



THE MANITOBA  
SECURITIES  
COMMISSION

THE SECURITIES ACT

Section 20(1)

)  
)  
)

Order No. 7105

May 14, 2015

**Start-up Crowdfunding Prospectus and Registration Exemption  
Blanket Order 45-502**

**WHEREAS:**

(A) Considering the interests of investors and the financing needs of Manitoba start-up businesses, it is the intention of The Manitoba Securities Commission (the "Commission") to exempt certain issuers and funding portals (as defined below) from prospectus requirements and registration requirements on the conditions set out in this Order;

**Definitions**

(B) Terms defined in The Securities Act, R.S.M. 1988, c. S50 (the "Act"), or National Instrument 14-101 Definitions have the same meaning in this Order.

(C) In this Order:

"closing of the distribution" means, at the discretion of the issuer, any time after the minimum offering amount is reached;

"corresponding start-up crowdfunding order" means an order issued or a rule adopted by another securities regulatory authority or regulator, the terms of which are substantially similar to this Order;

"eligible security" means:

- (a) a common share,
- (b) a non-convertible preference share,
- (c) a security convertible into a security referred to in (a) or (b),
- (d) a non-convertible debt security linked to a fixed or floating interest rate, and
- (e) a unit of a limited partnership;

"funding portal" means a person that facilitates or proposes to facilitate online start-up crowdfunding distributions;

**Securities Division**

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A DIVISION OF THE MANITOBA FINANCIAL SERVICES AGENCY

“issuer group” means

- (a) the issuer,
- (b) an affiliate of the issuer, and
- (c) any other issuer
  - (i) that is engaged in a common enterprise with the issuer or with an affiliate of the issuer, or
  - (ii) whose business is founded or organized, directly or indirectly, by the same person or persons who founded or organized the issuer;

“minimum offering amount” means the minimum amount disclosed in the offering document;

“offering document” means a completed Form 1 – *Start-up Crowdfunding - Offering Document*, including any amendment to the offering document;

“participating jurisdictions” means British Columbia, Saskatchewan, Manitoba, Québec, New Brunswick, Nova Scotia and any other jurisdiction whose securities regulatory authority or regulator has adopted a corresponding start-up crowdfunding order;

“principal” means a promoter, director, officer or control person;

“risk warning” means the risk warning document set out in Form 2 – *Start-up Crowdfunding - Risk Acknowledgement*; and

“start-up crowdfunding distribution” means a distribution through a funding portal of an eligible security that is exempt from the prospectus requirement under this Order or a corresponding start-up crowdfunding order.

## Background

**(D)** Section 6 of the Act requires a person to register when trading securities.

**(E)** A funding portal that trades in securities may be registered or rely on the exemption from the dealer registration requirement in this Order.

**(F)** Section 37 of the Act requires a person to file a prospectus and to receive a receipt for that prospectus prior to distributing a security in the course of a primary distribution to the public.

**(G)** The Commission is satisfied, having considered the interests of investors and the financing needs of early stage businesses and other small enterprises, that, subject to the conditions of this order, it is appropriate to provide

exemptions from the requirements of sections 6 and 37 of the Act to allow start-up crowdfunding distributions.

The Commission is of the opinion that it is not prejudicial to the public interest to make this Order.

**IT IS ORDERED:**

**Exemption from dealer registration requirement for funding portals**

**1. THAT**, under subsection 20(1) of the Act, a funding portal is exempt from the dealer registration requirements in section 6 of the Act for a trade by a funding portal in connection with a start-up crowdfunding distribution if the funding portal:

- (a) does not facilitate its first start-up crowdfunding distribution until:
  - (i) 30 days after it delivers to the Commission:
    - (A) a completed Form 3 – *Start-up Crowdfunding - Funding Portal Information Form*,
    - (B) a completed Form 4 - *Start-up Crowdfunding - Funding Portal - Individual Information Form* for each principal of the funding portal, and
    - (C) such other documents as may be requested by the Commission; or
  - (ii) if the Commission notifies the funding portal that more time is required to review the documents required under section 1(a)(i), the date the Commission confirms the review is complete;
- (b) delivers to the Commission any amendments to the documents referred to in section 1(a) as soon as practicable;
- (c) has not been notified by the Commission that the business of the funding portal is prejudicial to the public interest because the principals or their past conduct demonstrate a lack of:
  - (i) integrity,
  - (ii) financial responsibility, or
  - (iii) relevant knowledge or expertise;
- (d) has its head office located in a jurisdiction of Canada;
- (e) has a majority of its directors resident in Canada;
- (f) maintains books and records at its head office to accurately record its financial affairs and client transactions, and to demonstrate the extent of the funding portal's compliance with this Order for a period of eight years from the date a record is created;
- (g) is not registered under Canadian securities legislation;



- (h) does not provide advice to a purchaser or otherwise recommend or represent:
  - (i) that an eligible security is suitable, or
  - (ii) any information about the merits of the investment;
- (i) prior to allowing any person entry to its website, requires the person to acknowledge that they are entering a website of a funding portal:
  - (i) that it is not registered under Canadian securities legislation, and
  - (ii) that does not provide advice about the suitability of any security or about the merits of any investment;
- (j) discloses on its website, for each principal of the funding portal, their full legal name, municipality and jurisdiction of residence, business mailing and email address, and business telephone number;
- (k) does not receive a commission, fee or other amount from a purchaser of an eligible security;
- (l) holds a purchaser's assets:
  - (i) separate and apart from the funding portal's own property,
  - (ii) in trust for the purchaser, and
  - (iii) in the case of cash, in a designated trust account at a Canadian financial institution;
- (m) receives payment for an eligible security electronically through the funding portal's website;
- (n) takes reasonable measures to ensure that an issuer and a purchaser are residents of a participating jurisdiction where the offering document is made available;
- (o) makes available to a purchaser through the funding portal's website the offering document and the risk warnings;
- (p) does not allow a purchaser to subscribe for an eligible security until the purchaser confirms that the purchaser has read and understood the offering document and the risk warnings;
- (q) notifies a purchaser of any amendment to the offering document and the right of the purchaser to withdraw their subscription after receiving notification of the amendment;
- (r) returns all funds to a purchaser within five business days of receiving a withdrawal notification from that purchaser; and
- (s) completes one the following:
  - (i) if the minimum offering amount has not been raised by the 90<sup>th</sup> day after the offering document is first made available on the funding portal's website or the start-up crowdfunding distribution is withdrawn, no later than five business days following such occurrence:

- (A) returns, or causes to return, all funds to each purchaser, and
- (B) notifies the issuer and a purchaser that funds have been returned to a purchaser,
- (ii) if each 48 hour period in section 2(j) has elapsed,
  - (A) releases, or causes to release, all funds to the issuer at the closing of the distribution, and
  - (B) no later than fifteen days after the closing of the distribution:
    - (a) notifies each purchaser that the funds have been released to the issuer, and
    - (b) provides the issuer with all information required to comply with the issuer's obligations in section 2(r)(iii).

### **Exemption from prospectus requirements for issuers**

**2. THAT**, under subsection 20(1) of the Act, an issuer is exempt from the prospectus requirement in section 37 of the Act in connection with a primary distribution to the public if:

- (a) the distribution is of its own eligible security;
- (b) the distribution and payment for the eligible security is facilitated through a funding portal that is:
  - (i) relying on the exemption in section 1, or
  - (ii) operated by a registered dealer, provided the issuer has obtained written confirmation from the registered dealer that:
    - (A) it has filed a completed Form 33-109F5 *Change of Registration Information* that describes the change in its business to include operating a funding portal;
    - (B) the funding portal meets or will meet the conditions set out in subsections 1(m) to 1(s); and
    - (C) prior to allowing any person entry to its website, requires the person to acknowledge that they are entering a website of a funding portal:
      - (a) that is operated by a registered dealer under Canadian securities legislation, and
      - (b) that will provide advice about the suitability of the eligible security;
- (c) the issuer is not a reporting issuer or an investment fund in any jurisdiction of Canada or foreign jurisdiction;
- (d) the head office of the issuer is located in a participating jurisdiction;

