

Community Economic Development Corporations (CEDC)

This guide provided by the Financial and Consumer Services Commission (FCNB) shares information about the CEDC program available to raise capital in New Brunswick. This is a general overview. For specific guidance investors should consult their financial adviser. Groups looking to form a CEDC should obtain professional advice from a securities lawyer, and/or a tax specialist.

What is a CEDC?

A CEDC is an opportunity for New Brunswickers to channel their investment dollars into their local economy. CEDC stands for “*Community Economic Development Corporations and Associations*.” A CEDC is a pool of money raised by selling shares (or other eligible securities) to individuals in a defined community. These funds are controlled by a local group of officers and directors, who may be chosen by the founders and promoters of the CEDC or by the CEDC’s investors at an annual general meeting. For additional details on this program visit our website at fcnb.ca/cedc.html.

Who can invest in a CEDC?

An eligible investor must be at least 19 years of age and must be a resident of New Brunswick or a corporation or trust that has a permanent establishment in New Brunswick.

How are the funds used?

In order to qualify, the project must have a measureable financial return. A CEDC is not meant to fund projects that do not generate revenue. For example, developing a new children’s playground would not be an eligible use of CEDC funds since it does not produce a revenue stream. On the other hand, developing a farmer’s market or a windfarm may be eligible projects.

How do I invest in a CEDC?

Potential investors may fill out an Expression of Interest Form. This does not mean you are committing to investing, but tells the company that you are interested in knowing more about the opportunity. The company will send you an Offering Document to help you make your decision. This document outlines what you would be purchasing with your investment dollars, who is making the shares (or units) available, what the total value of the offering should be and how the funds are to be used. It is important to remember that because these are exempt market investments, they are risky investments. For more information about exempt securities visit our website at fcnb.ca/securities-exemptions.html.

Neither FCNB nor the Government of New Brunswick assesses, reviews, or approves the merits of the shares (or other eligible securities), or reviews the Offering Document.

Potential investors should take the time to fully read the Offering Document and be sure that they understand the business plan and the risks associated with the investment opportunity. You may also want to discuss any investments you are considering with your financial adviser. They can help you determine if the investment fits your risk tolerance level, and if it is appropriate for you.



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How much can I invest in a CEDC?

The minimum investment per individual is \$1,000. The maximum amount an individual can invest is \$250,000, in a calendar year. If the investor is a trust or a corporation, the minimum amount is \$50,000, in a calendar year.

Can a CEDC use the internet to promote its securities?

A CEDC may use the internet or any other form of media to inform potential investors that the CEDC is seeking investors. In all cases, the information must be limited to directing the investors to the actual offering document to obtain relevant information about the distribution.

A promoter may talk individually, or in group situations, to potential investors to provide them a general overview of the offering, which may include information on the CEDC, the amount of money they wish to raise, a description of what use the CEDC will make of the funds, and an outline of the tax consequences.

What are the risks?

There are many risks associated with investing in a CEDC. CEDC's are riskier than investment opportunities that trade on public stock exchanges because you are not provided with the same level of public disclosure or media information about the investment and you do not have the same level of liquidity as publicly traded securities. Other risks relate to start-up risk and uncertain returns.

See fcnb.ca/cedc.html for further details on these types of risks.

What are the benefits?

- **Returns on your investment**
CEDC investors may receive returns in the form of dividends on their investment either as cash, or in additional shares.

- **Tax Benefits**

The CEDC program is linked to the New Brunswick Small Business Investor Tax Credit (SBITC) program which offers a 50% personal income tax credit to investors on eligible investments made in CEDCs.

Please note that investors will need to hold the investment for a minimum term of four years, or risk having to repay the tax credit.

- **RRSP Eligible**

Your investment may also be eligible to be held in a self-directed RRSP. This would provide the same tax-deferral benefits as any other RRSP contribution (within your annual contribution limit). To determine the eligibility please contact the Canada Revenue Agency and your RRSP provider.

How do we apply?

FCNB and the Department of Finance are both involved in the CEDC application process. The CEDC applicant must submit the application package to the Department of Finance. The Department of Finance determines if the project is eligible for the Small Business Investor Tax Credit. Information related to the tax credit can be found at www2.gnb.ca/content/gnb/en/departments/finance/taxes/credit.html

The CEDC applicant must also submit the draft Offering Document to FCNB. The CEDC applicant should expect to receive comments from FCNB on the draft Offering Document within 20 business days.

The CEDC can only commence raising money once all approvals have been received from the Department of Finance and a letter of non-objection has been received from FCNB.

How much can a CEDC raise?

The minimum amount of capital to be raised by a CEDC within a 12-month period is \$10,000 and the maximum that may be raised is \$3,000,000. However, a CEDC can raise this amount in a single offering or through several offerings, as long as they do not exceed \$3,000,000 for any given 12-month period.

If the CEDC doesn't raise the minimum amount it requires, all monies are returned to the investors.

Additional Information and Forms

- CEDC Local Rule #45-509
- CEDC Companion Policy #45-509
- CEDC Form 1 - Offering Document
- CEDC Form 2 - Notice of Specified Events
- Process for Obtaining Non-Objection
- FAQ - CEDC
- Expression of Interest
- Subscription Agreement
- CEDC Consent Form

You can find more information about CEDC at the following web address: <http://fcnb.ca/cedc.html> or you can contact us.

Contact Information

Financial and Consumer Services Commission

Toll Free: 1 866 933-2222
Facsimile: 1 506 658-3059
E-mail: info@fcnb.ca
Website: fcnb.ca

Mailing Address

85 Charlotte Street, Suite 300
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Department of Finance

Telephone: 1 800 669-7070
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E-mail: wwwfin@gnb.ca
Website: www.gnb.ca/finance

Mailing Address

Small Business Investor Tax Credit Program
Department of Finance
Marysville Place,
P.O. Box 3000,

About FCNB

The Financial and Consumer Services Commission, known as FCNB, has the mandate to protect consumers and enhance public confidence in the financial and consumer marketplaces through the provision of regulatory and educational services.

FCNB is responsible for the administration and enforcement of provincial legislation that regulates securities, insurance, pensions, credit unions, trust and loan companies, co-operatives and a wide range of consumer legislation.

We are an arm's length self-funded independent Crown Corporation established by the provincial government on 1 July 2013. We believe the best way for people to protect themselves from frauds, scams and other consumer concerns is to be informed.

Acts we administer:

- Financial and Consumer Services Commission Act
- Collection Agencies Act
- Consumer Product Warranty and Liability Act
- Cost of Credit Disclosure Act
- Direct Sellers Act
- Gift Cards Act
- Loan and Trust Companies Act
- Pension Benefits Act
- Securities Act
- Auctioneers Licence Act
- Commissioners for Taking Affidavits Act
- Co-operative Associations Act
- Credit Unions Act
- Franchises Act
- Insurance Act
- Nursing Homes Pension Plans Act
- Pre-arranged Funeral Services Act
- Real Estate Agents Act
- Securities Transfer Act
- Mortgage Brokers Act

