



Summary Report and Recommendations
by the
Committee for the Establishment
of a Tech Credit Union

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Committee Members

Michelle Zhang

Robert McGarvey

Perry Kinkaide

Paul Kennett

Don Diduck



Overview

In January 2017, the Board of the Alberta Council of Technologies (ABCtech) approved the formation of a Committee to explore the potential of and prepare a business plan for establishing a new credit union which would focus on delivering specialized financial services that would enhance the process for commercializing new technologies in Alberta. The initiative was in response to a generally held belief that Alberta's economy remained largely undiversified and too reliant on the Energy Industry for its future economic growth.

Given ABCtech's vision for diversifying Alberta's economy through commercializing technology and its long-term goal to grow and retain technology companies in the province, the credit union initiative is seen as a starting point for engaging like-minded Albertans to design and implement a new plan for economic growth.

In short, ABCtech would like to help change the economic development trajectory for our province.

Rationale

ABCtech recognizes that 'finance' is a cornerstone for fueling innovation, commercialization of technologies and for building the business entities and systems which support economic growth. While financial institutions and a range of financial service providers are readily available to individuals and start-ups to access financial services, there is a perceived and, in many cases, a real gap in what is required to access sufficient capital, mitigate associated risks and engage the type of management services to support innovation and commercialization activities in Alberta (Please see [APPENDIX 'A' – Tech Credit Union Overview – Concept Paper](#)).

The Committee supports the notion that a Tech Credit Union would serve as a catalyst for creating and building a strong community of technology development-minded Albertans – including those who are actively engaged in the day to day development and those who would like to support technology development through investment. Starting with ABCtech's subscriber and membership base, the Committee sees an opportunity to more fully engage stakeholders in the process and materially change the economic environment to one that provides strategic advantages to technology businesses being resident or located in Alberta.

The Committee's mandate to research and develop a business plan for a 'Tech Credit Union' initially focused on developing a credit union from scratch, a process which was discovered early on to be lengthy, costly and likely redundant. A decision was then made by the Committee to consider a different option which was to identify an existing credit union and to determine whether there might be mutual interest to align or come together as partners. After identifying a prospective credit union candidate, a series of meetings with a local credit union was arranged and discussions held to explore the potential of a partnership. As a result, the Committee has received a proposal for creating a "new division" of an existing credit union which could operate as "Tech Credit Union". This entity would provide all the same services as what a newly formed credit union was expected to deliver except at a much lesser cost and which could also be operationalized much earlier.

The Committee also learned more about the financial benefits, capabilities and practical limits of what a credit union can perform as a regulated financial institution. The Committee recognizes that there is a need to provide a full spectrum of financial services and that a credit union can fulfill part of this requirement – for example, holding and insuring deposits and offering traditional (Type A) lending services. The Committee received a discussion paper ([APPENDIX 'B' – Discussion Paper: Credit Union Division to Support Technology](#)

[Investment](#)) as a first step in the process to explore the potential to form a partnership with the prospective credit union.

It is important to note that the name of the credit union has not yet been publicly disclosed in any documentation or has been removed from the text of documentation provided by the existing credit union. At this time, only the Committee members and Board members of ABCtech have been informed of the actual name of the credit union and it is advisable that confidence be held until such time as the existing credit union has had a chance to convey their own recommendations to their membership regarding a partnership with ABCtech. While the Committee has confidence that this credit union would be a good match for ABCtech in terms of size and willingness to innovate, should it turn out that this particular credit union is unable to proceed, it is the intent of the Committee to identify another suitable credit union to negotiate a relationship with as a secondary contingency.

Overarching Recommendation

As part of the process for ratifying the work of the Committee, the Committee recommends that Board present the following Recommendations to the 2017 Annual General Meeting on June 9th, 2017 for member approval.

Recommendation #1: *The Committee recommends that ABCtech enter into a partnership with an existing credit union in order to provide institutional financial services to ABCtech stakeholders and affiliated parties seeking to finance the commercialization of technology.*

The prospective credit union has prepared a business plan which is based on both the regulatory environment for operating a credit union and by information it received from the Committee and ABCtech. The associated costs for establishing the relationship will be largely borne by the credit union though a budget will still be necessary for ABCtech to address legal and any other associated professional fees as part of initiating the business relationship. More details about the funding requirements can be extrapolated from the credit union business plan that has been prepared by their management team. In addition, it is expected that ABCtech may need to commission an implementation plan that will further quantify and address yet undetermined but related cost items including governance, general operations and reporting.

