ARON THEATRE CO-OPERATIVE





Written by Ashish Pillai and Marcelo Vieta

"The Aron Theatre co-op will remain an asset thanks to the community."

~ Northumberland News (May 8, 2010)

Campbellford, a small town in Northumberland County, Ontario, halfway between Toronto and Ottawa, is home to the Aron Theatre. In 2009, the theatre was in trouble and then-owner Paul Imperial knew that. Established in 1946, the single screen, 176-seat movie theatre had struggled through the 1990s and early 2000s. Imperial had been running the theatre almost single-handedly and had not been able, in the end, to invest in its maintenance and upkeep, let alone attempt at modernization. So, by 2009, Imperial decided to shut the theatre down.

Fast forward 12 years. Aron Theatre is now a community co-operative and revitalized cultural hub in downtown Campbellford that has not only survived but thrived. In this case study, we look at the conversion of a privately-owned theatre into a community-owned consumer co-operative and, in doing so, we examine the manner in which a rural

community in Ontario came together, via the co-operative solution, to defend its cultural heritage against much larger forces.



Picture of the Aron Theatre by Rodney Bowes

Aron Theatre's Decline as a Private Movie House

The decline of Aron Theatre as a privately owned, for-profit movie house was not a sudden event. Like most rural towns in Canada, Campbellford too had seen changes in the way people consumed goods and services. The two forces of change that affected Aron the most were the population re-composition of small towns like Campbellford and technological changes in the entertainment industry.

Martha Murphy, Executive Director of the Campbellford/Seymour Community Foundation and a resident of the nearby town of Warkworth, acknowledged the phenomenon in our interview with her. As Martha told us, for some years now Campbellford has seen its young adults leaving the town in search of higher education and jobs in larger towns and cities. This is evidenced in the town's rise in its median age to 51.7 years in recent years, compared to the Ontario provincial age average of 40.4 years of age. It was thus clear that increased engagement with a mature audience would be crucial for the survival of Aron Theatre. The problem, however, was that this mature audience was getting comfortable consuming small-screen entertainment at home. In an earlier interview with former Aron Theatre Co-operative GM David Lyon, he underscored how the advances in satellite communication, fiber optics, and internet technologies had deeply transformed the content and delivery of content of the entertainment industry, and how this had compounded Aron Theatre's troubles by the first years of the 21st century. These technological innovations have given movie watchers wider choice in content and the convenience of staying at home. Moreover, direct-to-home services meant that there was a surge in content to match every taste, now directly streamed into living rooms. Along with the choice and convenience, the home viewership experience was upgraded further with the introduction of large-sized flat-screen television sets. By the early 2000s, the humble TV had transformed into a complex digital entertainment hub. Taken together, this has meant that the afternoon or night out at the movie theatre was becoming increasingly rare or a niche activity. By the last years of the first decade of the 2000s, Campbellford residents did not have many reasons left to visit their ageing town theater. When that audience dries up in a small town like Campbellford, the local theatre and ancillary downtown businesses deeply feel the drop-in customers.

Technological changes in how movies were being consumed merged with demographic and economic realities in the conversion story of Aron Theatre. Out-migration from rural areas and immigration from other countries have been changing the demographics and

economies of small towns across Canada for several decades now. Cities are getting bigger and denser, as urban suburbs continue to sprawl. Rural populations and economies have, in turn, been contracting. At best, the population size of rural towns like Campbellford have tended to remain the same over the past decades, at worst they have been dramatically shrinking. As Murphy puts it: "I think our economy has been pretty steady. I mean it's a



small rural community. ... People who are here are here because their family lived here [and many are] ... [o]ld traditional families ... we get a few newcomers but it's not really that kind of community. People ... have lived here all their lives." Campbellford's population stability Martha speaks of is visible in the official census data, although indicating a slight decline over the last decade. While the population of the Greater Toronto and Hamilton Area and the City of Ottawa grew by 5.8% from 2011 to 2016, the population of Campbellford declined by 0.3%. This has meant that while demand for services like the Aron Theatre or local dining or groceries was stagnating in Campbellford, it was flourishing in other larger communities like Peterborough, 55 kms to the west, Belleville, 45 kms to the south, or even Kingston, 124 kms to the east, where large malls, chain grocery stores, and multiplex theatres lure customers from surrounding small towns like Campbellford.