- (e) the aggregate funds raised in any start-up crowdfunding distribution by any person in the issuer group does not exceed \$250,000;
- (f) the issuer group is restricted to no more than two start-up crowdfunding distributions in a calendar year;
- (g) the distribution occurs no later than the 90<sup>th</sup> day after the first date the offering document is made available on the funding portal's website;
- (h) the issuer uses an offering document to conduct the distribution and provides the offering document to the funding portal for the purpose of making it available to a purchaser through the funding portal's website;
- (i) the issuer amends the offering document in the event the offering document is no longer true and provides it to the funding portal as soon as practicable for the purpose of making it available to a purchaser through the funding portal's website;
- (j) the issuer provides a purchaser with a contractual right to withdraw an offer to purchase an eligible security that may be exercised by the purchaser delivering a notice to the funding portal within 48 hours of (i) the purchaser's subscription or (ii) the funding portal notifying the purchaser that the offering document has been amended;
- (k) the offering document discloses how the issuer intends to use the funds raised and the minimum offering amount to close the distribution;
- (l) the issuer raises the minimum offering amount described in the offering document, which may be reduced by the amount of any concurrent distribution made under a prospectus exemption other than the prospectus exemption set out in this Order and a corresponding start-up crowdfunding order, provided that the funds from the concurrent distribution are unconditionally available to the issuer;
- (m) no concurrent start-up crowdfunding distribution is made by any person in the issuer group for the purpose described in the offering document;
- (n) no commission, fee or other amounts are paid to the issuer group or any of their principals, employees or agents with respect to the distribution;
- (o) a principal of the issuer group is not a principal of the funding portal;
- (p) no person invests more than \$1,500; and
- (q) within 30 days after the closing of the distribution, the issuer delivers or causes to be delivered to each purchaser a confirmation setting out the following:
  - (i) the date of subscription and the closing of the distribution;



- (ii) the quantity and description of the eligible security purchased;
  - (iii) the price per eligible security paid by the purchaser; and
  - (iv) the total commission, fee and any other amounts paid by the issuer to the funding portal in respect of the start-up crowdfunding distribution.
- (r) An issuer that distributes a security under this Order must file no later than the 30th day after the closing of the distribution:
- (i) the offering document; and
  - (ii) a report in Form 5 - *Start-up Crowdfunding - Report of Exempt Distribution*.

**Resale restrictions**

- (s) The first trade of a security acquired under this Order or a corresponding start-up crowdfunding order is subject to section 2.5 of National Instrument 45-102 *Resale of Securities*.

**Effective date**

3. **THAT**, This Order comes into effect on May 14, 2015 and expires on May 13, 2020.



Director

## Form 1 - Start-up Crowdfunding – Offering Document

### GENERAL INSTRUCTIONS:

- (1) This offering document and all amendments must be typed, printed, signed, and filed with the securities regulatory authority or regulator of each of the participating jurisdictions where the issuer has made a start-up crowdfunding distribution, as well as with the securities regulatory authority or regulator in the issuer's head office jurisdiction at the address(es) provided on the last page of this form no later than the 30th day after the closing of the distribution. Issuers must also file a report of exempt distribution no later than the 30th day after the closing of the distribution.*
- (2) This offering document must be completed and certified by an authorized individual on behalf of the issuer.*
- (3) Draft this offering document so that it is easy to read and understand. Be concise and use clear, plain language. Avoid technical terms.*
- (4) Conform as closely as possible to the format set out in this form. Address the items in the order set out below. No variation of headings, numbering or information set out in the form is allowed and all are to be displayed as shown.*
- (5) For information on how to complete this form, please refer to the Start-up Crowdfunding Guide for Businesses available on the website of the securities regulatory authority or regulator of the participating jurisdictions.*
- (6) This offering document is to be provided to your funding portal which has to make it available on its website. If the information contained in this offering document no longer applies or is no longer true, you must immediately amend the document and send the new version to the funding portal.*

### Item 1: RISKS OF INVESTING

- 1.1 Include the following statement, in bold type:

**"No securities regulatory authority or regulator has assessed reviewed or approved the merits of these securities or reviewed this offering document. Any representation to the contrary is an offence. This is a risky investment."**

### Item 2: THE ISSUER

- 2.1 Provide the following information for the issuer:

- (a) Full legal name as it appears in the issuer's organizing documents,



- (b) Head office address,
- (c) Telephone,
- (d) Fax, and
- (e) Website URL.

2.2 Provide the following information for a contact person of the issuer who is able to answer questions from purchasers and security regulatory authority or regulator:

- (a) Full legal name (first name, middle name and last name),
- (b) Position held with the issuer,
- (c) Business address,
- (d) Business telephone,
- (e) Fax, and
- (f) Business e-mail.

### Item 3: BUSINESS OVERVIEW

3.1 Briefly explain, in a few lines, the issuer's business and why the issuer is raising funds.

Include the following statement, in bold type:

**"A more detailed description of the issuer's business is provided below."**

### Item 4: MANAGEMENT

4.1 Provide the information in the following table for each promoter, director, officer and control person of the issuer:

Full legal name municipality of residence and position at issuer	Principal occupation for the last five years	Expertise, education, and experience that is relevant to the issuer's business	Number and type of securities of the issuer owned	Date securities were acquired and price paid for the securities	Percentage of the issuer's securities held as of the date of this offering document

4.2 State whether each person listed in item 4.1 or the issuer, as the case may be:

- (a) has ever, pled guilty to or been found guilty of:
  - (i) a summary conviction or indictable offence under the *Criminal Code* (R.S.C., 1985, c. C-46) of Canada,
  - (ii) a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction,
  - (iii) a misdemeanour or felony under the criminal legislation of the United States of America, or any state or territory therein, or
  - (iv) an offence under the criminal legislation of any other foreign jurisdiction,
- (b) is or has been the subject of an order (cease trade or otherwise), judgment, decree, sanction, or administrative penalty imposed by a government agency, administrative agency, self-regulatory organization, civil court, or administrative court of Canada or a foreign jurisdiction in the last ten years related to his or her involvement in any type of business, securities, insurance or banking activity,
- (c) is or has been the subject of a bankruptcy or insolvency proceeding,
- (d) is a director or executive officer of an issuer that is or has been subject to a proceeding described in paragraphs (a), (b) or (c) above.

**Item 5: START-UP CROWDFUNDING DISTRIBUTION**

- 5.1 Provide the name of the funding portal the issuer is using to conduct its start-up crowdfunding distribution.
- 5.2 List the name of all the participating jurisdictions (Canadian province or territory) where the issuer intends to raise funds and make this offering document available.
- 5.3 Provide the following information with respect to the start-up crowdfunding distribution:
  - (a) the date before which the issuer must have raised the minimum offering amount for the closing of the distribution (no later than 90 days after the date this offering document is made available on the funding portal), and
  - (b) the date(s) and description of any amendment(s) made to this offering document, if any.
- 5.4 Indicate the type of eligible securities offered.
- 5.5 The eligible securities offered provide the following rights (choose all that apply):
  - ☐ Voting rights,
  - ☐ Dividends or interests (describe any right to receive dividends or interest),
  - ☐ Rights on dissolution,

☐ Conversion rights (describe what each security is convertible into),

☐ Other (describe the rights).

5.6 Provide a brief summary of any other material restrictions or conditions that attach to the eligible securities being offered, such as tag-along, drag along or pre-emptive rights.

5.7 In a table, provide the following information:

	Total amount (\$)	Total number of eligible securities issuable
Minimum offering amount		
Maximum offering amount		
Price per eligible security		

5.8 Indicate the minimum investment amount per purchaser, if any.

## Item 6: ISSUER'S BUSINESS

6.1 Describe the issuer's business. Provide details about the issuer's industry and operations.

6.2 Describe the legal structure of the issuer and indicate the jurisdiction where the issuer is incorporated or organized.

6.3 Indicate where the issuer's articles of incorporation, limited partnership agreement, shareholder agreement or similar document are available to purchasers.

6.4 Indicate which statement(s) best describe the issuer's operations (select all that apply):

☐ Has never conducted operations,

☐ Is in the development stage,

☐ Is currently conducting operations,

☐ Has shown profit in the last financial year.

6.5 Indicate whether the issuer has financial statements available. If yes, include the following statement, in bold type:

**"Information for purchasers: If you receive financial statements from an issuer conducting a start-up crowdfunding distribution, you should know that those financial statements have not been provided to or reviewed by a securities regulatory authority or regulator. They are not part of this offering document. You should ask the issuer which accounting standards were used to prepare the financial statements and whether the financial statements have been audited. You should also consider seeking advice of an accountant or an independent financial adviser about the information in the financial statements."**

**Item 7: USE OF FUNDS**

- 7.1 Provide information on all funds previously raised and how they were used by the issuer.
- 7.2 Using the following table, provide a detailed breakdown of how the issuer will use the funds from this start-up crowdfunding distribution. If any of the funds will be paid directly or indirectly to a promoter, director, officer or control person of the issuer, disclose in a note to the table the name of the person, the relationship to the issuer and the amount. If more than 10% of the available funds will be used by the issuer to pay debt and the issuer incurred the debt within the two preceding financial years, describe why the debt was incurred.

