

**Community Economic-Development Corporations Regulations
made under Section 150 of the
Securities Act
R.S.N.S. 1989, c. 418
O.I.C. 1998-517 (October 15, 1998), N.S. Reg. 79/98**

Citation

1 These regulations may be cited as the *Community Economic-Development Corporations Regulations*.

Interpretation

2 (1) In these regulations,

- (a) “Act” means the *Securities Act*;
- (b) “association” means an association as defined in the *Co-operative Associations Act*;
- (c) “CEDC” means a community economic-development corporation as defined in these regulations;
- (d) “Commission” means the Nova Scotia Securities Commission;
- (e) “community economic-development corporation” means a corporation or association that meets the criteria prescribed by the regulations made pursuant to the *Equity Tax Credit Act* and is registered as a community economic-development corporation by the Minister of Finance pursuant to Section 11 of the *Equity Tax Credit Act*;
- (f) “Community Economic-Development Plan” means the community economic-development plan proposed by the CEDC which contains the information prescribed by the regulations made pursuant to the *Equity Tax Credit Act*;
- (g) “corporation” means a corporation incorporated pursuant to the laws of the Province of Nova Scotia, another province of Canada or Canada that has its head office located in the Province of Nova Scotia;
- (h) “Director” means the Director of Securities or any deputy director;
- (i) “offering” means an offering of shares by a CEDC pursuant to these regulations;
- (j) “offering document” means an offering document prepared in the form prescribed in Form 1;
- (k) “Securities Rules” means the rules of the Commission made pursuant to the Act; and
- (l) “security holder” means a person or company who purchases shares under an offering.

- (2) Words not defined herein have the meaning ascribed to them in the Act and Securities Rules.

Scope of regulations

- 3 (1) These regulations apply to a CEDC that trades in a share of its own issue which is or is part of a specified issue within the meaning of the *Equity Tax Credit Act* and regulations made thereunder in respect of which a tax-credit certificate has been issued.
- (2) Sections 31 and 58 of the Act do not apply to a distribution by a CEDC of shares of the CEDC made in accordance with these regulations.
- (3) These regulations do not apply to a promoter who is not a promoter at the time the offering document is filed with the Director.
- (4) Trades in shares of the CEDC may only be made by registrants registered under the Act authorized to trade in the securities or by individuals listed in the offering document.
- (5) Each first trade and each subsequent trade of shares of the CEDC purchased under an offering pursuant to these regulations is hereby specified, pursuant to subsection 80(5) of the Act, to be a distribution unless such trade is made in accordance with subsection 77(5) of the Act as if the shares had been acquired under clause 77(1)(p) of the Act unless the trade is made,
- (a) to the CEDC in accordance with clause 77(1)(x) of the Act;
 - (b) to a self-directed registered retirement savings plan of the security holder or the security holder's spouse or to the spouse of the security holder;
 - (c) from a self-directed registered retirement savings plan of the security holder or the security holder's spouse to the security holder;
 - (d) to a purchaser who owns shares of the CEDC and who is advised in writing by or on behalf of the vendor 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; or
 - (e) to a purchaser who purchases pursuant to a trade made in compliance with the Act and any applicable Securities Rules.

Restrictions

- 4 (1) A CEDC that distributes shares that are or are part of a specified issue within the meaning of the *Equity Tax Credit Act* and regulations made thereunder in respect of which a tax-credit certificate has been issued, is prohibited from doing so under any other exemptions in the Act or Securities Rules.

- (2) Subject to Section 8 of these regulations, no person or company shall trade in a security to which these regulations apply unless an offering document has been filed and a letter of non-objection has been issued by the Director.

Certificate of registration

- 5 A CEDC must file its certificate of registration as a CEDC issued pursuant to Section 11 of the *Equity Tax Credit Act* with the Director immediately upon receipt.

Letter of non-objection

- 6 (1) The Director shall issue a letter of non-objection unless, in the opinion of the Director,
- (a) it is not in the public interest to do so; or
 - (b) the offering document does not meet any requirement of these regulations; or
 - (c) the offering is not or will not be made in compliance with these regulations.
- (2) The Director may inquire into any aspect of the offering and the offering document and may request delivery of supplemental information prior to or after determining whether to issue a letter of non-objection.
- (3) Prior to the issuance of a letter of non-objection from the Director, no trading or activity directly or indirectly in furtherance of trading in the shares of the CEDC shall take place.

Revocation of letter of non-objection

- 7 (1) If, after issuing a letter of non-objection, it appears to the Director that the continuation of the offering would not be in the public interest or that any requirement of these regulations has not been or is not being complied with, the Director may revoke the letter of non-objection.
- (2) Upon receipt of notice of revocation referred to in subsection (1), the CEDC and any other person or company trading on its behalf shall immediately cease trading until such time as the CEDC has been notified by the Director that:
- (a) the Director has withdrawn the notice of revocation; or
 - (b) the Commission has by order determined that it would not be prejudicial to the public interest for the offering to continue.

Promoters activity prior to issuance of letter of non-objection

- 8 (1) Despite subsection 6(3), promoters may
- (a) talk individually or in group situations with potential security holders to give them a general overview of the offering, including
 - (i) identification of the CEDC,
 - (ii) an indication of the amount of money needed to be raised,
 - (iii) a general description of what use will be made of the money raised, and an outline of the tax incentives;

- (b) gather the names of potential security holders who might be interested in the offering.
- (2) Promoters may not distribute any written information, including expression of interest forms, without the prior approval of the Director as to its form and content and, if any such written information is approved, it shall be provided to all potential security holders who talked individually or in group situations with the promoters and who expressed an interest in the offering.
- (3) Promoters shall not accept any binding commitments or binding expressions of interest, whether oral or written, or consideration in any form, including money or cheques, from potential security holders.
- (4) An expression of interest form must contain the following warnings to potential security holders:
 - (a) that they should read and consider the offering document they will receive with respect to the offering, if the offering does in fact proceed;
 - (b) that they should consult with a professional advisor before deciding to buy shares under the offering; and
 - (c) that the expression of interest is not in any way a binding commitment to purchase shares under the offering.

