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The Government of Canada's Community Futures Program

Terms and Conditions

Effective date: October 3rd, 2005

Canada 

COMMUNITY FUTURES PROGRAM

TERMS AND CONDITIONS

1.0 CONTEXT

Community Futures (CF) is a program that supports community economic development (CED) and builds the capacity of communities to realize their full sustainable potential.

The purpose of the CF Program is to help communities develop and implement *local solutions to local problems*. The program provides financial support to CF Organizations (CFOs) that, in collaboration with other partners and stakeholders, can assess their situation and develop strategies to meet their needs, to provide support to small and medium-sized enterprises (SMEs) and Social Enterprises and to undertake appropriate community economic development initiatives.

In the context of Canada's 21st century economy, and in an era of fast changing economic development, CFOs help communities adapt their economies to the new global environment. Whether it is providing strategic community economic planning, business services, investment in SMEs and Social Enterprises, supporting young Canadian entrepreneurs, CFOs are seen as having an increasingly important impact across the country. They can be important local partners for the government in the pursuit of broad public objectives by linking local needs to national priorities such as the social economy, innovation, communities, and Aboriginal economic development.

2.0 AUTHORITY

Sections 4(2), 8, 9, 14 of the *Department of Industry Act*; Orders in Council (1998-183 to 1998-189, 2004-866, 2004-867) concerning regional economic development in the province of Quebec; Sections 5(2), 13(b) and (g) of the *Atlantic Canada Opportunities Agency Act*; and Sections 5 and 6 of the *Western Economic Diversification Act*; May 2000 Treasury Board Decision regarding Community Futures Organizations; and Budget 2005.

3.0 APPLICATION AND DURATION

These Terms and Conditions apply to contributions made under the CF Program by the Economic Development Agency of Canada for the Regions of Quebec (CED-Q), the Atlantic Canada Opportunities Agency (ACOA), the Federal Economic Development Initiative for Northern Ontario (FedNor--as administered by Industry Canada), Western Economic Diversification Canada (WD), herein after referred to as the Departments.

These Terms and Conditions replace the 1998 CF Program Terms and Conditions, and apply to the period October 3, 2005 to October 2, 2010.

The Departments may make payments until October 2, 2010. Upon expiry, Treasury Board approval will be

required to replace or renew such Terms and Conditions. Such a Treasury Board submission will reference both audit and evaluation reports regarding the program.

4.0 APPLICATION OF POLICIES

All policies of the Government of Canada and legislations are applicable (including the *Treasury Board Policy on Transfer Payments*, the *Official Languages Act* and related policies and regulations, and the *Federal Identity Program*), unless otherwise noted in these Terms and Conditions.

5.0 DEFINITIONS

See Schedule 1 for definitions related to these Terms and Conditions.

6.0 PROGRAM OBJECTIVES

Funding provided by this program is to further the ultimate objective of assisting communities to successfully pursue:

- a. Economic stability, growth and job creation;
- b. Diversified and competitive local rural economies;
- c. Sustainable communities.

7.0 PROGRAM ACTIVITIES

To achieve the objectives of the CF Program, CFOs will receive support to engage in the following activities:

- a. Fostering strategic community planning and socio-economic development by working with their communities to assess local problems, establish objectives, plan and implement strategies to develop human capital; institutional and physical infrastructure; entrepreneurship; employment; and the economy.
- b. Providing business services by delivering a range of business, counselling and information services to SMEs and Social Enterprises
- c. Providing access to capital to assist existing SMEs and Social Enterprises or to help entrepreneurs to create new SMEs and Social Enterprises.
- d. Supporting community-based projects and special initiatives by collaborating with other partners in the public sector and civil society to implement strategic community projects or deliver special initiatives targeted to communities. These projects would vary considerably from one community to another and could include a wide range of local initiatives in areas such as tourism, entrepreneurship, economic opportunities for specific client groups such as women, youth, Aboriginal people and members of official language minorities, or projects which respond to specific challenges facing a community such as downturns in important industries.

