

Nova Scotia Securities Commission Policy 45-601 (Amended)

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 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 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

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 January 17, 2014 (the "2014 Effective Date") that was not in compliance with section 3.1.1 or 3.1.2 on the 2014 Effective Date, or for a CEDIF that was 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 April 8, 2024.

Dated at Halifax, Nova Scotia, this 8th day of April, 2024.

Nova Scotia Securities Commission

(signed) "Paul Radford"
Paul Radford, K.C., Chair

(signed) "Valerie Seager"
Valerie Seager, Vice-Chair

Schedule A

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 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
- 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 January 17, 2014 (the "2014 Effective Date") that was not in compliance with section 1 or 2 of this definition on the 2014 Effective Date, or for a CEDIF that was 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 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 8th day of April, 2024.

Nova Scotia Securities Commission

(signed) "Paul Radford"
Paul Radford, K.C., Chair

(signed) "Valerie Seager"
Valerie Seager, Vice-Chair

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.