Conduct of officers

- 9** The promoters, officers, directors and sales agents of the CEDC must be individuals who are suitable to act as promoters, officers, directors and sales agents and whose past conduct does not afford reasonable grounds to believe that the business of the CEDC will not be conducted with integrity and in the best interests of its security holders.

Minimum offering amount

- 10** (1) The offering document must state the minimum offering amount necessary to close the offering.
- (2) The CEDC must also provide detailed reasons in the offering document explaining why the amount specified is a reasonable amount when considered in the context of the Community Economic-Development Plan.

Amounts subscribed held in trust

- 11** (1) All amounts subscribed under an offering must be held in trust by a trustee that is dealing at arm's length with the CEDC until the CEDC has met its minimum offering amount, has certified to the trustee that all conditions of closing have been met and the initial closing has occurred.

- (2) Any offering amounts received by the trustee pursuant to the offering after the initial closing must be held in trust until the next closing and the CEDC has certified to the trustee that all conditions of closing have been met.
- (3) The conditions set out in subsection (2) shall apply to each subsequent closing.
- (4) All amounts subscribed must be paid by cheque made payable only to the trustee (in trust).

Amount not to exceed \$3 000 000

12 The amount subscribed under an offering must not exceed \$3 000 000.

Amounts to be used as indicated

13 All amounts raised under an offering must be used as indicated in the offering document.

Potential security holders

14 (1) The CEDC must provide each potential security holder with the following:

- (a) Form 1 and a subscription agreement; and
 - (b) any other materials required by the Director pursuant to the Act and any applicable Securities Rules.
- (2) A potential security holder is entitled to provide the CEDC with written notice evidencing the intention of the potential security holder not to be bound by the completed subscription agreement not later than midnight on the second day, exclusive of Saturday's and holidays, after the completed subscription agreement has been received by the CEDC.
- (3) The CEDC must maintain a record of the names and addresses of all persons and companies to whom an offering document and subscription agreement have been provided.

Promotional material

15 Any promotional material, including any advertising material, that is used in connection with an offering shall be incorporated by reference into the offering document.

Amendments to offering document

- 16 (1)** Except as required in this Section, no amendments may be made to the offering document after a letter of non-objection has been issued by the Director.
- (2) If the Director has issued a letter of non-objection, a CEDC shall file an amendment to the offering document with the Director where
- (a) a CEDC has not yet met its minimum offering amount and held an initial closing, and one of the following has occurred:
 - (i) there is a material change in the affairs of the CEDC,

- (ii) the terms or conditions of the offering are being altered, or
- (iii) additional shares of the same class are to be distributed in addition to the securities previously described in the offering document.

- (b) a CEDC that is continuing to distribute its shares under the offering document has met its minimum offering amount and an initial closing has occurred, and there is a subsequent material change in the affairs of the CEDC,

and shall provide a copy of the amendment to each security holder and to each potential security holder from whom the CEDC has received a completed subscription agreement before entering into an agreement of purchase and sale resulting from a subscription.

- (3) A CEDC who files an amendment pursuant to clause (2)(b) must also comply with Section 81 of the Act.
- (4) An amendment to an offering document must describe the change and be filed not later than 10 days after the described change occurs.

Financial forecasts

- 17** Any use of financial forecasts or projections must be in accordance with National Policy No. 48 - *Future-Oriented Financial Information* or its successors, in the absence of any Securities Rules adopted by the Commission.

Time limitation on offering

- 18** (1) No offering shall remain open for longer than the date specified in the offering document which in any event shall not be for more than 90 days from the date of issuance of a letter of non-objection from the Director.
- (2) Subject to the time limitation prescribed by subsection (3), the CEDC may apply to the Director for an extension beyond the date specified in the offering document.
- (3) An offering shall not remain open for a total period of time longer than 6 months from the date of issuance of a letter of non-objection from the Director.
- (4) The CEDC may apply to the Director for an extension of the 6 month time period prescribed by subsection (3).

Report within 30 days of closing

- 19** The CEDC must file within 30 days of the closing of the offering a report in the form prescribed by the Commission showing the names, addresses and telephone numbers of the security holders and the number and purchase price of shares each has purchased and certifying compliance with the requirements of these regulations.

Corporation with restrictive constitution

20 Where the proceeds of an offering are to be used by a CEDC that is a corporation with a constitution that restricts it to making specified investments in eligible local business entities in accordance with its Community Economic-Development Plan the CEDC must

- (a) outline in the offering document the CEDC's investment strategy, objectives and restrictions ("Corporate Investment Policy"); and
- (b) where the CEDC proposes to invest more than 40% of the proceeds of the offering in a single specified investment that was not disclosed in the offering document or where the percentage of the proceeds of the offering to be invested in a single specified investment that was not disclosed in the offering document together with the percentage of the proceeds of the offering previously invested in that single specified investment exceeds 40% of the proceeds of the offering, the CEDC shall, before entering into binding arrangements for the investment,
 - (i) provide security holders with an information circular that describes the specified investment to be made with the proceeds in sufficient detail to permit security holders to form a reasoned judgment concerning the investment, and
 - (ii) obtain the approval of at least 50% plus one vote of the votes cast by security holders who vote at a meeting of security holders called to consider the making of such specified investment.