8.0 EXPECTED RESULTS AND OUTCOMES

A number of immediate outcomes are expected to result as communities pursue a variety of activities in support of the objectives noted in Section 6.0. These include:

- Enhanced marketing to increase the awareness and use of CFOs;
- Enhanced business development services, including the provision of information, counselling, referrals, and training;
- Improved access to capital and leveraged capital through loans, loan guarantees, and equity investments to SMEs and Social Enterprises; and
- Strengthened community strategic plans and more effective implementation through projects, partnerships, and other community economic development (CED) initiatives.

The immediate outcomes are expected to lead to the following intermediate outcomes:

- Improved business practices and increased entrepreneurship;
- Viable new business start-ups;
- Strengthened and expanded businesses;
- Job creation and maintenance; and
- Strengthened community capacity for socio-economic development.

The ultimate outcomes expected may be associated with changes in societal conditions, and are subject to influences beyond CFO activity, thereby taking a longer time to be realized. The intermediate outcomes are expected to result in the achievement of program objectives as follows:

- The creation and expansion of SMEs and Social Enterprises will generate significant economic activity in communities including the creation of employment and increased incomes. This will result in economic stability, growth, and job creation in local rural economies;
- Improved business practices and increased entrepreneurship, new business start-ups, strengthened SMEs, job creation and strengthened community capacity are expected to lead to diversified and competitive local rural economies; and
- CED activities implemented by CFOs are expected to result in strengthened community capacity leading to sustainable communities. The creation of new economy is expected to lead to a lessening of out-migration of youth from many rural areas. The development of a strong base of volunteer leaders also strengthens community capacity. Through strengthened community capacity, communities will be able to address local challenges and attract new SMEs, leading to sustainable communities.

9.0 ELIGIBLE RECIPIENTS

Eligible recipients are CFOs, as defined in Schedule 1, and include the following:

- a) incorporated non-profit organizations working to establish a new CFO;
- b) local CFOs which are incorporated, non-profit organizations established for a specified local service area, normally outside a Metropolitan Area (MA), as approved by the Minister responsible for the CF Program. These local CFOs go by a variety of names. In Atlantic Canada and parts of Quebec, they are Community Business Development Corporations (CBDCs); in other parts of Canada, they are the Community Futures Development Corporations (CFDCs); and Community Economic Development Corporations (CEDCs) in disadvantaged urban areas in Quebec;
- c) Regional, provincial, and national CF associations; and
- d) Investment Fund (IF) Pools which are incorporated, non-profit organizations approved by the Minister responsible for the CF Program, that pool cash reserves from the investment funds of CFOs not immediately required locally with a purpose of increasing access to investment resources in CF service areas.

10.0 ELIGIBLE ACTIVITIES

Eligible activities for each of the recipients noted in Section 9.0 include:

- a) for incorporated, non-profit organizations trying to establish a new CFO:
 - strategic and community planning,
 - community mobilization and networking,
 - provision of information and management tools,
 - leadership development,
 - opportunity identification and feasibility studies,
 - business planning,
 - marketing, and
 - studies.

- b) for local CFOs (CFDCs, CBDCs, and CEDCs):
 - strategic and community planning,
 - community mobilization and networking,
 - provision of information and management tools,
 - leadership development,
 - opportunity identification and feasibility studies,
 - business planning,
 - business counselling,
 - management training,
 - marketing,
 - studies,
 - skills development, including entrepreneurial training,
 - performance measurement and evaluation,

 - environmental assessments,
 - applied research and development,
 - lending to IF Pools to better utilize cash reserves and make collaborative

- investments,
- business financing in the form of repayable loans, loan guarantees, or equity positions, and
- regional collaborative tourism marketing initiatives.

Local CFOs may also provide services to clients in non-Metropolitan Areas adjacent to their normal territory that are not served by another CFO.

c) for regional, provincial, and national CF associations:

- strategic and community planning,
- community mobilization and networking,
- provision of information and management tools,
- leadership development,
- opportunity identification and feasibility studies,
- management training,
- marketing,
- studies,
- performance measurement and evaluation,
- skills development, and
- conference planning and implementation.

d) for incorporated non-profit organizations operating an IF Pool:

- community mobilization and networking,
- provision of information and management tools,
- opportunity identification and feasibility studies,
- business planning,
- management training,
- marketing,
- studies,
- skills development, and
- receiving loans from the investment fund cash reserves of member local CFOs and lending funds to local CFOs where required.

