



alternative financing for
community-based projects

UPDATE



Volume 15, Issue 2

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THIS ISSUE:

SOCIAL INNOVATION

CAIC supports community bond investment vehicles.

SOCIAL FINANCE BLOG

CAIC ventures into the world of blogging at socialfinance.ca

OUR PROJECTS

Find out how CAIC has been changing the social landscape in Canada.

OUR MEMBERS

CAIC visited the Srs. of St. Joseph (Peterborough). See insert.

CAIC MEETINGS

Mark **AGM 2010** in your calendars!
November 30, 2010



caic

CAIC = Social Innovation

CAIC once again has shown that it is willing and able to support social innovation with a recent community bond investment that enabled the Centre for Social Innovation to purchase a building to grow their operations (see page 4 for more details on this investment).



Tonya Surman, Executive Director of the Centre for Social Innovation thanks community bond investors!

CAIC's experience in lending to the non profit sector led to an invitation for Beth Coates, Financial Manager of CAIC to make a presentation to a Standing Committee of the Ontario Legislature regarding Bill 65, Not-for-Profit Corporations Act, 2010. What follows is an excerpt of her presentation:

"I would like to speak on the proposed community bond amendments as outlined in section 3.3 of the ONN brief on Bill 65. Firstly, there is a need for financing in the non-profit sector. One of CAIC's first criteria for lending is that financing cannot be obtained from conventional sources. It is not uncommon for applicants to tell us that banks insisted on personal guarantees from board members or

Cont'd on pg. 3

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OUTREACH

Social Finance Blog: Making Connections

The Five C's of Credit

In determining a borrower's overall credit risk, CAIC looks for a history of strength and stability with respect to the **Five Cs of Credit**.

1. Character

Will the borrower be willing to repay the loan? Does the borrower have a sense of responsibility for his/her obligations? How has this sense of responsibility been demonstrated?

2. Capacity

Will the borrower be able to repay the loan? What are the financial circumstances of the borrower? Are income sources stable?

3. Collateral (i.e. down payment or equity)

Collateral provides incentive for the borrower to repay the loan. Provides a means of at least partial recovery if a loan defaults.

4. Capital

Indicates an ability and willingness of the borrower to save and accumulate assets. Confirms that the borrower manages his/her financial affairs adequately.

5. Credit

Provides a record of past credit experience. If the borrower has managed credit well in the past they are likely to do so in the future.

Socialfinance.ca is a national online community of people who share a commitment to: highlight and encourage areas of potential/existing collaboration in the development of a social finance marketplace; provide information on key issues of social finance in Canada and internationally; connect individuals and organizations to catalyze social finance deals; and promote learning through the sharing of best practices, successes and challenges.

CAIC was recently invited to become a contributor to socialfinance.ca. The following is a reprint of our premier blog! We look forward to any feedback or comments you might have.

Hello SocialFinance.ca community. We're writing to provide an introduction to the work of the Canadian Alternative Investment Cooperative (CAIC), a lending institution that has been in operation for twenty-six years and currently has @\$7 million invested in community projects across Canada that benefit worker cooperatives, disadvantaged peoples and the environment.

CAIC invests in groups working for positive social change and community economic development that lack access to traditional financing. We are particularly interested in projects that promote alternative economic structures and act as a catalyst to structural change. When making an investment, CAIC takes into consideration both the social benefit of a project and its business soundness. A project will not be considered unless it meets our criteria for both attributes.

A recent loan to a worker cooperative organized to purchase an established home-care business illustrates our practice quite clearly. The loan was a case where, to use the **5c's of Credit parlance, Character, Capacity and Conditions** presented a compelling argument for lending even though the applicant was light on

Collateral and Capital. If the borrower had all 5 C's in place then there would not be a need to seek social financing. These are the kinds of assessments that CAIC has to make all the time.

Here's a summary of the investment opportunity, success indicators, and the potential risks:

Investment Opportunity

- ◆ The worker cooperative was founded on the principal of member economic participation which means sharing the surplus (profits) between the members. In low wage sectors such as home-care, this model is an effective mechanism to ensure a fair wage and profit participation.

Success Indicators

- ◆ **Participation by the principals**— CAIC wants to be a partner in financing a social enterprise. The best way to achieve this is to have the borrower make an equity contribution to capitalizing the project. In this case, the worker-owners provided 20% of the business purchase price.

CAIC FOUNDATION UPDATE

As reported in April 2010, CAIC's board has engaged the services of Iler, Campbell & Associates to register a non-profit and apply for charitable status for a foundation that will run parallel to CAIC. After much consideration the application is now complete and ready for submission to Revenue Canada.

It was determined that there would be five founding board members. The following have agreed to serve: Fr. Paul Hansen, CSsR, Arlene Kubiak, Srs. of St. Joseph, London, Sr. Jean Ann Ledwell, OSU, Don Middleton, Trinity-St. Paul's United Church and Sr. Liz Riopelle, CSM.