Association with restrictive constitution

21 Where the proceeds of the offering are to be used by a CEDC that is an association with a constitution that restricts it to making investments in eligible investments of an association in accordance with the regulations made pursuant to the *Equity Tax Credit Act*, the CEDC must

- (a) outline in the offering document the CEDC's investment strategy, objectives and restrictions ("Association Investment Policy"); and
- (b) where the CEDC proposes to invest more than 40% of the proceeds of the offering in a single eligible investment that was not disclosed in the offering document or where the percentage of the proceeds of the offering to be invested in a single eligible investment that was not disclosed in the offering document together with the percentage of the proceeds of the offering previously invested in that single eligible investment exceeds 40% of the proceeds of the offering, the CEDC shall before entering into binding arrangements for the eligible investment
 - (i) provide security holders with an information circular that describes the eligible investment to be made with the proceeds in sufficient detail to permit security holders to form a reasoned judgment concerning the investment, and
 - (ii) obtain the approval of at least 50% plus one vote of the votes cast

by security holders who vote at a meeting of security holders called to consider the making of such eligible investment.

Changes to policies

22 Changes to a Corporate Investment Policy or an Association Investment Policy shall be approved by at least 50% plus one vote of the votes cast by security holders who vote at a meeting of security holders called to consider an amendment to the Corporate Investment Policy or Association Investment Policy as the case may be.

Special relationship with the CEDC

23 Where a CEDC has met its minimum offering amount, has certified to the trustee that all conditions of closing have been met and the initial closing has occurred, then a CEDC that is not a reporting issuer and every person or company who would be an insider of the CEDC if the CEDC were a reporting issuer and every person or company who would be in a special relationship with the CEDC within the meaning of subsection 82(5) of the Act if the CEDC were a reporting issuer, is required to comply with Sections 81 to 85, inclusive, of the Act and the related provisions of the Securities Rules to the same extent as if the CEDC were a reporting issuer and the person or company were an insider of the CEDC or in a special relationship with the CEDC except that:

- (a) a CEDC is not required to prepare and file interim financial statements pursuant to subsection 83(1) of the Act or to send interim financial statements to its security holders pursuant to Section 85 of the Act for the first and third quarters of each of its financial years; and
- (b) a CEDC's annual financial statements need not be accompanied by a report of an auditor if,
 - (i) the members or shareholders, as the case may be, are not required by law to appoint an auditor,
 - (ii) a general review has been carried out by an independent accountant in compliance with the general review standards as set out in section 8100 of the Canadian Institute of Chartered Accountants ("CICA") Handbook, and
 - (iii) the financial statements are accompanied by a review engagement report as set out in section 8200 of the CICA Handbook.

Bona fide attempt to comply

24 Where a trade is made by a CEDC in the *bona fide* and reasonable belief that there has been full compliance with these regulations, the failure of one or more security holders to purchase as principal, to receive in a timely manner an offering document or amendments thereto, or to receive any other materials required by the Director does not affect the application of the remaining provisions of these regulations provided that

- (a) the CEDC exercised due diligence to ensure that such failure did not occur; and
- (b) the CEDC delivers the offering document and amendments thereto, or other material required by the Director, to the security holders on request.

Report of a trade

25 Where a trade has been made pursuant to these regulations, the vendor shall within 10 days file a Form 2 with the Director.

Form 1 Offering Document

(Pursuant to the *Community Economic-Development Corporations Regulations*)

[This document is to be used only by Associations and Corporations as defined herein that are community economic-development corporations.]

Glossary

In this offering document:

1. “Act” means the *Securities Act*;
2. “Association” means an association as defined in the *Co-operative Associations Act*;
3. “CEDC” means a Community Economic-Development Corporation, as defined herein;
4. “Community Economic-Development Corporation” means a Corporation or Association that meets the criteria prescribed by the regulations made pursuant to the *Equity Tax Credit Act* and is registered as a Community Economic-Development Corporation by the Minister of Finance pursuant to Section 11 of the *Equity Tax Credit Act*;
5. “Community Economic-Development Plan” means the community economic-development plan proposed by the Issuer which contains the information prescribed by the regulations made pursuant to the *Equity Tax Credit Act*;
6. “Corporation” means a corporation incorporated pursuant to the laws of the Province of Nova Scotia, another province of Canada or Canada that has its head office located in the Province of Nova Scotia;
6. “Finders” means persons who, for compensation or without compensation, act as intermediaries in obtaining selling agents or otherwise make introductions in furtherance of this Offering;
7. “Issuer” means [exact] legal name of the Corporation or Association;

8. “Investee Corporation” means a corporation in which the Issuer proposes to invest all or substantially all of the proceeds of the offering and where all or substantially all of the fair market value of the corporation’s property is attributable to property used in an active business;
9. “Offering” means this offering of Shares of the Issuer;
10. “Promoter” has the same meaning as in the Act, except that pursuant to subsection 3(3) of the *Community Economic-Development Corporations Regulations* no individual shall be considered as a promoter unless a promoter at the time the offering document is filed with the Director of Securities;
11. “Securities Rules” means the rules of the Nova Scotia Securities Commission made pursuant to the Act;
12. “Security holder” means a person or company who purchases Shares under this Offering;
13. “Shares” means [name the shares being offered for sale by the Issuer as set forth in the constitutional documents of the Issuer] of the Issuer.

Table Of Contents

[Please note: the following list of page numbers corresponds to Form 1 as printed in O.I.C. 1998-517 and is not reflective of the page numbering in this consolidation.]