9 11.0 ELIGIBLE COSTS

CFOs may receive non-repayable contributions to offset general operating costs and to establish and support Investment Funds. Specific eligible costs are those that are considered reasonable and necessary to carry out approved eligible activities and may include the following:

a) Eligible operating costs which may be incurred by non-profit organizations working to establish a new CFO:

- Rent,
- Personnel: salary and benefits,
- Marketing,
- Maintenance,
- Equipment lease,
- Information management,
- Legal, administrative, accounting, licensing, permits,
- Consulting fees,
- Research fees,
- Supplies, transportation, and
- Other costs necessary for the establishment of a new CFO.

b) Eligible operating and investment fund costs, which may be incurred by local CFOs (CFDCs, CBDCs, and CEDCs):

- Rents, leases, leasehold improvements,
- Personnel: salary and benefits,
- Staff and Board Director training and development,
- Marketing,
- Maintenance,
- Equipment purchase and leases,
- Information management and information technology acquisitions,
- Legal, administrative, accounting, licensing, permits,
- Consulting fees,
- Research fees,
- Interest charges, insurance, taxes,
- Supplies, transportation,
- Costs associated with establishing and maintaining local Investment Funds,
- Costs associated with the collection of problem loans or recovery of bad loans,
- Administration costs related to Investment Funds,
- Costs associated with the implementation of community-based projects and/or special initiatives that been identified by CFOs as integral to their strategic plans and/or to advance local, regional and/or national priorities, and

- Other costs that are reasonable, incremental, and directly attributable to activities necessary to support desired activities and achieve desired results, as specified by the contribution agreement.
- c) Eligible operating costs which may be incurred by regional, provincial, and national CF associations:
- Rents, leases, leasehold improvements,
 - Personnel: salary and benefits,
 - Staff and Director training and development,
 - Marketing,
 - Maintenance,
 - Equipment purchase and leases,
 - Information management and information technology acquisitions,
 - Legal, administrative, accounting, licensing, permits,
 - Consulting fees,
 - Research fees,
 - Interest charges, insurance, taxes, and
 - Supplies, transportation.
- d) Eligible operating and investment fund costs, which may be incurred by IF Pools:
- Rents, leases, leasehold improvements,
 - Personnel: salary and benefits,
 - Staff and Director training and development,
 - Marketing,
 - Maintenance,
 - Equipment purchase and leases,
 - Information management and information technology acquisitions,
 - Legal, administrative, accounting, licensing, permits,
 - Consulting fees,
 - Research fees,
 - Interest charges, insurance, taxes,
 - Supplies, transportation,
 - Costs associated with the collection of problem loans or recovery of bad loans, and
 - Costs related to investment fund pooling.

12.0 MAXIMUM AMOUNT PAYABLE

a) Contributions to incorporated non-profit organizations to do planning and other activities to set up a new CFO may not normally exceed \$150,000 for the duration of the planning phase.

b.i) Contributions to local CFOs (CFDCs, CBDCs, and CEDCs) may not normally exceed \$400,000 per year to support operating costs. This maximum may be increased by up to \$40,000 per year for CFOs operating in remote areas to address the additional costs

of travel in these areas. Up to an additional \$30,000 per year may be allocated to CFOs operating in areas that are required by Departments to provide services in both official languages.

b.ii) Contributions to local CFOs in support of costs associated with the implementation of community-based projects and special initiatives, shall not normally exceed \$200,000 per year.

b.iii) The maximum total amount of contributions that may be paid to local CFOs for an Investment Fund over the duration of its existence is \$6 million. The Investment Fund includes:

- all previous grants or contributions made to the CFO in respect of its Investment Fund pursuant to any and all previous agreements between Employment and Immigration Canada (EIC), Human Resources Development Canada (HRDC), Industry Canada (IC) and/or the relevant regional development agency (RDA) and the CFO under the CF Program or any previous similar program administered by EIC, HRDC and/or the responsible RDA; and
- all previous grants or contributions made to a Business Development Centre (BDC) that received funding from EIC, HRDC, and IC and/or relevant RDA under the CF Program or any previous similar program administered by EIC and that have been transferred to the CFO by the BDC and credited to the CFO's Investment Fund.