Description of intended use of funds listed in order or priority	Total amount (\$)	
	Assuming minimum offering amount	Assuming maximum offering amount

**Item 8: PREVIOUS START-UP CROWDFUNDING DISTRIBUTIONS**

- 8.1 For each start-up crowdfunding distribution in which the issuer and each promoter, director, officer and control person of the issuer have been involved in any of the participating jurisdictions in the past five years, provide the information below:
- (a) the full legal name of the issuer that made the distribution,
  - (b) the name of the funding portal, and
  - (c) whether the distribution successfully closed, was withdrawn by the issuer or did not close because the minimum offering amount was not reached and the date on which any of these occurred.

**Item 9: COMPENSATION PAID TO FUNDING PORTAL**

- 9.1 Describe the commission, fee and any other amounts expected to be paid by the issuer to the funding portal for this start-up crowdfunding distribution.

**Item 10: RISK FACTORS**

- 10.1 Describe in order of importance, starting with the most important, the main risks of investing in the issuer's business for the purchasers.



## Item 11: REPORTING OBLIGATIONS

- 11.1 Describe the nature and frequency of any disclosure of information the issuer intends to provide to purchasers after the closing of the distribution and explain how purchasers can access this information.

## Item 12: RESALE RESTRICTIONS

- 12.1 Include the following statement, in bold type:

**“The securities you are purchasing are subject to a resale restriction. You may never be able to resell the securities.”**

## Item 13: PURCHASERS’ RIGHTS

- 13.1 Include the following statement, in bold type:

**“If you purchase these securities, your rights may be limited and you will not have the same rights that are attached to a prospectus under applicable securities legislation. For information about your rights you should consult a lawyer.**

**You can cancel your agreement to purchase these securities. To do so, you must send a notice to the funding portal within 48 hours of your subscription. If there is an amendment to this offering document, you can cancel your agreement to purchase these securities by sending a notice to the funding portal within 48 hours of receiving notice of the amendment.**

**The offering of securities described in this offering document is made pursuant to a start-up crowdfunding registration and prospectus exemptions order issued by the securities regulatory authority or regulator in each participating jurisdiction exempting the issuer from the prospectus requirement.**

**[If the funding portal is not operated by a registered dealer in any of the participating jurisdictions where you intend to raise funds, add the phrase “and the funding portal from the registration requirement” after the words “prospectus requirement” in the above paragraph].”**

## Item 14: DATE AND CERTIFICATE

- 14.1 Include the following statement, in bold type:

**“On behalf of the issuer, I certify that the statements made in this offering document are true.”**

- 14.2 Provide the signature, date of the signature, name and position of the authorized individual certifying this offering document.

14.3 If this offering document is signed electronically, include the following statement, in bold type:

**"I acknowledge that I am signing this offering document electronically and agree that this is the legal equivalent of my handwritten signature. I will not at any time in the future claim that my electronic signature is not legally binding."**

## Securities regulatory authority and regulators of the participating jurisdictions:

British Columbia	British Columbia Securities Commission The document must be filed electronically at the same time as the report of exempt distribution in Form 45-106F6 at <a href="http://www.bcsc.bc.ca">www.bcsc.bc.ca</a> (click on BCSC eServices and follow the steps).
Manitoba	The Manitoba Securities Commission 500 – 400 St Mary Avenue Winnipeg, Manitoba R3C 4K5 Telephone: 204-945-2548 Toll free in Manitoba: 1-800-655-2548 Fax: 204-945-0330 E-mail: <a href="mailto:Exemptions.msc@gov.mb.ca">Exemptions.msc@gov.mb.ca</a> <a href="http://www.msc.gov.mb.ca">www.msc.gov.mb.ca</a>
New Brunswick	Financial and Consumer Services Commission 85 Charlotte Street, Suite 300 Saint John, New Brunswick E2L 2J2 Toll free: 1-866-933-2222 Fax: 506-658-3059 E-mail: <a href="mailto:info@fcnb.ca">info@fcnb.ca</a> <a href="http://www.fcnb.ca">www.fcnb.ca</a>
Nova Scotia	Nova Scotia Securities Commission Suite 400, 5251 Duke Street Halifax, Nova Scotia B3J 1P3 Telephone: 902-424-7768 Toll free in Nova Scotia: 1-855-424-2499 Fax: 902-424-4625 E-mail: <a href="mailto:nssc.crowdfunding@novascotia.ca">nssc.crowdfunding@novascotia.ca</a> <a href="http://www.nssc.gov.ns.ca">www.nssc.gov.ns.ca</a>

## Québec

Autorité des marchés financiers  
Direction du financement des sociétés  
800, rue du Square-Victoria, 22nd floor  
P.O. Box 246, Tour de la Bourse  
Montréal, Québec H4Z 1G3  
Telephone: 514-395-0337  
Toll free in Québec: 1-877-525-0337  
Fax: 514-873-3090  
E-mail: [financement-participatif@lautorite.qc.ca](mailto:financement-participatif@lautorite.qc.ca)  
[www.lautorite.qc.ca](http://www.lautorite.qc.ca)

## Saskatchewan

Financial and Consumer Affairs Authority of Saskatchewan  
Securities Division  
Suite 601 - 1919 Saskatchewan Drive  
Regina, Saskatchewan S4P 4H2  
Telephone: 306-787-5645  
Fax: 306-787-5842  
E-mail: [exemptions@gov.sk.ca](mailto:exemptions@gov.sk.ca)  
[www.fcaa.gov.sk.ca](http://www.fcaa.gov.sk.ca)



## Form 2 - Start-up Crowdfunding – Risk Acknowledgement

Issuer Name:

Type of Eligible Security Offered:

### WARNING!

**BUYER BEWARE: This investment is risky.  
Don't invest unless you can afford to lose all the money you pay for this investment.**

Yes	No
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#### 1. Risk acknowledgment

**Risk of loss** – Do you understand that this is a risky investment and that you may lose all the money you pay for this investment?

☐☐

**No income** – Do you understand that you may not earn any income, such as dividends or interest, on this investment?

☐☐

**Liquidity risk** – Do you understand that you may never be able to sell this investment?

☐☐

**Lack of information** – Do you understand that you may not be provided with any ongoing information about the issuer and/or this investment?

☐☐

#### 2. No approval and no advice *[Instructions: Delete “no advice” if the funding portal is operated by a registered dealer.]*

**No approval** – Do you understand that this investment has not been reviewed or approved in any way by a securities regulator?

☐☐

**No advice** – Do you understand that you will not receive advice about your investment? *[Instructions: Delete if the funding portal is operated by a registered dealer.]*

☐☐

#### 3. Limited legal rights

**Limited legal rights** – Do you understand that you will not have the same rights as if you purchased under a prospectus or through a stock exchange?

☐☐

If you want to know more, you may need to seek professional legal advice.

Yes	No
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<b>4. Purchaser's acknowledgement</b>		
<b>Investment risks</b> – Have you read this form and do you understand the risks of making this investment?	<input type="checkbox"/>	<input type="checkbox"/>
<b>Offering document</b> – Before you invest, you should read the offering document carefully. The offering document contains important information about this investment. If you have not read the offering document or if you do not understand the information in it, you should not invest.  Have you read and do you understand the information in the offering document?	<input type="checkbox"/>	<input type="checkbox"/>
<b>First and last name:</b>		
<b>Electronic signature:</b> By clicking the [I confirm] button, I acknowledge that I am signing this form electronically and agree that this is the legal equivalent of my handwritten signature. I will not at any time in the future claim that my electronic signature is not legally binding. The date of my electronic signature is the same as my acknowledgement.		
<b>5. Additional information</b>		
<ul style="list-style-type: none"> <li>▪ <b>You have 48 hours to cancel your purchase by sending a notice to the funding portal at:</b>  <i>[Instructions: Provide email address or fax number where purchasers can send their notice. Describe any other manner for purchasers to cancel their purchase.]</i> </li> <li>▪ <b>If you want more information about your local securities regulation, go to <a href="http://www.securities-administrators.ca">www.securities-administrators.ca</a>.</b> Securities regulators do not provide advice on investment.</li> <li>▪ <b>To check if the funding portal is operated by a registered dealer, go to <a href="http://www.aretheyregistered.ca">www.aretheyregistered.ca</a></b> <i>[Instructions: Delete if the funding portal is not operated by a registered dealer.]</i></li> </ul>		

## **Form 3 – Start-up Crowdfunding – Funding Portal Information Form**

### **GENERAL INSTRUCTIONS:**

- (1) This form must be typed, printed, signed and delivered via e-mail with any attachments and all corresponding Start-up Crowdfunding - Funding Portal - Individual Information Forms to the securities regulatory authority or regulator of each of the participating jurisdictions where the funding portal facilitates or intends to facilitate a start-up crowdfunding distribution at the e-mail address(es) provided on the last page of this form.*
- (2) This form must be completed and certified by an authorized individual on behalf of the funding portal.*
- (3) Question 7 and questions 9 to 16: Please check the appropriate space provided. If your answer to any of these questions is “Yes”, you must, in an attachment, provide complete details, including the circumstances, relevant dates, names of the parties involved and final disposition, if known. Any attachment must be initialed by the authorized individual certifying this form. Responses must consider all time periods.*
- (4) If a change occurs and the form and documents filed with the securities regulatory authority or regulator are no longer up to date, or the information they contain is no longer true, you must complete a new form setting out the change, and deliver it to the securities regulatory authority or regulator of each applicable participating jurisdiction as soon as practicable.*
- (5) For funding portal information, please refer to the Start-up Crowdfunding Guide for Funding Portals available on the website of the securities regulatory authority or regulator of the participating jurisdictions.*
- (6) The securities regulatory authority or regulator to which this form is delivered may request the funding portal to provide supporting documents. Please refer to Start-up Crowdfunding Guide for Funding Portals for examples of supporting documents.*

### **FUNDING PORTAL INFORMATION**

1. Provide the following information regarding the funding portal:

- (a) Full legal name of the funding portal as it appears on the funding portal's organizing documents;
- (b) Name that the funding portal will be operating under;
- (c) Website URL;
- (d) Head office address;
- (e) Telephone;
- (f) Fax; and
- (g) E-mail address.

