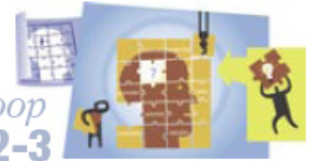




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INVESTING IN CO-OPS

Putting Your Money Where Your Values Are

One thing bothered Marian Coulter when the Boston-area resident inherited a large sum of money from her grandmother in the early 1990s. Her inheritance, Coulter discovered, was invested in energy conglomerates and other companies that she "strongly disapproved of." *(Learn how she solved the problem on page 6)*

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INVESTING IN CO-OPS

*Competitive Returns
Coupled with 'Doing
Something Good'*

BY ART JAEGER

those wanting a better return, a growing number of co-ops sell nonvoting "preferred" stock, which can pay dividends of up to eight percent per year.

Socially Responsible Investing

These investments are part of the burgeoning field known as "socially responsible investing," which allows individuals to consider the impact on society in addition to their own financial needs when deciding where to put their money.

SRI assets grew more than 250 percent over the last decade, to \$2.29 trillion. Community investing—a subset of SRI that includes most cooperative investment options—grew 40 percent from 2003 to 2005.

Mary Griffin, a lobbyist for the National Cooperative Business Association in Washington, thinks co-ops will be key beneficiaries as SRI continues to grow.

"People are beginning to say, 'I want two kinds of return—financial and community impact,'" said Griffin. "Co-ops are perfect for that."

All those questioned stressed that the return to individuals from investing in co-ops is more than just the annual percentage rate.

"The work of cooperatives and socially responsible investing allows people to put their money where their values are," said CFNE's Dunn.

"They get a fair return, but the major attraction is the money goes to co-ops," added Margaret Lund, executive director of the Northcountry Cooperative Development Fund in Minneapolis.

Lund and Dunn oversee two of the oldest cooperative investment options.

CFNE, headquartered in Amherst, has 95 individual investors, some of whom have had money invested with the fund since its founding 31 years ago.

One thing bothered Marian Coulter when the Boston-area resident inherited a large sum of money from her grandmother in the early 1990s. Her inheritance, Coulter discovered, was invested in energy conglomerates and other companies that she "strongly disapproved of."

So Coulter looked around for other options and eventually found the Cooperative Fund of New England, a loan fund that links investors with cooperatives, community organizations, and worker-owned businesses in New England and parts of New York.

Although she didn't know much about cooperatives, Coulter was pleased to learn that CFNE "was actually investing in businesses I really liked...things I felt very good about supporting."

Coulter, a freelance editor, gave CFNE Executive Director Rebecca Dunn an initial \$10,000. She has been investing with Dunn ever since.

"My priority was to find another way of

investing that just felt better," she said.

There are a growing number of investors like Coulter, who are more interested in helping community organizations and progressive-minded businesses than Wall Street behemoths. The investment options open to them are growing as well.

A number of those options specifically target cooperatives. While their returns don't match the best of venture capitalists, many are competitive with public markets.

Most, like CFNE, have been around for decades. Others are brand new. Some aggressively seek new investors, while others are content to let investors come to them.

Among the options for investors interested in

supporting cooperatives:

- A New Hampshire loan fund that converts trailer parks to cooperative housing.
- A certificate of deposit that exclusively benefits Equal Exchange, the Boston-based fair trade worker co-op.
- A Minnesota credit union that invests only in cooperatives.

Even the Calvert Social Investment Foundation has a vehicle for investing in more than 20 cooperatives and co-op organizations along with 200 other community organizations.

Returns with these options peak at about four or five percent annual interest, although some investors voluntarily accept less. For

Investments, in the form of loans, range from \$1,000 to \$100,000, and interest rates average 2.7 percent. That's better than a bank account and about the same as a money market account, Dunn said. She added that no investor has ever lost money through a loan to CFNE.

Recent beneficiaries of CFNE work include Red Sun Press, a worker-owned printing company in Boston, and several food co-ops.

'Return Plus Opportunity'

Another CFNE investor is Erbin Crowell, who manages the domestic fair trade program for Equal Exchange.

"I'm not looking for a maximum return," said Crowell, who also chairs CFNE's board. "I'm looking for a return and the opportunity to let someone else build their cooperative enterprise."

Crowell is frustrated by those in the co-op community who put their life savings in the stock market when cooperatives need capital. "There's a big gap between the resources we have and the ways we have to put them to use to help co-ops," he said.

Lund, of Northcountry Cooperative Development Fund, echoes Crowell's concern. "For the tiniest interest difference, (some in the co-op community) put their money with Wells Fargo," she said.

"You can't reach your local businesses with mutual funds..." she said. "You're not getting the same impact. If you're a co-op minded person, you have to look to the co-op funds."

Northcountry was started more than 25 years ago by a handful of Twin Cities cooperatives that couldn't get loans from commercial banks. Structured as a cooperative, it now counts more than 100 cooperatives in the Upper Midwest among its members.

NCDF makes loans to producer, worker, consumer, and housing cooperatives and to individuals to finance the purchase of a share in a cooperative, such as a housing or producer cooperative.

Recent fund projects include assisting in the formation of Circle of Care, Wisconsin's second worker-owned home health care cooperative, and helping convert two Minnesota mobile home parks to cooperative ownership.