CFOs can also receive funding from other sources (private or government) or from a program other than the CF Program in addition to these maximum amounts payable, provided the funds are given for incremental operating and lending activity. Such funding will not be included in the annual or lifetime maximum funding limits. This includes loans to local CFOs from IF Pools.

c) Contributions to regional, provincial, and national CF associations may not normally exceed \$650,000 per year to support operating costs.

d) Contributions to incorporated non-profit organizations forming an IF Pool may not normally exceed \$400,000 per year to support operating costs. The maximum single or one-time contribution to the investment fund of any IF Pool under these Terms and Conditions shall not exceed \$10 million without the approval of Treasury Board. A decision by Cabinet is required for any single or one-time contribution over \$20 million. The maximum cumulative amount of contribution funding for any IF Pool shall not exceed \$35 million without the approval of Treasury Board.

Further requirements related to the Investment Funds of local CFOs and IF Pools are listed in Schedule 2.

13.0 GOVERNMENT ASSISTANCE AND STACKING OF ASSISTANCE

- 13.1** Funding under the CF Program will be determined based on the minimum level required to ensure that the CFOs further the attainment of program objectives and expected results and that activities proceed as planned. The assessment of the level of funding required will take into consideration the total government assistance (federal, provincial and municipal assistance) towards project costs supported in the contribution agreement. There will be a reduction of the contribution if other government assistance is obtained for the same eligible costs. In the event that actual total government assistance paid to a recipient exceeds the stacking limits, the level of assistance provided to the project will be adjusted and the amount of the overpayment shall constitute a debt due to Her Majesty the Queen in right of Canada and will be recovered as such from the CFO, including interest, where the amounts are overdue. The *Interest and Administrative Charges Regulations* will apply.
- 13.2** Each responsible Department will require each recipient to disclose all sources of funding for their organization.
- 13.3** The maximum level of total government assistance (stacking limit) will be up to 100% of eligible costs, for all supported eligible activities.

14.0 PAYMENT PROVISIONS

- 14.1** Payments will be made on the basis of documented claims for supported eligible costs incurred and the fulfilment of conditions specified in the contribution agreement.
- 14.2** Financial claims are to be accompanied by a report in the form and frequency prescribed by the contribution agreement.
- 14.3** Given the nature of the costs to be incurred and activities to be carried out, the responsible Departments will normally provide eligible recipients funding in the form of advance payments on a quarterly basis. Advances for Investment Fund purposes will be made on a quarterly or annual basis based on expected lending activity.

15.0 DELEGATION OF AUTHORITY

The authority to approve contributions, to sign contribution agreements, to approve amendments, and to approve payments, will be exercised with the Delegated Signing Authorities Chart of each responsible Department.

16.0 RECORDS, REVIEWS AND AUDITS

16.1 Due Diligence

The responsible Departments have and will maintain adequate program and financial controls, systems, procedures and resources to ensure strict adherence to government policies and regulations, due diligence in approving transfer payments, verifying entitlement, eligibility and results achieved, and for management and administration and follow-up of the program.

16.2 Access to Records

The responsible Departments will be allowed access to CFO premises and information concerning records of funding. Prior to providing any small business services or financial assistance to a client, the CFO shall inform the client in writing that, as the operation of the CFO is financially supported by the Government of Canada, representatives of Canada are permitted access to the CFOs client files for monitoring, audit and evaluation purposes, and that clients may be contacted from time to time by representatives of Canada as part of the evaluation of the performance of the CFO. The CFO shall use its best efforts to encourage clients to cooperate with these representatives in conducting any such evaluation.

16.3 Application Process

In support of a request for funding the CFO will prepare an annual plan, or a multi-year plan with annual updates, to be prepared on the activities, including Investment Fund activities, of the CFO for their upcoming fiscal year. The plan will include a statement of the measurable objectives and targeted results of the four Program Activities described in Section 7.0 for the upcoming year, the strategy the CFO intends to employ to achieve those results and a budget plan for the upcoming year.

