

IN THE MATTER OF THE SECURITIES ACT
R.S.N.S. 1989, C. 418, S. 135, AS AMENDED

- and -

IN THE MATTER OF
NORTHEASTERN COMMUNITY INVESTMENT INCORPORATED

STATEMENT OF ALLEGATIONS
OF
STAFF OF THE NOVA SCOTIA SECURITIES COMMISSION

Staff of the Nova Scotia Securities Commission (“Staff”) make the following allegations:

1. Northeastern Community Investment Incorporated. (“Northeastern”) is not a reporting issuer in the Province of Nova Scotia;
2. Northeastern was incorporated and registered on the 20st day of December, 2000 under the laws of the Province of Nova Scotia ;
3. Northeastern submitted to the Commission in Form 1 two Offering Documents (“ the offering documents”) pursuant to the Community Economic-Development Corporation Regulations dated the 7th day of February 2001 and the 21st day of January 2002 respectively which provided in clause 22(b) of each a description of the project specifically designating the funds as a “ blind pool”.
4. The closing date for the first offering document was set by Northeastern for the 22nd day of April 2001, the shares being offered at the price of one hundred dollars (\$ 100.00) per share, the maximum number of shares offered being ten thousand (10,000) and the minimum number of shares offered being one thousand (1,000).
5. The closing date for the second offering document was set by Northeastern for the 1st day of March 2002, the shares being offered at the price of one hundred dollars (\$100.00) per share, the maximum number of shares offered being twenty thousand (20,000) and the minimum number of shares offered being one thousand (1,000).
6. Upon the closing of the first offering Northeastern reported in Form 2 the total of two hundred forty nine thousand dollars (\$249,000.00) in equity as the proceeds of the offering.

7. Upon the closing of the second offering Northeastern reported in Form 2 the total of four hundred eighty thousand six hundred dollars (\$480,600.00) in equity as the proceeds of the offering
8. On the 12th day of April 2002 Northeastern provided financing by means of loans to Nova Capital Incorporated (“Nova”), of Antigonish, Nova Scotia, in the amount of seven hundred forty nine thousand dollars (\$749,000.00); these loans constituted in excess of forty percent (40 %) of the proceeds raised under the offering documents.
9. The offering documents specified the investments as a “blind pool”, therefore no information describing the specific investments to be made in Nova was provided to the investors providing sufficient detail to permit the security holders to form a reasoned judgement concerning the investments.
10. Prior to making the investment in Nova, Northeastern did not call a meeting of security holders and obtain the approval of at least fifty percent plus one (50% + 1) of votes cast by security holders who would have attended the required meeting.
11. Northeastern contravened the provisions of the Community Economic-Development Corporations Regulations, s. 20(b)(i) by failing to provide to its security holders an information circular in respect to the investments in Nova which exceeded forty percent (40 %) of the proceeds of the offerings.
12. Northeastern contravened the provisions of the Community Economic-Development Corporations Regulations, s. 20 (b)(ii) by failing to call a meeting and obtain the approval of at least fifty percent plus one (50% + 1) of the security holders in attendance at the required meeting.
13. Northeastern did not provide to the security holders an information circular which adequately described the specified investments to be made in Nova Capital Incorporated as required by the Community Economic- Development Corporation Regulations, s. 20(b)(i), nor did Northeastern obtain the approval of 50% plus one vote cast by security holders called to consider the making of such specified investments as required by Community Economic- Development Corporation Regulations, s. 20(b)(ii), thereby contravening the Act, s. 135(a)(i).
14. It is therefore in the public interest for the Commission to order that Northeastern pay an administrative penalty and costs in accordance with sections 135(b) and 135A of the Act respectively.

DATED this 12th day of March, 2003.

“ R. Scott Peacock”

R. Scott Peacock
Deputy Director, Compliance and Enforcement
Nova Scotia Securities Commission.