



Building Your Community Capital Financing Campaign

Handbook for social economy enterprises



This guide has been specially designed for:

The personnel and boards of directors of social economy enterprises wishing to use a community capital financing campaign (community bonds or cooperative share issue).



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Introduction

What if your community could make a substantial financial contribution to your project?

Community capital financing allows social economy enterprises—non-profit organizations (NPOs) and cooperatives—to raise funds from community investors in order, for example, to raise capital for a specific development project.

A social economy enterprise (SEE) that uses this method to raise funds, issues financial securities—either community bonds (which can be issued by NPOs and, in some cases, by cooperatives) or shares (issued only by cooperatives)—which it must repay when the securities mature.

This type of financing is a flexible and tailor-made tool to raise capital, the characteristics of which (amount to be raised, value of each security, maturity, interest rate paid to investors, etc.) are determined by the enterprise's board of directors, according to its financing needs, repayment capacity and the profile of the targeted investors.

It is aimed at all types of investors, whether individuals (customers, members, staff, etc.) or legal entities (partner organizations, companies, foundations, institutional investors, etc.).

Community capital financing is an opportunity to bring together the financing needs of social economy enterprises, the aspirations of citizens and organizations to support local projects, and the expectations of the financial ecosystem to finance solid, well-established projects.

It is a powerful tool for financing and mobilization, but it is not suitable for all organizations. This is because, in particular, it involves a loan that must be repaid and legal obligations that must be met.

Appropriate support will enable you to fully exploit the potential of this guide and avoid pitfalls—the [l'ampli program](#) has been designed for this purpose. In addition, this campaign handbook¹ will guide you step by step through the community capital financing process.

Enjoy the read!

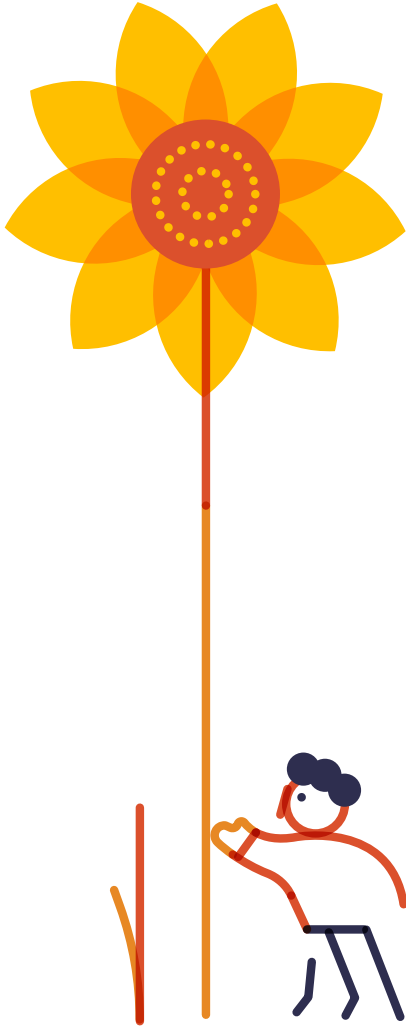
How to use this guide

This guide will give you ideas on how to determine whether this is an attractive option for your project. It will point out the questions you need to ask yourself and provide advice to you on the actions to take throughout a campaign.

You can annotate it, print it, share it, read it, reread it and refer to it later. It will help you to reflect and guide your discussions with your team and board of directors, as well as with the resource person assisting you with this fundraising process.

¹ This publication draws its information from the website amplifinance.info and *Obligations communautaires: guide d'émission pour les entreprises d'économie sociale* (TIESS, 2017), where you can find a wealth of detailed information (in French only).

At a Glance—The 5 steps of a community capital financing campaign



Gathering information and assessing relevance

Do you think community capital financing (through the issuance of community bonds or cooperative shares) can help you accomplish your project? Before deciding to include this method of financing in your financial plan, take the time to learn about its advantages and limitations, and make sure it is a suitable tool for your organization.



A

Learn about community capital financing

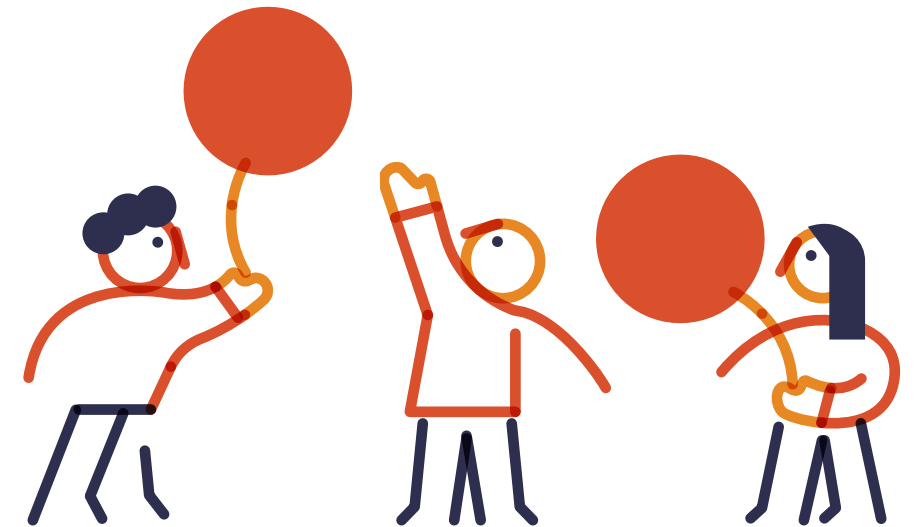
Consult existing resources to provide an overview of how community capital financing operates in the Quebec legal and social economy context, for example:

- [Understanding community capital financing in 120 seconds](#);
- [amplifinance.info](#) website (in French only);
- [Obligations communautaires: guide d'émission pour les entreprises d'économie sociale](#) (in French only);
- [Émettre des parts d'une coopérative: beaucoup plus qu'une simple formalité](#) from the Ministère de l'Économie, de l'Innovation et de l'Énergie (in French only).

