



Notice No. 45-719

NOTICE AND REQUEST FOR COMMENT

**NOVA SCOTIA SECURITIES COMMISSION POLICY 45-601
COMMUNITY ECONOMIC DEVELOPMENT INVESTMENT FUNDS**

November 22, 2023

Introduction

The Nova Scotia Securities Commission (the **Commission**) is proposing to amend Nova Scotia Securities Commission Policy 45-601 *Community Economic Development Investment Funds* (the **Policy**) and to amend the corresponding Blanket Order No. 45-521 (the **Blanket Order**). The proposed amendments will:

- Increase to \$25 million the amount of capital that a Community Economic Development Investment Fund (**CEDIF**) that is an investment fund can raise;
- For those CEDIFs that take advantage of this increased amount, require that they:
 - Prepare audited annual financial statements under International Financial Reporting Standards (**IFRS**);
 - Provide an annual certification; and
 - Obtain a risk acknowledgement from investors at the time of investment.

The [Policy](#) and [Blanket Order](#) are available on the Commission's website. The policy and blanket order with the proposed amendments marked (the **Proposed Policy** and the **Proposed Blanket Order**, respectively) are attached as Appendices A and B to this Notice.

Background

According to the Nova Scotia Equity Tax Credit Guidelines, CEDIFS “assist Nova Scotia community-run small businesses and co-operatives in obtaining local financing. In particular, CEDIFs are formed in order to provide capital to businesses within a defined community distinguishable by common geographic, economic or cultural characteristics. The funds raised under the program must be used within that community. The Province supports these community initiatives by providing an Equity Tax Credit (ETC) for eligible investments made in CEDIFs.”¹

CEDIFs sell shares to security holders and invest the proceeds. CEDIFs that invest passively (that is, they do not seek to exercise control or actively manage the entities they invest in) are classified as investment funds under the Nova Scotia *Securities Act* (the **Securities Act**).

Under subsection 31(3) of the Securities Act, a person or company that directs the business, operations or affairs of an investment fund must be registered as an investment fund manager (**IFM**).

Nova Scotia securities laws impose requirements on investment funds that are reporting issuers and on registered IFMs. These requirements are designed to protect investors in such funds. These requirements include filing detailed disclosure and material change reports, the appointment of a qualified Chief Compliance Officer, minimum capital amounts, and the holding of stipulated levels of insurance. They also require audited financial statements that are prepared under IFRS. In most cases, an investment fund that is a reporting issuer and the registered IFM for that investment fund will be separate entities, which provides another level of checks and balances that protect investors.

CEDIFs that are investment funds will generally not be structured in this way or meet these requirements because of their small size (relative to most public investment funds), often largely volunteer directors and staff, and the costs that would be involved in complying with securities laws requirements that apply to investment funds and registered IFMs.

To facilitate the operation of the Province's CEDIF programme while fulfilling the Commission's investor protection mandate, in 2014 the Commission adopted the Policy and issued the Blanket Order.

The Policy sets out the two situations where a CEDIF that is an investment fund can be exempted from the investment fund and registered IFM requirements under Nova Scotia securities law. To be exempt,

¹ [Nova Scotia Equity Tax Credit Guidelines](#) (April 2018), at p. 1.

1. the CEDIF must either specify with particularity in its offering document the investments that the CEDIF will make with the capital raised, and obtain security holder approval for any changes to the investments; or
2. the amount of capital raised by the CEDIF under an offering must not exceed \$3 million and the amount of capital raised by the CEDIF and any affiliated CEDIFs, within the meaning in the *Equity Tax Credit Act* (Nova Scotia), under all exemptions from the prospectus requirement, must not exceed \$6 million in aggregate (the **Funding Cap**).

A CEDIF that chooses to rely on the exemptions in the Blanket Order must provide a warning (set out in the Policy) in its offering document that the CEDIF will not be required to comply with the requirements of a registered IFM and therefore, when investors purchase shares in the CEDIF, they should be aware that they will not have the protection of the requirements and standards imposed on registered IFMs.

There is also a condition that the CEDIF and any other affiliated CEDIFs may raise no more than

- \$15,000 per beneficial investor per calendar year in aggregate, or
- \$30,000 per beneficial investor per calendar year in aggregate if the investor has obtained advice regarding the suitability of the investment from a person or company registered as an investment dealer or exempt market dealer authorized to sell securities of the CEDIF,

unless the investor is an accredited investor (as defined in Nova Scotia securities law) or an officer, director or promoter of the CEDIF (the **Investor Limits**).