	Page
Cautions	4
The Offering	5
Risk Factors	6
Plan of Distribution	7
The Issuer	9
Business and Properties of a CEDC that is a Corporation	9
Specified Investments in Eligible Local Business Entities by a CEDC that is a Corporation . . .	11
Business and Properties of a CEDC that is an Association	12
Capital Structure	14
Use of Proceeds	15
Financial Forecasts or Projections	16
Dividends, Distributions and Redemptions	16
Promoter of the Issuer	17
Officers of the Issuer	17
Directors of the Issuer	18
Key Personnel of the Issuer	19
Principal Security Holders	20
Management Relationships, Transactions and Remuneration	21
Litigation	22
Canadian Income Tax Considerations	23
Material Contracts	24
Financial Statements	24
Continuous Reporting Obligations	24
Restrictions on Resale of Securities	25
Rights of Action	25
Certificate	26

CAUTIONS

The Nova Scotia Securities Commission has not assessed:

- C** the reasonableness or merit of the Issuer or the Offering;
- C** whether the Issuer has sufficient financing and managerial expertise to accomplish its stated objectives;
- C** whether management of the Issuer has the reputation and commitment to conduct the Issuer's business with integrity and in the best interest of the Security holders;
- C** whether the Promoters and management of the Issuer are receiving unconscionable benefits at the expense of the Security holders; or
- C** whether any financial forecast or projection contained in this offering document has a reasonable basis;

Investment in small business involves a high degree of risk, and investors should not invest any funds in this Offering unless they can afford to lose a substantial portion of their investment. Potential investors should read all of this offering document, particularly the risk factors on page [insert appropriate page number].

Potential investors should review the information concerning the background of the Issuer's officers, directors and other key personnel and consider whether or not these persons have adequate background and experience to develop and operate the Issuer and to make it successful. In this respect, the experience and ability to manage are often considered among the most significant factors in the success of a business.

After reviewing the "Use of Proceeds" on page [insert appropriate page number] potential investors should consider whether the amounts available for future development of the Issuer's business and operations will be adequate.

A Security holder may have rights of rescission or an action for damages in circumstances which are described in this offering document beginning on page [insert appropriate page number].

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.

Potential investors should also consult their professional advisors before investing.

This offering document, together with the documents incorporated herein by reference and forming part of this offering document, and the attachments thereto contain all of the representations by the Issuer concerning this Offering and no person shall make different or broader statements than those contained herein. Investors are cautioned not to rely on any information not expressly set forth in or attached to this offering document.

This offering document, together with financial statements and other attachments, consists of a total of ___ pages.

THE OFFERING

1. The Shares being offered are: _____

[Describe the Shares being offered including the price of the Shares and the material attributes of the Shares.]

2. The offering price was established by the following method:

- negotiation with the investor
- arbitrarily by the Issuer
- otherwise (explain) _____

3. Maximum number of Shares offered: _____

4. Total proceeds if maximum sold: _____

5. Minimum number of Shares offered: _____

6. Total proceeds if minimum sold: _____

7. Reasons for the selection of the minimum number of Shares offered: _____

[Issuers are required to explain why the total proceeds raised if the minimum number of securities offered is sold is a reasonable amount taking into consideration the business of the Issuer as described in either item 21 or 22; or 23 or 24 and the use that will be made of the proceeds of the offering as described in item 27.]

8. Minimum number of investors required: _____

[A CEDC is required to indicate how the minimum number of investors required meets the concept of a “community based” project.]

9. Total estimated costs of the Offering: _____

Risk Factors

10. Taking into consideration the factors noted below, list in the order of importance the factors which the Issuer considers to be the most substantial risks to an investor in this Offering in view of all known facts and circumstances (i.e., those factors which constitute the greatest threat that the investment will be lost in whole or in part, or not provide an adequate return).

- (a) _____

- (b) _____

- (c) _____

- (d) _____

- (e) _____

In addition to the above risks, potential investors should consider the following risks before they decide to purchase the Shares being offered:

- (f) **The Shares are speculative in nature. An investment is appropriate only for investors who are prepared to have their money invested for a long period of time, and who have the capacity to absorb a loss of some or all of their investment.**
- (g) **There is no organized market through which the Shares may be sold. Therefore, investors may find it difficult or even impossible to sell their Shares.**
- (h) **There are restrictions on the resale of the Shares. See item 57 for details.**
- (i) **The Issuer may not achieve a level of profitability to permit dividends to be paid. Investors should not count on any return from these Shares.**
- (j) **Investors who deposit the Shares in a self-directed RRSP should not depend on selling the Shares or income from the Shares to fund their retirement.**
- (k) **Tax laws frequently change.**

PLAN OF DISTRIBUTION

11. The following people (the “selling agents”) are authorized to sell Shares under the Offering:

<u>Name</u>	<u>Address</u>	<u>Business Phone #</u>	<u>Fax #</u>
_____	_____	_____	_____
_____	_____	_____	_____

12. Describe any compensation to selling agents or Finders, including cash, securities, contracts or other consideration of any kind direct or indirect. Also indicate whether the Issuer will indemnify the selling agents or Finders against liabilities, if any, under the securities laws. _____

13. Describe any material relationship between any of the selling agents or Finders and the Issuer or its management. _____

Note: After reviewing the amount of compensation to the selling agents or Finders for selling the Shares, and the nature of the relationship between the selling agents or Finders and the Issuer, a potential investor should assess the extent to which it may be appropriate to rely upon any recommendation by the selling agents or Finders to buy the Shares.

14. Describe the procedure by which investors subscribe for Shares under the Offering. _____

15. The subscription funds will be held in trust by [here state name of the lawyer or financial institution that will hold money in trust] and will only become available to the Issuer when the conditions of closing described below have been met and the Offering has closed.