Make an appointment with your regional social economy hub ([pôle d'économie sociale](#)). The agents at your hub will be able to answer your questions, support you in your thinking, assist you in the early stages and direct you to the right resources for the next steps.

Contact l'ampli.

Discuss it with your team and the board of directors (as the body legally responsible for authorizing the issuance.)



B

Assess whether community capital financing is right for your organization

Six criteria can help you determine whether you have what it takes to design, launch and manage a successful community capital financing campaign and whether this tool is right for your organization's situation:

- 1 **You have clearly identified your objectives** and are looking for more than just funding.
- 2 **Your financial structure is solid, and you have the capacity to repay** your investors according to the terms of the securities issued.
- 3 **Your community is engaged, and you have access to a pool of potential investors.** In this context, "community" may include members, users, clients, employees, partner organizations or other stakeholders with a demonstrated interest in your mission.
- 4 **Your project is clear and attractive**, and it generates enthusiasm within your community.
- 5 **Your board of directors is committed.**
- 6 **Your team has the skills and time** to implement the campaign, engage your community, and nurture long-term relationships with your investors.

This is not a good tool for your organization if, for example:

- you need urgent financing.
- you do not have the capacity to repay, even partially, the bonds or shares at maturity.
- your organization is in the pre-start-up phase, and your business model is still unclear.
- your community shows little support and/or is unlikely to invest in your project.
- your project is still vague and not solid enough and needs to be consolidated.
- Your team has limited capacity (time, expertise, etc.) to design and implement such a campaign and to manage multiple long-term investors.

In this case, other financial tools may be better suited to your situation and the development of your project, such as donation-based crowdfunding and pre-sales, grants or philanthropy.

Community capital financing is sometimes better used later when the project is more mature and meets the conditions for success.

You can seek support from your business advisor in your MRC and social economy hub.



Is community capital financing right for your organization?

Here are a few ways to find out...

- 1 **Your objectives, by issuing bonds or shares, are to:**
 - complete the financing of a project.
 - encourage the involvement of a mobilized community.
 - demonstrate this involvement to partners (leverage effect).
- 2 **Your repayment capacity is based on a number of factors:**
 - you generate independent income.
 - your business model is viable.
 - your financial health is good.
 - your financial forecasts are realistic.
 - you have identified the risks associated with the project and the measures to address them.
- 3 **You can mobilize and build an effective communications and fundraising campaign**
 - You can count on your support network.
 - Your stakeholders (work team, board of directors, members and/or users) are involved.
 - Your organization has a good reputation.
- 4 **Your project is solid**
 - The project's vision and prospects are clear. They have the ability to generate support and strengthen your organization's mission.
 - The expected benefits can be demonstrated to potential investors.
 - Key partners are committed to supporting you.
- 5 **Your board of directors and partners are involved**
 - The members of your board of directors are committed.
 - They bring together a diversity of expertise.
 - They are ready to help mobilize their networks.
- 6 **Your team has the necessary skills**
 - Your team is familiar with community bonds or shares.
 - It has a range of expertise (administration, finance, communication, etc.) in implementing the issuance and solicitation campaign.
 - It has the time to manage the campaign.
 - It has the right toolbox to navigate the campaign.



For more information

Guide d'émission, [Livret 2](#), (in French only).





Know and comply with legal provisions

You believe you meet the criteria for a successful community capital financing campaign.

From a legal standpoint, you must ensure that:

- your organization is authorized to issue bonds or shares in accordance with the Companies Act, Part III (sections 8, 77 and 225) or the Cooperatives Act, Chapter VIII, Section 1.
- your organization meets the conditions that allow it to benefit from the exemption to produce a prospectus and register as a broker, in accordance with the Securities Act (SA), Section 3, paragraph 3 (for community bonds) or Section 3, paragraph 5 (for shares).

Throughout the campaign handbook, **the boxes addressing the “Compliance with the legal framework” will help you assess these points.**

What is a prospectus exemption?

A prospectus exemption allows the organization issuing the bonds or shares to avoid producing and submitting detailed legal documents to the Autorité des marchés financiers (AMF) for approval, something that is normally required for public securities offerings.

This is an advantage for NPOs and cooperatives, as the process of drafting and approving a prospectus can be lengthy and costly for issuers.

It should be noted that the AMF may withdraw this privilege from an organization if it finds that the organization has omitted or concealed material facts; in other words, if it has abused the privilege of the exemption.

What is the exemption from registering as a broker?

The exemption from registering as a broker allows the organization to issue bonds or shares directly to its community without having to go through a paid professional intermediary (a broker).



