



FIRST
ONTARIO
FUND

Canadian Social Investment Conference

Jobs and Economic Impact

An SRI Issue?

June 13, 2005

Background & Sponsors

- Established in 1995
 - Current Assets are \$60 million
 - Created as a model of a true Labour controlled private equity investor
 - OWCF joined founding unions in creating FOF
 - Reflect values of Sponsors
- Sponsored by
 - OWCF
 - OFL
 - CEP
 - USWA
 - PSAC
 - SEIU
 - PWU
 - BGPWU

FOF Uniqueness

- Specific mandate to make contribution beyond shareholder returns
- Board and Management Company controlled by Unions & OWCF
- Only Ontario LSIF with Secondees
- Has invested in Companies organized by Sponsors
- Has broad Sponsorship base

Commitment to the Community

- Statement on Stakeholder/Sponsor Relations sets out goals beyond rate of return
 - Economic impact – jobs, employment and labour practices, impact of products, role of FOF in the company's success, promotion of worker ownership/co-op structure, etc.
 - Education of Sponsor Members – Secondee Program, economic/financial literacy courses

Secondees

- Union & Co-op members trained & licensed to sell FOF
- Work during RRSP season
- Raised over \$40 million since inception
- FOF only LSIF in Ontario that has OSC order to use secondees

Economic Impact Study

- Study considers:
 - Cost to government (through 2001)
 - Growth of firms that received investment
 - estimates incremental gov't revenue attributable to FOF activity in 2002
- Factor out growth if:
 - Company could have grown without FOF
 - Growth at expense of another Ontario firm

Economic Impact

- GDP in Ontario was \$130 million higher in 2002 due to FOF, GDP in Canada was \$150 higher
- Total direct employment increased from 1,111 to 2,339
- Exports more than doubled from \$72 million to \$176 million
- Gov't revenue higher by \$45 million
- Cost since inception is \$27 million
- Substantial public benefit relative to cost

Creating Good Jobs

- In 2002 we surveyed our then 15 largest investments regarding employment
 - 1,333 jobs with avg salary of \$44k
 - 212 franchise employees with avg salary of \$40k
 - Only one labour/employment related complaint (dismissal for cause)

Example of Investments

- Current
 - IS2 (designing and manufacturing medical equipment)
 - Lexicon (technology - software)
 - World Vintners (manufacturing and retailing consumer product)
- Exited
 - Indalco (manufacturing, successful restructuring)
 - Quint Castings (manufacturing, failed restructuring)
 - Fireworks (media/entertainment)

“Traditional” SRI & LSIFs

- Traditional SRI
 - Negative screens
 - Positive screens
 - Shareholder Activism
 - Community Economic Development
 - Community loan funds
 - Supporting “local” entrepreneurs
- LSIFs
 - nuclear, tobacco, sweat shop, etc – don’t apply
 - good employers, job creation potential – can apply
 - “insiders” in private illiquid companies
 - If Ontario is a community, CED label may apply

ETI & LSIFs

- Economically Targeted Investing
 - Dual mandate of shareholder returns and collateral benefits
 - Housing, jobs & regional economic development are most common collateral benefits
- LSIFs
 - In current literature, ETI is probably better label than SRI
 - *Do SRI activists think ETI is SRI?*

Challenges in Financing Co-ops

- Return on Capital
 - Most Co-op participants have ancillary benefits
 - Distribution channel, cheaper products, employment
 - Investment needs adequate risk/return, liquidity
 - Enterprise must be financial success
 - Debt plus equity structure, put rights
 - Few opportunities
 - Typically too small

Our Vision

- Establish an even more substantial union & OWCF controlled private equity investor
 - Improve financial performance and provide adequate return on net capital invested
 - Increase contribution to Ontario economy
 - Expand sponsorship base, increase capital through secondees and from Union trustee pension funds
 - Be a leading, “cutting edge” example of worker controlled capital