

GOVERNMENT BACKGROUND OVER THE LAST 6 MONTHS

A significant amount of support from a championing department - Social Development Canada

- Memorandum to Cabinet development seeking policy approval
- A bureaucracy engaged at senior levels
- A minister, Ken Dryden, engaged as a champion

Broader support and positive noise within government

- Ongoing support from senior levels of PCO
- Support from a variety of ministers and departments (e.g. Infrastructure Canada, Heritage, Citizenship, etc.)
- Support from a variety of influential external Liberal voices

Key impediment –

Bureaucratic opposition from Finance Canada:

- Ideological discomfort with the federal government being perceived to invest in an institution it would then be regulating
- Ideological discomfort with an intervention in a highly regulated industry
- Discomfort with the perceived ‘high cost’ of the proposed model - and a desire to see “more” private sector participation

SUMMARY OF THE GOVERNMENT DECISION

Given the opposition from Finance, a compromise was brokered between Finance and SDC. Both the DAC and Operations committees of Cabinet approved the following:

- Funding to support **‘the development of a pilot charity bank to serve small and medium size charities and non-profits.’**
- The government will support the development of a new business case/plan and the development of one (possibly more) pilot locations
- We can work with SDC to determine whether there is a viable model before we accept the funding.
- Financially, this commitment looks like:
 - \$1 million for the development of the business case
 - Up to \$4 million for the non-capital build costs of a pilot
 - On a matching basis, the \$4 million is only available if we raise \$20million of capital
 - Vartana would still be subject to the same ongoing social impact assessments and cost burdens that would entail

IMPLICATIONS - GOVERNMENT EXPECTATIONS

1. The Government expectation is that Vartana will develop a smaller pilot version of the initially proposed Charity Bank.
2. The Government understands (and included in their MC) that, given the nature and size of proposed support, it is not clear, and perhaps unlikely, that a \$5-10M version of the bank could be viable (including our ability to raise the capital because of investor perception of increased risk).

What they are looking for from us is:

1. To determine whether a) there is viable/reasonable business case at a lower capital level and b) whether it is possible to raise that money from the banks.
2. And then, assuming that the initial model is found to be unworkable, that we begin to go down a second path that is a different structure/ model.

At that point there will be openness to another model and we will maintain our credibility with the government.