16. The following are conditions of the initial closing of this Offering:

- (a) the Issuer has received the minimum offering amount of \$_____;
- (b) all material contracts have been signed, and all material consents of third parties have been obtained;
- (c) all necessary and required certificates under the *Equity Tax Credit Act* and regulations and other applicable laws have been obtained;
- (d) additional conditions of the initial closing are:

- (i) _____
- (ii) _____

17. The minimum offering amount and all other conditions of the initial closing must be achieved on or before ___/___/___ (dd/mm/yy). [Unless the Director has granted an extension, this date must be not more than 90 days from the date of issuance of a letter of non-objection in respect of the offering document by the Director of Securities pursuant to the *Community Economic-Development Corporation Regulations*.]

18. If the minimum offering amount and all other conditions of the initial closing are not achieved on or before the time specified in item 17, and no extension has been granted by the Director, the Offering will be withdrawn and all of the proceeds of subscription, without interest, will be returned to the subscriber within 30 days of the date that the Offering was to close.

19. The following are conditions of each subsequent closing of this Offering:

- (i) _____
- (ii) _____
- (iii) _____

THE ISSUER

20. Issuer's exact name as it appears in the incorporating document:

Jurisdiction and date of incorporation: _____

Address of registered office: _____

Address of principal business address: _____

Issuer's telephone number: (____) _____

Issuer's fax number: (____) _____

Fiscal year end: _____
month day

Contact person at Issuer with respect to the Offering: _____

Telephone number of contact person (if different number from above): _____

BUSINESS AND PROPERTIES OF A CEDC THAT IS A CORPORATION

When the Issuer is a Corporation and now operates or proposes to operate an active business or to invest all or substantially all of the proceeds of the offering in shares of a corporation where all or substantially all of the fair market value of that corporation is attributable to property used in an active business (the "Investee Corporation") please complete item 21.

[When the Issuer is a Corporation and has a constitution that restricts it to making specified investments in eligible local business entities in accordance with its Community Economic-Development Plan please go to item 22.]

21. With respect to the business of the Issuer and its properties:

- (a) Describe in detail what business(es) the Issuer or Investee Corporation now operates and proposes to operate, including what products are or will be produced or services that are or will be rendered. _____

(b) Describe how these products or services are to be produced or rendered and how and when the Issuer intends to carry out its activities. If the Issuer or Investee Corporation plans to offer a new product(s), state the present stage of development including whether a working prototype(s) is in existence. Indicate if completion of development of the product will require a material amount of the resources of the Issuer, and the estimated amount. Describe any major existing supply contracts. _____

(c) Describe the industry in which the Issuer or Investee Corporation is selling or expects to sell its products or services and, where applicable, any recognized trends within the industry. Describe that part of the industry and the geographic area in which the business competes or will compete. Indicate whether competition is or is expected to be by price, service or other basis.

(d) If the Issuer's or Investee Corporation's business, products or properties are subject to material regulation by federal, provincial or municipal governmental agencies, indicate the nature and extent of regulation and its effects or potential effects upon the Issuer. _____

(e) State the number and types of employees the Issuer or Investee Corporation has and the number and type of employees it anticipates it will have within the next twelve months. _____

(f) Describe generally the principal properties (such as real estate, plant and equipment, patents, etc.) that the Issuer or Investee Corporation owns, indicating also what properties it leases and a summary of the terms of those leases, including the amounts of payments, expiration dates and the terms of any renewal options. Indicate what properties the Issuer or Investee Corporation intends to acquire in the next twelve months, the costs of such acquisitions and the sources of financing it expects to use in obtaining those properties, whether by purchase, lease or otherwise.

(g) State the name of any subsidiaries of the Issuer or Investee Corporation, their business purpose and ownership. If none, so indicate. _____

- (h) Summarize the material events in the development of the Issuer or Investee Corporation during the last 5 years or for whatever lesser period the Issuer has been in existence. Include both positive and negative facts. Also include details on profits and losses, including the causes of any losses. Include as well any material acquisitions or arrangements. [A “material event” or “material acquisition or arrangement” is one that is fundamental to the business and day-to-day operations of the Issuer or Investee Corporation.]
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SPECIFIED INVESTMENTS IN ELIGIBLE LOCAL BUSINESS ENTITIES BY A CEDC THAT IS A CORPORATION

22. [Item 22 must be completed by a CEDC that is a Corporation with a constitution that restricts it to making specified investments in eligible local business entities in accordance with its Community Economic-Development Plan.]

- (a) Set out restrictions as described in the Issuer’s constitution. _____

- (b) Describe the Issuer’s investment strategy and objectives as set forth in the Issuer’s Community Economic-Development Plan. _____

- (c) Describe any intended specified investments in eligible local business entities which the Issuer plans to make with the proceeds of the Offering and how they fall within the Issuer’s Community Economic-Development Plan. If no such specified investments are planned at the time of the Offering or if further specific investments are contemplated please indicate that fact.

[Potential investors should note that where specified investments in eligible local business entities are not described in this offering document the Issuer must make such investments in compliance with Section 20 of the *Community Economic-Development Corporations Regulations*.]

BUSINESS AND PROPERTIES OF A CEDC THAT IS AN ASSOCIATION

When the Issuer is an Association and now operates or proposes to carry on business or operate as a marketing, producer or employee co-operative as those activities are defined in the regulations to the *Equity Tax Credit Act*, please complete item 23.

[When the Issuer is an Association that has a constitution that restricts it to investing in eligible investments in accordance with the regulations made pursuant to the *Equity Tax Credit Act*, please go to item 24.]