2. Provide the following information regarding the contact person for the funding portal:

- (a) Full legal name (first name, middle name and last name);
- (b) Business address;
- (c) Telephone;
- (d) Fax; and
- (e) E-mail address.

3. Provide the following information regarding each promoter, director, officer and control person of the funding portal. Use an attachment if necessary. Any attachment must be initialed by the authorized individual certifying this form.

- (a) Full legal name (first name, middle name and last name); and
- (b) Position(s) held.

4. Provide the name of each participating jurisdiction where the funding portal is delivering this form.

5. Provide the date the funding portal expects to begin to facilitate start-up crowdfunding distributions in the participating jurisdictions named in item 4 above.

6. If the funding portal is already relying on start-up crowdfunding registration and prospectus exemptions in any participating jurisdiction, provide the name(s) of the participating jurisdiction(s) and the date the Funding Portal Information Form was delivered to the securities regulatory authority or regulator.

7. Has the funding portal ever been notified by a securities regulatory authority or regulator that it cannot rely on the start-up crowdfunding registration and prospectus exemptions?

Yes ☐ No ☐

If yes, you must provide details.

8. Describe the legal structure of the funding portal and indicate the jurisdiction where the funding portal is incorporated or organized.

## **CRIMINAL DISCLOSURE**

9. Has the funding portal ever been found guilty, pleaded no contest to, or been granted an absolute or conditional discharge from:

- (a) a summary conviction or indictable offence under the *Criminal Code* (R.S.C., 1985, c. C-46) (Canada),
- (b) a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction,



- (c) a misdemeanour or felony under the criminal legislation of the United States of America, or any state or territory therein, or
- (d) an offence under the criminal legislation of any other foreign jurisdiction.

Yes ☐ No ☐

If yes, you must provide details.

10. Are there any outstanding or stayed charges against the funding portal alleging a criminal offence that was committed?

Yes ☐ No ☐

If yes, you must provide details.

## **CIVIL DISCLOSURE**

11. Has the funding portal ever been the subject of an order, judgment, decree, sanction, or administrative penalty in Canada or a foreign jurisdiction in the last ten years related to its involvement in any type of business, securities, insurance or banking activity?

Yes ☐ No ☐

If yes, you must provide details.

12. Are there currently any outstanding civil actions alleging fraud, theft, deceit, misrepresentation, or similar misconduct against the funding portal?

Yes ☐ No ☐

If yes, you must provide details.

13. Has the funding portal ever been a defendant or respondent in any civil proceeding in which fraud, theft, deceit, misrepresentation, or similar misconduct is, or was, successfully established in a judgement?

Yes ☐ No ☐

If yes, you must provide details.

## FINANCIAL DISCLOSURE

14. Has the funding portal ever had a petition in bankruptcy issued or made a voluntary assignment in bankruptcy or any similar proceeding?

Yes ☐ No ☐

If yes, you must provide details.

15. Has the funding portal made a proposal under any legislation relating to bankruptcy or insolvency or any similar proceeding?

Yes ☐ No ☐

If yes, you must provide details.

16. Has the funding portal ever been subject to, or initiated any proceedings, arrangement or compromise with creditors? This includes having a receiver, receiver-manager, administrator or trustee appointed by or at the request of creditors, privately, through court process or by order of a regulatory authority, to hold funding portal assets.

Yes ☐ No ☐

If yes, you must provide details.

17. Provide details on the process and procedure for handling all funds in relation to the start-up crowdfunding distribution.

## COLLECTION AND USE OF INFORMATION

The information required under this form is collected, used and disclosed by the securities regulatory authority or, where applicable, regulator of the participating jurisdictions under the authority granted in securities legislation for the purposes of the administration and enforcement of the securities legislation.

By submitting this form, the funding portal:

- acknowledges that the securities regulatory authority or regulator may collect personal information about the individuals referred to in this form or information about the funding portal, and
- confirms that the individuals referred to in this form have been notified that their personal information is disclosed on this form, the legal reason for doing so, how it will be used and who to contact for more information.

If you have any questions about the collection and use of this information, contact the securities regulatory authority or regulator in any participating jurisdiction in which this form is delivered. Contact information is listed at the end of this form.

## **CERTIFICATION**

By signing this form, the funding portal undertakes:

- to comply with all of the applicable conditions set out in the start-up crowdfunding registration and prospectus exemptions of each participating jurisdiction where this form is delivered, and
- to provide upon request to the securities regulatory authority or regulator of a participating jurisdiction access to the books and records maintained at its head office in accordance with the start-up crowdfunding registration and prospectus exemptions.

On behalf of the funding portal, I certify that the statements made in this form are true and complete.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Full legal name of  
funding portal: \_\_\_\_\_

Print name: \_\_\_\_\_

Position held: \_\_\_\_\_

Telephone: \_\_\_\_\_

E-mail: \_\_\_\_\_

**IT IS AN OFFENCE TO MAKE A MISREPRESENTATION IN THIS FORM**

**Deliver by e-mail to the securities regulatory authority or regulator of each applicable participating jurisdiction:**

British Columbia	British Columbia Securities Commission P.O. Box 10142, Pacific Centre 701 West Georgia Street Vancouver, BC V7Y 1L2 Telephone: 604-899-6854 Toll free across Canada: 1-800-373-6393 E-mail: <a href="mailto:portal@bcsc.bc.ca">portal@bcsc.bc.ca</a> <a href="http://www.bcsc.bc.ca">www.bcsc.bc.ca</a>
Manitoba	The Manitoba Securities Commission 500 – 400 St Mary Avenue Winnipeg, Manitoba R3C 4K5 Telephone: 204-945-2548 Toll free in Manitoba: 1-800-655-2548 E-mail: <a href="mailto:Exemptions.msc@gov.mb.ca">Exemptions.msc@gov.mb.ca</a> <a href="http://www.msc.gov.mb.ca">www.msc.gov.mb.ca</a>
New Brunswick	Financial and Consumer Services Commission 85 Charlotte Street, Suite 300 Saint John, New Brunswick E2L 2J2 Toll free: 1-866-933-2222 E-mail: <a href="mailto:info@fcnb.ca">info@fcnb.ca</a> <a href="http://www.fcnb.ca">www.fcnb.ca</a>
Nova Scotia	Nova Scotia Securities Commission Suite 400, 5251 Duke Street Halifax, Nova Scotia B3J 1P3 Telephone: 902-424-7768 Toll free in Nova Scotia: 1-855-424-2499 E-mail: <a href="mailto:nssc.crowdfunding@novascotia.ca">nssc.crowdfunding@novascotia.ca</a> <a href="http://www.nssc.gov.ns.ca">www.nssc.gov.ns.ca</a>



Québec

Autorité des marchés financiers  
Direction du financement des sociétés  
800, rue du Square-Victoria, 22nd floor  
P.O. Box 246, Tour de la Bourse  
Montréal, Québec H4Z 1G3  
Telephone: 514-395-0337  
Toll free in Québec: 1-877-525-0337  
E-mail: [financement-participatif@lautorite.qc.ca](mailto:financement-participatif@lautorite.qc.ca)  
[www.lautorite.qc.ca](http://www.lautorite.qc.ca)

Saskatchewan

Financial and Consumer Affairs Authority of Saskatchewan  
Securities Division  
Suite 601 - 1919 Saskatchewan Drive  
Regina, Saskatchewan S4P 4H2  
Telephone: 306-787-5645  
E-mail: [registrationsfsc@gov.sk.ca](mailto:registrationsfsc@gov.sk.ca)  
[www.fcaa.gov.sk.ca](http://www.fcaa.gov.sk.ca)