Sunday Afternoon at the Aron Theatre source: www.arontheatre.com

This combination of social, demographic, and technological flux contributed to Aron Theatre's decline as a viable business proposition for its last private owner, Paul Imperial. In the wake of changing demographics, heavy competition from nearby multiplexes and home entertainment, and dramatically dropping demand and falling customer engagement, investing in upgrading to digital projection or renovating the theater did not make economic sense for Imperial. By 2009, Aron Theatre was in a palliative position and Imperial wanted out.

Pre-Conversion

"The movie theatre is a piece of Campbellford character. When there was a possibility of losing that, a bunch of us Campbellfordians felt as if it was not only a part of our town that could be lost, but also a part of ourselves."

~Samantha Brown, Campbellford resident and employee in a downtown pub (quoted in Kinch, 2012)

While rehabilitating Aron Theatre did not make business sense, losing it was unthinkable for the people of Campbellford. Even though the theatre was no longer the center of the entertainment universe for Campbellford residents, it remained a part of their cultural heritage and one of the town's traditional anchor businesses in its downtown core. Russ Christianson, a local resident and business developer and consultant, had offered

Imperial his services as a marketing and management consultant several times already. With a Master's degree in Industrial Relations from the University of Toronto, a Bachelor of Commerce (honours) from Queen's University, and years of business development experience under his belt, Christianson had nurtured a strong business acumen. His instincts told him that Aron Theatre was worth saving. The heritage and sentimental value aside, he knew that the theatre was a driver of the Campbellford economy.

With the next-closest theatre over an hour's return-trip drive away



"Wolverine" at Aron Theatre source: www.arontheatre.com

in Peterborough, movie outings by Campbellford town residents increasingly meant travel to towns like Peterborough or Belleville, resulting in the continued economic leakage of Campbellford residents' spending. If this outflow of business activity continued, it would mean a significant economic loss for Campbellford. Christianson

knew that such loss of local business activity had proved to be the death knell of similar towns and villages all across Canada. In the end, Imperial never took up Christianson's offer of help. "Aron wasn't doing very well," Christianson told us in our extensive interview with him, "and I approached [Imperial] to help [the business] just as a consultant, [as] a person in the community could help him... But he didn't take me up on it." It was after his last offer of help to Imperial that Christianson began to convince him of selling to the community and trial ballooning the idea to the greater Campbellford community of converting the theatre into a community-owned co-operative.



Finance committee chair Russ Christianson source: www.gottarent.com

Along with being a business management specialist, Christianson happens to also be a co-operative developer. Christianson thus knew that community ownership offered considerable hope for the theatre and Campbellford. Conventional business models have not been kind in recent years to small businesses like Aron Theatre and towns like Campbellford. Traditional business models have directed the flow of people and money to businesses in larger towns that concentrate supply and demand; invariably,

concentrated consumer economic activity is far from the socio-economic lives and needs of towns like Campbellford. Christianson knew that the key to saving both the theatre and, ultimately, the town's downtown economic fabric, rested with the co-operative model of the social economy. Being a co-op developer, he saw the natural fit between the co-operative model, its adeptness at collectively organizing a cultural space like Aron Theatre, and the community-economic needs of Campbellford. When a close-to-complete deal between Imperial and a private prospective buyer fell through, Christianson proposed converting the theatre into a co-operative to Imperial, who tentatively agreed to the idea. Christianson then decided to approach the Campbellford community with a specific plan of action.

Table 1: Catalyzing Factors for Aron	Theatre's Conversion into a Co-op
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Previous enterprise characteristics

- One of the only non-religious, large-gathering, in-door cultural and social spaces in the Campbellford community.
- No product alternative, as the next nearest theatre was 55 kms away.
- Aron Theatre is an economic anchor business for the downtown core of an Ontario small town.