16.4 Monitoring

Departments will develop and implement policies and procedures for adequate monitoring of results achieved for each of the four Program Activities (as described in Section 7.0) governed by contribution agreements and for obtaining suitable information from CFOs on their Operating and Investment Fund policies and procedures to ensure adequate departmental accountability. Contribution agreements should call for at least an interim and a final accounting of the use of funds and the results achieved compared to the forecasts provided in the annual plan.

16.5 Compliance

Departments will be responsible for determining whether recipients have complied with the Terms and Conditions applicable to the contributions. This responsibility includes the audit of CFOs and their client files when deemed necessary.

16.6 Audit

The CFO will submit to the responsible Minister each year audited annual

financial statements prepared in accordance with Generally Accepted Accounting Principles within four months of the CFO's fiscal year end. The audit shall be performed by an independent, professionally certified accountant.

17.0 DEFAULT AND REMEDIES

The default and remedy provisions outlined in contribution agreements with CFOs will be as follows:

17.1 Events of Default

The Minister may declare that an event of default has occurred if the CFO:

- a) has submitted false or misleading information, or made a false or misleading representation, to the Minister;
- b) has not complied with any condition, undertaking or material term in the contribution agreement;
- c) ceases to operate, becomes insolvent or is dissolved or wound-up;
- d) has neglected or failed to pay to the Minister any amount due in accordance with the contribution agreement; or
- e) the CFO is not eligible or is otherwise not entitled to the contribution.

17.2 Notice

The Minister will not declare that an event of default has occurred unless he/she has given notice to the CFO of the occurrence, which in the Minister's opinion constitutes an event of default. The CFO shall, within such period of time as the Minister may specify in the notice, either correct the condition or event or demonstrate, to the satisfaction of the Minister, that it has taken such steps as are necessary to correct the condition, failing which the Minister may declare that an event of default has occurred.

17.3 Remedies

If the Minister declares that an event of default has occurred, it may immediately exercise one or more of the following remedies:

- a) suspend his/her obligation to contribute to the Eligible Costs including any obligation to pay any amount owing prior to the date of such suspension;
- b) terminate the contribution agreement; or
- c) require upon demand that the CFO repay to the Minister all or part of its contribution, together with interest from the date of demand at the interest rate set out by the *Interest and Administrative Charges Regulations* (SOR/96-188).

17.4 The CFO acknowledges that in the event of default of any of the terms or conditions of the contribution agreement, it is fair and reasonable that the Minister be entitled to exercise the remedies set out in it and to do so in the manner provided in it.

18.0 CHANGES IN PROGRAM FUNDING

The contribution agreements between the Departments and CFOs will provide for cancellation or reduction of funding in the event that funding levels are changed by Parliament.

19.0 PUBLIC ACKNOWLEDGEMENT AND RECOGNITION

The contribution agreements between the Departments and CFOs will provide for appropriate recognition and acknowledgment of the contribution of the Government of Canada in all promotional materials, including: press releases; advertising; print or online publications and on-site plaques. The extent of recognition shall be shared with other stakeholders and fund contributors commensurate with the size of the Government of Canada contribution in relation to contributions made by other funding bodies or participating organizations.

20.0 PROGRAM AUDIT AND EVALUATION

To strengthen accountability for the achievement of program objectives and actively manage risks associated with the administration of the CF Program, Departments collaborated on the development of a common Results-based Management and Accountability Framework (RMAF) and the preparation of four separate Risk-Based Audit Frameworks (RBAF) for the CF Program.

20.1 Risk-Based Audit Framework (RBAF)

In keeping with the Policy on Transfer Payments, each responsible Department has prepared an RBAF to reflect the regional variations in the delivery of the CF Program. The program will be audited in accordance with the approved RBAFs and the audits will be consistent with Treasury Board's Audit Policy. The RBAFs provide an explanation of the roles and responsibilities of management and Internal Audit; an assessment of key risks of the program; the approaches for program monitoring, CFO audits and Department Audits; and reporting strategies (see Annexes B.1, B.2, B.3 and B.4).