## **Form 4 - Start-up Crowdfunding – Funding Portal Individual Information Form**

### **GENERAL INSTRUCTIONS:**

- (1) This form must be typed, printed, signed and delivered via e-mail with any attachments and the corresponding Start-up Crowdfunding - Funding Portal Information Form to the securities regulatory authority or regulator of each of the participating jurisdictions where the funding portal facilitates or intends to facilitate a start-up crowdfunding distribution at the e-mail address(es) provided on the last page of this form.*
- (2) This form must be completed and certified by each promoter, director, officer, and control person of the funding portal.*
- (3) The information provided on this form must be specific to the individual certifying this form.*
- (4) Question 4 and questions 10 to 22: Please check the appropriate space provided. If your answer to any of these questions is “Yes”, you must, in an attachment, provide complete details, including the circumstances, relevant dates, names of the parties involved and final disposition, if known. Any attachment must be initialed by the individual certifying this form. Responses must consider all time periods.*
- (5) If a change occurs and the form and documents filed with the securities regulatory authority or regulator are no longer up to date or the information they contain is no longer true, you must complete a new form setting out the change, and deliver it to the securities regulatory authority or regulator of each applicable participating jurisdiction as soon as practicable.*
- (6) For funding portal information, please refer to the Start-up Crowdfunding Guide for Funding Portals available on the website of the securities regulatory authority or regulator of the participating jurisdictions.*

### **FUNDING PORTAL INFORMATION**

18. Provide the full legal name of the funding portal as it appears on the funding portal's organizing documents.
19. Indicate the position(s) you hold with the funding portal.

## INDIVIDUAL INFORMATION

20. Full legal name:

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First name	Middle name(s)	Last name
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21. Are you currently, or have you ever been, known by any name(s) other than your full legal name stated above, for example nicknames or names due to marriage?

Yes ☐ No ☐

If yes, you must provide details.

22. Telephone, fax number and e-mail address:

Residential:	(    )	Fax number:	(    )
Business:	(    )	E-mail:	

23. Provide all residential addresses for the past five years starting with your current residential address.

Number, street, city, province, territory or state, country and postal/ZIP code	From		To	
	MM	YYYY	MM	YYYY

24. If you are not a resident of Canada, you must have one address for service of process in Canada and provide the following information:

Name of agent for service:	
Name of contact person:	
Address for service:	
Telephone:	

25. Sex, date and place of birth:

Sex	Date of birth			Place of birth		
Female <input type="checkbox"/>	MM	DD	YYYY	City	Province/ Territory/ State	Country
Male <input type="checkbox"/>						

26. Country of citizenship: \_\_\_\_\_

27. Are you currently or have you ever been registered or licensed in any capacity with any Canadian securities regulatory authority or regulator, or with any other professional or regulatory entity?

Yes ☐ No ☐

If yes, you must provide your licence/ registration type, name of the entity, and the start date and ending date, if applicable:

28. Have you ever been dismissed for cause by an employer from a position following allegations that you:

- violated any statutes, regulations, rules or standards of conduct;
- failed to appropriately supervise compliance with any statutes, regulations, rules or standards of conduct; or
- committed fraud or the wrongful taking of property, including theft?

Yes ☐ No ☐

If yes, you must provide details.

## CRIMINAL DISCLOSURE

29. Have you ever been found guilty, pleaded no contest to, or been granted an absolute or conditional discharge from:

- a summary conviction or indictable offence under the *Criminal Code* (R.S.C., 1985, c. C-46) (Canada),
- a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction,
- a misdemeanour or felony under the criminal legislation of the United States of America, or any state or territory therein, or
- an offence under the criminal legislation of any other foreign jurisdiction.

Yes ☐ No ☐

If yes, you must provide details.

30. Are there any outstanding or stayed charges against you alleging a criminal offence that was committed?

Yes ☐ No ☐

If yes, you must provide details.

31. To the best of your knowledge, are there any outstanding or stayed charges against any entity of which you were, at the time the criminal offence was alleged to have taken place, a promoter, director, officer or control person?

Yes ☐ No ☐

If yes, you must provide details.

32. To the best of your knowledge, has any entity, when you were a promoter, director, officer or control person, ever been found guilty, pleaded no contest to or been granted an absolute or conditional discharge from a criminal offence that was committed?

Yes ☐ No ☐

If yes, you must provide details.

## **CIVIL DISCLOSURE**

33. Have you ever been the subject of an order, judgment, decree, sanction, or administrative penalty in Canada or a foreign jurisdiction in the last ten years related to your involvement in any type of business, securities, insurance or banking activity?

Yes ☐ No ☐

If yes, you must provide details.

34. Are there currently any outstanding civil actions alleging fraud, theft, deceit, misrepresentation, or similar misconduct against you or an entity of which you are or were a promoter, director, officer or control person?

Yes ☐ No ☐

If yes, you must provide details.

35. Have you or an entity of which you are or were a promoter, director, officer or control person ever been a defendant or respondent in any civil proceeding in which a fraud, theft, deceit, misrepresentation, or similar misconduct is, or was, successfully established in a judgement?

Yes ☐ No ☐

If yes, you must provide details.

## **FINANCIAL DISCLOSURE**

36. Have you or any entity when you were a promoter, director, officer or control person of that entity, ever had a petition in bankruptcy issued or made a voluntary assignment in bankruptcy or any similar proceeding?

Yes ☐ No ☐

If yes, you must provide details.

37. Have you or any entity when you were a promoter, director, officer or control person of that entity made a proposal under any legislation relating to bankruptcy or insolvency or any similar proceeding?

Yes ☐ No ☐

If yes, you must provide details.

38. Have you or any entity when you were a promoter, director, officer or control person of that entity ever been subject to proceedings under any legislation relating to the winding up or dissolution of that entity, or under the *Companies' Creditors Arrangement Act* (Canada) or similar legislation?

Yes ☐ No ☐

If yes, you must provide details.

39. Have you or any entity when you were a promoter, director, officer or control person of that entity ever been subject to, or initiated any proceedings, arrangement or compromise with creditors? This includes having a receiver, receiver-manager, administrator or trustee appointed by or at the request of creditors, privately, through court process or by order of a regulatory authority, to hold your assets.

Yes ☐ No ☐

If yes, you must provide details.

## **COLLECTION AND USE OF PERSONAL INFORMATION**

The personal information required under this form is collected, used and disclosed by the securities regulatory authority or, where applicable, regulator of the participating jurisdictions under the authority granted in securities legislation for the purposes of the administration and enforcement of the securities legislation.

By submitting this form, you consent to the collection, use and disclosure of this personal information by the securities regulatory authority or regulator of each participating jurisdiction and any police records, records from other government or non-governmental regulators or self-regulatory organizations, credit records and employment records about you that the securities regulatory authority or regulator may need to determine the completeness of the information submitted in this form and compliance with the conditions of the start-up crowdfunding registration and prospectus exemptions. The securities regulatory authority or regulator may contact government and private bodies or agencies, individuals, corporations and other organizations for information about you.



If you have any questions about the collection and use of this information, contact the securities regulatory authority or regulator of any participating jurisdiction in which this form is delivered. Contact information is listed at the end of this form.

## **CERTIFICATION**

By submitting this form, I:

- certify that the statements made in this form are true and complete, and
- agree to be subject to the securities legislation of each participating jurisdiction of Canada where I have submitted this form. This includes the jurisdiction of any tribunals or any proceedings that relate to my activities as a promoter, director, officer or control person of a funding portal under applicable securities legislation.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Print name: \_\_\_\_\_

Position held: \_\_\_\_\_

**IT IS AN OFFENCE TO MAKE A MISREPRESENTATION IN THIS FORM**

**Deliver by e-mail to the securities regulatory authority or regulator of each applicable participating jurisdiction:**

British Columbia	British Columbia Securities Commission P.O. Box 10142, Pacific Centre 701 West Georgia Street Vancouver, BC V7Y 1L2 Telephone: 604-899-6854 Toll free across Canada: 1-800-373-6393 E-mail: <a href="mailto:portal@bcsc.bc.ca">portal@bcsc.bc.ca</a> <a href="http://www.bcsc.bc.ca">www.bcsc.bc.ca</a>
Manitoba	The Manitoba Securities Commission 500 – 400 St Mary Avenue Winnipeg, Manitoba R3C 4K5 Telephone: 204-945-2548 Toll free in Manitoba: 1-800-655-2548 E-mail: <a href="mailto:Exemptions.msc@gov.mb.ca">Exemptions.msc@gov.mb.ca</a> <a href="http://www.msc.gov.mb.ca">www.msc.gov.mb.ca</a>
New Brunswick	Financial and Consumer Services Commission 85 Charlotte Street, Suite 300 Saint John, New Brunswick E2L 2J2 Toll free: 1-866-933-2222 E-mail: <a href="mailto:info@fcnb.ca">info@fcnb.ca</a> <a href="http://www.fcnb.ca">www.fcnb.ca</a>
Nova Scotia	Nova Scotia Securities Commission Suite 400, 5251 Duke Street Halifax, Nova Scotia B3J 1P3 Telephone: 902-424-7768 Toll free in Nova Scotia: 1-855-424-2499 E-mail: <a href="mailto:nssc.crowdfunding@novascotia.ca">nssc.crowdfunding@novascotia.ca</a> <a href="http://www.nssc.gov.ns.ca">www.nssc.gov.ns.ca</a>