23. With respect to the business of the Issuer and its properties:

(a) Describe in detail what business(es) the Issuer now operates and proposes to operate, including what products are or will be produced or services that are or will be rendered. _____

(b) Describe how these products or services are to be produced or rendered and how and when the Issuer intends to carry out its activities. If the Issuer plans to offer a new product(s), state the present stage of development including whether or not a working prototype(s) is in existence. Indicate if completion of development of the product will require a material amount of the resources of the Issuer, and the estimated amount. Describe any major existing supply contracts. _____

(c) Describe the industry in which the Issuer is selling or expects to sell its products or services and, where applicable, any recognized trends within the industry. Describe that part of the industry and the geographic area in which the business competes or will compete. Indicate whether competition is or is expected to be by price, service or other basis. _____

(d) If the Issuer's business, products or properties are subject to material regulation by federal, provincial or municipal governmental agencies, indicate the nature and extent of regulation and its effects or potential effects upon the Issuer. _____

24. Item 24 must be completed by a CEDC that is an Association that has a constitution that restricts it to investing in eligible investments in accordance with the regulations made pursuant to the *Equity Tax Credit Act*.

(a) Set out restrictions on investments as described in the Issuer's constitution:

(b) Describe the Issuer's investment strategy and objectives as set forth in the Issuer's Community Economic-Development Plan. _____

- (c) Describe any intended specified eligible investments which the Issuer plans to make with the proceeds of the offering. If no such specific eligible investments are planned at the time of the Offering or if further specific eligible investments are contemplated, please indicate that fact.

[Potential investors should note that where specific eligible investments are not described in this offering document the Issuer must comply with the Section 21 of the *Community Economic-Development Corporations Regulations*.]

CAPITAL STRUCTURE

25. The following table describes the authorized capital of the Issuer:

<i>Name of Security</i>	<i>Description of Attributes</i>
<hr/>	<hr/>
<hr/>	<hr/>

[In the table, please name and describe the classes of securities of the Issuer, if any, exactly as set out in the constitutional documents of the Issuer. If these details are lengthy, then refer to the constitutional documents by reference and attach them to the offering document. The reference should state: “The constitutional documents attached to this offering document describe the authorized capital of the Issuer”.]

26. The following table describes the capital structure of the Issuer as of the latest of the date of the Issuer’s latest financial statements and a date not more than 30 days preceding the date of the offering document and also what the capital structure will be on the conclusion of the Offering:

Name of Security	Number Authorized	\$ Value and # Outstanding at date of Offering Document	\$ Value and # Outstanding @ Minimum @ Maximum
[Loans/ Other Indebtedness]			
[Preferred Shares]			
[Common Shares]			
[Retained Earnings]			
TOTAL			

[In columns 3 and 4, state \$ amount first and number of securities in brackets after.]

USE OF PROCEEDS

27. The funds raised in the Offering will be used as indicated in the following table:

	If Minimum Sold		If Maximum Sold	
	Amount	%	Amount	%
Total Proceeds	\$ _____	100%	\$ _____	100%
Less: Offering Expenses				
Commissions and Promoters Fees	_____	_____	_____	_____
Legal and Accounting Fees	_____	_____	_____	_____
Copying and Other Expenses	_____	_____	_____	_____
Net Proceeds from Offering	\$ _____	_____	\$ _____	_____
 Use of Net Proceeds				
_____	\$ _____	_____	\$ _____	_____
_____	\$ _____	_____	\$ _____	_____
_____	\$ _____	_____	\$ _____	_____
_____	\$ _____	_____	\$ _____	_____
Total Use of Net Proceeds	\$ _____	_____	\$ _____	_____

[The information concerning “Use of Net Proceeds” must be meaningful and in reasonable detail. Normally, it is not sufficient to say only that “the proceeds of this offering will be used for general corporate or association purposes.” Describe any projects in reasonable detail and their location.]

28. Describe the order of priority in which the proceeds set forth under the column “If Minimum Sold” will be used. _____

29. If material amounts of funds from sources other than the Offering are to be used in conjunction with the proceeds from the Offering, state the amounts and sources of such other funds, and whether funds are firm or contingent. If contingent, explain the contingent event(s). _____

30. Indicate whether the Issuer is having or anticipates having within the next 12 months any cash flow or liquidity problems and whether it is in default or in breach of any note, loan, lease or other indebtedness or financing arrangement requiring the Issuer to make payments. Indicate if a significant amount of the Issuer’s trade payables have not been paid within the stated trade term. State whether the Issuer is subject to any unsatisfied judgments, liens or settlement obligations and the amount thereof. Indicate the Issuer’s plans to resolve any such problems. _____

31. Indicate whether proceeds from the Offering will satisfy the Issuer's cash requirements for the next 12 months, and whether it will be necessary to raise additional funds. State the source of additional funds, if known. _____

FINANCIAL FORECASTS OR PROJECTIONS

32. If future-oriented financial information such as forecasts or projections will be provided to potential investors, such information must be attached to the offering document and referred to in this section. The forecast or projection must include all of the assumptions used to calculate the figures shown and be prepared in accordance with the *Community Economic-Development Corporations Regulations*.

DIVIDENDS, DISTRIBUTIONS AND REDEMPTIONS

33. Provide particulars of the Issuer's dividend policy, if any. _____

34. Give details of dividends and other distributions paid by the Issuer to its security holders during the last 5 years. _____

PROMOTERS OF THE ISSUER

35. The Promoters of the Issuer are:

Name: _____

Business street address: _____

Business telephone number: (____) _____

Business fax number: (____) _____

Names of employers, titles and dates of positions held during the last five years with an indication of job responsibilities: _____

Nature of projects during the last five years if not described immediately above: _____

[Provide this information for each Promoter of the Issuer.]

OFFICERS OF THE ISSUER

36. The officers of the Issuer are:

Name: _____

Business street address: _____

Business telephone number: (____) _____

Business fax number: (____) _____

Names of employers, titles and dates of positions held during the last five years with an indication of job responsibilities: _____

Education (degrees, schools and dates): _____

Also a director of the Issuer Yes No

Indicate amount of time to be spent on Issuer's matters if less than full time:

[Provide this information for each officer of the Issuer.]

