



COMMUNITY IMPACT
INVESTMENT COALITION

OF BRITISH COLUMBIA

Unleashing Impact Investment for BC Communities:
(Addendum to August 2017 Policy Brief)

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Unleashing Impact Investment for BC Communities (Addendum)

The BC Community Impact Investment Coalition (CIIC) has representation from numerous organizations actively involved in promoting community impact investing in our Province. On behalf of these organizations – and in support of the UBCM and BC Chamber of Commerce resolutions in the original Policy Brief – the BC CIIC respectfully requests that the Provincial Government undertake the following actions in support of community impact investing:

1. That the Province strike an inter-ministry Community Impact Investment Task Force, with practitioner representation. This Task Force will work with the Provincial Government to create a BC Community Impact Investment Program, similar to the Nova Scotia CEDIF program, the New Brunswick CEDC program, the Prince Edward Island CEDB program, Manitoba CED program, and Alberta AITC program. The task force will also work with the Provincial Government to address the following three recommendations.
2. That the Province, in the short term, make the following enabling amendments and additions to BC Securities Local Instrument 45-530 governing securities issued by Co-operative associations:

Amendments to BCI 45-530

Current regulation	Suggested Amendment	Justification
\$5,000 lifetime cap per member/investor, per Co-operative.	At least a \$15,000 annual cap per individual investor, and a \$30,000 annual cap per corporate/association/society investor.	<i>A lifetime investment cap is an unnecessary restriction for members who wish to invest in their Co-operative. The \$5,000 figure was established in 2001 and should be raised to reflect significant increases to the consumer price index and real estate values in BC.</i>
A purchaser must be a founding member of their Co-operative or have been a member of the Co-operative for at least 12-months to be eligible to purchase investment shares.	Remove the 12-month membership requirement for purchasing investment shares.	<i>This restriction creates a barrier for Co-operatives to raise capital from new members. It also forces new Community Investment Co-ops to incorporate with a significant amount of founding members, backloging the BC Registry Services staff.</i>
A Co-operative cannot issue investment shares under this exemption if it has over 150 members.	Eliminate the 150-member limit for Co-operatives that wish to issue investment shares.	<i>This is an unnecessary restriction for BC Co-operatives, many of which have surpassed 150 members long ago. For example, a Food Co-operative with over 1,000 members should be able to raise capital from their members for business expansion efforts through BCI 45-530.</i>

Additions to BCI 45-530

Current regulation	Suggested Amendment	Justification
N/A	<p>The maximum to be raised by a Co-operative Association in a calendar year relying on the BCI 45-530 exemption is \$1,000,000.</p>	<p><i>This would allow BC Co-operative Associations to cost effectively raise \$1M each year, up to \$15,000 per investor, before relying on an Offering Memorandum or Prospectus.</i></p>
N/A	<p>Co-operatives relying on the BCI 45-530 exemption to issue investment shares must require each purchaser to sign a Subscription Agreement that discloses:</p> <ul style="list-style-type: none"> a) The aggregate number and value of membership shares and investment shares they currently hold in the Co-operative, b) The additional number and value of shares they wish to purchase in the Co-operative, and c) The security exemption in which the purchaser is relying on to acquire the investment shares. 	<p><i>The BC Community Impact Investment Coalition recognizes the importance of transparency and disclosure to members and investors when issuing securities. Therefore, there should be a simplified and economical document such as a Subscription Agreement that is completed when an investor purchases an investment share, relying on the BCI 45-530 exemption. Examples of Subscription Agreements can be provided from existing BC Co-operatives.</i></p>

3. That the Province design a tax credit, similar to BC’s Small Business Venture Capital Program, which BC investors receive when investing into a for-profit BC Co-operative Association. This will incentivize British Columbians to invest in democratic and value-based businesses that are operating in our Province. This annual tax credit should be at least 30% of eligible investments.

4. That the Province adopt a local exemption from the Investment Fund requirements for Community Investment Co-ops. This would acknowledge that a Community Investment Co-op within a defined community is closer to a VCC than it is to a mutual fund. Nova Scotia’s Securities Policy 45-601 is a good example. The reasons are:
 - a. A Community Investment Co-op does not just passively invest in businesses. It provides business development supports, finance syndication advocacy to other local lenders, and ongoing mentorship and customers to the ventures they invest into. This should ensure

that Community Investment Co-ops are exempt from registering as an investment fund.

- b. Current regulations lack clarity about where the line is drawn, and this can have a chilling effect on the establishment of new Community Investment Co-ops. A specific local exemption with appropriate criteria would provide clarity and protection.
- c. Treating a Community Investment Co-op as equivalent to a large-scale investment fund is inappropriate because the democratic accountability of Co-operatives makes them an unattractive vehicle for fraud on investors.
- d. Investors are drawn to Community Investment Co-ops in part because they permit diversification of risk. Investors should be free to invest through this model as it enables them to share risk and rewards with other investors in a properly selected range of investments, most of which are in the communities where they live.