For more information

Laws

C-38, [Companies Act, Part III, Sections 8, 77 and 225](#)

C-67.2, [Cooperatives Act, CHAPTER VIII, Section 1](#)

11 V-1.1, [Securities Act, Section 3, paragraph 3](#)

Other resources (in French only)

[Guide d'émission, Livret 1, page 13](#)

[Site de l'ampli, Cadre légal de l'émission d'obligations communautaires](#)

[Site de l'ampli, Le cadre légal des parts](#)

Compliance with the legal framework

- Your organization is registered and up to date with the Registre des entreprises du Québec (REQ)**—an obligation under the Act respecting the legal publicity of enterprises (RLRQ, chapter P-44.1).
- Your organization's constitutional documents** (letters patent for an NPO, articles of incorporation for a cooperative) **or its bylaws authorize the organization to issue bonds or shares.**

These documents must contain the following statement:

“The board of directors may, when it deems appropriate:

- borrow money against the credit of the legal entity.
- issue bonds, shares or other financial securities of the legal entity and provide them as security or sell them for a price and sum deemed appropriate.
- mortgage the real estate and movable property of the legal entity or otherwise encumber its movable property.”

If this provision is not included, you must include it **in your articles of incorporation, general by-laws or a by-law prepared for this purpose** and have it adopted by at least two thirds of the members present at a general meeting duly called for this purpose.



- Your organization is a non-profit legal entity²**—an obligation under the LVM that provides for exemptions to have to issue a prospectus and register as a broker.

This legal status is necessary but not sufficient by itself. The analysis must be based on the organization's overall mission and activities.

You must be able to demonstrate that, in regulatory terms, your organization is “fundamentally non-profit-making” in terms of its **mission, activities, revenue model** and the way in which **surpluses are reinvested**. It is therefore necessary to observe the following points:

- the mission (also known as the “primary purpose”) of your organization is “fundamentally non-profit”.
- your organization's commercial (or profit-making) activities serve and are related to the fulfilment of your mission.
- the profits from your commercial activities are reinvested in the fulfilment of the mission and are not distributed to the members of your organization.
- in the event of the dissolution of your organization, the letters patent states that your assets will be transferred to an organization carrying out a similar activity.

If you have any doubts about your organization's status³, it is essential to seek legal advice to ensure that it meets the criteria for exemption.

- In any case, it is strongly recommended that you consult a professional and obtain legal advice to validate the various legal aspects before beginning the sale of your financial securities.

² Does not apply to cooperatives selling shares to their members.

³ Points to note: some situations are nuanced and could cast doubt on the “fundamentally non-profit” nature of an organization. For example:

- the organization is linked and affiliated to a private company that appropriates part of the surplus your organization generates.
- individuals benefit from the surpluses generated by the organization.

- the organization carries out few activities related to its mission (compared to all its activities);
- significant investments in high-risk projects could jeopardize activities linked to the mission.

If this is the case, your organization may not meet the criteria of the Securities Act and would, therefore, not be eligible for the exemptions that apply to issuing a prospectus and registering as a broker.

Designing your campaign

A campaign to issue community bonds or shares requires both rigour and the ability to adapt along the way. Plan and organize your approach, think about the features that will suit your needs and the profile of your investors, and develop the documentation and tools that will support the campaign.



A

Plan

Timeline

It is important to set a realistic timetable, considering the scope of your campaign and the availability of your team. A campaign to issue bonds or shares should not be rushed.

When planning to issue bonds or shares, keep in mind that these factors can slow you down and take longer than expected:

- your board of directors must be informed and involved throughout the process.
- the process of identifying the best parameters for your campaign is not linear.
- the documentation produced must be rigorous and professional.
- the engagement strategy must be solid.
- your tools (documentation, and management and communication tools) must be fully ready when you start selling your community bonds or cooperative shares.

You can indicate your specific dates for each stage in the spaces provided in the summary of the five stages of a campaign on pages 4 and 5.

B

Reflect and build your campaign

To design your campaign and determine its characteristics, it is important to clarify your objectives, determine your financing needs and repayment capacity, identify your potential investors and understand their profiles.

Estimated costs of running the campaign

To accurately assess the cost of running your campaign, you will need to consider the costs associated with the following items:

Cost categories	Estimated costs
✓ Human resources allocated to the campaign (management, administration, accounting, communications, etc.)	📄 \$
✓ Support for the design of your campaign	📄 \$
✓ Production of communication tools (e.g., graphic design, printing, web page or site, social media)	📄 \$
✓ Organization of fundraising and communication activities (during the sales period and throughout the term)	📄 \$
✓ Management tools, such as customer or member relationship management (CRM) software	📄 \$
✓ Legal fees	📄 \$
✓ Other	📄 \$
Total estimated costs	📄 \$

To do so, it is useful to:

- 1 discuss with your partners (potential investors, financial partners, etc.) and adjust to their expectations.
- 2 go back and forth before choosing the ideal scenario.
- 3 be agile and adapt throughout the campaign based on how the community responds.

How do you identify the characteristics of your financial securities?

Browse through and consider the following points:

Project description

Describe in one or two sentences the project for which you require financing.

Other anticipated sources of financing

For example, loans, grants, donations, income or other sources.

Indicate the amounts obtained or to be obtained.

Estimate the annual income generated by the project and the recurring sources of funding available to you to ensure interest payments and repayment of capital at maturity.

The total amount to be issued

How much money are you looking to raise?

Several factors need to be considered: the budget required to carry out the project, your ability to generate income and repay the security in the long term, the stage of development of your organization, your network and your ability to mobilize support, the profile and financial capacity of the target community, and your resources and constraints (time, expertise), particularly in terms of managing long-term obligations.



