



CEDIF

Invest in Your Community

2014 Nova Scotia Energy R&D Conference
May 21, 2014



Economic and Rural Development and Tourism

www.gov.ns.ca/econ/cedif

CEDIFs 101

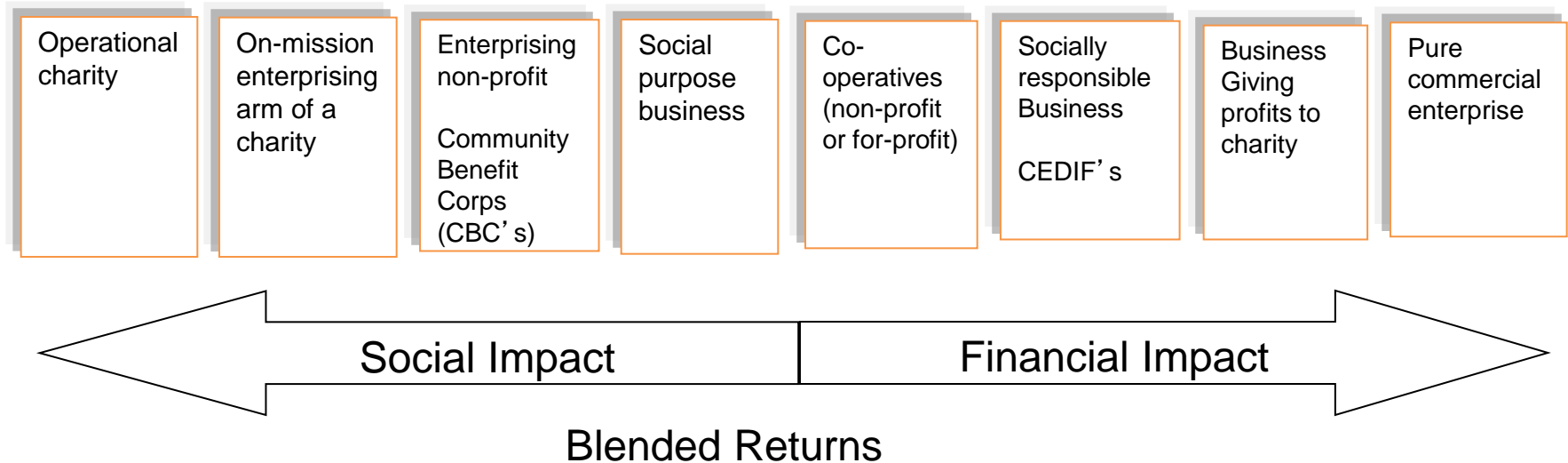
CEDIF may be an attractive financing mechanism to support the emerging tidal energy sector?

- Community capital reinvested in community and owned by local investors
- Raises capital for for-profit companies and co-operatives
- Minimum of 6 directors elected at AGM
- Need to raise a minimum of \$100,000 with 25 investors
- Average amount raised per offering is about \$500,000
- Subject to regulation by the Nova Scotia Securities Commission

*Port Hood Beach
Sunrise RV Park*



Spectrum of Organizations: From Charities to Traditional Business



Source: Adapted from Charities Aid Foundation (CAF) Venturesome, "Financing Big Society: Why social investment matters" (2010).

Background

- Created in 1993
- First offerings in 1999-2000
- New CEDIF exemption to the Nova Scotia Securities Act
- Pre-approved holding for a self-directed RRSP
- Investments are eligible for the Equity Tax Credit
- Many funds use co-operative structure vs. corporate
- 35% Equity Tax Credit (was 30%)
- Rollover credits in year 5 (20%) and year 10 (10%)
- Nine funds are currently paying dividends
- Three funds have failed; two more are expected to fail due to current economic circumstances

Why start a CEDIF?

Access to (patient/equity) capital:

Many small businesses are debt-heavy and equity is not always available through traditional channels.

Invest at home:

CEDIFs provide a local investment opportunities for Nova Scotians. There are few ways for people to keep their investment dollars working within their communities.

Capital retention:

CEDIFs keep the money of Nova Scotia investors in their communities, to create jobs, provide goods and services, and increase economic spin-offs.