Finally, under the *Equity Tax Credit Act*, a CEDIF is eligible for registration under that act only if, among other things, it has assets (calculated in the prescribed manner) of less than \$25 million, including assets of its affiliated companies or associations.²

The Policy and Blanket Order reflect the balancing of investor protection, on the one hand, and fostering the process of capital formation under the Province's CEDIF programme, on the other hand, as required under subsection 1A(1) of the *Securities Act* and as the Commission assessed that balance in 2014.

To our knowledge, five CEDIFs have relied on the Policy and Blanket Order since 2014. We are not aware of any investor protection concerns that have arisen in relation to CEDIFs that have

² See subsection 12(d) of the *Equity Tax Credit Act*.

relied on the Blanket Order. Most of the CEDIFs that have relied on the Blanket Order have raised much less than \$6 million: four have raised less than \$3 million.³

The Commission has now heard from one such CEDIF that it would like to raise more than the amount of the Funding Cap, as it has raised close to that amount and wishes to continue raising funds to make worthwhile investments. As noted above, the *Equity Tax Credit Act* sets a limit of \$25 million on the assets of a CEDIF registered under that act. We also note that there is a structural incentive for CEDIFs to raise additional capital in order to maximize the tax credits available to long-term investors.⁴

Analysis

We therefore considered

- increasing the Funding Cap, and
- whether we should impose any additional requirements or restrictions on CEDIFs that take advantage of an increased Funding Cap so that the Proposed Policy and Proposed Blanket Order would continue to balance investor protection and fostering the process of capital formation.

Increased Funding Cap

The \$6 million Funding Cap was not, at the time it was implemented, based on any independent requirements applicable to CEDIFs, nor was it derived from the amounts that could be raised under analogous registration or prospectus exemptions.⁵ Adjusted for inflation since 2013 (when the Commission first proposed the Policy and Blanket Order), the equivalent amount today would be approximately \$7.7 million.⁶

The *Equity Tax Credit Act* suggests that the Nova Scotia legislature believes that the CEDIF model is appropriate for funds that have assets of up to \$25 million, although we acknowledge that investor protection is not one of the stated objectives of that act.

³ There are CEDIFs that have raised amounts greater than the Funding Cap, but the Funding Cap does not apply to a CEDIF that invests for the purpose of exercising or seeking to exercise control of the entities it invests in and/or being actively involved in the management of the entities it invests in.

⁴ See section 8 of the *Equity Tax Credit Act*.

⁵ For example, the startup crowdfunding exemption was introduced in 2015 through Multilateral Instrument 45-316 *Start-up Crowdfunding Registration & Prospectus Exemptions* and allowed an issuer to raise no more than an aggregate of \$250,000 in a single distribution and to make no more than two such distributions per calendar year (since increased to an annual maximum of \$1.5 million under National Instrument 45-110 *Start-up Crowdfunding Registration and Prospectus Exemptions*).

⁶ This result is provided by the [Bank of Canada's online inflation calculator](#).

Additional Requirements or Restrictions

As noted above, registered IFMs are subject to onerous requirements that are intended to protect investors by ensuring that:

- individuals who operate funds that passively invest the assets of others are qualified, through education and experience, to make sound investing decisions;
- a proficient Chief Compliance Officer is responsible for controls and record-keeping that ensure that the registered firm and its employees comply with securities laws and that reduce the risk of losses due to fraud, theft and negligence;
- investors are protected from fraud, theft and negligence by requiring registered IFMs to keep adequate capital on hand as well as liability insurance; and
- investors are provided with disclosure of sufficient information to allow them to properly assess the performance of their investments.

We conducted a “gap” analysis of these requirements and the requirements applicable to CEDIFs under the Policy and Blanket Order. Our analysis concluded that:

- imposing additional proficiency requirements for those operating the CEDIF, and requiring a Chief Compliance Officer who meets the educational and experiential requirements for that category, would be too onerous for CEDIFs with assets below \$25 million, and there are no less burdensome alternatives currently available (such as alternative courses or certifications);
- requiring CEDIFs to file financial information within the shorter due dates applicable to investment funds that are reporting issuers, and to registered IFMs, would not increase investor protection;
- requiring the minimum capital amount of \$100,000 would likely be unworkable for CEDIF proponents and provide negligible additional protection relative to the CEDIF’s assets;
- requiring the minimum insurance coverage of \$250,000 (for a CEDIF with assets of \$25 million) would be problematic because insurers would likely not offer coverage to such CEDIFs, and the coverage would provide negligible additional protection relative to the CEDIF’s assets.