For more information
(In French only)

Guide d'émission, Livret 3, pages 59 à 71

Site de l'ampli, [Comment déterminer vos conditions d'émission?](#)

The estimated cost of the project

Estimate all the investments required to carry out your project, as well as working capital and other expenses (e.g. studies, service providers, etc.).

Project risks and risk mitigation measures

If there are risks that may prevent your project coming to fruition, for example due to a lack of funding, loss of income or regulatory barriers, it is important to raise this at the beginning otherwise it could undermine your community's confidence in the project.

Identify the risks and the levers you have at your disposal to mitigate each of them.

The characteristics of your bonds or shares (terms of issue)

All this information will enable you to determine the parameters and characteristics of your community bonds or cooperative shares: nominal value, interest rate, maturity, etc. (See details on page 18.)

Your internal resources and expertise

What are your team's strengths (finance, administration, communication, fundraising, etc.)?

Assess whether you need to call on external resources to complement your expertise.

The roles and expertise of your key partners

Name your main partners and how they can support you (e.g., through a particular skill, access to a network or funding).

The objectives and expected outcomes from issuing bonds or shares

Why do you want to use community capital financing? What financial and social benefits do you expect from this campaign?

For example, your campaign may aim to supplement your overall financial package, generate leverage with other funders, mobilize your community's involvement or increase your members' sense of ownership.

Target investors

Which investors (individuals, companies, partner organizations, foundations, etc.) do you want to reach? What are their financial capacities, motivations and expectations in terms of social and financial returns?

Talk to some of your target investors to get to know them better and establish their profiles (personas). Survey them on the conditions they envision in order to validate or readjust your assumptions.

Repayment strategy

What strategies are you considering to ensure that you can repay your investors over time?

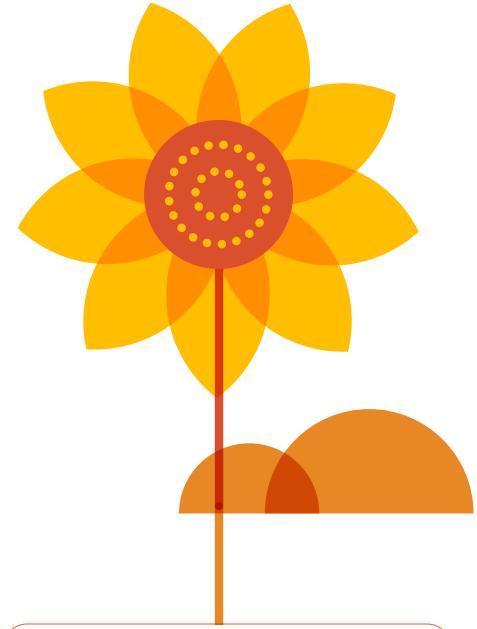
For example: setting up a contingency fund, refinancing bonds, attracting new investors, holding real estate assets that provide residual borrowing capacity, renewing bonds, converting bonds or shares into donations.

Means of communication and solicitation

How will you reach your target investors? What are your messages and your strategy?

The quality of your communication and solicitation campaign will be crucial in reaching your target investors and translating their support into investment.

Use your reflections and answers from pages 14 and 15 to fill in the boxes.



Project description



Other anticipated sources of financing



The total amount to be issued



The estimated cost of the project



Project risks and risk mitigation measures



The characteristics of your bonds or shares (terms of issue)



Your internal resources and expertise



The roles and expertise of your key partners



The objectives and expected outcomes from issuing bonds or shares



Target investors



Repayment strategy



Means of communication and solicitation



C

Establish the characteristics of your bonds or shares

The information and answers to the previous questions have enabled you to identify, among other things, your financing needs, your repayment capacity and your investors' expectations. You can now establish the parameters and characteristics of your community bonds or cooperative shares (the terms and conditions of issuing financial securities).

You may consider several categories of bonds or shares to suit different investor profiles.

For example:

- **Category A:** nominal value of \$1,000, interest rate of 3%, term of 5 years, interest paid at maturity.
- **Category B:** nominal value of \$5,000, interest rate of 4%, term of 5 years, interest paid at maturity.
- **Category C:** nominal value of \$1,000, minimum investment of \$25,000, interest rate of 5%, term of 7 years, interest paid annually.

For each category, summarize here:

Amount issued	📄
Nominal value	📄
Minimum investment	📄
Interest rate	📄
Interest payment frequency	📄
Term	📄



Included in the summary of terms

Keep in mind that the following characteristics must be clearly identified for each category and included in the summary of terms and conditions (see page 20).

- The type of security issued (bonds or shares)
- The objectives for the use of funds
- The total amount issued
- The sale period
- The issue date
- The maturity date
- The term (e.g. 4 years or 5 years)
- The nominal value (the amount of each bond or share)
- The number of bonds or shares issued
- The minimum and maximum value per investor (also known as a subscriber)
- The interest rate
- The terms of interest payment (e.g. annually or at maturity)
- The terms and conditions for transfer and redemption before maturity (e.g. transferable or non-transferable, redeemable or non-redeemable)
- The terms and conditions for repayment of principal
- The terms and conditions for renewal
- Security measures
- Tax incentives (e.g., if you are a charitable organization)
- Ongoing information (e.g., annual meeting, newsletter)



For more information

(In French only)

[Guide d'émission, Livret 3, page 63](#)

[Site de l'ampli, Comment définir les conditions d'émission?](#)

D

Produce the required documents and tools

Once you have defined the parameters for issuing the bonds or shares, your target audiences and the strategy for reaching them, it is time to translate this information into a resolution by your board of directors, documentation for potential investors (investor kit) and communication tools.