DIRECTORS OF THE ISSUER

37. There are [#] directors of the Issuer.

[If there are no directors in addition to those listed under the heading "Officers of the Issuer", state: "There are no directors of the Issuer other than those listed under the heading "Officers of the Issuer".]

38. Information concerning each director of the Issuer, other than those already listed under the heading "Officers of the Issuer" are:

Name: _____

Business street address: _____

Business telephone number: (____) _____

Business fax number: (____) _____

Names of employers, titles and dates of positions held during the last 5 years with an indication of job responsibilities: _____

Education (degrees, schools, dates): _____

[Provide this information for each director of the Issuer who is not an officer.]

KEY PERSONNEL OF THE ISSUER

39. For each key person (i.e. one who is essential to the operations of the Issuer) who is not already named as an officer, director or promoter, please provide the following information:

Name: _____

Business street address: _____

Business telephone number: (____) _____

Business fax number: (____) _____

Names of employers, titles and dates of positions held during the last 5 years with an indication of job responsibilities: _____

40. Describe any arrangements to assure that each key person will remain with the Issuer and not compete with the Issuer upon termination of their relationship with the Issuer. _____

41. Have any of the officers, directors or other key personnel ever worked for or managed a company (including a separate subsidiary or division of a larger enterprise) in the same business as the Issuer? [] Yes [] No

If yes, please explain including relevant dates: _____

42. If the Issuer has never conducted business or is otherwise in the development stage, indicate whether any of the officers or directors or other key personnel has ever managed any other business in the start-up or development stage and describe the circumstances, including relevant dates. _____

43. If any of the Issuer's key personnel are not employees but are consultants or other independent contractors, state the details of their engagement by the Issuer. _____

44. If a petition under the *Bankruptcy and Insolvency Act* has been filed against any officer, director, key personnel or Promoter, or a receiver or receiver-manager has been appointed by a court for the business or estate of any such persons, or any partnership in which any of such persons was general partner, or any corporation or business association of which any such person was an executive officer within the last 5 years, set forth below the name of such persons, and the nature and date of such actions. _____
-

PRINCIPAL SECURITY HOLDERS

45. List below the principal security holders of the Issuer, if any. Principal security holders are those who beneficially own directly or indirectly 10% or more of any securities of the Issuer presently outstanding. Start with the largest common shareholder. If a principal security holder is not an individual, please disclose the ownership of the principal security holder by a footnote to the table. If the Issuer has no principal security holder state: "There are no security holders of the Issuer who own directly or indirectly more than 10% of any securities of the Issuer" and do not complete the remainder of this item.

Name:	_____
Business street address:	_____
Business Telephone Number:	_____
Date(s) of Purchase:	_____
Type of Share:	_____
Average Price Per Share:	_____
Number of Shares Now Held:	_____
Percent of Total:	_____
Number of Shares Held After Offering if All Shares Sold:	_____
Percent of Total:	_____

[Provide this information for each principal security holder.]

46. Number of shares beneficially owned by officers and directors as a group.

Before Offering: _____ shares (_____ % of total outstanding)

After Offering: (a) assuming minimum securities sold _____ shares
(_____ % of total outstanding)
(b) assuming maximum securities sold _____ shares
(_____ % of total outstanding)

MANAGEMENT RELATIONSHIPS, TRANSACTIONS AND REMUNERATION

47. If any of the officers, directors, key personnel, Promoters or principal security holders are related by blood or marriage, please describe: _____
-
-

48. If the Issuer has made loans to, or received loans from, or is doing business with any of its officers, directors, key personnel, Promoters or principal security holders, or any of their relatives (or any entity controlled directly or indirectly by any such person) within the last two years or is contemplating doing so, explain.

(This includes sales or leases of goods, property or services to or from the Issuer, employment contracts, or share, option or other purchase contracts, etc.) State the principal terms of any significant loans, agreements, leases, financing or other arrangements. _____

49. Give details of any payments to officers, directors, key personnel and Promoters of the Issuer, including salary, bonuses, director's fees, honoraria and reimbursement of expenses. _____

50. If any employment agreements with officers, directors, key personnel or Promoters exist or are contemplated, please describe: _____

51. Give details of any other business or personal interests that the officers, directors, key personnel, Promoters or principal security holders of the Issuer may have which could conflict with the interests of the Issuer. If there are none state: "The officers, directors, key personnel, Promoters and principal security holders of the Issuer do not have any business or personal interests, other than those already described, that could conflict with the interests of the Issuer".

LITIGATION

52. Describe any past, current, pending or threatened litigation or administrative action which has had or may have a material effect upon the Issuer's business, financial condition or operations. State the name of the court or tribunal, the names of the principal parties, the date any proceedings were started, the nature and current status of the proceedings and amounts involved.

Include any litigation or action involving the Issuer's Promoters, officers, directors or other key personnel which relates to or has or could affect the Issuer.

Give an evaluation by management or counsel, to the extent feasible, of the merits of the proceedings or litigation and the potential impact on the Issuer's business, financial condition or operations.

[If there is no such litigation or action to disclose state: "The Issuer and its Promoters, officers, directors and key personnel are not currently and have not been subject to any litigation or administrative or criminal action which is or has been material to the Issuer. Nor is the Issuer or its Promoters, officers, directors

or key personnel aware that any such litigation or action is pending or threatened.”] _____

CANADIAN INCOME TAX ACT CONSIDERATIONS

53. This commentary is of a general nature only and is not intended to be tax advice to any particular investor. Prospective investors are urged to consult with their own professional advisors regarding the tax consequences applicable to them.