6/13/2014

Community investing

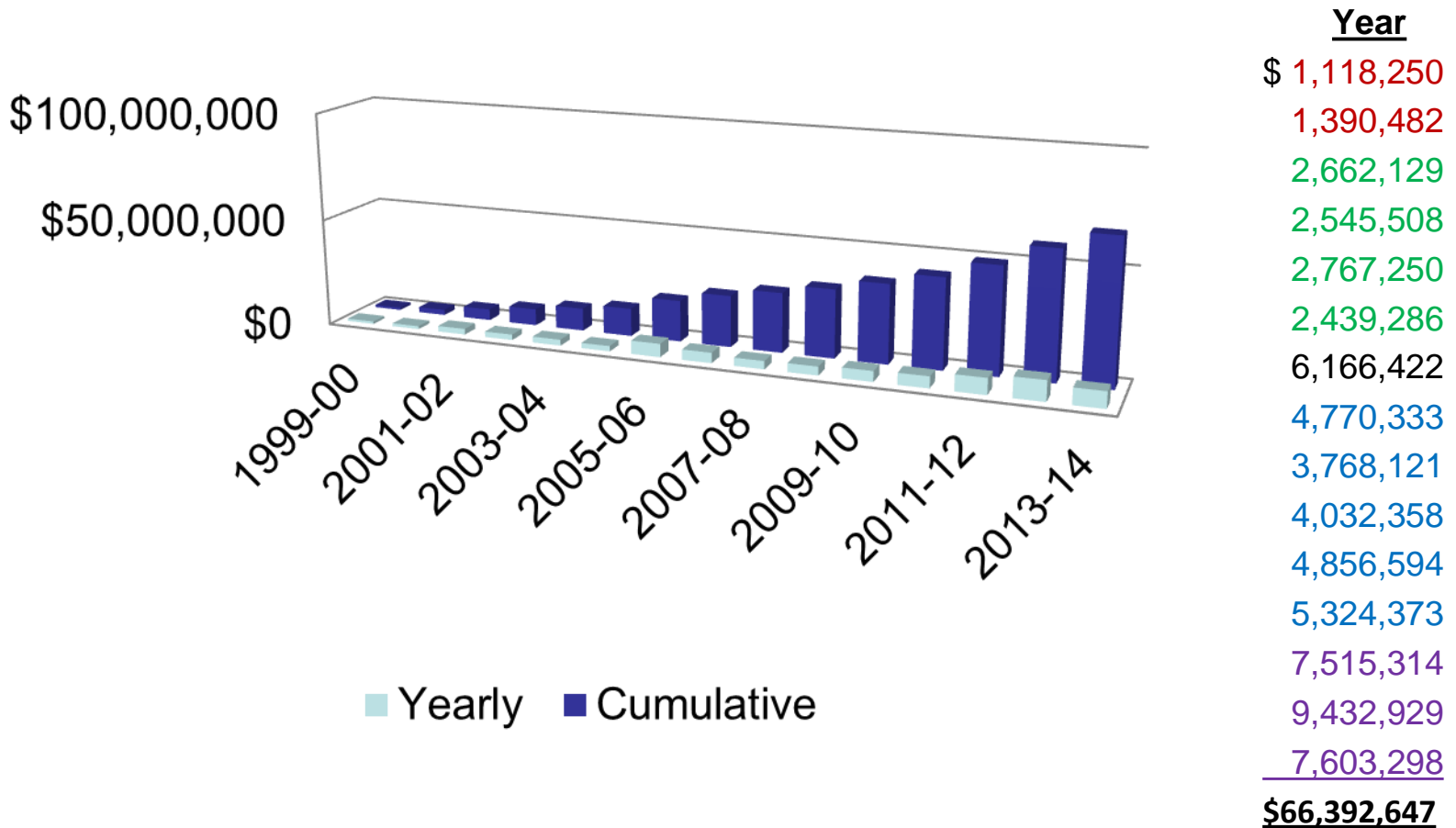
- More than 60 active CEDIFs in Nova Scotia
- More than \$63 million raised since 2001
- More than 6,000 individual investors
- Tax credits and financial incentives
- Financing gap at \$100,000 to \$1,000,000; capital needs outside this range may be better served by other tools, however, Community Feed-In Tariff (COMFIT) projects are expected to achieve higher investment numbers (ie. Watts/CCWF)
- Blind pools invest in many businesses with capital raised vs. single pool investing in a specific business