Québec

Autorité des marchés financiers  
Direction du financement des sociétés  
800, rue du Square-Victoria, 22nd floor  
P.O. Box 246, Tour de la Bourse  
Montréal, Québec H4Z 1G3  
Telephone: 514-395-0337  
Toll free in Québec: 1-877-525-0337  
E-mail: [financement-participatif@lautorite.qc.ca](mailto:financement-participatif@lautorite.qc.ca)  
[www.lautorite.qc.ca](http://www.lautorite.qc.ca)

Saskatchewan

Financial and Consumer Affairs Authority of Saskatchewan  
Securities Division  
Suite 601 - 1919 Saskatchewan Drive  
Regina, Saskatchewan S4P 4H2  
Telephone: 306-787-5645  
E-mail: [registrationsfsc@gov.sk.ca](mailto:registrationsfsc@gov.sk.ca)  
[www.fcaa.gov.sk.ca](http://www.fcaa.gov.sk.ca)

## Form 5 - Start-up Crowdfunding – Report of Exempt Distribution

### GENERAL INSTRUCTIONS:

- (1) *This report must be typed, printed, signed, and filed with the securities regulatory authority or regulator of each of the participating jurisdictions where the issuer has made a start-up crowdfunding distribution, as well as with the securities regulatory authority or regulator in the issuer's head office jurisdiction at the address(es) provided on the last page of this form no later than the 30th day after the closing of the distribution. Issuers must also file the offering document no later than the 30th day after the closing of the distribution.*
- (2) *References to a purchaser in this report are to the beneficial owner of the securities.*
- (3) *This form must be completed and certified by an authorized individual on behalf of the issuer.*
- (4) *For issuer information, please refer to the Start-up Crowdfunding Guide for Businesses available on the website of the securities regulatory authority or regulator of the participating jurisdictions.*

### ISSUER INFORMATION

1. Full legal name: \_\_\_\_\_  
Former legal name  
(if the name has  
changed since last  
report): \_\_\_\_\_  
Head office  
address: \_\_\_\_\_  
Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_  
Website URL: \_\_\_\_\_
2. Full legal name of  
contact person: \_\_\_\_\_  
Business address: \_\_\_\_\_  
Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_  
E-mail: \_\_\_\_\_  
Position with issuer: \_\_\_\_\_

3. Indicate the industry of the issuer by checking the appropriate box:

☐ Bio-tech

☐ Hi-tech

☐ Oil and gas

☐ Financial Services

☐ Industrial

☐ Real estate

☐ Forestry

☐ Mining

☐ Utilities

☐ Other (describe): \_\_\_\_\_

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### START-UP CROWDFUNDING DISTRIBUTION

4. Date the offering document was first made available to purchasers through the funding portal:

Date of the closing of the distribution: \_\_\_\_\_

5. Type of eligible securities offered: \_\_\_\_\_

6. If the eligible securities offered are convertible, describe the type of underlying security, the terms of conversion and any expiry date:

7. Total number of eligible securities distributed:

Price per eligible security (\$):

8. Aggregate funds raised through this distribution (\$):

9. Total commission, fee and any other amount paid to the funding portal for this distribution (\$):

10. Complete Schedule 1 to this report.

11. Complete the following table for each participating jurisdiction where purchasers of the securities reside.

<b>Each participating jurisdiction where purchasers reside</b>	<b>Number of purchasers</b>	<b>Total funds raised from purchasers in the jurisdiction (\$)</b>
<b>Total number of purchasers</b>		
<b>Total funds raised from purchasers in all the participating jurisdictions (\$)</b>		

## **CERTIFICATE**

On behalf of the issuer, I certify that the statements made in this report are true and complete.

Full legal name of issuer:

\_\_\_\_\_

Signature:

\_\_\_\_\_

Date:

\_\_\_\_\_

Print name:

\_\_\_\_\_

Position held:

\_\_\_\_\_

Telephone:

\_\_\_\_\_

E-mail:

\_\_\_\_\_

**IT IS AN OFFENCE TO MAKE A MISREPRESENTATION IN THIS REPORT**

## **NOTICE - COLLECTION AND USE OF PERSONAL INFORMATION**

The personal information required under this report is collected on behalf of and used by the securities regulatory authorities or, where applicable, the regulators of the participating jurisdictions under the authority granted in securities legislation for the purposes of the administration and enforcement of the securities legislation.

If you have any questions about the collection and use of this information, contact the securities regulatory authority or, where applicable, the regulator in each of the participating jurisdictions where the report is filed, at the address(es) listed at the end of this report.

## SCHEDULE 1 - PURCHASER INFORMATION

Provide the information below for each purchaser who purchased eligible securities through the start-up crowdfunding distribution. Use an attachment if necessary.

This information will not be placed on the public file of the securities regulatory authority or regulator of the participating jurisdictions. However, freedom of information legislation may require a securities regulatory authority or regulator of a participating jurisdiction to make this information available if requested.

[illegible]



**Securities regulatory authorities and regulators of the participating jurisdictions:**

Manitoba	<p>The Manitoba Securities Commission 500 – 400 St Mary Avenue Winnipeg, Manitoba R3C 4K5 Telephone: 204-945-2548 Toll free in Manitoba: 1-800-655-2548 E-mail: <a href="mailto:Exemptions.msc@gov.mb.ca">Exemptions.msc@gov.mb.ca</a> <a href="http://www.msc.gov.mb.ca">www.msc.gov.mb.ca</a></p>
New Brunswick	<p>Financial and Consumer Services Commission 85 Charlotte Street, Suite 300 Saint John, New Brunswick E2L 2J2 Toll free: 1-866-933-2222 Fax: 506-658-3059 E-mail: <a href="mailto:info@fcnb.ca">info@fcnb.ca</a> <a href="http://www.fcnb.ca">www.fcnb.ca</a></p>
Nova Scotia	<p>Nova Scotia Securities Commission Suite 400, 5251 Duke Street Halifax, Nova Scotia B3J 1P3 Telephone: 902-424-7768 Toll free in Nova Scotia: 1-855-424-2499 Fax: 902-424-4625 E-mail: <a href="mailto:nssc.crowdfunding@novascotia.ca">nssc.crowdfunding@novascotia.ca</a> <a href="http://www.nssc.gov.ns.ca">www.nssc.gov.ns.ca</a></p>
Québec	<p>Autorité des marchés financiers Direction du financement des sociétés 800, rue du Square-Victoria, 22nd floor P.O. Box 246, Tour de la Bourse Montréal, Québec H4Z 1G3 Telephone: 514-395-0337 Toll free in Québec: 1-877-525-0337 Fax: 514 873-3090 E-mail: <a href="mailto:financement-participatif@lautorite.qc.ca">financement-participatif@lautorite.qc.ca</a> <a href="http://www.lautorite.qc.ca">www.lautorite.qc.ca</a></p>
Saskatchewan	<p>Financial and Consumer Affairs Authority of Saskatchewan Securities Division Suite 601 - 1919 Saskatchewan Drive Regina, Saskatchewan S4P 4H2 Telephone: 306-787-5645 Fax: 306-787-5842 E-mail: <a href="mailto:exemptions@gov.sk.ca">exemptions@gov.sk.ca</a> <a href="http://www.fcaa.gov.sk.ca">www.fcaa.gov.sk.ca</a></p>

## **Start-up Crowdfunding Guide for Funding Portals**

In Canada, issuing securities to the public is subject to legal obligations. These obligations, however, can be costly for start-ups and early stage issuers. British Columbia, Saskatchewan, Manitoba, Québec, New Brunswick and Nova Scotia (the participating jurisdictions) have made it easier for a start-up or early-stage issuer that wants to use crowdfunding to raise money through issuing securities if it meets certain conditions. The conditions are set out in registration and prospectus exemptions (the start-up crowdfunding exemptions).

Start-ups and early stage issuers intending to rely on the start-up crowdfunding exemptions must use a funding portal. A funding portal lists investment opportunities and facilitates the payment of the purchase price from the investor to the issuer.