Adopt a resolution

The total amount and terms of the bonds or shares (par value, interest rate and maturity date) must be authorized in a resolution by your board of directors. It is also recommended that this resolution specify all the characteristics (i.e., summary of the issuance, see page 20). The campaign and investor kit must comply with the terms of issue included in the resolution.



Compliance with the legal framework

Board resolution

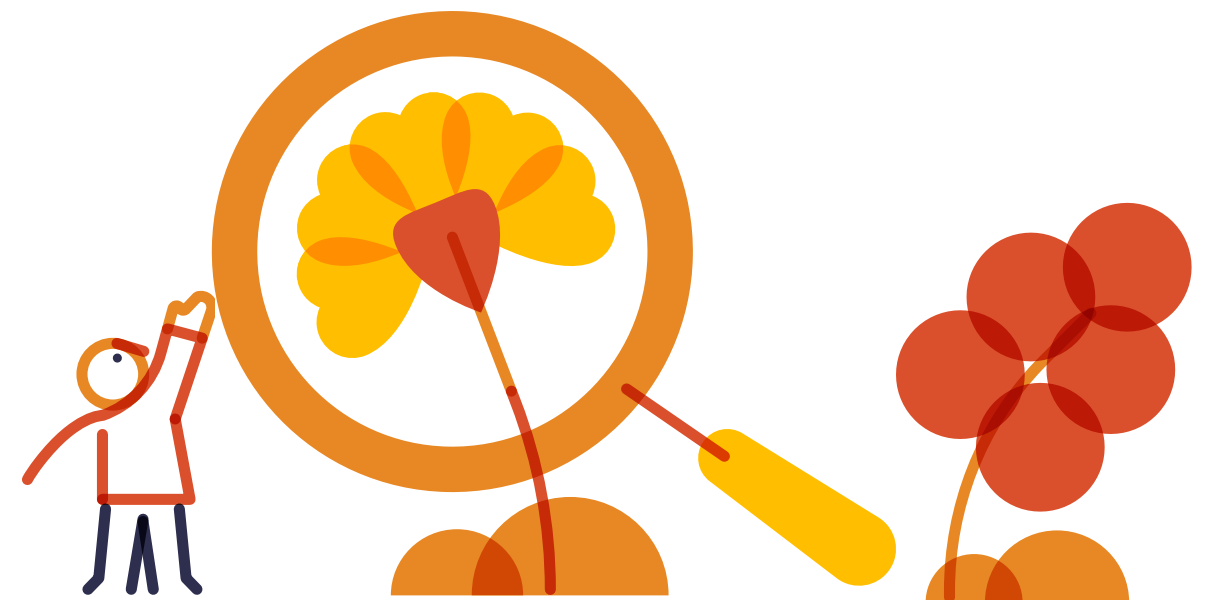
Your board of directors has adopted a resolution that:

- authorizes the total amount of bonds or shares to be issued.
- specifies the nominal value, interest rate and maturity date of each category.

Don't forget



Are your articles of incorporation up to date? They are what allow your organization to issue bonds or shares (see page 11). Your advisor can provide you with resolution templates.



Prepare the investor kit

The investor kit includes **four essential documents** to ensure transparency and enable investors to make an informed decision. You must provide this information package to them during the sale period for the community bonds or cooperative shares.

1 The information document

This is a particularly important document, as it must provide detailed, accurate and clear information about your organization (mission, financial health, governance, project) and the bonds or shares you are offering for sale (risks, benefits, security measures). It will be available on your organization's website or sent to each interested investor.

Use the table of contents in [livret 3](#) of the *Guide d'émission* (pages 72 to 74; in French only) as a guide.

2 Summary of the terms and conditions of the bonds or shares being issued

This document, the content of which must be approved by your board of directors, summarizes all the characteristics of the bonds. It is included in the information document.

For information on what to include in the summary of terms and conditions:

l'ampli website, [Comment définir les conditions d'émission?](#) (in French only);

Guide d'émission, [Livret 3](#), page 63 (in French only).



3 The subscription form

This is the contractual document signed by the investor (also known as the "subscriber") and an authorized officer of your organization (or "the issuer") confirming the purchase commitment. The investor acknowledges that they have read the information document and understood the risks. It is sent to any investor interested in purchasing bonds or shares.

For information on what to include in the subscription form: *Guide d'émission*, [Livret 3](#), page 75 (in French only).

4 The bond or share certificate

This is the acknowledgement of debt (for bonds) or the acknowledgement of participation in the capital (for shares) that your organization gives to the investor after receiving the funds.

For information on what to include in the bond or share certificate: *Guide d'émission*, [Livret 3](#), page 76 (in French only).

Compliance with the legal framework

Investor Kit

You provide investors with detailed information about the type of financial securities and the risks associated with them.

Your documentation must state that:

- "No securities authority has evaluated the quality of the community bonds offered or this document."
- "Under the law, no one may be remunerated for the sale of the community bonds offered. Each investor must analyze the impact of this investment based on their own financial situation."
- "The financial securities are unsecured. Holders of these financial securities are last in line for repayment of creditors and will therefore be the last to be repaid in the event of dissolution."
- "The principal may only be repaid if it does not undermine the financial stability of the organization."
- "The security is non-transferable" (if the security is not transferable).