20.2 Results-Based Management and Accountability Framework (RMAF)

In keeping with the Policy on Transfer Payments, the responsible Departments have prepared a common RMAF. The program will be evaluated in accordance with the approved RMAF and consistent with Treasury Board's Evaluation Policy. The RMAF contains a logic model and strategies for ongoing performance measurement, evaluation and reporting. The performance measurement strategy identifies indicators for the outputs and outcomes in the logic model and describes how these indicators will be collected, how often and at what cost. The evaluation strategy includes evaluation issues and questions, and associated data collection requirements. The reporting strategy outlines the systematic reporting of evaluation and performance results (see Annex C of the submission).

By March 31, 2008, Departments will conduct an evaluation in accordance with the approved RMAF. Program audits will be completed by this date as well,

unless otherwise specified in Departmental audit plans. A national summary report will be completed by March 31, 2009 and provided to the Treasury Board.

21.0 OFFICIAL LANGUAGES

Funding for CFOs serving the members of both official language communities will be consistent with all relevant policy and regulations of the *Official Languages Act*.

22.0 CONFLICT OF INTEREST AND POST-EMPLOYMENT CODE

22.1 Eligible recipients of funding under these Terms and Conditions must respect and comply with the *Values and Ethics Code for the Public Service*.

22.2 Where a CFO has an employee who is either a current or former (in the last twelve months) public office holder or public servant in the federal government, compliance with the Code(s) noted in 22.1 must be demonstrated.

22.3 The CFO shall ensure that no Member of Parliament or Senator will benefit in any way from the contribution agreement or obtain any advantages resulting from the contribution agreement.

22.4 Any person lobbying on behalf of the CFO shall be required to be registered in accordance with the *Lobbyist Registration Act*.

23.0 OTHER TERMS AND CONDITIONS

Departments are exempted from section 7.6.4 of Treasury Board's Policy on Transfer Payments (PTP) requiring the payment of advances be limited to the immediate cash requirements of the eligible recipient and not exceed the payment frequency outlined in Appendix B of the PTP. Departments may then provide quarterly and/or annual advances of contribution payments.

SCHEDULE 1 - Definitions

- “CF Organization” A legally incorporated non-profit organization authorized by the Minister responsible for the CF Program to constitute a community for participation under the Community Futures Program as well as any special purpose, provincial, regional or national association of CF Organizations (CFOs). This includes an incorporated non-profit entity approved by the Minister responsible for the CF Program to pool investment resources of existing CFOs.
- “Community” A group of individuals and/or organizations (i.e. local government, associations, etc.) which share common economic and/or social development interests and which normally can be described by geographical or demographical boundaries.
- “Investment Fund” As described in section 12.0 of these Terms and Conditions and in Schedule 2 thereof.
- “Metropolitan Area” A municipality with a population of at least 100,000
- “SME” Small and medium-sized enterprises are defined as having less than 500 employees and annual sales revenue of less than \$20 million, and produce goods and services for the market economy, regardless of their business structure (e.g. sole proprietorships, for-profit or non-profit corporations, cooperatives, etc.).
- “Social Enterprise” Social Enterprises are businesses producing goods and services for the market economy, but they manage their operations and redirect their surpluses in pursuit of social, environmental and community goals. Typically, social economy enterprises grow out of community economic development strategies involving citizens, governments, the voluntary sector, business, learning institutions and other partners.

