

**INVESTMENT  
CAPITAL  
BRANCH**

**CREATING  
BUSINESS  
INVESTMENT,  
INNOVATION  
AND  
OPPORTUNITY**



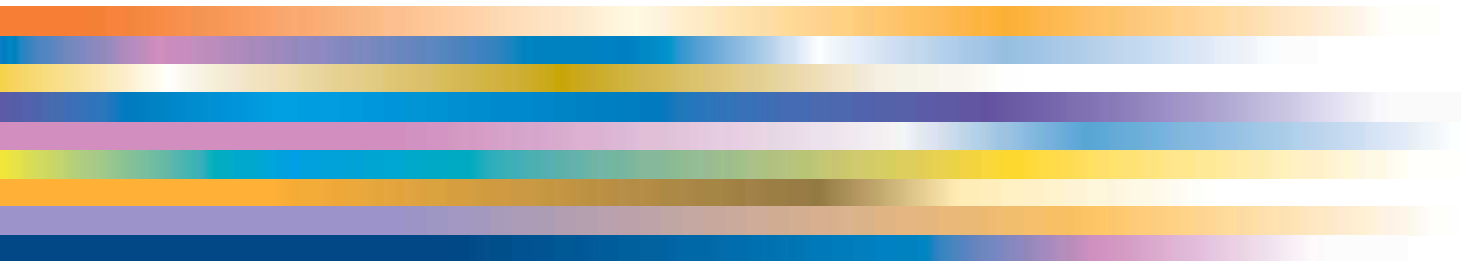
*Accelerate  
your  
access  
to capital*

## BACKGROUND

There are many challenges to owning a small business. Among them, access to capital. The ability to raise capital can determine the success of getting a good idea off the ground. It can also determine the ability to attract and retain good employees, to expand, and to compete effectively in the global marketplace.

This government recognizes the primary role of small business in diversifying the economy and in creating new job opportunities. The Ministry of Competition, Science and Enterprise offers 3 key programs to help small business gain access to capital. These programs offer tax credits to investors so that small businesses may continue to lead the economic future of British Columbia.

Have a closer look at our programs and see where you fit in as either an investor, small business owner, or as an employee. The right funding at the right time can make all the difference in achieving success in today's economy.



## VENTURE CAPITAL PROGRAMS

The venture capital programs operating under the *Small Business Venture Capital Act* encourage early stage or ‘seed’ equity capital investment in small businesses by offering resident investors a 30 percent refundable tax credit. The Equity Capital Program encourages investment in small businesses throughout the province while the Community Venture Capital Program encourages investment in small businesses operating outside of the Greater Vancouver and Capital Regional Districts.

Program investors may provide up to \$67 million per year in equity capital for investment in small businesses. Of this amount, \$10 million of program capital is reserved for investment in small businesses operating outside of the Lower Mainland and \$17 million is reserved for investment in small businesses substantially engaged in the ‘new media’ sector.

The programs offer two different investment options:

### **Venture Capital Corporations – Portfolio Investing**

Under this structure, program investment is made through a holding corporation known as a Venture Capital Corporation or ‘VCC’. The VCC raises investment capital from resident investors and then invests these funds into one or more qualifying small businesses. This investment structure is ideal for investors who want to invest their equity capital with others into a ‘fund’ that will rely on professional management to select and manage a diverse portfolio of investments.



## **Eligible Business Corporations –**

### **The ‘direct’ investment approach**

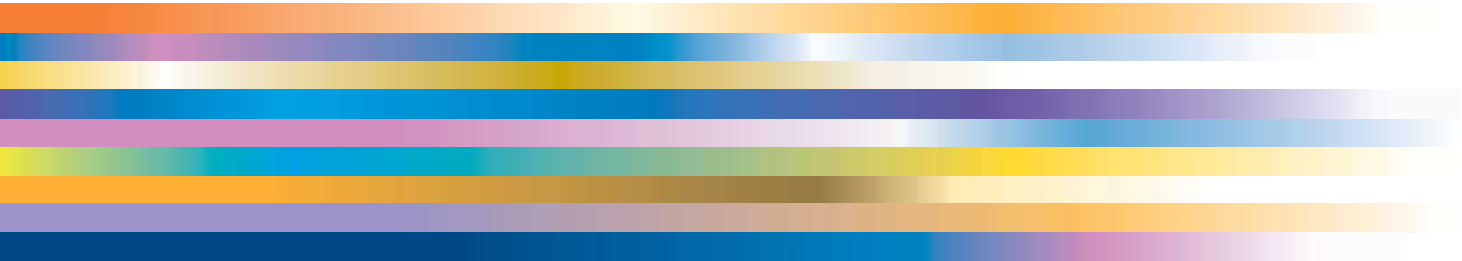
A small business and its investors also have the option of registering as an Eligible Business Corporation or ‘EBC’ under the programs. This allows a small business to accept equity capital from investors without having to set up a holding company or VCC. This program structure is ideal for an investor that is planning to be actively involved in the growth of the small business.