Investment funds that are reporting issuers are subject to extensive requirements⁷ that are also intended to protect investors. These include restrictions regarding their investments (including

⁷ See National Instrument 81-102 *Investment Funds*, National Instrument 81-106 *Investment Fund Continuous Disclosure*, and National Instrument 81-107 *Independent Review Committee for Investment Funds*.

restrictions relating to concentration, control, illiquid assets, investments in other investment funds, borrowing, short sales and transactions in derivatives), provisions relating to conflicts of interest, fundamental changes, custody of the fund's assets and independent review committees.

Investment funds that are reporting issuers are also required to prepare audited annual financial statements in accordance with IFRS. This requirement protects investors by ensuring that, among other things, investments held by the CEDIF are reflected at fair value in the financial statements that investors receive. In addition, investment funds that are reporting issuers are required to prepare a management report of fund performance which provides an analysis and discussion of the fund's performance.

We also conducted a "gap" analysis of these requirements and the requirements applicable to CEDIFs under the Policy and Blanket Order. Our analysis concluded that most of these requirements would not provide appreciable additional investor protection when compared to the additional burden they would place on CEDIFs. However, we concluded that additional enhanced requirements relating to financial statements and a new certification requirement would be appropriate, as described below.

Finally, we also reviewed the requirements applicable to other registration and prospectus exemptions under Nova Scotia securities law, including those under National Instrument 45-106 *Prospectus Exemptions*, National Instrument 45-110 *Start-Up Crowdfunding Registration and Prospectus Exemptions*, Blanket Orders 45-539 *Re Small Business Financing* of the Alberta Securities Commission and Saskatchewan's Financial and Consumer Affairs Authority, and the Ontario Securities Commission's Instrument 45-507 *Self-Certified Investor Prospectus Exemption*. We concluded that a new investor risk acknowledgement would be appropriate, as described below.

Substance and Purpose of the Proposed Amendments

Based on our analysis, we are proposing the following changes to the Policy and Blanket Order:

1. CEDIFs that are investment funds and any affiliated CEDIFs, within the meaning in the Equity Tax Credit Act (Nova Scotia) will be allowed to raise up to \$25 million (the **Extended Funding Cap**) under all exemptions from the prospectus requirement;
2. Any CEDIF that wishes to take advantage of the Extended Funding Cap (i.e. by raising more than \$6 million under all exemptions from the prospectus requirement) will be required to:
 - a. file and deliver to all of its securities holders audited annual financial statements that are prepared under IFRS for its financial year beginning on or after January 1, 2024, including any interim financial reports for that year;

- b. file an annual certificate in the form of Appendix A to the Proposed Blanket Order; and
- c. Obtain a risk acknowledgement from investors at the time of investment in the form of Appendix B to the Proposed Blanket Order.

The proposed requirement to file and deliver audited financial statements that are prepared under IFRS protects investors by ensuring that, among other things, investments held by the CEDIF are reflected at fair value in the information that investors receive. This proposed requirement supersedes subsection 22(2) of the *Community Economic-Development Corporations Regulations* for any CEDIF that takes advantage of the Extended Funding Cap.⁸

Nothing in the Proposed Policy and Proposed Blanket Order is intended to alter the requirements and limits set out in the *Equity Tax Credit Act*, including, without limitation, the eligibility requirements under subsection 12(d) of the *Equity Tax Credit Act*. CEDIFs that rely on the Proposed Blanket Order must continue to ensure that they comply with all applicable requirements.

In addition, the Policy and Blanket Order (as well as the Proposed Policy and Proposed Blanket Order) apply only to a CEDIF's capital raising activities involving investors resident in Nova Scotia. The relief in the Blanket Order (and Proposed Blanket Order) does not apply to the CEDIF's dealings with investors that reside in a jurisdiction other than Nova Scotia, and any CEDIF that deals with investors residing outside of Nova Scotia must comply with all applicable requirements (including the requirement to register as an IFM) in any such jurisdiction.

Alternatives Considered

One alternative to making the amendments would be to revoke the Policy and Blanket Order so that CEDIFs would be required to become registered IFMs. While this would allow CEDIFs to raise any amount (subject to compliance with the *Equity Tax Credit Act*), this would be onerous for the CEDIFs and could detrimentally affect the Province's CEDIF program because, given the community-based nature of CEDIFs, they are not likely to be able to afford the cost of professional licensed personnel or the other costs of complying with these requirements.

We also considered maintaining the *status quo* and leaving the Funding Cap at its current amount. However, we believe that the additional investor protection measures we are proposing will balance any increased risks associated with the Extended Funding Cap.

