KIN - DEVELOPING A CO-OPERATIVE FUND

FUND CO-OPS

There is a critical lack of funding for co-operatives committed to sustainability, community, and anti-capitalist principles. Traditional sources often prioritise profit over purpose, leaving co-ops—particularly those focused on climate resilience—struggling to secure capital without compromising their values. A new co-operative fund can solve this underfunding problem by offering flexible borrowing tailored to sustainable, community and worker-led co-operatives committed to collaborating for the long term growth of the sector.

Co-op members of the fund will further benefit from an expanded reach and knowledge exchange opportunities which will encourage further innovation, leading to a wider range of products and services. Stronger 'ties of kinship' between co-ops will create greater community impacts and more effective advocacy for policies that support co-operative growth and sustainability.

The fund will also offer a unique opportunity for individuals to invest in meaningful change while earning returns rooted in truly ethical, climate-conscious ventures. Unlike conventional investments that may fuel unsustainable practices, the fund helps align their financial goals with their values, fostering long-term community resilience and environmental sustainability.

The fund is unique because it bridges the gap between capital and purpose, prioritising investments that foster community well-being, climate action, and innovative economic thinking. The end goal is to create a network of thriving, interconnected co-operatives that collectively push for systemic change, promoting an economy that serves people and the planet, not profit.

TIMELINE

On August 9th, a group of co-ops met to hear about the plan to develop the fund. We have established a timeline from the feedback in that session and subsequent conversations with other interested co-operatives.

1. A small multi co-op group develops the model proposal, including a governance and economic plan.
2. The proposal is presented to a larger group of co-ops who are invited to feedback and become founding members.
3. The fund is incorporated and seeks initial investments.

IT'S NOT NEW

The idea of a co-op fund is not new. This document outlines some existing models and recommends combining elements that seem appropriate to our situation.

Notably, some funds due to their chosen structure and operation have avoided or are exempted from local financial regulations and licences, which are expensive and can be a barrier to development. Another option is to partner with a licensed firm as an 'appointed representative'. We will be taking advice to understand this and many other questions and seeking grant funding to help with this development stage.

COMPARISON OF EXISTING FUND MODELS

Fund	Governance	Economic	Other features
Mondragon Investments Basque Country (Spain)	**Structure:** Secondary Co-operative Membership: • 81 co-ops Co-ops are grouped into 4 divisions: Industrial, Retail, Finance, Knowledge. Co-ops elect the Mondragon Council.	EU 968 million turnover 1988-2021 (EU 30 mi per annum avg) Co-op members invest in the fund according to mandatory contributions. • Industrial division: 5% surplus as investment; 2% as subsidy/grant. • Retail division: 10% of consolidated surplus as investment. • Financial division: 7% of net profit as subsidy/grant.	A further amount of post-tax surplus from co-ops and from the operation of the fund is contributed to the Mondragon Foundation which is a charity that makes social impact grants.
Coop57 Spain	**Structure:** Financial Services Co-operative Membership: • 1,107 co-ops • 5,241 public Investors Regional councils form the general assembly which elects the governing council.	EU 24.5 million loans in 2022. Loans up to 500,000EU for business / start up / consolidation and up to 1,000,000EU for housing co-operatives. Co-op members invest in the fund as they decide.	Strong social justice and feminist frameworks. Highly distributed regional model: Each regional "section" elects its council: includes technical, social & feminist sections.
CoopFond (Lega Group) Italy	**Structure:** Registered as an S.P.A. (company limited by shares) but run as a mutual Membership: • 2,304 co-ops	EU 457 million under management. Co-op members invest in the fund according to mandatory contributions. Mandatory contribution for all co-op members is 3%.	
Shared Capital USA	**Structure:** Community Development Financial Institution (CDFI) Membership: • 300 co-ops • ?? public Investors	2023 fund total: $25.4 million. 33 loans totaling $13.2 million Co-op members invest in the fund as they decide.	Focus on marginalised communities: in 2023, 85% of loans went to co-ops of people of colour, low-income, women and LGBTQ communities
CCF UK	**Structure:** ICOF Ltd is a democratic member organisation contracted to loan the capital of ICOF Community Capital which is a Community Benefit Society. Regulated by the FCA in the conduct of investment business	£4m available to lend but only loan between £10-75,000 unless partnering with another provider (Triodos / Ecology Building Society). Public can invest in CCF. Borrowing co-ops must buy member equity in ICOF Community Capital - minimum £250.	CCF also manage funds for: Big Issue Invest, Co-op Loan Fund, Radical Routes, Co-op Foundation and the Ministry for Housing Communities

COLLABORATION WORKSHEET

Please think about your stance on these questions. At the end of this document there is an outline of a fund based on the Kin Co-operative team's research for discussion which will be more valuable if you have positions on these questions prior.

