

FAQs from CEDIF 2011 AGM

1. What is the difference between a public company and a private company?

A public company is a reporting issuer and the shares are freely tradable. These shares can also be listed on a stock exchange. A **private company** is not a reporting issuer, the shares are not listed on a stock exchange and the shares can only be traded under an exemption under securities legislation. (Please refer to the next question for further information concerning selling shares.)

2. Can CEDIF shares be sold on Kijiji or the internet?

No, this would be considered offering private company shares to the public and is a violation of securities law. The shares may only be sold in accordance with the exemptions listed in item # 57 of the offering document and all trades must be reported to the NSSC on Form 2 – *Report of Trade* within 30 days of the trade.

3. What is the market value of a CEDIF share?

The market value of a security is the price paid in a free market transaction (such as on a stock exchange or between a willing buyer and seller) where the price that another party will pay in an arm's length transaction where the seller is not under any pressure to dispose of their shares. As stated in the offering document on page 17 "**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.**" Therefore for CEDIF shares, the market price cannot be established through an organized market transaction such as a stock exchange as such a market does not exist. By selling shares in compliance with an exemption, a market price may be established. The NSSC does not provide guidance, methodology or opinions on the valuation of securities. The current price of last offering price may not reflect the current market value of a CEDIF share.

CEDIFs should consult with a professional or chartered business valuator to discuss what options are available to determine the fair market value of a CEDIF's shares.

4. Can registrants sell CEDIF shares?

Subsection 3(4) of the CEDC Regulations states "*Distributions in shares of a CEDC may be made only by registrants registered under the Act that are authorized to trade in the shares or by the individuals listed in the offering document.*"

- a) IIROC Registrants – Since each purchaser is considered a client of the dealer, the dealer's name must be listed in the offering document and must provide the NSSC with a letter stating that it is permissible for the individuals named in the letter to sell the CEDIF shares and are selling with the dealer's knowledge.

- b) Exempt Market Dealers - same as IIROC registrants.
- c) Mutual Fund Registrants – Since these registrants are registered to trade in mutual funds, they **cannot sell** CEDIF shares because CEDIFs **are not** considered mutual funds.

5. I am currently a registrant and wish to be an officer of on the board of directors of a CEDIF. What activities can I undertake?

A registrant can be an officer or director of a CEDIF. However, you cannot promote, act as a finder or sales agent unless you meet the requirements as noted under “Can registrants sell CEDIF Shares?”

If you are a registrant and an officer or director of a CEDIF you must also advise your compliance officer of your outside business activities with CEDIF.

6. Can a CEDIF merge with another company?

Like any other company, a CEDIF can merge with another company. You should consult legal counsel for instructions on how to proceed. You should note that sections 20 and/or 21 of the CEDIF regulations may apply. There may also be equity tax credit implications; you should contact the Department of Finance to discuss those issues.