You must also provide any other information necessary for investors to assess the level of risk and make an unencumbered and informed decision. For example:

- the organization's financial situation (with the possibility of making financial statements available).
- the use of funds.
- the risks associated with the project and the associated financial securities.
- the exit and repayment strategy.

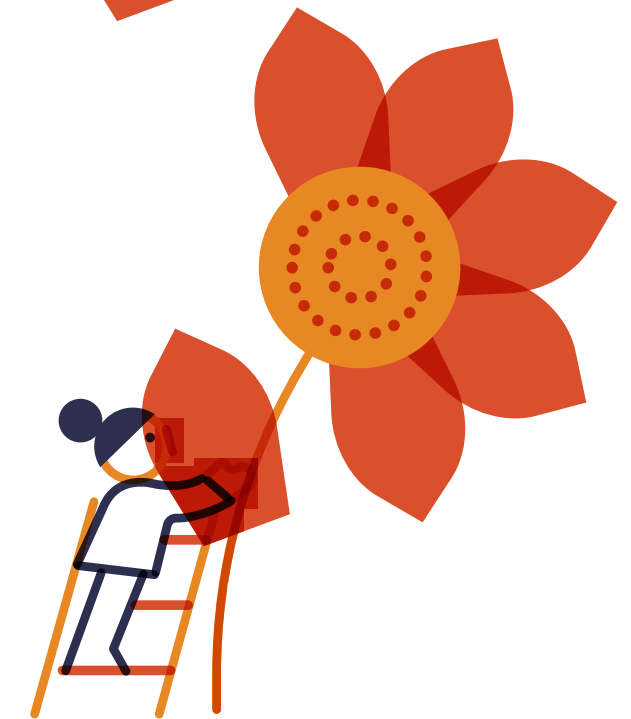


For more information Investor Kit (in French only)

Guide d'émission, [Livret 3](#), pages 72 to 77

l'ampli website, [La trousse de l'investisseur, un élément essentiel de votre campagne](#)

l'ampli website, [Faire appel à ses membres et à sa communauté, ce que vous devez savoir sur les parts privilégiées](#)



Produce communication tools and activities

Communication is one of the most strategic and crucial phases for the success of a community bond or share issue.

Communication actions will vary depending on the profile of the target investors. It is important to avoid improvisation and to prepare a solicitation plan as thoroughly as possible, even if it needs to be adjusted along the way based on the community's response.

Communication tools to be produced

Once the profiles of the target investors have been clarified, it is advisable to equip yourself with:

- clear messaging.
- a plan setting out communication and solicitation strategies.
- a concise and attractive presentation document.
- a web space that brings together all the documentation.
- a frequently asked questions (FAQ) section to answer recurring questions.
- standard emails that your team, directors and partners can use to share information and solicit targeted investors.

Compliance with the legal framework

In your communication documents:

- the information about the types of financial security and associated risks is clear, truthful and transparent.

Activities to plan

It is useful to plan events that both engage and inform your community (e.g., a launch event or information sessions).



For more information

Guide d'émission, Livret 3, pages 81 to 83 (in French only)

l'ampli website, Communiquer et mobiliser, quelques stratégies, outils et activités (in French only)



Prepare management tools

It is important to prepare for the sale of the bonds or shares by using management tools that are appropriate for the scope of the campaign. It is necessary to:

- keep an up-to-date register of bond or share holders.
- plan how investors will be able to send you their payments.
- ensure that data is stored securely (in paper or electronic form).



For more information

Guide d'émission, Livret 3, pages 79 to 89 (in French only)

l'ampli website, Bien gérer sa relation à long terme avec ses investisseurs, conseils et outils (in French only)



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Step 3

4

5

Issuing (selling) financial securities

You are now ready. The time has come to issue (sell) your bonds or shares to your community. You have set a sales period, which is generally between 2 and 6 months.



A

Open the sales period

The opening of the sales period marks the start of the sale of the bonds or shares and, therefore, the implementation of the communication and solicitation strategy established in the previous step. Now is the time to distribute the tools, be available to answer questions, and mobilize the entire team and board members so that they, in turn, can relay the information and mobilize their networks.

Be vigilant: the time needed to answer questions, whether about the project or how the financial securities work, is often underestimated.

Compliance with the legal framework

To sell your bonds or shares, you can:

- ✓ advertise and canvass.
- ✓ assign staff from your organization to these tasks.

You may not:

- ✗ offer remuneration on the sale of financial securities (e.g., the person selling the bonds or shares cannot receive a commission on the sale).
- ✗ provide investment advice (the potential investor must make their own, unencumbered decision, independently and in full knowledge of the facts, and must therefore have all the information necessary to make their decision).
- ✗ use a paid intermediary to sell the financial securities (e.g. a paid broker).
- ✗ issue securities to non-Quebec investors.

B

Close the sales period

At the end of the offering period, you must:

- verify the documents received and ensure that all forms have been signed by the investors and the authorized officer of your organization (the issuer).
- collect the payments.

Then you will be able to:

- send the certificates for bonds or shares, along with acknowledgements to investors.

Finally, you will need to:

- keep the investor register up to date and retain an electronic copy (and ideally a paper copy as well) of all documentation (copies of subscription forms, bond or share certificates and payments).

As a token of gratitude, you may also organize a thank-you event for your investors.