1. WHERE DO FUNDS COME FROM?

It is important that the fund takes in investment from co-ops and members of the public also, otherwise it will not be able to scale at the rate we hope for. Do you agree?

How do co-ops contribute? Options: 1) mandatory minimum contribution as % of annual surplus; 2) optional contributions.
Pro mandatory contributions: strong solidarity ties, a guaranteed fund (which can help others and gives security to public investors).
Con mandatory contributions: can feel like a big commitment.
Pro optional contributions: mandatory minimums may attract the minimum whereas optional contributions may be larger in practice.
Con optional contributions: co-ops may stop contributing or feeling connected to the fund entirely. Less security as a public investor.
What do you think and why?
What would be a good voluntary or mandatory contribution as a percentage of your annual profits as withdrawable investment?

2. ETHICAL CRITERIA

One of the observations that led us to the idea of a fund is that there is a lack of ethical savings and investment possibilities and general confusion about what ethical investment is and at the same time a large appetite to not be funding climate change and genocide. The co-ops that make up the fund and the fund's strategy and operation should reflect the highest ethical standards if not an explicit mission to transform the economic system. But this might be too exclusive and counterproductive to transformation. Do you think that:

1) the fund should have no particular ethical quest;
2) the fund should have a commitment to some loose guidelines or framework eg. B corps;
3) the fund should focus on excluding certain things (eg. oil) but remain flexible to include areas that are not excluded but not necessarily specifically transformation focussed;
4) the fund should focus solely on areas deemed strategic for economic transformation eg. renewable energy, social mission, housing.

Why?

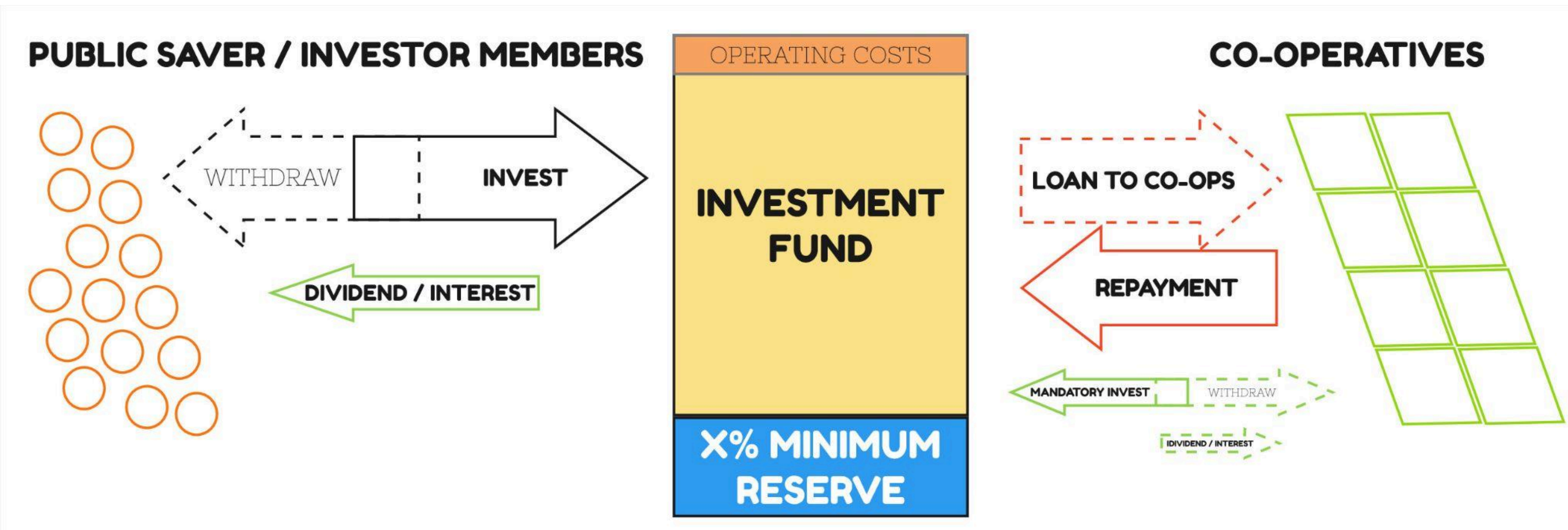
3. HOW CAN WE GO FURTHER THAN THE MODELS (ABOVE)?

