  - Can you get interest only periods, equity or other financing that does not immediately amortize?





# What might a lender ask for?

- **Organizational information:**
  - Strategy and business plan
  - Annual report and brochure
  - List and bios of Board of Directors and key staff
  - List of major Funders
  - Impact areas and measurement
  - Governance and adherence to cooperative principles
- **Financial information:**
  - Audited financial statements
  - Current year budget
  - Existing debt and borrowing history
  - Details on revenues and expenses
  - Monthly cash flow
  - Current contracts
- **Loan purpose:**
  - Description of project
  - Budget and sources of financing
  - Appraisal of land and any buildings
  - Description of the asset
  - Construction budget
  - Copies of lease, contracts, construction and architect's agreements



# What do lenders look for?

- **Planning and reporting systems:**
  - Accurate reporting
  - Financial/audited statements
  - Good accounting practices
  - Clear business plan
  - Planning for growth
  - Plans are realistic and measurable
- **Repayment sources:**
  - Committed and confirmed repayment sources
  - Available and budgeted
  - Contingency plans in case of revenue change or funder cutbacks

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# What is the Canadian Co-operative Investment Fund?

- The Canadian Co-operative Investment Fund provides loans, equity and hybrid financing to co-operatives across Canada.
- Our products are flexible and tailored to the specific development stage and needs of co-ops.
- We provide capital to co-operatives ranging from \$50,000 to \$1.25M per transaction to help them achieve their goals and strengthen their communities.
- We partner with credit unions and other capital providers to increase funding capacity. We have funded just under \$4 million in loans to date.



What

Who

How

Impact

# Value-Aligned Fund Manager



51% ownership

**New Market Funds Inc.**



**CFFAC**

**NEW COMMONS DEVELOPMENT**  
Community real estate development

**NEW MARKET FUNDS**  
Affordable housing equity

**CCIF**  
canadian co-operative investment fund  
Co-operative enterprise investment

**COMMUNITY FORWARD FUND**  
Community lending



# CCIF Financing

- **Loans**
  - Working capital loans and lines of credit
  - Bridge loans, equipment financing, capital improvement loans, mortgages, etc.
- **Hybrid financing or quasi-equity (structured loans)**
  - Revenue or cash flow linked loans, graduated interest, etc.
- **Equity**
  - Preferred shares



BUSINESS  
SUCCESSION



EXPANSION AND  
CONSOLIDATION



ACQUISITION



START-UP





# Where we invest

We invest **across Canada** in most sectors, including:



**Affordable Housing**



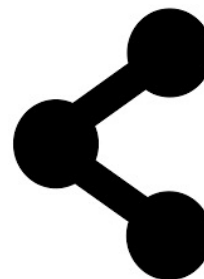
**Renewable Energy**



**Agriculture & Food**



**Business Growth**



**Sharing Economy**



**Indigenous Communities**

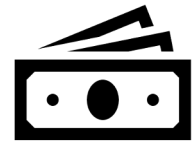


**Telecom**





# Sumac Community Worker Co-operative (Planet Bean Coffee Company)



<\$500,000 term loan



6 years, amortizing



Guelph, ON



**Purpose:** Debt refinancing and working capital



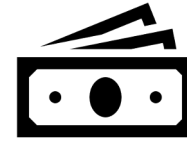
**Financing Partners:** NA

**Security:** General security agreement

# Compass Nova Scotia Co-operative Homes



ment (CNW Group/Compass Nova Scotia Co-operative Homes Ltd.)



<\$1,000,000  
Bridge Loans  
(2)



14 months



Halifax, NS



**Purpose:** 1)Purchase of property for affordable housing  
2) Follow-on pre-construction financing.

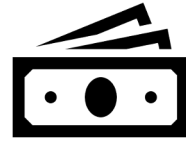


**Financing Partners:**  
1. Canadian Mortgage and Housing Corporation (CMHC)  
2. Housing Nova Scotia

**Security:** First Mortgage

**Loan is to be repaid upon first draw of CMHC financing.**

# Fredericton Bouldering Co- operative



<\$500,000 term  
loan



5 years term loan  
with a 12 month  
interest only period



Fredericton,  
NB



**Purpose:** Leasehold  
improvements and  
equipment financing



**Financing Partners:**  
NA

**Security:** General security agreement

# Noel's Funeral Homes / Federation des Cooperatives Funeraires du Quebec



>\$500,000 Senior Loan, pari-passu with BDC

<\$500,000 Junior Loan



8 years Senior Loan with a 20 year amortization and 12 month interest only period