Group/ Community stakeholder characteristics

- Homogeneity and small size of the community. Member homogeneity regards similar socio-economic goals and needs lends itself well to co-operative development.
- Familiarity with the co-operative model. Campbellford, for instance, is home to a 150-year-old cheese co-operative.

Supporting organizations/ institutions characteristics

- The previous owner was willing and happy to sell the theatre.
- Russ Christianson was a co-operative developer and a Campbellford resident willing to put in the time and effort to spearhead the conversion proposal.
- The Campbellford/Seymour Community Foundation was willing to invest in the conversion.
- Wide support for the conversion among community residents.

The Conversion

The feasibility study conducted by Russ Christianson had shown that conversion to a coop was a feasible and viable solution for saving the Aron, if the community could raise
the necessary capital to purchase the business. The first step was to develop a business
plan and Christianson knew that was going to cost money. He approached the Canadian
Co-operative Association (CCA) (now Co-operatives and Mutuals Canada, CMC) for help
funding the business plan for the conversion. At the time, the CCA was administering a
Government of Canada grant program called "Innovative Co-operative Projects" (ICP),
as part of the Co-operative Development Initiative (CDI). Since saving Aron Theatre was
deemed to be highly beneficial to the community, as the project's feasibility study
showed, the CCA decided to invest in the conversion via a \$15,000 grant from ICP which
paid for the business plan and \$7,000 to help with a membership drive to ensure the
conversion of the theatre into a community owned co-operative.



source: the peterborough examiner

Aron Theatre Co-operative Inc. was formally registered and incorporated as a non-share consumer co-operative on June 30, 2010. Since Ontario does not have a formal "community" form of co-operative, the decision to convert into a consumer co-op was strategic. It was also not taken lightly. Christianson knew that the consumer co-op model – which would eventually be made up of theatre-user members who would be the volunteer base of the theatre, and other sympathetic members from the Campbellford community – needed to drive high levels of community engagement, which would be critical for the theatre's viability and growth. Christianson pitched the plan to Paul Imperial, who agreed to it for exiting the business. Christianson then presented the plan to save Aron Theatre via the community-owned consumer co-operative model to the Campbellford community in a public meeting held at the theatre on November 18, 2010. By late 2010, the conversion of Aron Theatre into a co-operative and the membership drive was well underway.

Co-operative founded and membership drive and conversion on the way, one of the first orders of business was to set up a Board of Directors for the new co-op. Reflecting the

spirit of the democratic and community-driven nature of the co-operative, the Aron Theatre Co-op's Board was set up as a volunteer board and it continues to be so today. Asked about how Board members are selected, Martha Murphy – also a Board member – stated:

"We try to attract individuals with the skill sets we are looking for ... who then put in an application for a vetting process internally. Then at the AGM we present those individuals, but anyone on the floor can also request to be considered as a board member. Then if we have more members interested than the positions... they vote. We do a vote right there."

Table 2: The Conversion Cost Break-Down				
Feasibility study (in-kind contribution)	\$5,000	Legal fees on purchase of business	\$9,000	
Business plan	\$15,000	Purchase of business	\$200,000	
Membership drive	\$7,000	Volunteer in-kind	\$24,000	
Incorporation	\$1,400	Total cost of the conversion	\$261,400	

Once the Board was constituted, the next step was to arrange for the finances needed to fund the conversion. Table 2 lists the break-down of the conversion cost. In order to fund the total costs of conversion, Christianson guided the development of a multi-tiered financing/funding mix, as given in Table 3.

