



Heartwood

Ensemble c'est mieux
Better Together

HEARTWOOD HOUSE COMMUNITY BOND OPPORTUNITY 2016-17

Social investment

This is an opportunity to invest in Heartwood's community bonds. You can financially assist Heartwood and benefit from your financial assistance at the same time.

What is a Community Bond?

A Community Bond is an interest-bearing loan that allows a non-profit to leverage its community of supporters to pursue its mission, build its resiliency, and create more vibrant communities. Your investment earns you an annual return and has a social impact.

In 2012, twelve people invested in Heartwood's **Community Bonds** to help Heartwood purchase and renovate our new building. Each person invested \$5,000 with an annual interest of 4.0% for 5 years. This provided the much needed \$60,000! Fast forward to 2016. Heartwood now needs to raise \$200,000 to build its cash reserves and retire its renovation loan.

Community Bond Categories

Investors have the option of choosing from three different community bond categories:

Option 1: \$5,000 at 3.5% annual interest for 5 years.

Option 2: \$10,000 at 4.0% annual interest for 5 years

Option 3: \$50,000 at 4.5% annual interest for 5 years

FREQUENTLY ASKED QUESTIONS

HAS HEARTWOOD DONE THIS BEFORE?

Heartwood purchased 87.5% of the 404 McArthur Avenue property in 2012 in conjunction with the Universalist Unitarian Fellowship of Ottawa; and in 2013 raised some of the funds for moving costs by issuing community bonds. 12 investors raised \$60,000. During the last 4 years Heartwood has consistently made all of its interest payments to bondholders and will be buying out or refinancing those bonds that come due in the next year.

WHAT IS THE SECURITY?

Our current lenders do not permit Heartwood to secure community bonds against the building. However, the building was appraised at \$4.6 million in 2013 and another appraisal is currently

underway. Heartwood's current mortgage debt is \$3,300,000, which means that there is adequate coverage based on the current value of the building.

WHY 3.5 - 4.5% RETURN?

We priced the bonds at 3.5-4.5%. Our mortgages are at 4.3%-5%. We feel that 3.5%-4.5% is a reasonable financial rate of return compared to other bonds on the market, but the real payback is in the social impact that you are helping to create. Let's face it, we could ask you for a donation and you would probably still want to support social innovation. This is a way that we all win. We get the short-term capital, and you get a reasonable rate of return on the use of your money. Maybe you cannot afford to donate a large sum, but this lets you help our charity in a significant manner, without having to make a financial sacrifice.

HOW RISKY IS IT?

Heartwood's share of the building has been appraised at \$4 million (the whole building at \$4.6 million), and our total long term debt is \$3,600,000. We are borrowing \$200,000. In terms of revenues, the building is 100% occupied. There are inherent risks in the real estate market, but as we have a waiting list for new members, we feel confident that this occupancy rate will be maintained.

HOW IS THIS OPEN TO UNACCREDITED INVESTORS? WHAT DOES THE OSC SAY ABOUT THIS?

The Ontario Securities Act has an exemption for non-profits and charities which means that we are not restricted by the same dealer and registration rules as for profit enterprises. The caveat is that 'no-one can profit' in the transaction. This means that no dealers or banks can charge a fee. The bonds are therefore "*for the community, by the community*".

WHAT SECURITY DO I HAVE?

We are unable to offer security at this time. Currently, our secured creditors are the mortgage holders, and you would be considered an unsecured creditor. We feel however, that in the event of the building sale, its value is such that after repaying all secured creditors, there would be sufficient funds to cover all unsecured creditors.

WHEN DO I GET MY MONEY BACK?

The bonds are for a five year period. Interest is paid annually with the first payment in March of 2018. You will get your principal back upon the maturity date, at which time you will be invited to renew your investment.

CAN I HOLD THIS IN MY RRSP OR TFSA?

No. Since the bonds are not secured by a mortgage, they cannot be held in a RRSP or TFSA.