Most Recent Closings

Antigonish Investments Limited	20	270,000
Black Business CIF Ltd	29	76,000
Celtic Current Inc	62	693,575
Chebucto Pockwock Lake Wind Field	46	916,500
Farmworks Investment Co-operative Ltd	72	240,000
Fundy Tidal Inc	36	163,697
Margaree & Area Community Fund	27	105,900
New Dawn Innovation Fund Ltd	198	1,190,116
Watts Wind Energy Inc	27	390,510
Whycocomagh Investment Co-operative	48	557,000
Wind4All Communities II Inc	248	3,000,000
	813	7,603,298

Investment Growth



Investing in a renewable future

Investors in all CEDIFs receive:

- Tax credit of 35% [\$50,000/ \$17,500]
- Rollovers / Adjusted Cost Base
- Carryback (3 yrs.)/ forward (7 yrs.)

Watts Wind Energy

1.5 mw Vensys v77

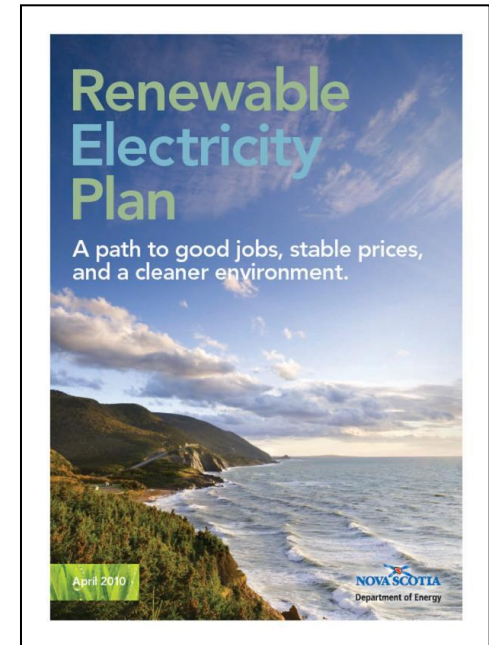
wattswindproject.com/

The Colchester-Cumberland Wind Field recently estimated that on average each of their shareholders offset greenhouse gasses by 19 tonnes per year, just by being an investor.



COMFIT: Made in Nova Scotia

- Part of the Nova Scotia Renewable Electricity Plan community-focus
 - at the distribution level
 - capitalizes on local resources
- Customized for the Nova Scotia market
- Eligible groups include: Mi'kmaq band councils, CEDIFs, municipalities, non-profit groups, co-operatives, universities, and biomass facilities
- Eligible technologies include: biomass combined heat and power, small-scale in-stream tidal, hydroelectricity, and wind



Nova Scotia Securities Commission

CEDIFs are regulated similarly to publicly traded companies. As a registered CEDIF, a fund must do the following to avoid a Cease Trade Order (CTO):

- Submit audited or reviewed annual financial statements 140 days after the financial year end of the CEDIF
- Submit interim financial statements 60 days after the end of 2nd quarter

Failure to comply with these requirements results in enforcement of a CTO, and financial penalty.

In the future, the NSSC may require CEDIFs to be registered investment fund managers according to the Securities Act in Nova Scotia.

Learning from Experience

- Business leadership
- Creation requirements
- Expect the unexpected
- Successes and failures
- Additional rounds of financing
- Market for shares
- IPO & tax issues
- Valuation

Closing Comments on CEDIFs

- Unique to Nova Scotia but not for much longer
 - Prince Edward Island launched its program last July 2012
 - New Brunswick
 - Alberta
- Getting through the process is not quick or easy...nor should it be
- Understand the CEDIF program, rules, requirements, and nuances
- Partnerships very important; **community buy-in**
- CEDIF works for small wind, it could likely work for the tidal sector?