

# Innovative New Financing Option for Franchises with a Social Conscience

By Amy Stein

**T**wo challenges for franchise operators — financing their business and finding good employees — can turn into a win/win/win solution, for the employer, employees, and the community at large. Social Capital Partners' (SCP) provides a unique solution through a mission-based financing program for franchisees.

SCP offers attractive business loans to franchisees who agree to adopt SCP's social employment strategy: hiring people who have experienced long-term unemployment, or other circumstances that make it difficult for them to find employment on their own. SCP helps franchisees tap into a "hidden" market of good-quality job candidates.

Landing gainful employment is a challenge

for those who may be re-entering the workforce after a long absence, or have other personal circumstances that form a barrier to employment. These candidates, on the path to financial self-sufficiency, are motivated, dedicated, and responsible. Landing a job can make a profound difference in the lives of such individuals — and in your business.

## What exactly is Social Capital Partners?

SCP is a not-for-profit private financing organisation, based in Toronto. The organisation invests in businesses across Canada that are willing to hire 50 percent of their workforce from groups who face an employment barrier, using its social hiring and retention strategy.

## What financing does SCP offer?

SCP launched its franchise financing program in 2006. To date, they have partnered most extensively with the franchise system of Active Green+Ross, and the results have been encouraging. Building on this success, SCP is actively looking to expand its financing program to other franchise systems in Canada.

SCP offers loans of up to \$200,000 at attractive interest rates, to help finance the initial franchise purchase. Loans are repaid in regular monthly payments over the term of the loan, which is generally five years. Standard financial terms and conditions apply, comparable to a traditional bank loan.

In the event that traditional bank financing is in place, SCP will subordinate its position to the bank's. SCP requires borrowers to invest a percentage of their own money to prove their commitment to the business they are acquiring. SCP's loans are sometimes referred to as "risk capital" financing, a vehicle that is in short supply in Canada.

The loan agreement also includes "social covenants" that must be respected during the term of the loan. The borrower must agree to hire a minimum of 50 percent of its workforce through local jobs programs that assist individuals with employment barriers. Borrowers agree to work with SCP to establish recruiting relationships with



Active Green+Ross store manager Yves Lavalee's Barrie, Ontario location was funded by Social Capital Partners.

## In SCP's social hiring program, a franchisee fills job openings by working with community-based agencies that offer employment programs and services, to find suitable applicants based on the job requirements.

community-based employment agencies in their local area, set hiring targets, promote job opportunities, and monitor progress.

### What is an employment barrier?

An employment barrier is any circumstance that prevents a motivated and qualified person from finding and keeping a job. There are many people in Canada who are ready and willing to work, but who have been unable to establish regular employment, for a variety of reasons.

For example, some people are living in temporary housing arrangements, so it is difficult for them to provide contact information to prospective employers. Some people have been out of the work force for a long time, perhaps caring for a dependent family member, or dealing with their own personal issues, and so they do not have a strong employment track record on their résumé.

Job-ready individuals with a barrier to employment, who get a job through a social hiring program, have a chance to gain financial self-sufficiency.

### What is a social hiring program?

In SCP's social hiring program, a franchisee fills job openings by working with community-based agencies that offer employment programs and services, to find suitable applicants based on the job requirements. Typically, entry-level jobs are filled through the social hiring program, although sometimes the agencies find good candidates for more skilled positions as well.

### Does SCP provide employees?

SCP is not an employment agency. The organisation helps connect franchisees with local employment agencies and programs. Through working with these

agencies, SCP provides recruiting expertise to make it easier for franchisees to find good job candidates.

Although SCP provides recruiting assistance, the actual hiring and all other employment decisions are always completely up to the franchisee, including termination if necessary. SCP also helps to develop employee support strategies that are suitable for the business and assist social hires succeed in their new positions.

What is SCP looking for in prospective franchise loans?

Not every franchisee is the right fit for SCP financing. In addition to standard financial due diligence, SCP evaluates:

- The borrower's values and their compatibility with SCP's mission;
- The franchisor's support;
- Labour-intensity and scale of the business (e.g., prospects of at least 5-10 social hires at entry level); and
- Advancement opportunities for employees.

To learn more about this program and how it can assist your franchised brand reach its goals, contact Amy Stein, Director of Investments: by phone 416-646-1871 Ext. 106, e-mail [info@socialcapitalpartners.ca](mailto:info@socialcapitalpartners.ca). Web: [www.socialcapitalpartners.ca](http://www.socialcapitalpartners.ca).



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