

# The Offering Document

- How long will the application process take?
- Length of time varies – depending on how the offering document is written
- Within 10 days from receipt of offering – first comment letter
- Up to CEDIF to respond in writing in a timely manner

# The Offering Document cont'd

- Item 53, Canadian Income Tax Considerations
  - The suggested wording has been taken out in the revised offering document dated August 24/07
  - As taxation laws are complex and rapidly changing, it is desirable that the CEDIF obtain professional tax advice in preparing the disclosure

# The Offering Document cont'd

- Who is an independent director?
- No direct relationship with the CEDIF
- ie, officer or employee of corporations affiliated with the CEDIF or other entities
- Nor any “material” relationship with the CEDIF that might influence his/her judgement
- At least 2 independent directors

# Initial Close

- All conditions of Initial Close must be met
- Remember – Money in transit is not considered a deposit. Cannot be included in total \$ amount
- Form 2A – Filed within 30 days of Initial Close
- Schedule A - # of Investors and total \$ amount must match what is sent to Finance

# Extensions to Initial Close

- If the CEDIF cannot meet the deadline, we will consider up to 6 months extension
- Must submit to us:
  - Letter explaining the reasons why the extension
  - An amended Item #17, a new signed and dated Certificate Page and \$25.00
  - A copy of the letter that will be sent to the current subscribers re: 10 days right of withdrawal

# Subsequent Closings

- Letter to Director requesting extension – sec. 18(4) of the CEDC Regulations
- Letter to include:
  - Date CEDIF wants to extend to
  - Confirmation no material changes
  - Confirmation that all conditions of initial close has been met
  - State #investors and amount raised
  - Copy of ETC certificate extension
  - \$25.00 filing fee
- Form 2A must be filed within 30 days of subsequent close
- Conditions set out in Item 19
- Must apply to Finance (Phillip) to get extension on your ETC certificate if it has lapsed

# Continuous Disclosure

- Financial Statements
  - Section 23 of the CEDC Regs and BO 51-503
  - **The financial statements must be sent to the shareholders at the same time as filed with the NSSC**
    - Semi annual **comparative** financial statements
      - balance sheet, income statement, cash flow statement and Notes, if applicable (compliance with GAAP)
      - **Filed within 60 days after the end of the period**
      - Need not be accompanied by an auditor's report or a review engagement report

# Continuous Disclosure – Cont'd

- **Remember: Your accountant must be a member of the Public Accountants Board of Nova Scotia**
- **Comparative** annual financial statements
- Balance sheet, income statement, cash flow statement and Notes in accordance with GAAP
- Accompanied by an audit report or a review engagement report
- Balance Sheet signed by two directors of the CEDIF
- **Must be filed within 140 days of the year end**

# Continuous Disclosure – Cont'd

- Material Changes
  - As defined in clause 2(1)(v) of Securities Act
  - Press release must be filed
  - Material Change Report must be filed within 10 days of date of change occurred.

# Continuous Disclosure – Cont'd

- Once the five year hold period of the ETC has expired, the CEDIF is still required to file with us and send to its security holders the annual and semi annual financial statements
- If a material change has occurred, press release and material change report must be filed within 10 days of date of change

# General

- If the CEDIF propose to invest more than 40% of the proceeds of the offering in a single specified investment, the CEDIF must as per Reg. 20 or 21:
  - Provide an information circular with enough detail of the specific transaction to the security holders
  - Call a special meeting
  - Obtain approval of at least 50% plus one of the votes

## General cont'd

- Can a potential investor from outside Nova Scotia invest in the CEDIF?
- The CEDIF must comply with the securities law in the jurisdiction of the potential investor.
- Pursuant to the Equity Tax Act, the potential investor is not eligible for the ETC

# Promotional Material Hints

- Materials must be submitted to and non-objected to in writing by the Director prior to use.
- These guidelines are general in nature. The Director has the discretion to issue or not to issue a non-objection letter for any promotional material as per sec. 8 of the CEDC Regulations.
- Warning – always include the standard Warning on any promotional material. – see website

# Hints - continued

- The NSSC only non-objects to an offering. It does not approve, authorize, allow, co-operate with or enable...
- The investment qualifies as a Registered Retirement Savings Plan holding and is a tax deferral not a tax saving.
- Tax credit – for clarity always identify it as a tax credit against N.S. provincial income taxes payable.
- Investment returns – the Equity Tax Credit should not be mingled with returns on investment in any narrative or calculations.

# Hints - Continued

- Check for
  - possible ambiguity and clarity
  - unattributed statements
  - exaggerated statements
- General overall critical review of content not artistic presentation.
- Promotional material is incorporated by reference into the Offering Document. Therefore any potential liability issues with promotional materials should be a concern for Officers and Directors, and/or Promoters who have certified the Offering Document as per sec. 15 of the CEDC Regulations.

# General cont'd

- Get more information on the CEDIF program on our website at:
  - [www.gov.ns.ca/nssc/corporatefinance/cedif.htm](http://www.gov.ns.ca/nssc/corporatefinance/cedif.htm)
- Staff is presently working on a revised offering document and a FAQ which should be available in September and will posted on our website.