



CCA Legislative Review  
c/o Financial Services Policy Division  
Ministry of Finance  
95 Grosvenor Street, Frost Building North, 4<sup>th</sup> Floor  
Toronto, ON M7A 1Z1

February 26, 2019

**Submission to the Consultation on the 2018 legislative review of the Co-operative Corporations Act**

Attention: Jessica Harper

Thank you for the opportunity to provide comments regarding capital raising by co-operatives following the consultation session on February 5, 2019. We fully support the submission of the Ontario Co-operative Association.

SolarShare is a not-for-profit co-operative established in 2010, and is Canada's largest renewable energy co-operative. Over the course of seven Offering Statements, we have raised close to \$40 million for investment in Ontario's infrastructure. These investments have resulted in local employment in manufacturing, engineering, construction and maintenance. We are proud to have returned \$4 million in interest to our 1,600 members from across the province. Solar energy requires relatively high up-front capital expenditures, and as a result our business and members rely on the Co-operative Offering Statement process remaining in place to finance the projects over the long term.

Oversight of the Offering Statement process should not rest with the Ontario Securities Commission due to the essential difference between co-operatives and other businesses, and because the cost and red-tape associated with a full prospectus is significantly beyond the reach of the vast majority of co-operatives.

As the 1971 Select Committee of the Legislature found:

*"...there are fundamental differences in the securities issued by co-operatives from securities issued by a business corporation.*

*Shares issued by a co-operative are not listed on a stock exchange, rarely fluctuate in value and may only be transferred with the approval of the board of directors. They are not purchased with a view to capital appreciation or to obtaining a high return since the Act limits the rate of dividend which may be paid and in any event most of the earnings of a co-operative after provision for necessary reserves are distributed by way of patronage rebates."*

Our Solar Bonds are not traded on the open market and provide modest returns to our members. Our mission is to build and operate community-based solar electricity generation, engaging our members in projects that offer tangible financial, social and environmental returns. As a not-for-profit co-operative, our by-laws require that any profits from our business are used to further our activities. Our members believe in the



benefits of investing in community owned solar energy over the long term and are not driven by profit alone.

SolarShare would not be able to rely on the OSC exemptions to continue our business as they limit membership (accredited investors, friends and family, or private issuers) and therefore prevent us from operating on a co-operative basis, with voluntary and open membership. While our median investment is \$5,000, one quarter of our members have invested more than \$10,000 in one year, representing the majority of the total investment in Solar Bonds. As such, the annual limits of \$10,000 for ineligible and \$30,000 for eligible investors contained in the Offering Memorandum exemption would significantly harm and restrict our membership. Furthermore, many of our members wish to hold their Solar Bonds in registered savings accounts, and without a receipted Offering Statement, that will become much more difficult.

Since the OSC exemptions are not suitable for SolarShare's business, a full prospectus will be required if the Offering Statement process is eliminated. The approach of the OSC to oversight and exemptions is not suitable for the co-operative sector, which is likely to be misunderstood or get 'lost' in the machinery of the OSC, which raised close to \$90 billion in the exempt market alone last year, dwarfing the size of the Offering Statement system. Furthermore, SolarShare would struggle to meet the additional red-tape of far higher economic and administrative burdens associated with a full prospectus.

Due to the fundamental difference between co-operatives and other forms of business, and because a full prospectus is much too economically and administratively burdensome, SolarShare urges the government to maintain the current Offering Statement structure, under the oversight of the Ministry of Government and Consumer Affairs.

If that is not possible, we recommend that co-operatives become fully exempt from securities regulations for the sale of securities to members, which was the case in Ontario prior to the 1974 Co-operative Corporations Act.

We are happy to discuss how to make the Offering Statement process more efficient and are open to increased filing fees to ensure that there is no undue hardship on taxpayers.

Thank you for the opportunity to provide further comments on the Offering Statement system. Please do not hesitate to contact me should I be able assist you in any way.

Sincerely,

Chris Caners

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