

August 18, 2008

The Cooperative Capital Fund

Investing in Co-ops, Building Community Wealth

By Erbin Crowell

October is National Cooperative Month, which may come as a surprise to many readers. From farmer co-ops to food co-ops, credit unions to housing co-ops, and worker co-ops to artists' co-ops, this unique business structure represents a grassroots economic alternative rooted in democracy, economic development and community ownership. Still, despite the dramatic impact of co-operatives on our economy — and the fact that 4 in 10 Americans are members of a co-op — this unique business model receives scant attention from the mainstream media. In a challenging economic climate, however, co-ops are receiving renewed attention as effective builders of sustainable community wealth.

This attention has also brought to light some of the challenges that co-ops face in serving their communities. In addition to the lack of media attention, co-operators often find it difficult to raise sufficient equity to grow. This is in part due to their structure and purpose as member-owned and controlled businesses: as community-based enterprises, co-ops exist to serve members needs, not amass profit for investors. But the challenge of raising equity is also due to the fact the co-ops often arise in communities with high need, but limited financial resources. While the cooperative model is an effective mechanism for pooling limited community capital, additional funds are sometimes required for future business success.

In 2007, the Cooperative Capital Fund (CCF) was launched in an effort to respond to this challenge. "Our goal is to create a model that will provide co-ops with additional capital without changing their fundamental structure, mission and principles," says Rebecca Dunn, executive director of the Cooperative Fund of New England (CFNE), the parent organization of CCF. The Fund will invest in cooperative businesses in the form of "patient capital," or equity-like financing that acts like equity without requiring co-ops to give up control over their own management and destiny, as traditional venture capital might.

This new fund builds on CFNE's over 33 years of experience serving the co-operative community through the provision of lending services. Launched in 1975 with just \$25,000, CFNE has since raised over \$15 million in investment from individuals, socially responsible investors, religious organizations, and cooperatives to support sustainable economic

development. A U.S Treasury certified Community Development Financial Institution (CDFI), CFNE now has almost \$6.5 million in assets and has made loans to over 400 co-ops and community-based nonprofits. Along the way, the organization hasn't lost a cent of investor money.

"The success of the loan fund over the years has demonstrated the impact that co-ops have in their communities," says Dunn. "But one issue we kept coming up against was that co-ops don't always have sufficient equity to support growth and to leverage debt." Through the Capital Fund, co-ops will be able to access additional financial resources to help grow their businesses. This will be particularly useful in difficult economic times when the need for community economic development is the greatest.

Indeed, CCF has already generated substantial interest and support. When matching funds were needed for a development grant, co-ops from across New England pitched in. And now that Fund has been launched, cooperatives are investing alongside other social investors. The fund's goal is to raise at least \$460,000 before making its first investment in a co-op. To date, CCF has \$340,000 in-hand or pledged.

Dunn has already received inquiries from cooperatives interested in receiving an investment from the Capital Fund. "I think we've identified the need, and we've created an innovative model to address that need," she says. "Now all we need is a few more investors to help us bring this fund to life."

For more information on CCF, call 1-800-818-7833 or visit <a href="www.coopcapital.coop">www.coopcapital.coop</a> to download a prospectus.

Erbin Crowell serves on the board of the Cooperative Fund of New England and is a cooperative development specialist with the Cooperative Development Institute. He may be reached at <a href="mailto:ecrowell@cdi.coop">ecrowell@cdi.coop</a>.