For more information

Guide d'émission, [Livret 3](#), pages 84 to 85 (in French only)

l'ampli website, [Vendre des obligations à sa communauté](#) (in French only)

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Step 4

5

Manage investor relations

Bondholders or shareholders have now become key partners for your organization. They have demonstrated their commitment to your organization's mission and their support for its development.



A

Maintain the relationship until the bonds or shares mature

It is important to maintain a climate of trust with your investors and to communicate regularly with them about the project and the use of funds. Beyond the sense of ownership that this can reinforce, the quality of follow-up will have a direct impact on investors' willingness to renew their commitment when the bonds or shares mature or when a new issue is made.

How?

- Inform them, at least once a year, of the progress of your project, the use of the funds raised and the development prospects for your organization.
- Keep your records (e.g. contact details) up to date and ensure that, despite possible staff turnover, documentation on the bonds or shares and investors is maintained rigorously throughout the term of the financial securities.

B

Ensure financial monitoring

To anticipate and plan for repayment when the bonds or shares mature, you should:

- regularly monitor your ability to repay the bonds at maturity.
- implement the various planned strategies, whether it be feeding a contingency fund, mobilizing new investors, organizing a new bond or share issuance, etc.



For more information

Guide d'émission, [Livret 3](#), page 86
(in French only)

[l'ampli website](#), [Bien gérer sa relation à long terme avec ses investisseurs](#) (in French only)



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2

3

4

Step 5

Redeeming or renewing the financial securities

Be prepared to get back in touch with your investors and offer them various options.



A

Anticipate the end of the term for the bonds or shares

Depending on your preferred repayment strategy and the financial health of your organization, there are **three possible options**:

- repay all or some of the investors (using the income generated and the contingency fund created for this purpose).
- renew the bonds or shares (under the same terms and conditions).
- explore the willingness of investors to convert the securities into donations.

Your organization may not have the financial capacity to repay your investors, even partially. In this case, the clause in your subscription agreement stating that “The capital may only be repaid if it does not undermine the financial stability of the organization” (see box “Compliance with the legal framework”, point 5 on page 21) allows you to renew the bonds or shares under the same conditions.

B

Get back in touch with your investors

Three months before maturity, write to each investor to inform them or remind them that the bonds (or shares) are maturing. Present them with the various options available to them (be repaid, renew the investment, convert the security into a donation).





Proceed with repayment or renewal

At maturity, different actions must be taken depending on the investors' choice.

For those who have requested repayment:

- repay the capital.
- pay the interest (if payment is due) and issue tax receipts.
- provide charity receipts (if donating interest and you are a charitable organization).

For those who have opted to renew the term of their bonds or shares:

- have the notice of renewal signed.
- submit the new bond or share certificate.
- submit tax receipts (if the interest is being donated and you are a charitable organization).

For those who wish to convert to a donation:

- have the notice to convert to a donation signed.
- submit tax receipts if you are a charitable organization.



Community capital financing and taxation

A bond is an investment instrument, and the interest earned is taxable income. Interest payments must, therefore, be reported to the federal and provincial revenue agencies.

When interest is paid, you must provide investors with:

- [Form R-3 – Investment Income](#) (provincial).
- [Form T-5 – Statement of Investment Income](#) (federal).

Since this is an investment and not a donation, there is no tax benefit for the investor, unless they decide to convert their security into a donation and your organization is recognized as a charitable organization.



For more information

[Guide d'émission, Livret 3, page 87](#)
(in French only)

[l'ampli website, Anticiper le remboursement des obligations](#)
(in French only)

[l'ampli website, Faire appel à sa communauté, ce que vous devez savoir sur les obligations communautaires](#)
(in French only)

Conclusion

This campaign handbook was designed to provide tools and guidance to social economy enterprises wishing to explore community capital financing and launch a campaign to issue bonds or shares. For personalized support, don't hesitate to take advantage of the assistance offered by l'ampli. To learn more, visit amplifinance.info or contact your social economy hub.

Support is essential to the success of a community bond or preferred share issuance campaign.

L'ampli's support staff are experts in technical and financial matters. They will guide you step by step through the campaign to issue bonds or shares. They have access to the entire l'ampli toolkit, including templates specifically designed to ensure best practices are followed and to make your work easier. Find out more about the l'ampli program [here](#).

fonds l'ampli.

The [l'ampli fund](#) is a complementary financing tool for community bond or share issuance campaigns. It can support you by doubling the investments made by your community.



In summary

here are eight best practices, taken from the amplifinance.info website, to keep in mind during each stage of this process.

- 1 Get informed
- 2 Get support
- 3 Clearly identify your organization's capabilities and future needs
- 4 Be realistic and pragmatic about the characteristics of the financial securities to be issued
- 5 Take your time and be prepared
- 6 Be thorough, clear and transparent
- 7 Be patient and reasonable
- 8 Be forward thinking

At a Glance: The legal framework

Three laws govern the issuance of community bonds or shares for social economy enterprises:

- 1 The Companies Act, Part III
- 2 The Cooperatives Act
- 3 The Securities Act

You must ensure that:

- your organization is authorized to issue bonds or shares in accordance with:
 - the Companies Act, Part III (sections 8, 77 and 225),
 - the Cooperatives Act, Chapter VIII, Section 1.
- your organization meets the conditions that allow it to benefit from the exemption to produce a prospectus and register as a broker, in accordance with:
 - the Securities Act (SA), Section 3, paragraph 3 (for community bonds),
 - the Securities Act (SA), Section 3, paragraph 5 (for shares).