Table 3: The Conversion Funding-Financing Mix			
Innovative Co-operative Projects component of the Co-operative Development Initiative (CDI), overseen by the Canadian Co-operative Association (CCA, now Co-operatives and Mutuals Canada)	\$22,000		
Community Member Aron Bond purchases (\$100-\$50,000)	\$136,840		
Memberships	\$1,100		
Vendor Take-Back Mortgage 1	\$50,000		
Vendor Take-Back Mortgage 2	\$25,000		
Total conversion funding financing mix	\$234,940		

To summarize how the co-op fundraised for the conversion, Christianson first urged the new co-op to apply to the Innovative Co-operative Projects component of the Co-

operative Development Initiative (CDI), overseen by the Canadian Co-operative Association. The first CDI tranche of grants began in 2003, The second CDI tranche was a four-year (2009-2013), \$19 million partnership between the Government of Canada's Rural and Co-operative Secretariat and the CCA. The objective of the program was to help drive co-operative development in Canada and also to encourage innovative deployment of the co-operative model to solve socio-economic problems (Duguid, Tarhan, & Vieta, 2015). Christianson was confident that the nature of their project to convert Aron into a community-owned co-operative were a good fit with CDI's program objectives, and he was right. The CDI-ICP granted the new Aron Theatre Co-operative \$22,000 to kick-start Aron's conversion to co-operative project. This fund was used to further develop a business plan for the conversion and drive membership recruitment for the co-op. Another co-op developer, Peter Hough, with SME co-op conversion experience (which included work with Acadia Cinema Co-operative in Wolfeville Nova Scotia), was contracted to write the business plan. This plan included a five-year financial forecast and the capitalization structure of selling Aron Bonds with five, 10, and 15 year terms with compounded annual interest rates of 2.5%, 3.0%, and 3.5% respectively.

This initial kick-start grant from CDI further facilitated and secured the next stages of the funding/financing mix for the conversion. These subsequent funding streams had three main components: (1) capital generated through membership fees, (2) sale of Aron Bonds, and (2) a vendor take-back mortgage plan. A total of \$136,840 worth of Aron Bonds were sold, which was an overwhelming success and proof of the community support enjoyed by the conversion project. Of this first Aron Bond offer, the C/SCF bought \$50,000 worth, and the remaining amount of bond purchases were investments from a wide cross-section of Campbellford residents, local businesses, and from Aron's co-operative members, including the Board members. The third component of the

funding/financing mix was the vendor take-back mortgage. Also known as "Seller Take-Back Mortgages," this is a mortgage whereby the seller of a facility or property extends a loan to the buyer to secure the sale of the property. Paul Imperial took out one such mortgage of \$50,000 and a second one of \$25,000.

Table 4: Enabling Conversion Ecosystem for Aron Theatre Co-operative

Type of Support	Enabling Actor(s)	Enabling Action
Financial Support	Campbellford / Seymour Community Foundation purchase of bonds	• \$50,000 in community bonds (Aron Bonds)
	Local residents membership fees	• \$1,100
	Vendor take-back mortgage	• \$75,000 mortgaged loan from former owner to new co-op
	Remaining Aron (community) Bond purchases from the local community	• \$86,840

Technical/ Development Support	Co-op development expertise via co-op developers and a law firm specializing in co-operatives	 Russ Christianson is an active cooperative developer and a turn-around management expert who guided the entire co-op founding and Aron Theatre conversion process. Peter Hough, another experienced co-op developer, was contracted to write the business plan. Iler, Campbell, a Toronto based law firm with a speciality in co-operatives, provided the legal expertise for the offer to purchase the business from the retiring owner.
Government Policy/ Program Support	The Co-operative Development Initiative (CDI) Innovative Co- operative Projects" (ICP) funding stream	 Established in 2003, and renewed again in 2009-2013, CDI was a four-year, \$19 million initiative offered by Government of Canada, Rural and Co-operative Secretariat in partnership with Canadian Co-operative Association for co- operative development.

Post-Conversion

"Some of you are here to reminisce the past, some are here with the energy of the present and some are here with the foresight to preserve for the future. Therefore, there is only one question that remains as you enter these doors. Do you want your popcorn plain, or with butter!"

