

# Innovative Capital Options



CWCF CONFERENCE PRESENTATION  
PETER HOUGH  
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# Beyond Convention Financial Pools



- Equity gap for start-ups and expansions
- Lack of understanding with many conventional business lenders
- Need for patient capital
- Ways to leverage additional member investment
- Need for business and organizational development support

# Innovations Supporting Co-operatives



- National Co-op Development Fund – IYC Legacy Project
  - CCA has taken a leadership role and is currently acting as the sponsor or “owner” of the project to solicit support for the Fund.

# National Co-op Development Fund



- A National Co-operative Development Fund is a response to a critical challenge facing co-operatives.
- The challenge of accessing outside capital investment without compromising individual co-operative autonomy or the capital becoming the controlling dynamic for decision-making.
- Access to a source of capital which is knowledgeable about co-operatives and is mandated to structure investments in ways appropriate to co-operative principles and the role of capital within co-operatives.

# National Co-op Development Fund



- The goal of the Fund is not to replace or replicate any of the current financing sources within or accessible to the sector.
- Rather it is to assist securing such resources by topping up the co-operative members' investments through equity and quasi-equity (subordinated debt) which will in turn leverage the currently available loan offerings provided by credit unions and other traditional lenders.

# Development of Proposal



- The proposal was developed based upon the earlier work of the CCA Co-op Development Funding Task Force and in consultation with the following groups:
  - Representatives from small and large co-operatives across Canada
  - Experienced co-operative developers
  - Potential clients or borrowers from the Fund
  - Credit unions and other mature co-operatives as potential equity investors, loan certificate holders or sources of grants for the Fund

Co-operative sector directly invests in National Development Fund

Federal and Provincial Government Contributions to Supplement the Fund

Sector driven governance model to oversee business development, fund management, investment policies and underwriting

Provision of (a) patient investments (subordinated debt) and term loans for terms of up to 5-years (or longer), and (b) short-term cash flow support

Access to grant-based financial support to develop the plans necessary to qualify for patient investment or debt

Sector equity investors will receive a share in earnings through dividends on their investment while sector certificate holders will receive a market rate of return on their loan certificates, surplus earnings will be re-invested back to the Fund

# NCDF Benefits



- Awareness within the sector for support of other co-operatives
- A growing, developing and more vibrant sector creating opportunities for communities and individuals
- The Fund will embrace a blended values return including social, economic and environmental benefits



# Source of Capital



- **Co-operative Sector**
  - Equity Investments with return based upon Fund performance
  - Loan Certificates with interest set at a market return
- **Government**
  - Non-repayable capital contributions
  - Non-repayable grants for Technical Assistance such as CDI

# Investment Targets and Allocation



- The Fund will support existing co-operatives to grow
  - 50-70% of Fund
- Businesses converting to the co-operative model (e.g., co-operative succession models)
  - 10-25% of Fund
- Start-up co-operative ventures.
  - 5-20% of Fund
- Cash Flow Support Short-term
  - 10%- 20
- Fund management
  - 10-25%

# Fund Governance



- The Fund will be an independent organization with its own Board of Directors, accountable to the sector, drawn from key stakeholder groups.
- Stakeholder groups will include, but may not be limited to co-operatives and credit unions, provincial and sector specific co-operative associations, and developers.

# Stakeholder Engagement



- For the Fund to be truly effective in support of our sector goals, it will require that we establish new, and leverage existing relationships within the Canadian co-operative sector and beyond.
- It is expected that our primary sources of referral and support will include provincial co-operative associations, sector associations and mature co-operatives including credit unions.

# Conditional Pledges To Date



Vancity Savings CU	\$5,000,000
The Co-operators	\$5,000,000
First Calgary CU	\$2,000,000
Affinity CU	\$1,000,000
Assiniboine CU	\$ 500,000
CWCF	\$ 250,000

# Next Steps



- Continue Capital Pledge Drive
- Working Meeting of pledging organizations to draft key investment process, targets and policies
- Investigate and finalize co-op structure in preparation for incorporation
- Target for first investments fall 2014

# Thank You



- Contact information:

Peter Hough

902-678-0473

[peter.cwcf@xcountry.tv](mailto:peter.cwcf@xcountry.tv)

[training@coopzone.coop](mailto:training@coopzone.coop)