Individuals earn approximately 3.5 percent on Northcountry investments, and there is no restriction on who can make a loan to the fund. But, since 2003, individual investors



YOU CAN'T REACH YOUR LOCAL BUSINESSES WITH MUTUAL FUNDS... IF YOU'RE A CO-OP MINDED PERSON, YOU HAVE TO LOOK TO THE CO-OP FUNDS.

**MARGARET LUND
NORTHCOUNTRY COOPERATIVE
DEVELOPMENT FUND**



THE WORK OF COOPERATIVES AND SOCIALLY RESPONSIBLE INVESTING ALLOWS PEOPLE TO PUT THEIR MONEY WHERE THEIR VALUES ARE.

**REBECCA DUNN
COOPERATIVE FUND
OF NEW ENGLAND**



THE CO-OP WORLD IS PAYING MORE ATTENTION TO HOW WE RAISE EQUITY. WE'VE BECOME MORE CAPITAL CONSCIENCE OVER THE LAST DECADE.

**DAVID J. THOMPSON
TWIN PINES
COOPERATIVE FOUNDATION**

have been encouraged to put money in Northcountry Cooperative Federal Credit Union, started by NCDF members with small investors in mind.

Any member of NCDF can be a member of Northcountry Cooperative FCU, but individuals must purchase at least a \$10 share of development fund stock.

Northcountry credit union invests exclusively in cooperatives and their members, with an emphasis on cooperative housing. Its return—4.3 percent on a one-year CD—is better than the development fund and, since it is a credit union, investments are insured up to \$100,000.

While it has yet to resort to formal marketing, the credit union is looking for more investors. "It definitely is a vehicle for small investors," said Lund, "and we're looking for more money."

CDs and More

Equal Exchange markets organic gourmet coffee, tea, cocoa, and other products produced by farmer cooperatives in Latin America, Africa, and Asia. The worker-owned co-op has sold preferred stock for years to help fund its steady growth.

Last year, with its continued growth—the co-op has doubled in size in three years—Equal Exchange launched a company-specific Certificate of Deposit that could be the first of its kind. While proceeds from other CDs might finance a subdivision in Miami or a hotel in Las Vegas, the Equal Exchange CD creates a line of credit dedicated solely to the co-op.

The CD has a three-year term, a \$1,000 minimum investment, and a 4.6 percent annual return. It's offered to anyone through Boston-based Wainwright Bank.

Equal Exchange President and co-founder Rink

Dickinson noted that a \$2,000 Equal Exchange CD buys the harvest of a family farm in the developing world.

"Even if a tiny fraction of (coffee drinkers) were to add this CD to their portfolio, that would make a huge, direct contribution to supporting small-scale coffee farmers around the world," he said.

The New Hampshire Community Loan Fund, located in Concord, helps low-income individuals build assets by linking them with sources of capital.

The largest share of its work is helping New Hampshire mobile home park residents turn their communities into housing cooperatives. It has facilitated 85 of these conversions since its founding in 1983.

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■ INVESTING IN CO-OPS

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The fund has 268 individual investors, with a total investment of \$4.5 million. One- to three-year loans return up to three percent, while loans of four or more years receive up to four percent interest. While the fund's work is in New Hampshire, like CFNE, investors can be from anywhere.

Alan Cantor, vice president for philanthropy, finds investors through mailings and speeches to community groups, churches, and others. "They like that it's local, that it's effective, and that it's direct," he said. The fund also underwrites programming on New Hampshire public radio.

Also established in 1983 but less concerned about finding new investors is the Local Enterprise Assistance Fund in Brookline, Mass. LEAF, as it is known, is associated with the ICA Group, a nonprofit that helps community-based and employee-owned businesses.

LEAF invests in worker-owned cooperatives, employee-owned businesses, and a few consumer cooperatives. It played a key role recently in financing a new worker-owned cab company in Alexandria, Va.

LEAF has only six individual investors and nine institutional investors. But, according to Director James G. Megson, "so far, capital has not been the problem."

"There's no hard sell..." said Megson. "We'll give them all the information but in the end they have to want to do it."

Returns range from two to four percent on a minimum \$5,000, two-year investment.

The Davis (Calif.) Cooperative Development Fund was created in 1995 with endowments from the Davis Food Co-op and the Twin Pines Cooperative Foundation. The fund encourages cooperatives, nonprofits, and individuals to make deposits in two local banks and the Yolo (County) Federal Credit Union, all of which have agreed to direct a small percentage of the account balances of these depositors to the development fund.

While membership in the credit union is restricted to Yolo County residents, anyone can make a deposit in the banks, First Northern and River City.

Depositors receive market rate returns, including 5.25 percent on a CD. The development fund makes loans to area co-ops, recently including a fair trade worker cooperative and the Davis Area Cooperative Housing Association.

David J. Thompson, president of the Twin Pines Cooperative Foundation, said individual investment programs benefiting co-ops haven't been well publicized in the past. But he agreed with Crowell that this is starting to change.

"The co-op world is paying more attention to how we raise equity," Thompson said. "We've become more capital-conscience over the last decade."

Thompson also agreed that co-op investment programs are a good deal for those in the co-op community. "The return is generally moderate," he said. "The risk is for the most part well managed, and you are assured that the investment you are making is building the dream you have of a cooperative economy." ED