~ Town Crier at the first lighting of Aron Theatre Co-operative marquee

On May 26, 2011, Aron Theater formally became the Aron Theater Co-operative upon the completion of the conversion process. Legally, Aron Theatre is a non-profit consumer co-operative, although it considers itself a "community-owned co-operative" co-owned by members made up of theatre users and local residents from the Campbellford area with a passion for their theatre and their town. Aron's mission is to "bring people together to enjoy movies, music, and other [community] events" while having members "participate actively in organizing and successfully running artistic and cultural events." As is the case with most of Ontario's community-focused social enterprises, Aron Theatre operates with a triple bottom line, "ensuring financial viability, community responsibility, and environmental stewardship."

Over the years, ongoing capital costs have been an important consideration for the Aron Theatre Co-op. Amongst its biggest cost considerations post-conversion has been upgrading its movie projection system from analog to digital, making the washroom

¹ http://arontheatre.com

facilities wheelchair accessible, changing its front doors, replacing the old roof with a green roof, and other infrastructural costs. These have been partially funded by membership fees, ticket fees, donations, C/SCF grants, and several Ontario Trillium grants.

As of the first quarter of 2021, the co-operative had 726 members, of which 158 are family memberships (with an average of 4 members per family) and 94 individual memberships. Family memberships cost \$40 per family per year and individual memberships cost \$20 per



source: www.arontheatre.com

individual per year. Underscoring how the community of Campbellford continues to value the theatre, Christianson highlights that "[i]t's important to note that our membership is slightly higher during the pandemic than pre-pandemic, even while the theatre has been closed." All in all, Aron Theatre has emerged as Campbellford's entertainment hub, the town's preferred venue rental facility for community events, as well as the preeminent and beloved anchor institution of its downtown core.

And Aron has provided jobs and work experience to dozens of local residents since its inception as a community co-op. Aron Theatre is almost completely volunteer run. Co-op members volunteer their time to run the movie projector, engage in repairs, assist with ticketing, and facilitate events at the theatre. The co-op's board is also volunteer-based and board members are voted in from the co-operative's membership.



Aron Theatre Variety Show source: www.arontheatre.com

Before the COVID-19 shutdown, the theatre was managed by a staff consisting of one full-time manager, six part-time staff, and more than 40 active volunteers. During the pandemic, Aron Theatre showed its commitment to social well-being by closing its doors on March 15, 2020, before the government of Ontario required non-essential businesses to do so. During the pandemic, the co-operative has relied on 15 active volunteers to guarantee the business' basic upkeep. It also took the opportunity to completely shift from a cash-only business to full e-commerce, online ticketing and POS systems, with the help of new grants from the Campbellford/Seymour Community Foundation, the Ontario Co-operative Association, and The Co-operators. As the region tentatively hopes to re-open sometime in mid-2021, the Aron Theatre Cooperative is ready with concrete plans to restart business safely, as well. An air ventilation, filtration, and UVC purification system has been installed to protect future patrons. And post-pandemic,

Aron plans to have two part-time managers, return to six part-time staff, and rely onceagain on 40+ active volunteers.

Over the years, the theatre has thus proven to be a volunteer-based community enterprise at-core. All volunteers are members. And while volunteers have driven the business and customer experience and is the key organizational strength of Aron as a co-op, being volunteer-run is also one of the co-op's biggest challenges. As former GM David Lyon explained it:

"Our main challenge ... [especially during the co-op's first years, was] expanding the volunteer talent. There are a handful of volunteers (core volunteers) that carry the full load of running the theatre. One day, they're going to start to burn out. Something is going to happen [and they might want to] leave."

The main challenge for the co-op, then, has not been its financial situation but rather to continue to develop and grow their volunteer base. To meet the challenge, Aron's Board has actively engaged with members through community events and regular newsletters to encourage more members to get involved in the running of the theatre. They have successfully managed to nurture this volunteer base over the years, as underscored by how many volunteers it has managed to recruit since its founding as a co-op, and the 40+ volunteers it is relying on post-pandemic.

Conversion Lessons of Aron Theatre Co-operative

A key learning from the conversion of Aron Theatre into a co-operative is the role local capital can play in funding local community economic development projects via the community bond financial vehicle. Community bonds are interest bearing and can only be issued by non-accredited and community-based non-profit organizations. Community bonds can be purchased directly from the non-profit issuer or via a Registered Retirement Savings Plan and are paid back by the issuing community organization with interest after a period of usually five years. In the case of Aron Theatre, the bonds financed a good portion of the conversion, as well as funding the modernization of the ageing theatre.