SCHEDULE 2 - Requirements for Investment Funds

2.1 Local CFO Investment Funds:

- i. The Investment Funds of local CFOs must be used to develop and diversify the local economy by assisting entrepreneurs to create new SMEs or Social Enterprises or by assisting existing SMEs or Social Enterprises to stabilize or expand.
- ii. Repayable financial assistance in the form of loans, loan guarantees, or equity investments, will only be provided to SMEs, including Social Enterprises:
 - 1) which in the case of an SME, the principals have or will have a financial involvement to a degree that the local CFO deems reasonable in relation to the principals' own wealth and to the funding requirements of the project;
 - 2) that will predominantly create or maintain local jobs outside of Metropolitan Areas, and
 - 3) that, in the judgement of the local CFO, will have a reasonable expectation of economic viability.
- iii. The responsibility for assessing and approving investment applications will rest with the local CFO's Board of Directors. The CFO's Board or its delegates is solely authorized to evaluate and approve investment applications.
- iv. The maximum amount of financial assistance that may be provided by a local CFO in respect of any SME or social enterprise at any time shall not normally exceed \$150,000. Two or more local CFOs may collaborate to provide financial assistance to SMEs or Social Enterprises in cases where there is a demonstrated benefit to their communities. Each participating CFO may provide up to \$150,000 in such situations.
- v. Assistance in the form of equity investments will only be provided from the local Investment Fund to incorporated SMEs authorized to issue share capital. Assistance provided must be the subject of formal agreements.
- vi. No grants, contributions or forgivable loans will be made from the Investment Funds of local CFOs.
- vii. The local CFO will ensure that best efforts have been made by the entrepreneur to access other sources of funding or commercial financing for any project prior to providing financial assistance from the Investment Fund.
- viii. The minimum rate of interest charged on any loan from the Investment Fund will not normally be less than the prime rate plus two percent. The local CFO may charge lower interest rates for Social Enterprises.

- ix. The local CFO shall, in providing loans, loan guarantees and equity investments, and in contracting for any goods and services, must abide by conflict of interest conditions contained in the contribution agreement.
- x. Funds advanced to the local CFO in respect of its eligible operating costs and its Investment Fund capitalization costs shall be deposited and maintained in two separate accounts. Funds credited to the Investment Fund shall not be used for purposes other than Investment Fund activities without the prior written approval of the responsible Departments. This includes funds lent to or received from CF Investment Fund Pools.
- xi. When responsible debt collection action would be restricted due to limitation on the local CFO's operating funds, debt collection costs may be charged to the Investment Fund.
- xii. The local CFO shall continue to administer the Investment Fund in accordance with these Terms and Conditions for a period of seven (7) years following the end of the contribution agreement funding period, or in the case of termination under Section 17.3 b) of these Terms and Conditions, for a period of seven (7) years thereafter.

2.2 CF Investment Fund Pools:

- i. Cash reserves from local CFO Investment Funds can be pooled to help address the barriers to economic growth and diversification caused by a lack of access to community-based capital. These cash reserves are pooled to efficiently operate and manage an Investment Fund (IF) Pool, which may be supplemented by additional private funds or public funds, or both.
- ii. The bylaws and articles of the incorporated non-profit organization establishing an IF Pool must reflect the goals and mandate of the CF Program. Internal procedures, protocol, and reporting systems must be agreeable to Departments. The corporate structure must allow member CFOs to control decision-making. Local CFOs must maintain a voting majority on decisions concerning the investment approval and governance of the investment fund pooling entity.
- iii. Repayable loans may be provided to member CFOs to make additional investment capital available to local CFOs where required. Loans made to member CFOs are subject to a review of the local CFOs' financial statements and assistance given must be reasonably proportionate to the performing loan portfolio. An individual loan to a local CFO may not normally exceed \$1 million.
- iv. IF Pools can also be a mechanism whereby local CFOs collaborate in providing financial assistance to SMEs or Social Enterprises as per 2.1(iv) of this schedule. In such cases, the assistance will be provided through one or more of the member local CFOs, and not directly by the IF Pool. The responsibility for assessing and

approving investment applications from SMEs Social Enterprises will remain each participating local CFO's responsibility. In order to provide additional due diligence, external financial advisors may be retained, when required, by the IF Pool.

- v. No grants, contributions or forgivable loans will be made from the IF Pool.
- vi. Contributions provided to IF Pools for their eligible operating costs and their Investment Fund (IF) capitalization costs shall be deposited and maintained in two separate accounts. Funds credited to the IF shall not be used for purposes other than loans to member local CFOs without the prior written approval of the responsible Departments. Interest earned and any expense incurred while realizing on loan security will be shared pro-rata by IF Pool members according to their level of participation.
- vii. Contribution agreements between the Departments and IF Pools will normally be enforceable, for reporting and tracking purposes, for seven (7) years after the contribution period in order to provide a sufficient period of time to adequately assess and evaluate the outcomes of the IF Pool.