- ◆ **Other social/commercial investors at the table**—The borrower was able to get TenacityWorks (Canadian Worker Cooperative Federation fund) and a local credit union to provide 60% of the financing.
- ◆ **Manageable debt load**—The borrower demonstrated that cash flows from the business could support the 80% loan to value ratio.
- ◆ **Sound business model**—The borrower was purchasing an existing business with proven profitability, and demonstrated a knowledge of their own strengths and best opportunities for growth. In addition, a thorough detailed and conservative business plan has been developed.
- ◆ **Strong committed key players with proven management/financial skills**—The worker-owners were already in the key

management roles and proving their capacity to successfully control and run an organization.

Risks

- ◆ **Fixed assets, general security agreement, guarantees**—The borrower had little in the way of assets that could be used as collateral to secure the loan. Their credit union (who also was provided a provincial guarantee) had a general security agreement over the assets. CAIC accepted second position on the general security agreement as collateral for the loan.

CAIC has proven that a careful weighing of a borrower's strengths and a realistic understanding of the risks involved can result in sound investment decisions. As a note of interest, the loan was paid off after 18 months, a full 3 1/2 years ahead of schedule.

(Posted at www.socialfinance.ca on July 19, 2010.)

SOCIAL INNOVATION *(cont'd from pg. 1)*

that bad publicity generated by calling a charity's loan made financing impossible. Secondly, access to capital can strengthen the sector by allowing it to build long term assets. These assets in turn will allow non-profits to become more self-sustaining and enable growth. Thirdly, investing in this sector has proven to be low risk due to a number of factors. Many non profits have access to multiple sources of funding including: fees for providing social services; donations; fundraising; and government grants.

This sector could benefit from additional access to capital. Some form of regulated market mechanism needs to

be put in place to provide non profits with a standard framework to seek investors and give potential investors a standard tool in order to assess risk related to investing. Community bonds could be exactly the right tool to achieve this by providing a new source of financing for the sector; allowing large (institutional) & small (individual) investors to make regulated investments; and reduce the cost of obtaining capital by providing a standard process for soliciting financing.

This would result in better resource

allocation—as prospective investors would be able to make more informed decisions thereby ensuring that there is an efficient use of and maximum benefit from these scarce financial resources.

Although this sector is “non-profit” that does not mean that it is “non-results”. I encourage the committee to consider the community bond amendments as proposed so that we can give this sector the tools it needs to access financing and build and strengthen it with even greater social dividends for all.”

OUR PROJECTS



SOCIAL LENDING: Making A Difference

CAIC provides loans, mortgages & equity investments to groups, organizations & cooperatives from coast to coast!

Centre for Social Innovation (Toronto, ON)



If this name sounds familiar it is because CAIC had provided a loan in 2007 that enabled the Centre for Social Innovation to purchase a new phone system and expand their

operation. The loan was repaid ahead of schedule in 2009.

CSI is a non-profit that has been in operation since 2004 providing shared office space (everything from private offices to “hot” desks) and related services to organizations in the non-profit and charitable sector.

CSI returned to CAIC in March of this year to request that CAIC participate in the purchase of a building to further expand their operations. The building, located at 720 Bathurst Street, Toronto is a five story office building. CSI did not have any financial resources to put into this \$6 million project therefore they approached the City of Toronto for a guarantee for a conventional mortgage. The rest of the financing was acquired through a series of mortgage backed bonds which in effect provided the equity for the project. CAIC purchased 1 Series A bond (\$100,000) that will be paid out after ten years.



LifeSpin (London, ON)

A current CAIC borrower, this community organization provides housing and support services for low income

women many of whom have mental health history. The organization owns a portion of a commercial block which has affordable rental units for its clients on the second floor. CAIC holds a second mortgage on the building. Their first mortgage (held by a conventional lender) came due in June and LifeSpin asked CAIC to assume this mortgage. LifeSpin has been an excellent borrower therefore the board was happy to provide additional financing.

Toronto Brigantine Inc. (Toronto, ON)



This not-for-profit charitable organization delivers sail training programs for teenagers 13-18 years of age aboard two tall ships (brigantines) out of Toronto harbor. TBI's primary social benefit is “leadership, resiliency, creativity, good citizenship, seamanship, personal responsibility team-

work” opportunities for youth. 22% attend the programs through bursaries. CAIC provided a loan secured by a Marine mortgage on two tall ships that enabled TBI to restructure debt and stabilize the organization.

Loan Renewals

The following loans have been renewed since January 2010—**Quebec City Community Loan Fund (PQ)** (plus increased the loan to \$100k), **John Bruce Village Housing Cooperative** (Toronto, ON) and **Nishnawbe Homes Inc.** (Toronto, ON).