The start-up crowdfunding exemptions exempt:

- a start-up or early stage issuer from having to file a prospectus
- a funding portal from having to register as a dealer (the start-up registration exemption), although a funding portal can be operated by a registered dealer

The purpose of this guide is to assist funding portals. In this guide, “regulator” means the securities regulator or regulatory authority in a participating jurisdiction.

There are two types of funding portals that may facilitate start-up crowdfunding:

- funding portals operated by persons relying on the start-up registration exemption, and
- funding portals operated by registered dealers

### **Funding portals operating under the start-up registration exemption**

A person operating a funding portal does not have to register as a dealer if they meet all conditions of the start-up registration exemption. These conditions include:

- the head office of the funding portal is in Canada
- a majority of the funding portal’s directors are Canadian residents
- the funding portal is not registered under Canadian securities legislation
- the funding portal does not tell investors an investment is suitable for them or otherwise discusses the merits of an investment
- the funding portal keeps its books and records, including its compliance procedures, at its head office for eight years from the date a record is created

- the funding portal takes reasonable measures to ensure that the head office of each issuer using the funding portal is in a participating jurisdiction and that each investor is a resident of a participating jurisdiction
- investors confirm online, by ticking a box, that they have read and understood the offering document and risk warning available on the funding portal
- access to the funding portal's website is granted only to an investor who acknowledges it is accessing the website of a funding portal that is not registered under Canadian securities legislation and provides no advice about the suitability or the merits of an investment
- the funding portal does not receive a commission or fee from an investor
- the funding portal's website discloses, for each promoter,<sup>1</sup> director, officer and control person<sup>2</sup> (principals) of the funding portal, their full legal name, municipality and jurisdiction of residence, business mailing and e-mail address, and business telephone number
- investors' assets are held separate from the funding portal's property, in trust for the investor and, in the case of cash, at a Canadian financial institution

### *Before starting operations*

A funding portal intending to rely on the start-up registration exemption must deliver certain forms to regulators at least 30 days before starting operations. These forms are:

- a funding portal information form
- a funding portal individual information form for each principal of the funding portal
- other documents regulators may request

Documents that may be requested include organizing documents of the funding portal, such as articles and certificate of incorporation or partnership agreement, business registration numbers, and documents that support the funding portal's process and procedure for handling of funds and meeting other conditions of the start-up crowdfunding exemptions.

If the forms are complete, the funding portal can start operations 30 days after the forms are delivered. However, if a regulator notifies the funding portal that it needs more

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<sup>1</sup> A person who founded, organized or significantly reorganized the funding portal is generally considered to be a promoter.

<sup>2</sup> A person who holds a sufficient number of voting rights to control the funding portal or who holds 20% or more of the voting rights of the funding portal is generally considered a control person of the funding portal.

time to review the documents, the funding portal must wait until the regulator confirms it has completed its review.

A regulator can ask questions if the forms are incomplete. A regulator can also notify the funding portal that it cannot use the start-up registration exemption because its principals or their past conduct demonstrate a lack of integrity, financial responsibility or relevant knowledge or expertise.

If a change in information occurs and the forms and documents delivered to a regulator are no longer up-to-date, the funding portal must update the information by delivering a new form or document setting out the change. For example, if management at a funding portal changes, an updated funding portal information form as well as a funding portal individual information form for each new officer must be delivered.

The funding portal must deliver by e-mail the forms to regulators in each participating jurisdiction in which the funding portal will facilitate start-up crowdfunding distributions. For example, a funding portal with a head office in Saskatchewan that seeks funds from investors in other participating jurisdictions must deliver the forms and documents described in this guide to regulators in each jurisdiction in which it will conduct its business.

### *Compliance with laws and regulation*

If the funding portal's head office or other place of business is located in a jurisdiction where the start-up registration exemption is not available, the funding portal's activities may be subject to local securities laws. Failing to comply with local securities laws is a serious offence and could lead to delays in the start date of the funding portal's operations. We encourage funding portals to consult a lawyer for advice.

The funding portal must ensure that it complies with all other applicable laws and regulations of a participating jurisdiction.

### *No suitability advice*

A funding portal relying on the start-up registration exemption must not give advice to investors. This means the funding portal cannot tell an investor that securities are a good investment or that the investor should, for whatever reason, enter into a subscription agreement. The funding portal must refrain from saying or doing anything that might lead an investor to think that they should buy the security because it somehow meets their investment needs or objectives.

However, it can give factual information about the security. For example, a funding portal may tell investors about the features of the security, the risks of the investment, how start-up crowdfunding works, and other items of a general, factual nature.

A funding portal can carry out reviews of issuers before making their offering document available on its website to protect its own interests or reputation.

### ***Promoting a funding portal***

A funding portal is not prevented from promoting its website and activities, as long as it does not promote the issuers that use the funding portal's services.

### **Funding portals operated by registered dealers**

It is possible for registered dealers to operate a funding portal under the start-up crowdfunding exemptions. Registered dealers that operate funding portals must:

- meet their existing registration obligations under securities legislation (including the know-your-client, know-your-product and suitability obligations owed to investors)
- confirm to issuers that the funding portals meet certain of the conditions in the start-up crowdfunding exemption, such as making available to investors an offering document and risk warning
- receive an acknowledgement from any person entering the funding portal's website that the funding portal is operated by a registered dealer that will provide suitability advice
- be registered in an appropriate dealer category under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103)
- file a Form 33-109F5 *Change of Registration Information* that describes the change in its business to include operating a funding portal

Registered dealers must disclose all fees charged to investors in accordance with relationship disclosure requirements under NI 31-103.

## How does start-up crowdfunding work?

Issuers are responsible for preparing an offering document that complies with the prescribed form. In the offering document, they must indicate, in particular, the minimum amount to be raised in order to close a start-up crowdfunding distribution. Issuers will provide the offering document so the funding portal can post it online. Investors will read the offering document and decide whether or not to invest.

Before accepting an investment, a funding portal must obtain confirmation from the investor that he or she has read and understood the offering document and the risks described in the risk acknowledgement form. A funding portal must obtain the investor's personal information, including e-mail address, and take reasonable measures to ensure the investor resides in a participating jurisdiction.

An issuer cannot close a distribution if it has not raised the minimum amount set out in its offering document. At the closing:

- the issuer issues shares or other eligible securities to investors
- the funding portal releases funds to the issuer provided the 48-hour withdrawal period mentioned below has expired

No later than 15 days following the closing of the distribution, the funding portal must notify investors that the funds have been released to the issuer, and it must provide the issuer with the following information on each investor:

- Full name
- Address
- Telephone number
- E-mail address
- Number of securities purchased
- Total purchase price

If the minimum amount is not raised within 90 days after the offering document was made available online or if the issuer withdraws its start-up crowdfunding offering, all the funds must be returned in full to investors. No deductions are permitted. The funding portal must also send a notice to the issuer and each investor confirming that the funds have been returned to investors.

The funding portal may send notices to investors and issuers by e-mail.

## **Related-party restriction**

A funding portal cannot act in a start-up crowdfunding distribution if one of its principals is also a principal of the issuer group.

## **Investor's right to withdraw**

Issuers that use the start-up crowdfunding exemptions must give investors the right to withdraw their investment within 48 hours following the investor's subscription.

Investors also have the right to withdraw their investment within 48 hours if the issuer amends the offering document before the closing.

To exercise this right of withdrawal, an investor must notify the funding portal. The funding portal must give investors the opportunity to exercise this right online. The funding portal must return the funds to an investor who exercises this right, without any deduction, within five business days after the notice.

## **Amendments to the offering document**

An issuer must amend its offering document after it has been posted on-line if the information it contains no longer applies or is no longer true. This could be the case if, for example, an issuer wants to change the price of the securities or the minimum or maximum offering amount.

The amendment must be made during the 90 days after the initial offering document is made available by the funding portal.

## **Issuer's financial statements**

Issuers that use the start-up crowdfunding exemptions do not have to provide financial statements to investors at the time of the start-up crowdfunding distribution. However, issuers may make their most recent financial statements available to investors.

If an issuer wants to make its financial statements available to investors, it can place a hyperlink on the funding portal leading to the financial statements. However, the hyperlink must not appear in the offering document because the financial statements do not form part of it. Investors must understand that the financial statements do not form part of the offering document.

## Start-up Crowdfunding Guide for Investors

Crowdfunding is a process through which an individual or a business can raise small amounts of money from a large number of people, typically via the Internet. The objective is to raise sufficient funds in order to carry out a specific project. There are different types of crowdfunding:

### *Crowdfunding by way of donation or pre-sale*

Internet funding portals connect individuals or businesses that have a project proposal with people interested in contributing financially.

Crowdfunding is often used to finance projects in various fields, such as the arts, culture and philanthropy. For example, funds can be raised to hold a cultural event, produce a motion picture or music album, or support victims of a natural disaster.