STRUCTURE & FUNCTION RECOMMENDATIONS

We have been thinking about the fund as a Secondary Co-op or Community Benefit Society with an asset lock with both non-user investor members (public) and co-operative user members (co-ops). The function would be that public investor members buy community shares in the fund and the fund would then loan capital to the co-operative members. The loans are returned with interest and investors would receive limited dividends or interest on their investment shares.

This model is adapted directly from the Coop57 group in Spain which brings together over 5000 investors and 1000+ co-operatives.

The asset lock would limit dividends and ensure that any profits made from the fund would be reinvested in the community - either by increasing the reserve and funds available or in the form of grants for start-ups, education or culture programmes or social movements. The legal structure may need to be different depending on UK regulation but the generic financial diagram below should remain accurate.



KIN FUND MODEL - STARTER DRAFT

<table>
<tr><th>Fund</th><th>Governance</th><th>Economic</th><th>Other features</th></tr>
<tr>
<td>Kin Fund (title can be changed)

UK</td>
<td>Structure: Secondary Co-operative or CBS with asset lock.

Membership:
• co-ops
• public investors

Regional councils form the general assembly which elects the governing council. Co-ops are also grouped into divisions.

The purpose of the fund is not to provide returns on investment but to grow the co-operative sector (ahem Labour) through strategic financing as well as encouraging other forms of interco-operation and collaborative measures to increase efficiency; specifically to invest in co-ops committed to sustainability, energy transition and increasing social equality according to ambitious benchmarks set by the members.

The way to do this is by members (co-ops) pooling capital and also allowing non-user investor members (public) to buy a specific class of shares, earning interest at a rate to attract capital investment but no more.

Voting rights of Public Investor Members are limited and cannot convert the society into a company.</td>
<td>Co-op members invest in the fund according to mandatory contributions.

Like Mondragon, the fund should at least require minimum surplus contributions from co-operatives, while co-ops should be encouraged to put more of their capital in. One innovative model would be to require co-op members to invest all of the cash capital which they do not intend to use over the next 6 months. It would be worth modelling this.

Unlike Mondragon, our fund should not require co-ops to make grants to boost the reserve since public members with a capital incentive (dividend / interest) should not benefit from free money. Like COOP57, we could require co-ops that receive financing to make additional contributions to a solidarity fund (called "the Loan Guarantee Fund") to face possible defaults and de-risk investment.

There should be term options for investments and incentives for longer deposit lock ins. Investor interest or dividends (calculated in terms of their rate above inflation) should be capped at a fair level.

Non-extractive finance policies: for start-ups, loan repayments should begin only after the co-operative is in profit or a suitable term and only then from the top 50% of surplus.

Initial risk management:
• a co-op can only take the percentage of capital that it represents eg. if there are 5 co-ops, a co-op can only take 1/5th of capital pooled. This will need to be revised.
• allocate 20% to reserves to face possible refund requests.</td>
<td>Strong social and environmental justice and feminist frameworks.

Highly distributed regional model.

Focus on value aligned co-operatives: social, community and environmental impact and transformative potential.

Co-op members are transparent about worker wages and committed to find new ways to work together for the long term.

Investors have access to their funds via the Kin app.

A strong public outreach focus and a portion of fund surplus earmarked for public outreach.</td>
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A NOTE ON KIN.COOP

Kin Co-op enables financial mutual aid clubs. We are developing a website and app which allows autonomous groups of friends, neighbours and colleagues to pool money together in order to have a common pot to draw on or to put towards a particular goal, like a community solar array. Every user of the Kin platform is also a member of the co-operative.

Our vision is to make the investment fund available to Kin members directly from the platform so that users can easily save and withdraw money together and also invest in local co-operatives. Kin was established to transform the financial structures that underpin our unequal and exploitative economic system.