To ensure that these provisions are respected, verify the following throughout the process:

Before issuance

- Your organization is registered and up to date with the **Registre des entreprises du Québec (REQ)**—an obligation under the Act respecting the legal publicity of enterprises (RLRQ, chapter P-44.1).

- Your organization's constitutional documents (letters patent for an NPO, articles of incorporation for a cooperative) or its bylaws authorize the organization to issue bonds or shares.

These documents must contain the following statement:

“The board of directors may, when it deems appropriate:

- borrow money against the credit of the legal entity.
- issue bonds, shares or other financial securities of the legal entity and provide them as security or sell them for a price and sum deemed appropriate.
- mortgage the real estate and movable property of the legal entity or otherwise encumber its movable property.”

If this provision is not included, you must include it **in your articles of incorporation, general by-laws or a by-law prepared for this purpose** and have it adopted by at least two thirds of the members present at a general meeting duly called for this purpose.


- Your organization is a non-profit legal entity⁴—an obligation under the LVM that provides for exemptions to have to issue a prospectus and register as a broker.

This legal status is necessary but not sufficient by itself. The analysis must be based on the organization's overall mission and activities.

You must be able to demonstrate that, in regulatory terms, your organization is “fundamentally non-profit-making” in terms of its **mission, activities, revenue model** and the way in which **surpluses are reinvested**. It is therefore necessary to observe the following points:

- the mission (also known as the “primary purpose”) of your organization is “fundamentally non-profit”.
- your organization's commercial (or profit-making) activities serve and are related to the fulfilment of your mission.
- the profits from your commercial activities are reinvested in the fulfilment of the mission and are not distributed to the members of your organization.
- in the event of the dissolution of your organization, the letters patent states that your assets will be transferred to an organization carrying out a similar activity.

If you have any doubts about your organization's status⁵, it is essential to seek legal advice to ensure that it meets the criteria for exemption.


-  In any case, it is strongly recommended that you consult a professional and obtain legal advice to validate the various legal aspects before beginning the sale of your financial securities.

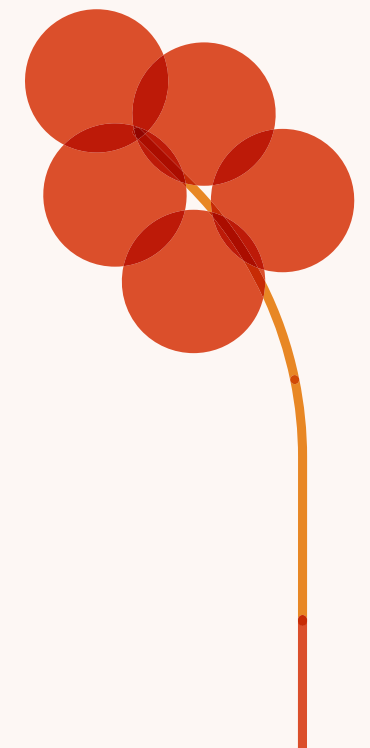
Board resolution

Your board of directors has adopted a resolution that:

- authorizes the total amount of bonds or shares to be issued.
- specifies the nominal value, interest rate and maturity date of each category.

Don't forget

-  Are your articles of incorporation up to date? They are what allow your organization to issue bonds or shares (see page 11). Your advisor can provide you with resolution templates.



⁴ Does not apply to cooperatives selling shares to their members.

⁵ Points to note: some situations are nuanced and could cast doubt on the “fundamentally non-profit” nature of an organization. For example:

- the organization is linked and affiliated to a private company that appropriates part of the surplus your organization generates.
- individuals benefit from the surpluses generated by the organization.

- the organization carries out few activities related to its mission (compared to all its activities);
- significant investments in high-risk projects could jeopardize activities linked to the mission.

If this is the case, your organization may not meet the criteria of the Securities Act and would, therefore, not be eligible for the exemptions that apply to issuing a prospectus and registering as a broker.

Investor Kit

You provide investors with detailed information about the type of financial securities and the risks associated with them.

Your documentation must state that:

- “No securities authority has evaluated the quality of the community bonds offered or this document.”
- “Under the law, no one may be remunerated for the sale of the community bonds offered. Each investor must analyze the impact of this investment based on their own financial situation.”
- “The financial securities are unsecured. Holders of these financial securities are last in line for repayment of creditors and will therefore be the last to be repaid in the event of dissolution.”
- “The principal may only be repaid if it does not undermine the financial stability of the organization.”
- “The security is non-transferable” (if the security is not transferable).

You must also provide any other information necessary for investors to assess the level of risk and make an unencumbered and informed decision. For example:

- the organization’s financial situation (with the possibility of making financial statements available).
- the use of funds.
- the risks associated with the project and the associated financial securities.
- the exit and repayment strategy.

In your communication documents:

- the information about the types of financial security and associated risks is clear, truthful and transparent.

When financial securities are being issued

To sell your bonds or shares, you can:

- ✓ advertise and canvass.
- ✓ assign staff from your organization to these tasks.

You may not:

- ✗ offer remuneration on the sale of financial securities (e.g., the person selling the bonds or shares cannot receive a commission on the sale).
- ✗ provide investment advice (the potential investor must make their own, unencumbered decision, independently and in full knowledge of the facts, and must therefore have all the information necessary to make their decision).
- ✗ use a paid intermediary to sell the financial securities (e.g. a paid broker).
- ✗ issue securities to non-Quebec investors.

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