[Add narrative with respect to the significant income tax consequences to individuals who are residents of Canada under the *Income Tax Act* and the *Equity Tax Credit Act*. The narrative should address the following:

- ! transfer of Shares to an RRSP;
- ! taxation of dividends or income received by Security holders on the Shares;
- ! treatment of capital gains or losses realized by Security holders on disposition;
- ! applicability of alternative minimum tax to Security holders;
- ! deductibility of interest expense on money borrowed to purchase Shares;
- ! availability of tax credits;
- ! availability of Province of Nova Scotia guarantee under Section 13A of the *Equity Tax Credit Act*; and
- ! repayment of tax credits.]

[Provide the name and address of the professional advisors, if any, involved in the preparation of the answer to item 53.]

MATERIAL CONTRACTS

54. Give particulars of every material contract entered into by the Issuer or, if applicable, any of its significant subsidiaries within two years prior to the date of the offering document. If a material contract is of a confidential nature, provide a summary of it.

Date	Description
_____	_____
_____	_____

[A “material contract” is any contract that is fundamental to the business and day-to-day operations of the Issuer. Examples are: contracts for the purchase of property, equipment or inventory; marketing contracts; financing agreements; management agreements; shareholder agreements; copyright or patent agreements.]

Under the heading “Description”, include details as to the parties to the contract, what the contract is for and the important terms of the contract. Please state a time and place at which those material contracts or copies thereof may be inspected during the distribution of the Shares.

FINANCIAL STATEMENTS

55. Annual financial statements of the Issuer for the period ending [insert last fiscal year] are attached. Interim financial statements covering the period from [insert appropriate date] to [insert appropriate date] are also attached.

[If the Issuer has carried on business but has not completed a financial year, state this, delete the first sentence above and attach an unaudited financial statement of the Issuer for the period ending not more than 60 days prior to the date of the offering document.

If the Issuer has completed one or more fiscal years, attach the financial statements complete with either an audit report or a review engagement report for the most recent completed fiscal year and unaudited financial statements for the period ending not more than 60 days prior to the date of the offering document.

If the Issuer does not have a prior operating history, state this and attach an opening balance sheet with either a completed audit report or a review engagement report].

CONTINUOUS REPORTING OBLIGATIONS

56. The Issuer will file with the Nova Scotia Securities Commission and send to Security holders annual financial statements and such interim financial statements as required by the *Community Economic-Development Corporations Regulations*.

RESTRICTIONS ON RESALE OF SECURITIES

57. Under the provisions of the *Equity Tax Credit Act*, a person who disposes of a share in respect of which a tax credit has been allowed within four years from the date of purchase is liable to repay the Minister of Finance an amount equal to the tax credits received in respect of the share purchased, including interest thereon where interest is prescribed by the regulations made pursuant to that Act, or a

lesser amount that is determined pursuant to the regulations to that Act.

Under the terms of the *Community Economic-Development Corporations Regulations*, trades by a Security holder of Shares of the Issuer purchased under this Offering will be restricted and, pursuant to subsection 80(5) of the Act, each first trade and each subsequent trade will be a distribution unless such trade is made in accordance with subsection 77(5) of the Act as if the Shares were acquired under clause 77(1)(p) of the Act unless the trade is made:

- (a) to the Issuer;
- (b) to a self-directed registered retirement savings plan of the Security holder or the Security holder's spouse or to the spouse of the Security holder;
- (c) from a self-directed registered retirement savings plan of the Security holder or the Security holder's spouse to the Security holder;
- (d) to a purchaser who owns shares of the Issuer and who is advised in writing by or on behalf of the vendor 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; or
- (e) to a purchaser who purchases pursuant to a trade made in compliance with the Act and any applicable Securities Rules.

Caution: The Shares are not listed on a stock exchange. There is no organized market through which these Shares may be sold. Therefore, investors may find it difficult or even impossible to sell their Shares.

RIGHTS OF ACTION

- 58. A Security holder may have certain statutory rights of action under the Act when an offering document is considered to be an offering memorandum within the meaning ascribed under the Act.
- 59. A Security holder should refer to the provisions of the Act for particulars of these rights or consult a lawyer.
- 60. These statutory rights given by the Act are in addition to and without derogation from any other right or remedy which a Security holder might have at law.

CERTIFICATE

- 61. This offering document, which has been prepared as prescribed by Form 1 of the *Community Economic-Development Corporations Regulations*, does not:
 - (a) contain an untrue statement of material fact;
 - (b) omit to state a material fact required by Form 1, or
 - (c) omit to state a material fact necessary to make a statement in this offering document not misleading.

DATED AT _____ this ____ day of _____, ____ (yy).

[This certificate must be signed: by the chief executive officer and chief financial officer; on behalf of the board of directors by any 2 directors of the issuer, other than the foregoing, duly authorized to sign; and by any promoter of the issuer.]

**FORM 2
REPORT OF A TRADE**

(Pursuant to Section 25 of the *Community Economic-Development Corporations Regulations*)

1. Full name and address of the Vendor. _____

2. Name and address of the Community Economic-Development Corporation issuer of the security traded and description of the security. _____

3. Date of trade(s). _____
4. Complete the attached Schedule.
5. State the name and address of any person acting as agent in connection with the trade(s) and the compensation paid or to be paid to such agent. _____

The undersigned hereby certifies that the statements made in this report are true and correct.

DATED at _____, Nova Scotia, this _____ day of _____, _____.

[Signature]
BY: [Name] _____
[Title or position]

**Schedule "A"
List of Purchasers**

Full Name and Address of Purchaser	Amount or Number of Securities Purchased	Purchase Price
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Community Economic-Development Corporations Regulations

made under Section 150 of the

Securities Act

R.S.N.S. 1989, c. 418

O.I.C. 1998-517, N.S. Reg. 79/98

October 15, 1998

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Regulations are subject to frequent amendments; please ensure that you have the current version of this consolidation.