Anticipated Costs and Benefits

We believe that the Proposed Policy and Proposed Blanket Order continue to appropriately balance investor protection and fostering the process of capital formation under the Province's

⁸ Under subsection 150A(8A) of the Securities Act, these Regulations are deemed to be rules made by the Commission pursuant to section 150 of the Securities Act.

CEDIF programme. The additional requirements that we are proposing will ensure that Nova Scotians receive reliable information concerning their investments in a CEDIF that is an investment fund.

Nova Scotia investors in CEDIFs that are investment funds exempt under the Proposed Policy will still not have the protections of Nova Scotia securities laws for an offering of securities of an investment fund with a registered IFM. However, the Proposed Policy remains restricted to (a) CEDIF investment funds that have disclosed the entities they propose to invest in and therefore do not have the discretion to manage the investments, and (b) CEDIF investment funds that have raised no more than the proposed \$25 million Extended Funding Cap using exemptions from the prospectus requirements and that comply with the additional requirements we are proposing.

We are also maintaining the Investor Limits, as we believe that they appropriately limit the losses that any one investor can suffer in connection with an investment in a CEDIF, including any affiliated CEDIFs.

Further Review of CEDIF Requirements

Commission staff are currently reviewing these and other existing CEDIF requirements in order to develop a consolidated CEDIF rule that incorporates all of our existing rules and orders. If adopted, the Proposed Blanket Order will be incorporated in that consolidated CEDIF rule.

Comments

We welcome your comments on the Proposed Policy and Proposed Blanket Order, including with respect to any transitional relief that may be required. Please send your comments in writing by **December 20, 2023**, to:

Abel Lazarus
Director, Corporate Finance
Nova Scotia Securities Commission
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5251 Duke Street
Halifax, Nova Scotia B3J 1P3
E-mail: nssc_corp_finance@novascotia.ca

Comments received may be posted on the Commission's website. Therefore, you should not include personal information in comments to be published. It is also important you state on whose behalf you are making the submissions.

Thank you in advance for your comments.

APPENDIX A
PROPOSED POLICY

Nova Scotia Securities Commission Policy 45-601

Community Economic Development Investment Funds

1. Introduction

- 1.1. Community Economic Development Investment Funds (“CEDIFs”) sell shares to security holders and invest the proceeds. CEDIFs that do not seek to exercise control or actively manage the persons or companies (the “entities”) they invest in are classified as investment funds under the *Securities Act*, R.S.N.S. 1989, c. 418, as amended (the “Securities Act”). A number of existing CEDIFs are currently investment funds as defined in the Securities Act.
- 1.2. Under subsection 31(3) of the Securities Act, a person or company that directs the business, operations or affairs of an investment fund must be registered as an investment fund manager.
- 1.3. Nova Scotia securities laws impose requirements on investment funds and investment fund managers designed to protect investors in such funds. These requirements include filing detailed disclosure and material change reports, appointment of a chief compliance officer that meets specified competency requirements, maintaining minimum capital amounts, and holding stipulated levels of insurance.
- 1.4. The requirements in Nova Scotia securities laws relating to the registration of investment fund managers were implemented on September 28, 2009, subsequent to the creation of many CEDIFs existing CEDIFs at that time.
- 1.5. The Province’s CEDIF program is intended to encourage capital raising by small, community-based issuers run by non-professional managers. To facilitate the operation of the CEDIF program while fulfilling the Commission’s investor protection mandate, the following conditions will apply to existing CEDIFs that are investment funds as defined in the Securities Act that are not in compliance with Nova Scotia securities laws for investment funds, and to all new offerings of securities by CEDIFs that are investment funds as defined in the Securities Act.

2. Definition of Investment Fund

- 2.1. CEDIFs that invest for the purpose of exercising or seeking to exercise control of the entities they invest in, or for the purpose of being actively involved in the management of the entities they invest in, are not investment funds under the Securities Act and are not subject to this policy.

