

## Co-operative Offering Statements Speaking Notes

There are 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

Offering Statements:

- The Co-operative Corporations Act (CCA) is 44 years old and has not been updated in over 25 years
- The Act is overseen by the Financial Services Commission of Ontario (FSCO) within the Ministry of Finance
- As of spring 2019 FSCO will no longer be a government commission
- A new home for the CCA must be found before spring 2019 so co-operative business is not disrupted – this business mainly includes the issuing of securities used to capitalize co-operative businesses
- Offering Statements are the documents produced by co-operatives to disclose information to potential investors when raising capital
- Offering Statements are submitted to FSCO for review and, when approved, the co-operative receives a receipt to acknowledge they meet the requirements within the CCA

The Issue:

- The Minister of Finance consulted with the co-operative sector on the necessary updates to the CCA in January 2019 – there were 81 submissions to the consultation process by co-operative businesses
- One of the co-operative sector's recommended updates was an increase to Offering Statement exemption limits which have not been changed in at least 25 years – the sector is requesting a five-fold increase to existing limits
- OCA also recommended that oversight for the CCA, including the Offering Statement process, be moved from FSCO (the oversight body that will no longer exist as of spring 2019) to the Ministry of Government and Consumer Services so they are within the same ministry as the co-operative incorporation process

### LEAD, CULTIVATE AND CONNECT

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- Ministry of Finance staff, rather than consider our recommendations of simply raising offering statement limits, have informed OCA that government is considering moving oversight of co-operative securities to the Ontario Securities Commission (OSC)
- This will **eliminate the co-operative Offering Statement process** in favour of the process of filing a prospectus or applying for one of the exemptions found within the Ontario Securities Act (OSA)
- There are a number of reasons why co-operative oversight should not be moved to the Ontario Securities Commission:
  - Fundamentally co-operative businesses are different from business corporations that issue securities through the OSC:
    1. Co-operative securities are not traded on the open market;
    2. are not intended to be investments purchased for capital appreciation; and
    3. co-operative members, regardless of the number of shares owned, only have one vote.
  - For this reason, the rigor of the prospectus process is well beyond the risk profile of the co-operative sector
  - There is no clear public policy purpose served by changing our Offering Statement process and creating unnecessary red tape
  - There are no investor concerns driving a need for increased consumer protection
- It was suggested by government staff that the exemptions under the OSA are better than existing exemptions within the Offering Statement regulations
- The existing exemptions under the OSA have been reviewed and these are the key issues that mean they are not ideal for our co-operative businesses:
  - The private issuer, friends and family and accredited investor exemptions are in direct opposition to co-operative principle 1 – “voluntary and open membership” – because the exemptions limit those who may purchase securities to a short list of qualified investors
  - The offering memorandum exemption has maximum investment limits too low for most co-operatives to operate within and submissions are not “receipted” so co-operatives will not have access to brokers for the sale of shares into self-directed RRSPs
  - When a business avails itself of an exemption, there are reporting requirements that will mean co-operatives will need to submit paperwork to the government every time a member purchases securities – this will create hundreds, if not thousands of submissions to government annually at a cost that will be borne by both co-operative businesses and government through overhead

**In conclusion:**

- **Moving to a full prospectus under the OSC will jeopardize the future of the co-operative sector and will cause co-operative businesses serious financial harm**
- **There is no clear public policy purpose served by changing our Offering Statement process and there are no investor concerns driving a need for increased consumer protection**
- **The Offering Statement process works well for co-operative businesses and will work even better with the minor changes being requested**
- **Moving oversight to the OSC will create unnecessary red tape and significant cost for co-operatives and government**
- **If the government is concerned with the cost of maintaining the Offering Statement process for a small number of annual offerings, the co-operative sector is open to operating the process on a cost recovery basis**

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