

PRE-BUDGET CONSULTATIONS

MINISTRY OF FINANCE

January 2020

Ontario Co-operative Association

Thank you for the opportunity to speak today. My name is Erin Morgan and I am the Executive Director of the Ontario Co-operative Association.

We represent and advocate for over 1,500 co-operative enterprises in the province of Ontario employing 57,000 people and generating \$6 billion for the economy every year.

The co-operative sector is very pleased with the commitment from the provincial government to modernize the co-operative legislation detailed in Bill 138 tabled in fall 2019.

Co-operative businesses in Ontario had been advocating for the modernization of our Co-operative Corporations Act for fifteen years to better meet the needs of communities across the province. The government heard from many of our co-operatives and responded with improvements that will reduce red tape and provide stable jobs to many Ontarians.

In addition to changing the legislation, modernization of co-operative regulations is still needed. Our regulations have not been

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reviewed since 1995 – a time before many of us had an email address and before widespread use of the Internet.

In the last 25 years, we have invented online banking, and online stock exchanges and crowdsourcing have exploded in popularity for raising capital. The Internet has also increased the scrutiny of business practices and in a world where many are distrustful of corporate behavior, 2/3 of Canadians still believe co-operatives are a trusted place to do business.

Our members are asking for government to level the regulatory playing field in Ontario for co-operative businesses. Our suggested new exemption limits are in line with other similar regulations under the Ontario government including the new crowdsourcing limits.

Specifically, our member co-operatives are asking for the limit of 35 security holders to be raised to 50, the individual investment limits be raised from \$1,000 to \$5,000 and the overall raise limits be increased from \$250,000 to \$1 million.

By way of some background, co-operatives raise capital for their development and operations by selling shares to members and providing the details of their business in an offering statement. These securities, are not traded on the open market, rarely fluctuate in value and may only be transferred with the approval of the board of directors. They are not purchased with a view to capital appreciation or to obtaining a high return.

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Ontario co-operatives have a close-knit membership base and source of community support that is strongly connected to their businesses. This membership and community connection reduces the need for disclosure through the offering statement process because the members are not likely to base their investment decision solely on the disclosures in the Offering Statement.

In addition to the recent changes to our legislation, an update to our regulations will finalize a long modernization process that co-operatives have been pursuing for many years. We thank you for your time and your support.

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ADDITIONAL INFORMATION ON THE CO-OPERATIVE SECTOR

The Ontario Co-operative Association, represents over 1,500 co-operative enterprises in the province of Ontario. Co-operatives are a *different* kind of business model that is driven by people, planet and profit. They are rooted in collective and community ownership and prosperity.

Co-operatives in Ontario:

- 57,000 direct and indirect jobs
- \$3.3 billion in income created for Ontarians
- \$6 billion in value add created in the economy
- \$1.3 billion generated for government services
- 49,000 volunteers
- The oldest co-ops in Ontario, Vineland Growers Co-operative and Guelph Campus Co-operative, were formed in 1913 and still operate today
- Twice as many co-ops remain in business after 10 years as other business enterprises

Some of Ontario's most successful co-operatives:

- The Co-operators insurance company is our largest member, founded in 1945
- The 167 credit unions in Ontario earn \$1.4 billion in revenue annually
- In the agricultural sector, Gay Lea Foods Co-operative, Growmark and Hensall District Co-operative have all operated for over sixty years in rural Ontario
- There are over 500 housing co-operatives in Ontario, providing 44,000 units at an operational cost below non-profit housing with one third of members paying a monthly charge geared to income
- Over 130 co-ops operate in health care and social assistance providing solutions to many groups of marginalized Ontarians
- Retail co-operatives like Mountain Equipment Co-operative (MEC), The Big Carrot grocery store and Urbane Cyclist contribute over \$300,000 million in revenue to the province

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REQUIRED UPDATES TO OFFERING STATEMENT REGULATIONS

Ontario co-operatives require an increase to exemption thresholds for offering statements.

These thresholds were last reviewed 25 years ago and are inadequate for modern co-operatives to raise the capital required for their businesses. We are requesting that:

- a. The number of prescribed security holders be increased from 35 to 50
- b. The requirement to file an offering statement not apply to a co-operative's issue of shares to its members if the value of the shares issued not exceed \$5,000 per member in a year and not exceed an aggregate value of \$50,000 per member
- c. The requirement to file an offering statement not apply to a co-operative's issue of debt obligations to members if the debt obligations do not exceed \$5,000 per member in a year and not exceed an aggregate value of \$50,000 per member
- d. The requirement to file an offering statement not apply to a co-operative's offering of securities to its members, if the offering does not result in the co-operative having more than \$1,000,000 of issued and outstanding securities
- e. It is important that oversight for offering statements to remain with the Ministry of Finance through the new Financial Services Regulatory Authority

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