



An experience  
in shifting the  
policy context



# The Research

- BC/Alberta Research Alliance on the Social Economy (BALTA)
  - Nova Scotia CEDIF Model
  - Capitalization needs of the Coop Sector
  - Case study of Westlock Terminals
  - White Paper on Coop Capitalization



# The Challenges

- Rural Business Succession Crisis
- Hollowing of the Middle/Youth Migration
- Centralization/urbanization of key economic assets
- Low venture capital interest in rural areas
- 4.4 Billion leaves Alberta in the Registered Retirement Savings Plans every year



# The Successful Experiments



**SPARK**   
Your Power.  
Our Future.™



# The Challenge We Presented

1. Securing venture capital for SMEs is challenging as there is little incentive for investors to invest in small local businesses given other opportunities in the marketplace.
2. It is too costly to raise capital via standard public offerings given the relatively small investment typically required for community based ventures (in the range of \$100,000 to \$5 million).
3. While community based investments still achieve good returns (6% on average), they are not at the levels expected by most venture capitalist of 25% or higher



# The Proposed Solution

Adaptation of the Nova Scotia Community Economic Development Investment Fund Model (50 funds, over 56 Million invested thus far)

1. A Simplified Offering Document submitted to the Alberta Securities Commission, which reduces hurdles for local share offerings while simultaneously increasing the level of scrutiny, support and oversight to protect Albertans
2. Eligibility to designate shares in CEDIF's as self directed RRSP investments
3. A 30% provincial investment tax credit for investments into CEDIFs, which based on experience in other jurisdictions would be revenue neutral for Treasury within 2 years and revenue positive thereafter.

# The Results

No tax credit

No Review by the Alberta Securities Commission

- Templates of incorporation and share offering documents at significantly reduced costs (5-10 K range), mostly using exemptions under National Instrument
- 8 communities developing their own funds – Falher, Crowsnest Pass, Vulcan, Didsbury, Black Diamond, Three Hills, Sangudo (4 in three years)



# What is next

Proving the case on the ground

- Current offering exemptions for coops up to \$1 Million for member loans, NOT shares
- 8 pilot communities, all of them pushing the current limits, expansion into BC, Saskatchewan, Manitob
- Integrating Tax Free Savings Accounts
- Establish Supportive Securities Dealer



# Explaining the Animal

	ODC	Venture Capital Firms	Discount Brokers
Investment Decisions	Member elected board of directors who assess local business opportunities.	Investment experts	Financial Planners and consultants selling a series of products.
Commission	Commissions are not allowed to be paid to agents selling shares	Earns a commission based on the success of the investments.	Earned based on number of clients the planner or consultant works with
Location of investment	Local business within a defined community or region	All over the world in a variety of industries, financial markets, currency, and all elements of the	
Investment Profile	Slow patient and friendly. Often to the success of local business.	High risk/high rate of return	Varies based on investor profile
Investment objectives	Create financial return to the ODC and its members, AND community benefits,	Create profit	Create profit

# Building Case Precedent

Number of causes of investment fraud using the cases of securities fraud using corporate shareholder model –

- A lot.
- No, really, a whole big bunch of them.

Number of cases of investment fraud using the cooperative model (across Canada and key coop in US)

0

- Jurisdictional Comparison – complete exemptions for cooperatives in Wisconsin/Minnesota, self regulated market for sales to members.

# What are we Unleashing?

Opportunity Development Co-op  
(ODC)

=

Leveraging Local Leadership

+

Access Local Capital

+/-

Local Intermediary



**Gathering of Alberta Co-op Leader  
Jan 31, Feb 1,2 – Goldeye**

**Study tour to the UK – April 6-14**

**Principle 6 Workshop – Mary 14/15 Red  
Deer**

**Register – [www.acca.coop](http://www.acca.coop)**



# More information?

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