- 2.2. Whether a CEDIF is “exercising or seeking to exercise control of” or “actively involved in the management of” the entities it invests in is a question of fact that will depend on a number of factors including the ownership structure of the entity, the existence and content of shareholder or management agreements, the proportion of voting shares owned by the CEDIF and the proportion of voting shares owned by other block shareholders, among other indicia of control or management. For the purposes of this policy, examples of how a CEDIF may be exercising or seeking to exercise control of the entities that it invests in or may be actively involved in the management of the entities that it invests in include:
- 2.2.1. Representation on the board of directors of the entities, or where an entity is a limited partnership, representation on the board of directors of the general partner of the limited partnership;
 - 2.2.2. direct involvement in the appointment of managers of the entities;
 - 2.2.3. the right to be consulted on material management decisions of the entities; or
 - 2.2.4. the right to elect a board of directors and vote on corporate policy of the entities or where an entity is a limited partnership, the right to elect a board of directors and vote on corporate policy of the general partner of the limited partnership.
- 2.3. For the purposes of this policy, the mere fact of ownership of shares that represent less than a majority of the voting shares of an entity, in the absence of other indicia of control, is not sufficient to demonstrate that a CEDIF is exercising or seeking to exercise control of the entity or is actively involved in the management of the entity.
- 2.4. Whether a CEDIF is exercising or seeking to exercise control of or actively involved in the management of the entities it invests in may change over time. It is the responsibility of the CEDIF to ensure that it is in compliance with Nova Scotia securities laws, including this policy, at all times.

3. Conditions for Exemption from Investment Fund Requirements

- 3.1. A CEDIF that does not invest for the purpose of exercising or seeking to exercise control of the entities it invests in and does not invest for the purpose of being actively involved in the management of the entities it invests in is an investment fund under the Securities Act and must comply with Nova Scotia securities laws relating specifically to investment funds unless one of the following conditions is met:
- 3.1.1. a) The offering document for the CEDIF specifies with particularity the investments that the CEDIF will make with the capital raised and any capital previously raised, including:
 - i) the names of the entities invested in and to be invested in,

- ii) a description of the entities invested in and to be invested in, including information relating to the entities' activities, management and financial position,
- iii) the amount or percentage of the CEDIF's assets invested in and to be invested in each entity, and
- iv) a description of all potential material conflicts of interest for each officer, director, promoter or key person of the CEDIF with each entity invested in and to be invested in,

(collectively, the "Investee Information");

- b) prior to any change in these investments, the change must be approved by at least 50% plus 1 vote of the votes cast by security holders of the CEDIF who vote at a meeting of security holders called to consider the change, excluding the shares voted by officers, directors and promoters and parties related to the officers, directors and promoters; and
- c) for the meeting referred to in paragraph b) above, if the CEDIF proposes to make new investments in entities, it has provided to its security holders, together with the materials for the meeting, the Investee Information relating to the entities that the CEDIF proposes to invest in.

3.1.2. The amount of capital raised by the CEDIF under each offering ~~must~~does not exceed \$3,000,000 and the amount of capital raised by the CEDIF and any affiliated CEDIFs, within the meaning in the *Equity Tax Credit Act* (Nova Scotia), under all exemptions from the prospectus requirement ~~must not exceed \$6,000,000 in aggregate.~~

a) does not exceed \$6,000,000 in aggregate unless the CEDIF

(i) files and delivers to all of its securities holders audited annual financial statements that are prepared under International Financial Reporting Standards for its financial year beginning on or after January 1, 2024, including any interim financial reports for that year;

(ii) files an annual certificate in the prescribed wording; and

(iii) obtains from each investor a signed risk acknowledgement in the prescribed form at the same time or before that investor signs an agreement to purchase a security from the CEDIF, and

b) does not exceed \$25,000,000 in aggregate.

3.1.3. For a CEDIF in existence on ~~the effective date of this policy (the “January 17, 2014 (the “2014 Effective Date”)~~ that ~~iswas~~ not in compliance with section 3.1.1 or 3.1.2 on the 2014 Effective Date, or for a CEDIF that ~~iswas~~ not in compliance with section 3.1.1 and becomes non-compliant with section 3.1.2 after the closing of its first offering of securities (the date of non-compliance referred to hereafter as the “Date of Non-compliance”), the CEDIF:

- a) Provides a written notice (the “Notice”) containing the Investee Information for the entities it has invested in as of the Date of Non-compliance to all of its security holders no later than the date the CEDIF is required to send out its materials for the next annual general meeting following the Date of Non-compliance;
- b) prior to any change in the investments as of the Date of Non-compliance, the change must be approved by at least 50% plus 1 vote of the votes cast by security holders of the CEDIF who vote at a meeting of security holders called to consider the change, excluding the shares voted by officers, directors and promoters and parties related to the officers, directors and promoters;
- c) for the meeting referred to in paragraph b) above, if the CEDIF proposes to make new investments in entities, it has provided to its security holders, together with the materials for the meeting, the Investee Information relating to the entities that the CEDIF proposes to invest in; and
- d) for any subsequent offering of securities by the CEDIF under the *Community Economic-Development Corporations Regulations*, N.S. Reg. 168/2011, the CEDIF satisfies the conditions in section 3.1.1.

