

1. What is a CEDIF?

See [Community Economic Development Investment Funds](#) .

2. Who decides how my money will be spent?

The Board of Directors of the CEDIF subject to the disclosure in the offering document.

3. What are the time frames for the CEDIF to invest?

Pursuant to section 16 of the Equity Tax Credit Regulations,

- 80% of the net proceeds must be invested within 36 months of the initial closing date in item 17 where 40% is invested within 12 months, 60% within 24 months and 80% within 36 months.

4. If the CEDIF proposes to invest more than 40% of the total proceeds of all of its offerings in a single specified investment that was not disclosed in the offering document, what is the CEDIF's responsibility?

Please refer to section 20 of the CEDC Regulations. Generally, the CEDIF must:

- i) provide security holders with an information circular that describes in sufficient detail the specifics of the transaction and the operations of the potential investment to let the security holders form a reasoned opinion concerning the investment,
- ii) call a special meeting, and
- iii) obtain the approval of at least 50% plus one of the votes cast at the special meeting excluding the votes of directors, officers, promoters and related parties.

5. How do I get out of the CEDIF?

Pursuant to subsection 9(2) of the Equity Tax Credit Act, if you dispose of your shares under any circumstances other than at the death of the shareholder before the 5 year hold period expires you may in most cases be required to repay the ETC. The Nova Scotia Department of Finance will recover the funds from the Canada Revenue Agency ("CRA").

- i) You may be able to sell your shares back to the CEDIF. There is no legal obligation for the CEDIF to purchase your shares at any price although they may do so at their discretion. This is a decision made by the Board of Directors. If the CEDIF is paying out more than 20% of retained earnings to purchase shares it must get written approval from the Minister of Finance.
- ii) You may sell your shares to an existing shareholder of the CEDIF at any price provided you give them a statement advising them in writing prior to entering into an agreement of purchase and sale that the purchaser shall not accrue any advantage under the Equity Tax Credit Act as a result of such

purchase. The purchaser should also be aware that if their holdings exceed 20% of the shares outstanding, the CEDIF's registration will be revoked by the Minister of Finance.

iii) You may sell to a purchaser who purchases in compliance with the Securities Act and any applicable Securities Rules, ie, National Instrument 45-106 Prospectus and Registration Exemptions.

6. Can a potential investor from outside of Nova Scotia invest in the CEDIF?

The CEDIF must rely on the securities law in the jurisdiction of the potential investor in addition to Nova Scotia securities law and if the CEDIF is an investment fund, it must have a registered investment fund manager registered in that jurisdiction. A non-resident investor is not eligible for the ETC in Nova Scotia as per subsection 2(i) of the Equity Tax Credit Act.

7. If the CEDIF has invested 20% or more of its net proceeds of the total offerings to date in an investee corporation. What has to be filed?

The most recent financial statements of the Investee Corporation have to be filed with the offering document.

8. What if I want to have my CEDIF involved on Facebook or in Chat Rooms or Bulletin Boards?

Best practices which would ensure that material non public information is not posted. If a CEDIF wishes to post; a description of the procedures that would be in place to ensure that any information posted is already public, site address and who will be responsible for monitoring the site signed by the CEO of the CEDIF and the individual(s) who will be responsible for monitoring the site must file in hard copy with the NSSC.

9. What is the difference between a public company and a private company?

- A public company is a reporting issuer and the shares are freely tradable. These shares can also be listed on a stock exchange.
- A **private company** is not a reporting issuer, the shares are not listed on a stock exchange and the shares can only be traded under an exemption under securities legislation. (Please refer to the next question for further information concerning selling shares.)

10. Can CEDIF shares be sold on Kijiji or the internet?

No, this would be considered offering private company shares to the public and is a violation of securities law. The shares may only be sold in accordance with the exemptions listed in item # 57 of the offering document.

- All trades must be reported to the NSSC on Form 2 – *Report of Trade* within 30 days of the trade.

11. What is the market value of a CEDIF share?

- The market value of a security is the price paid in a free market transaction (such as on a stock exchange or between a willing buyer and seller) where the price that another party will pay in an arm's length transaction where the seller is not under any pressure to dispose of their shares.
- As stated in the offering document on page 17 ***“There is no organized market through which the Shares may be sold. It may be difficult or even impossible for the investor to sell them.”***
- CEDIF shares market price cannot be established through an organized market transaction such as a stock exchange as such a market does not exist. By selling shares in compliance with an exemption, a market price may be established.
- CEDIFs should consult with a professional or chartered business valuator to discuss what options are available to determine the fair market value of a CEDIF's shares.

*The NSSC does not provide guidance, methodology or opinions on the valuation of securities. The current price of last offering price may not reflect the current market value of a CEDIF share.

12. Can registrants sell CEDIF shares?

Subsection 3(4) of the CEDC Regulations states *“Distributions in shares of a CEDC may be made only by registrants registered under the Act that are authorized to trade in the shares or by the individuals listed in the offering document.”*

- a) IIROC Registrants – Since each purchaser is considered a client of the dealer, the dealer's name must be listed in the offering document and must provide the NSSC with a letter stating that it is permissible for the individuals named in the letter to sell the CEDIF shares and are selling with the dealer's knowledge.
- b) Exempt Market Dealers - same as IIROC registrants.
- c) Mutual Fund Registrants – Since these registrants are registered to trade in mutual funds, they **cannot sell** CEDIF shares because CEDIFs **are not** considered mutual funds.

13. I am currently a registrant and wish to be an officer of on the board of directors of a CEDIF. What activities can I undertake?

- A registrant can be an officer or director of a CEDIF. However, you cannot promote, act as a finder or sales agent unless you meet the requirements as noted under “Can registrants sell CEDIF Shares?”
- If you are a registrant and an officer or director of a CEDIF you must also advise your compliance officer of your outside business activities with CEDIF.

14. Can a CEDIF merge with another company?

Like any other company, a CEDIF can merge with another company.

- You should consult legal counsel for instructions on how to proceed.
- You should note that sections 20 and/or 21 of the CEDIF regulations may apply.
- There may also be equity tax credit implications; you should contact the Department of Finance to discuss those issues.

15. Where can I go to get more information?

Information is available on the Nova Scotia Securities Commission’s website at: [CEDIFs](#).