



GCIOBA 85 SET (IKEJA) COOPERATIVE MULTIPURPOSE SOCIETY

52, Ijaye Road, Ogba, Lagos

Memo

Date: 15 June 2024

To: Director of Cooperative Services

Subject Acquisition of 12 Plots of Land At The Ketu Epe Corridor on 27 December 2023

Background

At the end of the 2022 financial year, Mrs Modupe Ajayi, our then Supervisor from the Coop Agency, called me to inform me that the accounts for 2022 has thrown up a loss. The 2022 accounts was our first general audited accounts since inception of financial contribution in February 2019.

I found the news about our lossmaking position very strange and was curious to know how we would end up in such loss-making position despite our tight financial discipline and strong commitment to governance within the GCIOBA 85 Set (Ikeja) CMS.

She seized the opportunity of the Cooperative Seminar of 28 April 2023 to take me through the draft accounts on income recognition and income generation levers for a Cooperative. At which point I was able to inform her that we had investments in money market instruments with AXA Mansard. We took this decision not to lose value on our Naira funds in the Coop Accounts because of the volatility due to the Covid-19 challenge of 2020 and 2021. It was the recognition of our accretion from the AXA Mansard placement that turned our initial loss into some profits when the accounts was finalised.

I used the occasion of our Coop meeting following the session with Mrs Modupe Ajayi (Sunday, 14 May 2023) to take Cooperators through the lecture I got from Mrs Modupe Ajayi on income recognition and income generation levers for a Cooperative. These levers are:

S/N	Levers	Remarks
1.	Thrift & Credit Operations	Whilst Cooperators need to borrow, you can only encourage them to do so. Their actual exercise of their right to so do will depend on their need.
2.	Loan Form	If Cooperators don't apply for loans, you are unable to charge them any amount on loan form. Then how much can you realise through loan forms fee?
3.	Entry Fee	How much can you really charge on entry fee give our criteria for recruiting quality additions to the Coop?



4.	Sitting fee	This is also of doubtful opportunity to optimise the income of the Cooperative at the level our 85 Set CMS is.
5.	Consumer Income	This is also of doubtful opportunity to optimise the income of the Cooperative at the level our 85 Set CMS is. This assumes we will make bulk purchase and resell at a margin to Cooperators.
6.	Money Market	Please refer to comment below.
7.	Special Investment Income	Please refer to comment below.

It became clear to us that out of the possible 7 opportunities for income generation, items 6 and 7, Money Market and Special Investment Income represent the most viable options through which we can grow the income of the Cooperative Society. In that meeting, we had a guest presentation from Mr Adeniyi Adebisi of Meristem to stir our thinking on what we can do with the funds of the Cooperative. Please refer to the attached Minutes of Meeting of Sunday, 14 May 2023.

From this meeting, we resolved to accelerate and intensify our activities in the Money Market space and to watch out for Special Investment income opportunity. It was the desire to position our CMS for special investment income earning opportunity that made land banking and disposal a compelling option as special investment income. The objective here is to play the real estate market and establish a three (3) year cycle of disposal to earn “extraordinary income” based on the fair value of the plots at that time. The extraordinary proceeds will then be recognised as Special Investment Income which would be added to the normal profits from the Cooperative’s normal operations based on items 1 to 5 in the table above.

At our general meetings since the AGM of 2023, we had raised the possibility of real estate investment as and when the Management Committee would consider appropriate based on the available funds of the Cooperative. It is important to point out that the GCIOBA 85 Set (Ikeja) CMS holds her general meetings monthly on a preceding month basis. That is the meeting for the Coop Affairs in January is held generally first week of February so that we can have the financial reports required for deliberations.

The following Meetings underpin our timeline to the final investment decision on 23 December 2023:

S/N	Meeting	Month	Action
1.	General Cooperators	August but held on 11 September 2023	We requested all Cooperators to invite industry players that they know have properties in a fast-developing area to come and make presentations. Please refer to the attached Minutes of the Meeting



2.	General Cooperators	September but held on 8 October 2023	Available Realtors made presentations to the general meeting. Please refer to the attached Notice of Meeting, Update to the Notice from the Secretariat and Minutes from the meeting
3.	General Cooperators	October but held on 5 November 2023	The CMS President updated Cooperators that the Management Committee was still monitoring the situation of the real estate investment and carrying out appropriate due diligence so as not to endanger the funds of the CMS. Please refer to the attached Minutes of Meeting where this update was provided under AOB.
4.	General Cooperators	November but held on 7 December 2023	The President provided a further update on the real estate investment and promised to revert with a decision after Management Committee is briefed of latest development.
5.	Management Committee Update	12 December 2023	<p>The President updated the Management Committee members on a similar real estate investment one of the Cooperators would be making in the Ketu Epe Corridor and advised that the CMS should ride on this pre-existing relationship with the vendor by one of the Cooperators. Management Committee agreed subject to:</p> <ul style="list-style-type: none"> • An emergency meeting to get more information about the site • If the decision is in favour, a committee to inspect and report on the site • Based on that report, the Management Committee can then approve the investment.



			<p>(i) The Emergency Management Committee meeting was held on 13 December 2023. Please refer to the attached Highlights</p> <p>(ii) Co-operator Babatunde Okunmoyinbo was able to undertake the inspection of the site on 23 December 2023.</p> <p>(iii) Based on the report, we made payment for 12 plots on Wednesday, 27 December 2023</p> <p>Please refer to the Highlights of the Emergency meeting, Report of Inspection, Update by the CMS President to Manco on 27 December 2023 and Minutes of Meeting of January 2024 in respect of our activities in December 2023.</p>
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Our Ask

We understood from the review of the 2024 Coop Regulations and Guidelines at the session with the Honourable Commissioner for the Ministry of Commerce, Cooperative, Trade and Investment, that held on 23 January 2024, that your approval is required before any Coop funds can be applied to real estate ventures. Nevertheless, where such investment has been made, you require such CMS to apply for a review and request ratification by the Director of Cooperative Services.

We therefore request on behalf of the Management Committee and General Cooperators of GCIOBA 85 Set (Ikeja) CMS that based on the steps followed above and given our trajectory as a CMS to review and ratify the transaction. It was not our intention to bypass your approval or consent or permission to make the investment without your input. It is also not in our best interest for the immediate present and future to put the funds of the CMS at risk. It will be catastrophic for everyone of us in the CMS.

Many thanks for your understanding.

Oluseye Arowolo
President
GCIOBA 85 Set (Ikeja) CMS

Yinka Adegbuyi
Secretariat
GCIOBA 85 Set (Ikeja) CMS