While material changes like digital projection and digital audio were significant to the challenges of the previous theatre and a large portion of the young co-op's initial



Aron Theatre Co-operative President (2015) Mark White. source: www.yorkregion.com

capitalization costs, a key reason for Aron Theatre Co-op's success has been the adoption of sound, clearly communicated, transparent, and strategic management practices. The "About Us" webpage on the Aron Theatre website² clearly articulates the vision, mission, purpose, and values statements of the co-operative along with the ICA's Co-operative Principles (ICA, 2021). This is clearly visible and accessible to all of Aron's members, staff, and the

community at-large. Whatever the organization type, there is overwhelming evidence that clear vision, mission, and value statements are necessary guides for strategic and operational decision making in any organization. There is also ample evidence that small

² http://arontheatre.com

businesses, particularly in the social economy sector, remain skeptical of these statements, are unwilling to use them as decision-making guides, or don't know how to develop and deploy them. In the case of Aron Theatre Co-operative, its strategic documents assume greater significance than in many other social economy organizations as they have used them to guide decision making about the theatre from its inception. Martha Murphy, who is also a board member of Aron Theatre Co-operative, was asked about the practical use of these statements; in her words: "It is very useful for the board to have a clear vision to know what the strategic direction is ... that really clarifies what happens at the theatre." It is evident that Russ Christianson, Martha Murphy, and others involved in the earliest stages of planning the conversion had the foresight to make provisions for the strategic management of the co-operative and to not let the business meander in the absence of a clear direction.

The Aron Theatre case also undergirds the central role of a co-operative developer – Russ Christianson in the case of Aron – in conversion to co-op projects in Canada. David Lyon, Aron's first GM, emphasized to one of this case's authors in an earlier interview the importance of Christianson as co-op developer for getting the co-op off the ground and carrying out the conversion:

"We were fortunate to have Russ spearheading the whole thing. He makes his living from helping people start up co-ops and was a very important resource... [Russ] was able to stick-handle us through many different areas, if it was people without major co-op experience this would have been a major challenge for us."

Two-dozen or so co-operative developers are active across Canada today (Co-opZone, 2021), and each one is a champion of the co-op model, and most are conversion to coop experts, too. The tendency in Canada is for such co-op developers to be the go-to catalyzers of conversions, overseeing professionals working on conversion to co-ops and guiding the process overall, and Russ Christianson is among Canada's most experienced in this area. Highly active with the Canadian Worker Co-operative Federation and overall with Canada's co-operative movement, Christianson also happens to be a resident of Campbellford. While this was a serendipitous situation and a boon for saving the Aron Theatre, most of Canada's small communities are not equally blessed with having knowledgeable co-op developers on hand to help cultivate conversions. The lesson here is to recognize the central role of co-operative developers for steering and guiding the often complicated and ever human-centred and emotionally laden steps of the conversion process, while acknowledging the need for the formation of more co-op developers across the country. Moreover, more community economic development organizations – and not just individual co-op developers – need to be much more aware of the steps and possibilities for conversion to a co-op for business succession, ensuring that more professionals – accountants, lawyers, and business valuators – are familiar with the conversion model for succession in communities with or without co-op developers. Underscoring the important role of knowledgeable professionals and co-op developers in conversion projects, in short, is key and one of the major lessons of the Aron Theatre conversion-to-co-operative case.

The conversion of Aron Theater into a co-operative and its continuing success is a testament to the strength of social economy and community-centred business models in Canada. A near-death business being revived by a community without having to adopt conventional business life supports challenges dominant market logics and orthodox

economic thinking. Now that it has withstood the test of time and weathered two pandemic-related provincial shutdowns, Aron Theatre Co-operative continues to play out a script of success through solidarity and strong community leadership.



source: www.arontheatre.com

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Aron Theatre T-Shirt

source: www.arontheatre.com