In order to validate some of the assumptions about the level of interest and commitment that ABCtech subscribers and members might have regarding the proposed Tech Credit Union, a survey was designed and conducted. A total of nine questions were asked using an online survey tool. The results support the establishment of a Tech Credit Union and also for a private equity entity to facilitate investment in early stage technology development. One aspect of the survey findings included the willingness of respondents to contribute an estimated \$2 million in deposits if the Tech Credit Union were launched. Further to this notion, the Committee also met with interested Canadian and foreign investment sources who have also expressed interest in Tech Credit Union. A copy of the survey is provided in [Appendix 'C'](#). The prospective credit union utilized the results of the survey, in part, to support some of the assumptions for the credit union business plan. The business plan provided by the existing credit union is attached in [Appendix 'D'](#).

A key component of the Tech Credit Union will be its proposed affiliation with a newly incorporated "Investment Corp.", a private equity firm that would be established to take on the higher-level financial investment risks associated with early stage technology development. The Committee met early on with representatives of Pro-Ventures Pathway Inc. (PVP) to explore the potential for creating a financial entity which could address the diverse challenges for financing technology development companies in Alberta (Please see [Appendix 'E' – Private Equity Model](#) and [Appendix 'F' – Pro-Ventures Pathway Inc.](#) and [Appendix 'G' – Pro-](#)

Ventures Pathway & Alberta Council of Technologies – Terms of Reference). The PVP team has extensive experience in financing business and technology development. The most important aspect of their expertise is in a relatively new area of intangible asset development and monetizing the value of these assets using methodologies the team has developed and which conform to global standards for accounting. In the past few years, PVP has developed and tested its methodology for identifying and bringing the value of intangible assets onto the balance sheet of companies which, as a result, have significantly improved financial capacity that otherwise would not have existed. It is primarily for this reason (the capabilities to leverage intangibles) along with the considerable business experience the team members possess along with their extensive professional network that the Committee is recommending that PVP be invited to create the Investment Corp and operate it in partnership with ACBtech and the Tech Credit Union.

Recommendation #2: *The Committee recommends that ABCtech enter into a partnership agreement with Pro-Ventures Pathway Inc. in order to incorporate and operate a private equity firm, "Investment Corp." in order to deliver comprehensive financial services that work in conjunction with Tech Credit Union and ABCtech to support technology commercialization and the development of intangible assets in Alberta.*

The two recommendations serve as the foundational steps for taking action on creating the needed capacity and capability for financing technology development in Alberta. The approach taken would be to keep the structures and systems as simple as possible at the beginning stages of the business relationships between ABCtech, Tech Credit Union and Investment Corp. and its partners. It is acknowledged that the next stages in development of Tech Credit Union, ABCtech and its partners will require further investment in time and, likely, some level of funding. Every effort, however, will be made to minimize any associated risks whether they be financial, legal or relational given that questions on governance, benefits and operational activities including onboarding personnel are not yet fully answered at this point in time.

Concluding Remarks

While there may be some preference among some stakeholders to have more certainty and clarity on key points before pressing on with the Tech Credit Union initiative, suffice it to say it is not likely all of the relevant questions can be anticipated adequately or, if identified, necessarily answered in a timely manner before proceeding to the next stage of development. Instead, the Committee recommends proceeding down a path of development mindful of various associated risks in the quest for results which ordinarily do not come by easily or quickly. ABCtech's initiative for establishing Tech Credit Union is not unlike the technology developers who also start out with an idea or two and then, based on their convictions and evidence that justifies further investment of time and resources, do press on to realize their vision. It is with this in mind, that the Committee extends its heartfelt appreciation and admiration for all those who are inspired to make a difference in our province by making such a commitment with relentless determination. The adoption of the two recommendations will open the doors to opportunities and, hopefully, a new and prosperous trajectory for our province – together, a community of keen talent and resilient innovators and investors can be brought together through the Tech Credit Union to achieve this goal.