3.2. A CEDIF that is an investment fund that satisfies one of the conditions in section 3.1 of this policy must include in its offering document or the Notice, as applicable, the following warning:

“WARNING: Unlike most investment funds, this fund will not be required to comply with the requirements of an investment fund manager provided the fund complies with Nova Scotia Securities Commission Policy 45-601 Community Economic Development Investment Funds. **Other investment funds are required to have registered investment fund managers to afford investors a level of protection that is not present in this investment.**

When investors purchase or own shares in this fund they should be aware that they will not have the protections of the requirements and standards imposed on registered investment fund managers under Nova Scotia securities laws which include:

- a) meeting experience and education requirements,

- b) complying with investment fund reporting requirements,
- c) employing a chief compliance officer,
- d) maintaining minimum levels of working capital,
- e) maintaining specified levels of insurance or bonding, and
- f) undergoing Commission compliance reviews.”

3.3. A CEDIF that is an investment fund that satisfies one of the conditions in section 3.1 of this policy, together with any other affiliated CEDIFs, may raise no more than:

- a) \$15,000 per beneficial investor per calendar year in aggregate, or
- b) \$30,000 per beneficial investor per calendar year in aggregate if the investor has obtained advice regarding the suitability of the investment from a person or company registered as an investment dealer or exempt market dealer authorized to sell securities of the CEDIF.

These investment limits do not apply to an investor that meets the definition of an accredited investor under National Instrument 45-106 *Prospectus and Registration Exemptions*, or is an officer, director or promoter of the CEDIF.

3.4. CEDIFs that are investment funds remain subject to all Nova Scotia securities laws otherwise applicable to CEDIFs.

4. Implementation

4.1 A copy of the blanket order implementing this policy is attached as Schedule A.

5. Effective date

5.1. This policy is effective on January ~~17, 2014~~, 2024.

Dated at Halifax, Nova Scotia, this ~~17th~~ day of January, ~~2014~~2024.

APPENDIX B

PROPOSED BLANKET ORDER

Amended Blanket Order No. 45-521

In the Matter of the *Securities Act*, R.S.N.S. 1989,
Chapter 418, as amended

-and-

In the Matter of
Nova Scotia Securities Commission Policy 45-601
Community Economic Development Investment Funds

Order
(Section 151A)

Interpretation

1. Terms defined in the *Securities Act*, R.S.N.S. 1989, Chapter 418, as amended (the “Securities Act”) and National Instrument 14-101 *Definitions* have the same meaning in this order.

2. In this order:

“CEDIF” means a community economic development investment fund that makes or has made an offering of securities under the CEDIF Regulations.

“CEDIF Regulations” means the *Community Economic-Development Corporations Regulations*, N.S. Reg. 168/2011.

“entity” means a person or company that a CEDIF invests in.

“exempt CEDIF” means a CEDIF that does not invest for the purpose of exercising or seeking to exercise control of the entities it invests in and does not invest for the purpose of being actively involved in the management of the entities it invests in and is therefore an investment fund under the Securities Act that must comply with Nova Scotia securities laws relating specifically to investment funds unless one of the following conditions is met:

1. a) The offering document for the CEDIF specifies with particularity the investments that the CEDIF will make with the capital raised and any capital previously raised, including:
 - i) The names of the entities invested in and to be invested in,
 - ii) a description of the entities invested in and to be invested in, including information relating to the entities’ activities, management and financial position,

- iii) the amount or percentage of the CEDIF's assets invested in and to be invested in each entity, and
 - iv) a description of all potential material conflicts of interest for each officer, director, promoter or key person of the CEDIF with each entity invested in and to be invested in,

(collectively, the "Investee Information");