Conception Bay, NL



**Purpose:** Acquisition of funeral home for purpose of conversion to cooperative.



**Financing Partners:**

1. BDC
2. Fonds Essor
3. FCFQ

**Security:** Senior Loan first mortgage, GSA – pari passu with BDC  
Junior Loan second mortgage, GSA



# Contacts

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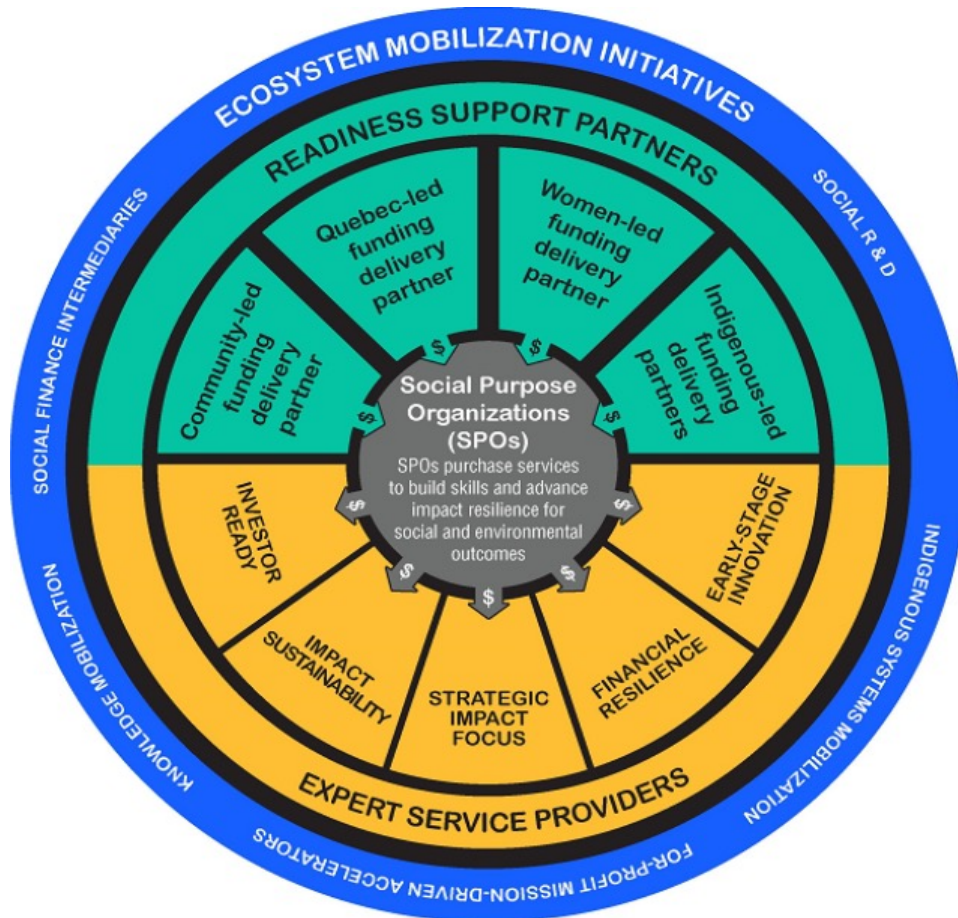
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# Additional Information

# Social Finance Fund – Investment Readiness Program



Investment Readiness Program was established to complement the \$755 million Social Finance Fund.

Round 1 of the IRP, which was completed in 2020, included grants of \$50 million for the ecosystem and for organizations to become investment ready so that when the Social Finance Fund is disbursed (likely in multiple tranches), they can receive further funding. Funding was typically between \$50,000 and \$100,000.

Round 2 is anticipated next year but details have not yet been released.

# Some Important Loan Terms

- 1) **Maturity**
- 2) **Amortization**
- 3) **Interest only period (grace period)**
- 4) **Committed amounts and disbursements (drawdowns)**
- 5) **Security:** fixed assets, equipment, cash collateral, general security agreement, guarantee (personal or other organization)  
...
- 6) **Interest rate and how it is calculated (monthly vs. annual compounding)**
- 7) **Fees:**
  - Application fees
  - Closing fees
  - Commitment fees
  - Standby fees
  - Waiver fees
  - ...