### **Small Business Eligibility**

To qualify for investment under the programs, a small business must meet the following criteria:

- a) Have no more than 100 employees, including affiliates, at the time of the program investment.
- b) Pay at least 75 percent of its wages to employees who regularly report to work in British Columbia (50 percent if the business is engaged in export activities).
- c) Maintain a ‘permanent establishment’ in British Columbia as defined under the *Income Tax Act* (Canada).
- d) The business is substantially engaged in one of the following prescribed activities:
  - Manufacturing, processing or export of value-added goods produced in British Columbia;
  - Destination tourism;
  - Development of proprietary technology;
  - Development of interactive digital new media product; or
  - Community diversification outside of the Lower Mainland and the Capital Region.

For more information on program eligibility, refer to the eligible small business policy statement on the branch website at [www.equitycapital.gov.bc.ca](http://www.equitycapital.gov.bc.ca)



## EMPLOYEE VENTURE CAPITAL CORPORATIONS – LABOUR-SPONSORED FUNDS

Labour-Sponsored Funds are registered under the *Employee Investment Act* and are owned by shareholders who rely on professional management to select investment opportunities that will maximize return. The objective of a Fund is to earn a competitive return for shareholders through long-term equity investments in companies that are seeking ‘expansion’ capital.

Labour-Sponsored Funds are a unique investment vehicle that give investors the opportunity to receive tax credits and to participate in the success of the most entrepreneurial companies in British Columbia in the high growth sectors of the economy. A fund raises capital from residents of British Columbia who, in turn, receive a provincial tax credit of 15 percent and a federal tax credit of 15 percent.

To date, over 60,000 investors have invested in the two Labour-Sponsored Funds that are registered in the province, Altura Growth Fund (EVCC) Inc. and the Working Opportunity Fund (EVCC) Ltd. Over time, there will be additional Labour-Sponsored Fund registrations in British Columbia to provide investors more choices for investment opportunity and small businesses with sources of capital.

To qualify for investment from a Labour-Sponsored Fund registered in the province, a small business must meet the following criteria:

- a) Pay at least 50 percent of its wages to employees who regularly report to work in British Columbia.
- b) Has, together with affiliates and associates, less than \$50 million in total assets.
- c) Is not substantially engaged in the following ineligible activities:
  - Primary resource exploration or extraction;
  - Financial services;
  - Property management or the rental or leasing of land;
  - Real estate development;
  - Agricultural activities; or
  - Retail services.



## EMPLOYEE SHARE OWNERSHIP PROGRAM

To compete effectively in today's global marketplace, business leaders must constantly search for new and innovative ways to improve productivity and to attract and retain skilled employees. In many cases, businesses must be prepared for the dramatic change in leadership they will face as owners and managers retire.

Employee ownership is a tool that can help businesses meet these challenges. It's a proven strategy for increasing profits and productivity and lowering staff turnover. It's also a valuable mechanism for helping retiring owners sell their businesses to their employees. This way, jobs are protected and local economies are strengthened.

The Employee Ownership Share Program, operating under the *Employee Investment Act*, provides employees with a 20 percent tax credit for making investments in their employer's businesses. In most cases, investments can also be transferred to self-directed RRSPs to obtain further tax benefits. The program also shares the costs of setting up a plan. The program is available to both privately held and publicly traded companies.

To qualify for investment from employees under the program, a small business must meet the following criteria:

- a) Have, together with its affiliates, less than \$500 million in total assets; and
- b) Pay at least 25 percent of its wages to employees who are resident in British Columbia.



**Venture Capital Programs  
& Labour Sponsored Funds**

Ministry of Competition,  
Science and Enterprise  
Investment Capital Branch  
PO Box 9800, Stn Prov Govt  
7th Floor, 1810 Blanshard Street  
Victoria, British Columbia  
V8W 9W1

Telephone: (250) 952-0136  
Toll free: (800) 665-6597  
Facsimile: (250) 952-0371  
E-mail: [ecp@tbc.gov.bc.ca](mailto:ecp@tbc.gov.bc.ca)  
Website: [www.equitycapital.gov.bc.ca](http://www.equitycapital.gov.bc.ca)

**Employee Share Ownership Program**

Ministry of Competition, Science and Enterprise  
Investment Capital Branch  
Suite 730, 999 Canada Place  
Vancouver, British Columbia  
V6C 3E1

Telephone: (604) 844-1900  
Toll free: (800) 665-5457  
Facsimile: (604) 660-1719  
E-mail: [esop@tbc.gov.bc.ca](mailto:esop@tbc.gov.bc.ca)  
Website: [www.equitycapital.gov.bc.ca](http://www.equitycapital.gov.bc.ca)