

ALBERTA LAND & INVESTMENT BROKERS INC.
#1 FAST GROWTH 25 UNDER \$20 MILLION

THE UN-BROKERS

BY GREG HUDSON
PHOTOGRAPHY BY BLUEFISH

This private investment house quickly outgrew its Prairie turf in the under-the-radar “exempt” investment market. Now it plans to go national >



TRADING IN TRUST: Managing director Mike Mack in front of one of ALIB's income-producing assets

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HATEVER HAS HAPPENED IN stock markets over the past year, there remains a growing mismatch between the rising demand for equity investments from a Baby Boom in its peak earning years (and thinking

about retirement) and the shrinking cohort of publicly traded companies in Canada. For whatever reason – the income trust tax, the rising regulatory burden, industry consolidation – company after company has been delisting from public markets, leaving fewer and fewer options for retail investors. Moreover, their lacklustre returns fail to satisfy.

Enter Alberta Land & Investment Brokers (ALIB), a still small but astonishingly fast-growing firm from Edmonton that is making it possible for investors of middle-class means to get into the private side of investing. Just under five years old, ALIB almost tripled its revenue in the past year, and has in its short existence managed to consistently post returns double digits above mutual funds, despite a tepid economic climate.

The company sells “exempt market investments,” any private offering that doesn’t require a prospectus controlled by a securities commission. “The document offered by a private company is a little bit smaller than a prospectus, and there is a little less regulation to allow smaller players to get in the market of raising funds. The companies we deal with can be very similar to public companies. But we tend to like real estate investments because of the asset backing to them,” explains 33-year-old founder and chief executive Darvin Zurfluh, who represents one half of the ALIB’s brain trust, the other being managing director Mike Mack.

The ventures ALIB (a name Zurfluh says will likely change this year as the company rebrands itself and outgrows its provincial namesake) is flogging right now include Harbour View Landing, a residential development in Comox, B.C.; Evolve Opportunity Fund, which buys and holds apartment buildings; the Life Settlements Debenture Offering from Calgary’s Focused Money Solutions Inc., which purchases life insurance policies from holders no longer in need of them or unable to pay the premiums; Arizona Acquisition Fund, a Calgary-based buyer of recession-ravaged property in the southwestern

United States; and Canadian Horizons Blended MIC, a mortgage holder. Each offering has its own minimum investment threshold, typically \$5,000 to \$10,000. Like any good retailer, ALIB strives to match the right opportunity to the right client, but its focus is on educating clients to make their own decisions as opposed to making the decisions for them.

Zurfluh started his career as a financial planner for an insurance company. He was actually recruited to that firm by Mack, who was the regional director. After a few years, though, they both left the company to work on their own. Zurfluh started Alberta Financial Solutions, ALIB’s parent company, for his own clients in 2005.

“By the end of 2006, I had 10 other financial planners who invested their own funds and client funds with the alternative investments I had on my product shelf,” he says. It was then that he incorporated Alberta Land & Investment Brokers. Then it was his turn to recruit Mack, who had the business prerequisites that ALIB needed.

IN ORDER FOR A PRIVATE INVESTMENT BROKER TO SUCCEED, IT ALL COMES down to due diligence, says Ken Parker, chief financial officer for Portfolio Solutions, an independent investment brokerage. Parker also worked with the Alberta Securities Commission for more than a decade.

According to Zurfluh, what sets Alberta Land & Investment Brokers apart from other investment dealers, and which has really enabled its quick success, is its rigorous due diligence process. Right now, Zurfluh estimates that ALIB chooses to offer about 1% of all the companies that approach it. “We are very selective. We get to know the companies so that any questions our customers have, we can answer,” he says. “In the last couple of years, there have been some companies that haven’t done so well for their investors, so our focus now is a really deep level of due diligence with the companies we deal with because in the private investment world, there are a lot of opportunities to lose all your money.”

The average investor has been taught the basics of mutual funds for years. But the exempt market is less understood.

His due diligence strategy is an ethical checklist that ALIB calls a 7+1. The “seven” represents asking questions covering factors like investment structure, a company’s track record, security and transparency, and business plan. The “plus one” is more visceral. “After all the due diligence we do, and after all the due diligence our clients do, it also comes down to whether we like who these people are, their values. Do we trust that they are going to do what they say they are going to do, and if anything goes off track, are they going to follow through with communication?” explains Jim Sicotte, one of ALIB’s 32 consultants.

ALIB trades in trust, with every opportunity ultimately vetted by Zurfluh. If ALIB can convince investors of its integrity, there is a substantial market waiting. Investors are looking for something with higher returns, even if it means sacrificing liquidity. “The downturn made people question traditional investments,” says Pete Wardell, another ALIB consultant. “People are disillusioned with normal investment plans.”

So far ALIB has been able to convince people unimpressed with the public market to be a bit bolder, despite the fact that private investments can come with a higher level of risk. “We have to tell people that they risk losing every dollar,” says Edna Keep, who is one of ALIB’s pioneer representatives in Saskatchewan.

This is why Zurfluh puts such a premium on education. The average investor has been taught the basics of mutual funds for years. But the exempt

market, while growing in popularity, is less understood. To counter that, ALIB holds weekend educational seminars about the products it offers, which, truth be told, double as a sales pitch from companies seeking investors. Still, the effort represents a commitment to transparency.

Recently, the government has also stepped in. The Alberta Securities Commission is wading into the private market, adding regulations to the notoriously lax system, which Zurfluh agrees is a good thing. The new regulations, romantically titled NI 31-103, require exempt market dealers to register with the ASC. Registration will, it's hoped, "protect investors from unfair, improper or fraudulent practices and enhance capital market integrity and efficiency," according to Tamera Van Brunt, director of communications and investor education at the ASC. Exempt market dealers will have to meet requirements based on proficiency, solvency and integrity.

THE NEW REGULATIONS OPEN UP A SIGNIFICANT OPPORTUNITY FOR Alberta Land & Investment Brokers. Since it meets the requirements, it stands to gain from some of its compe-



METICULOUS: CEO
Darvin Zurfluh

tion getting driven from the marketplace, says Zurfluh. In addition, the firm not only has the system in place to easily comply with new regulations; it has the business savvy to make that its clear message. Planned or not, it's what almost all of their consultants list as their main reason for joining the company.

Parker also says that a company's ability to match products with investors is essential. "These are some of the concepts that have always been in the mutual fund market," he concedes.

Fortunately for ALIB, they seem to have that cornered as well. Alberta Land & Investment Brokers draws in consultants from across the financial spectrum, from financial planners, to former real estate agents. Working solely on commission, they are able to bring a wide variety of experiences to the table, which not only helps when they educate their clients, but also when they pass along potential investments to Zurfluh and Mack.

In the application package that all companies in the Fast Growth 50 complete, Alberta Land & Investment Brokers identified a potential obstacle to continued growth as "Dealing with perceived negatives in the exempt market industry." And for some casual investors, the risk of the private market may be too much, or maybe because of the American housing crisis anything starting with "asset-backed" seems sketchy.

But talking to Zurfluh and Mack, those potential obstacles seem easily dealt with, as if they've seen them from a long way off, and already have a solid plan in place to deal with them. They'll be happy to tell you about it. **AV**

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