 - b) prior to any change in these investments, the change must be approved by at least 50% plus 1 vote of the votes cast by security holders of the CEDIF who vote at a meeting of security holders called to consider the change, excluding the shares voted by officers, directors and promoters and parties related to the officers, directors and promoters; and
 - c) for the meeting referred to in paragraph b) above, if the CEDIF proposes to make new investments in entities, it has provided to its security holders, together with the materials for the meeting, the Investee Information relating to the entities that the CEDIF proposes to invest in.
2. The amount of capital raised by the CEDIF under each offering ~~must~~does not exceed \$3,000,000 and the amount of capital raised by the CEDIF and any affiliated CEDIFs, within the meaning in the *Equity Tax Credit Act* (Nova Scotia), under all exemptions from the prospectus requirement ~~must not exceed \$6,000,000 in aggregate~~.
- a) does not exceed \$6,000,000 in aggregate unless the CEDIF
 - (i) files and delivers to all of its securities holders audited annual financial statements that are prepared under International Financial Reporting Standards for its financial year beginning on or after January 1, 2024, including any interim financial reports for that year;
 - (ii) files an annual certificate in the wording prescribed by the form attached as Appendix A, signed by the chief executive officer or the chief financial officer of the CEDIF, or in the case of a CEDIF that does not have a chief executive officer or a chief financial officer, an individual performing similar functions to those of a chief executive officer or chief financial office; and
 - (iii) obtains from each investor a signed risk acknowledgement in the form attached as Appendix B at the same time or before that investor signs an agreement to purchase a security from the CEDIF, and
 - b) does not exceed \$25,000,000 in aggregate.
3. For a CEDIF in existence on ~~the effective date of Nova Scotia Securities Commission Policy 45-601 Community Economic Development Investment Funds (the "January 17, 2014 (the "2014 Effective Date")~~ that ~~is~~was not in compliance with section 1 or 2 of this

definition on the 2014 Effective Date, or for a CEDIF that iswas not in compliance with section 1 of this definition and becomes non-compliant with section 2 of this definition after the closing of its first offering of securities (the date of non-compliance referred to hereafter as the “Date of Non-compliance”), the CEDIF:

- a) Provides a written notice (the “Notice”) containing the Investee Information for the entities it has invested in as of the Date of Non-compliance to all of its security holders no later than the date the CEDIF is required to send out its materials for the next annual general meeting following the Date of Non-compliance;
- b) prior to any change in the investments as of the Date of Non-compliance, the change must be approved by at least 50% plus 1 vote of the votes cast by security holders of the CEDIF who vote at a meeting of security holders called to consider the change, excluding the shares voted by officers, directors and promoters and parties related to the officers, directors and promoters;
- c) for the meeting referred to in paragraph b) above, if the CEDIF proposes to make new investments in entities, it has provided to its security holders, together with the materials for the meeting, the Investee Information relating to the entities that the CEDIF proposes to invest in; and
- d) for any subsequent offering of securities by the CEDIF under the CEDIF Regulations, the CEDIF satisfies the conditions in section 1 of this definition.

Background

1. CEDIFs sell shares to security holders and invest the proceeds. CEDIFs that do not seek to exercise control or actively manage the entities they invest in are classified as investment funds under the Securities Act.
2. Under subsection 31(3) of the Securities Act, a person or company that directs the business, operations or affairs of an investment fund must be registered as an investment fund manager.
3. Nova Scotia securities laws impose requirements on investment funds and investment fund managers designed to protect investors in such funds. These requirements include filing detailed disclosure and material change reports, appointment of a chief compliance officer that meets specified competency requirements, maintaining minimum capital amounts, and holding stipulated levels of insurance.
4. The requirements in Nova Scotia securities laws relating to the registration of investment fund managers were implemented on September 28, 2009, subsequent to the creation of many CEDIFs existing ~~CEDIFs~~ at that time.
5. The Province’s CEDIF program is intended to encourage capital raising by small, community-based issuers run by non-professional managers. The issuance of this blanket order facilitates

the operation of the CEDIF program while fulfilling the Commission's investor protection mandate and applies to CEDIFs that are investment funds as defined in the Securities Act that are not in compliance with Nova Scotia securities laws for investment funds, and to all new offerings of securities by CEDIFs that are investment funds as defined in the Securities Act.

6. The Commission is of the opinion that to do so is not prejudicial to the public interest.

Order

IT IS ORDERED pursuant to subsection 151A(1) of the Act that an exempt CEDIF is exempted from the requirements in Nova Scotia securities laws applicable to investment funds and investment fund managers provided that:

1. The exempt CEDIF includes in its offering document or the Notice, as applicable, the following warning:

"WARNING: Unlike most investment funds, this fund will not be required to comply with the requirements of an investment fund manager provided the fund complies with Nova Scotia Securities Commission Policy 45-601 Community Economic Development Investment Funds. **Other investment funds are required to have registered investment fund managers to afford investors a level of protection that is not present in this investment.**

When investors purchase or own shares in this fund, they should be aware that they will not have the protections of the requirements and standards imposed on registered investment fund managers under Nova Scotia securities laws which include:

- a) meeting experience and education requirements,
 - b) complying with investment fund reporting requirements,
 - c) employing a chief compliance officer,
 - d) maintaining minimum levels of working capital,
 - e) maintaining specified levels of insurance or bonding, and
 - f) undergoing Commission compliance reviews.”;
2. the exempt CEDIF, together with any other affiliated CEDIFs, may raise no more than:
 - a) \$15,000 per beneficial investor per calendar year in aggregate, or
 - b) \$30,000 per beneficial investor per calendar year in aggregate if the investor has obtained advice regarding the suitability of the investment from a person or company registered as an investment dealer or exempt market dealer authorized to sell securities of the CEDIF,

except that these investment limits do not apply to an investor that meets the definition of an accredited investor under National Instrument 45-106 *Prospectus and Registration Exemptions*, or is an officer, director or promoter of the CEDIF; and

3. the exempt CEDIF remains subject to all Nova Scotia securities laws otherwise applicable to CEDIFs.

| **Dated** at Halifax, Nova Scotia, this ~~17th~~ day of January, ~~2014~~2024.

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Appendix A
Form of Annual Certification

CERTIFICATION OF ANNUAL FILINGS

I, [identify (i) the certifying officer, (ii) his or her position at the issuer, (iii) the name of the issuer and (iv) if the certifying officer's title is not "chief executive officer" or "chief financial officer", indicate in which of these capacities the certifying officer is providing the certificate], certify the following:

1. **Review:** I have reviewed annual financial statements (together, the "annual filings") of [identify issuer] (the "issuer") for the financial year ended [state the relevant date].
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

Date: [insert date of filing]

[Signature]

[Title]

[If the certifying officer's title is not "chief executive officer" or "chief financial officer", indicate in which of these capacities the certifying officer is providing the certificate.]

<p>The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.</p>
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Appendix B
Form of Risk Acknowledgement

Risk Acknowledgement

Issuer Name: [e.g., ABC Company Ltd.]

Type of Security Offered: [e.g., Common Shares]

WARNING!
This investment is risky. Do not invest unless you can afford to lose all the money you pay for this investment.

Risks and Other Information	
Initial beside each item below to confirm your understanding of the statement.	Initials
<p>Risk of loss – I understand that this is a risky investment and that I could lose my entire investment of \$ _____. <i>[Instruction: Insert the total dollar amount of the investment.]</i></p>	
<p>Liquidity risk – I understand that I may never be able to sell these securities, including that I may not be able to sell these securities back to the Issuer.</p>	
<p>RRSP Risk – I understand that holding these securities in an RRSP may expose me to adverse tax consequences, including that I may not be able to sell these securities when required under income tax requirements. I understand that I should receive personalized tax advice before purchasing these securities in my RRSP or contributing these securities to my RRSP.</p>	
<p>No approval – I understand that the Nova Scotia Securities Commission has not evaluated or endorsed the merits of these securities or the disclosure in the offering document.</p>	
<p>No advice – The person selling these securities to me is not registered with the Nova Scotia Securities Commission. I will not receive advice about whether this investment is suitable for me. <i>[Instruction: Delete if sold by registrant]</i></p>	
<p>Conflict of Interest – I understand that the person selling these securities to me is not an impartial advisor and may have a conflict of interest in soliciting my investment.</p>	
<p>Limited Information – I understand that I may not receive or be entitled to detailed information about the financial position or operations of companies in which the Issuer invests, or detailed information about the value of the investments.</p>	
<p>No Registered Investment Funds Manager – I understand that the individuals responsible for selecting the Issuer’s investments are not registered investment fund managers.</p>	
<p>ETC risk – I understand that I may not receive the maximum amount of Equity Tax Credit in connection with this investment.</p>	

Name and Signature	
I confirm that I have read this form and that I understand the risks of making this investment as identified in this form.	
Full legal name (please print):	
Signature:	Date:
<i>[Instruction: Each of the purchaser and the Issuer must receive a copy of this form signed by the purchaser. The Issuer is required to keep a copy of this form for 8 years after the distribution.]</i>	

Additional Information
You have 2 business days to cancel your purchase. <i>[Instruction: The Issuer must complete this section before giving the form to the purchaser.]</i>
To do so, send a notice to _____ <i>[name of Issuer]</i> stating that you want to cancel your purchase. You must send the notice before midnight on the second business day after the Issuer receives the subscription agreement. You can send the notice by fax or email or deliver it in person to _____ <i>[name of Issuer]</i> at its business address below. Keep a copy of the notice for your records.
Issuer Name and Address:
Email:

For more information, contact the Nova Scotia Securities Commission.