For more details on these projects and other CAIC projects, please check out our Loan Portfolio at www.caic.ca/portfolio.html.

CONNECTIONS



OUR MEMBERS: Making Connections

CAIC is committed to maintaining a close connection with those instrumental in its success—our members.

As part of our 25th Anniversary celebrations CAIC embarked upon an important journey—to connect with our members. Over the past two years we have shared CAIC's story with the **School Sisters of Notre Dame, Les Filles de la Sagesse, the Society of the Sacred Heart, Les Pretres du Sacre-Coeur, the Sisters of Charity of St. Vincent de Paul, the Sisters of St. Martha (Antigonish, NS), the Sisters of Charity of the Immaculate Conception, the Sisters of the Cross, Scarborough Missions, the United Church of Canada** and more recently the **Srs. of St. Joseph (Peterborough)**.

As preparations get underway for AGM 2010, we are looking forward to once again connecting with you—our members. In the meantime, if you would like Beth and I to come and visit, please drop us a line!

PETERBOROUGH, ON—SRS. OF ST. JOSEPH



On a beautiful & sunny day in early March, with a promise of spring on the way we journeyed east to Peterborough to visit the Srs. of St. Joseph in their new home. We were welcomed on behalf of nearly 25 members of the community by **Sr. Dorothy Ryan csj**, Superior General and **Sr. Mary Ludwig**, Treasurer. After a brief tour of the building we were ushered into the main dining room, a fantastic space with vaulted ceilings and lots of windows, where we made our presentation. The sisters attending

were very engaged and interested in the work of CAIC. We wish to extend our gratitude to the Srs. of St. Joseph (Peterborough) for spending the afternoon with us. It is the continued commitment of our members that keeps CAIC vibrant.

AGM 2010—Building on a Strong Foundation

We are happy to announce that this year's Annual General Meeting is taking place on Tuesday, November 30th at **Loretto College** located at 70 St. Mary Street in the heart of downtown Toronto.

The Loretto Sisters have been long-time members as well as having served on the board of CAIC. Currently **Sr. Doryne Kirby IBVM** sits on the board of CAIC. Prior to Sr. Doryne, **Sr. Monica Spearin IBVM** served as chair of CAIC's board (1999-2004).

This year's theme—**Building on a Strong Foundation**, picks up where we left off at last year's AGM. CAIC has begun the process of creating a foundation that would enhance the existing CAIC model and serve as a permanent endowment for current members and also increase the capacity for new members. We'll share the latest developments with you.

We also plan on sharing the impact your investment in CAIC has had on the people and projects we have supported in the past year. You can expect a guest or two!

So be sure to mark AGM 2010 in your day timer! We are looking forward to seeing you!



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BUILDING ON A STRONG FOUNDATION

Basilian Fathers of Toronto—ON
Canadian Friends Service Committee—ON
Catholic Health Association of Canada—ON
Congregation of our Lady of Sion—ON
Congregation of the Srs. of St. Martha—NS
Felician Sisters of St. Francis— ON
Filles de la Sagesse—ON
Generalate of the Srs. of the Precious Blood—ON
Grey Sisters of the Immaculate Conception—ON
Jesuit Fathers of Upper Canada—ON
Labrador-Shefferville Diocese—LAB
Les Pretres du Sacré-Coeur—ON
Les Soeurs de Sainte-Anne—PQ
Loretto Sisters—ON
Montreal City Mission—PQ
Presentation Generalate—NL
Religious Hospitallers of St. Joseph—ON
St. John Neumann Foundation—ON
Scarboro Missions—ON
School Sisters of Notre Dame—ON
Srs. of Charity of the Immaculate Conception—NB
Srs. of Charity of St. Vincent de Paul—NS
Sisters of the Cross—MB
Srs, Faithful Companions of Jesus—AB
Srs. of the Holy Cross of St. Joseph's Province—ON
Srs. of Instruction of the Child Jesus—BC
Srs. of Mercy Generalate—NL
Srs. of Providence of St. Vincent de Paul—ON
Sisters of St. Joseph—Hamilton, ON
Sisters of St. Joseph—London, ON
Sisters of St. Joseph—Peterborough, ON
Sisters of St. Joseph—Toronto, ON
Sisters of Service—ON
Sisters of Social Service—ON
Society of the Sacred Heart—ON
Student Christian Movement—ON
Trinity-St. Paul's United Church—ON
United Church (Division of Mission)—CAN
Ursulines of Bruno—SK
Ursulines of Jesus—AB
Ursuline Religious of the Diocese of London—ON



Tuesday, November 30th, 2010

Loretto College

70 St. Mary Street, Toronto, ON

9:30 a.m.—2:30 p.m.

Lunch & Special Guest presentations included.