Small businesses also use crowdfunding to finance their business activities, raising funds as donations or product pre-sales. If you contribute, you are a donor.

Joan operates a coffee shop. She needs to replace the shop's ice cream machine in time for the approaching summer. The cost of a new machine, with delivery and installation, is \$13,000. She solicits for funds on a funding portal. For \$100, donors will receive promotional articles and discount coupons and their name will be featured on a list of donors at the entrance to the coffee shop.

### *Securities crowdfunding*

Securities crowdfunding is when a business raises funds in this manner by issuing debt securities (such as bonds) or securities giving the right to participate in future profits (such as shares).

If you contribute, you are an investor and hope to earn interest or participate in future profits of that business. This type of crowdfunding is overseen by the securities regulator of your province or territory.

Valerie has a brilliant idea. She has developed a soft drink flavoured with maple syrup and other local products. She has



prepared a detailed business plan and hopes to turn a profit from her business venture. She thinks there is a market for maple soft drinks in gourmet grocery stores, bars and restaurants. She wants to begin production. She needs \$75,000 in order to bottle and market her soft drinks. She applied to a financial institution for a loan, but was refused. She is thinking about raising the funds she needs by issuing shares through a securities crowdfunding campaign.

In Canada, issuing securities offered to the public is subject to legal and financial obligations. For example, businesses seeking to raise capital by issuing securities must file a prospectus. These obligations, however, can be costly for small businesses and start-ups. Under certain conditions in British Columbia, Saskatchewan, Manitoba, Québec, New Brunswick and Nova Scotia (the participating jurisdictions), a start-up or small business that wants to use securities crowdfunding to raise money does not have to file a prospectus or financial statements. The securities regulators refer to this as start-up crowdfunding.

## Start-up Crowdfunding

### *Where can I find start-up crowdfunding offerings?*

You will find start-up crowdfunding offerings posted on the website of funding portals. A business wishing to raise money through start-up crowdfunding must first complete an offering document outlining their idea and then post the offering document on a funding portal's website.

In certain jurisdictions, the securities regulators maintain a list of funding portals on their website.

### *How much can I invest?*

A maximum of \$1,500 per start-up crowdfunding offering.

### *Does the business have to raise a minimum amount?*

Yes, the business must specify the minimum amount it needs to raise in order to proceed with the project. If it does not raise the minimum, it will not receive any money and any funds you have provided to the funding portal will be returned to you.

*What will I receive when I invest?*

Shares, convertible securities, debt securities or limited partnership units.

*Is start-up crowdfunding a risky proposition?*

Investing in a start-up or small business is risky and you could lose your entire investment.

*Will I be able to resell my securities quickly or easily after purchasing them?*

No, you may have to hold them indefinitely.

**Once the business has raised the minimum amount it needs, the business may complete its start-up crowdfunding campaign. In this event, your money will be released by the funding portal to the business and you will receive confirmation of your purchase.**

**The value of your investment will fluctuate depending on the business's successes or failures.**

*Are you interested in start-up crowdfunding?*

The rules of start-up crowdfunding differ from those applicable to investments in securities of reporting issuers, such as companies listed on an exchange. Make sure you understand what you are getting into before investing any money.

Before investing, you should know that:

- You must read the business's offering document. This document must be available on the funding portal. It contains basic information about the business, its activities, its officers, its financial condition, the amount it wants to raise, the investment, how the money raised will be used and the risks. **The securities regulators have not reviewed or approved the offering documents. You must understand the information in the offering document.**
- Pay close attention to the risk warnings. Before you invest, the funding portal will ask you to confirm that you have read and understood the risk

warnings and the offering document. These investments are risky and you could lose your entire investment.

- Do your homework before you invest. You can search the Internet for information on the business and the industry as well as on the people managing the business. You can contact the business for further information.
- You can also search the Internet for information on the particular funding portal where you see the offering document. You may contact the funding portal for further information.
- Unlike reporting issuers (such as companies listed on an exchange), start-ups need not file audited financial statements or other periodic disclosure. You may receive much less information about the business, and start-ups do not usually attract much media coverage. The offering document contains basic information, but you should take the time to find additional information about the business and its officers as well as the viability of its business plan.
- Once you have made the investment, the business will not generally have any obligation to provide you with updates (such as an annual report). Where necessary, you will have to track your investment on your own.
- Based on the rules in effect in the participating jurisdictions, the funding portal cannot provide you with advice about your investment, unless it is registered with the securities regulator as a dealer.
- There are two types of funding portals that may participate in start-up crowdfunding. Funding portals that are relying on an exemption from dealer registration in the participating jurisdictions cannot provide you with advice about your investment. In this case, you will have to assess the suitability of the investment on your own. Funding portals that are operated by registered dealers are obligated to determine if the investment is suitable for your situation.

### *Risks related to start-up crowdfunding*

To make an informed decision, you must have a good understanding of the risks related to the start-up crowdfunding offering.

- Securities of start-ups are considered to be very risky and highly volatile investments, since the value of the securities can fluctuate significantly depending on the business's successes or failures.
- Statistics show that a high percentage of start-ups and early stage businesses fail. You could lose the entire amount you paid for your investment.
- What is your risk tolerance? If your risk tolerance is low, an investment in a start-up may not be suitable for you.
- What do you know about the individuals operating the business? Do they have the knowledge and experience required to manage it? Start-ups are sometimes managed by inexperienced individuals. Find out more about the individuals operating the business before investing.
- Do you have the resources to be patient? If you think you will have to resell your securities in the short term, this type of investment may not be suitable for you. You may have to wait indefinitely before reselling the securities or you may not be able to resell them at all.
- A great deal of information and analysis is published about large corporations. This is not always the case for start-ups, which have a shorter track record.

If you are willing to take risks and invest in a start-up, you may want to consider investing in a business that operates in a sector you know well. You may be in a better position to assess its likelihood of success.

### **The start-up crowdfunding process – Valerie's situation**

Valerie is the owner of a start-up, Valerie's Maple Cola Company. She wants to raise money to market and bottle her soft drinks flavoured with maple syrup and other local products.

She seeks investors through a funding portal, ABC Funding Portal, by posting an offering document on the funding portal's website. The minimum amount that has to be raised in order to proceed with the project is also stated (\$75,000). She proposes issuing common shares of her business.

You are browsing ABC Funding Portal's website and come across this investment opportunity, which looks interesting. You read the offering document carefully, particularly the section that warns of the risks of this investment. You do some additional research on Valerie's Maple Cola Company business and on Valerie, the officers and the viability of the project.

You tick the box to confirm that you have read the offering document and that you understand the risks you are taking. You can invest a maximum of \$1,500.

The funding portal holds your money in trust until Valerie raises at least the predetermined minimum amount needed in order to proceed with the project, i.e. \$75,000.

If Valerie successfully raises the minimum amount, she can proceed to complete the start-up crowdfunding offering. You are now a shareholder of Valerie's Maple Cola Company. You receive a confirmation setting out the number of the common shares you have purchased and how much you paid.

If Valerie does not raise the minimum amount or if she decides to withdraw the offering, Valerie's Maple Cola Company will not receive any money and the funds will be returned to you. You receive notification that funds have been returned to you.

There is no guarantee as to the future value of your investment. You might have to hold onto these securities for an indefinite period or even be unable to resell them at all.

## Start-up Crowdfunding Guide for Businesses

Crowdfunding is a process through which an individual or a business can raise small amounts of money from a large number of people, typically via the Internet. The objective is to raise sufficient funds in order to carry out a specific project. There are different types of crowdfunding:

### *Crowdfunding by way of donation or pre-sale*

Internet funding portals connect individuals or businesses that have a project proposal with people interested in contributing financially.

Crowdfunding is often used to finance projects in various fields, such as arts, culture and philanthropy. For example, funds can be raised to hold a cultural event, produce a motion picture or music album, or support victims of a natural disaster.

Small businesses also use crowdfunding to finance their business activities, raising funds as donations or product pre-sales.

Joan operates a coffee shop. She needs to replace the shop's ice cream machine in time for the approaching summer. The cost of a new machine, with delivery and installation, is \$13,000. She solicits for funds on a funding portal. For \$100, donors will receive promotional articles and discount coupons and their name will be featured on a list of donors at the entrance to the coffee shop.

### *Securities crowdfunding*

Securities crowdfunding is when a business raises funds in this manner by issuing debt securities (such as bonds) or securities giving the right to participate in future profits (such as shares) to a purchaser (an investor). This type of crowdfunding is overseen by the regulator of the province or territory where the business is located.

Valérie has a brilliant idea. She has developed a soft drink flavoured with maple syrup and other local products. She has prepared a detailed business plan and hopes to turn a profit from her business venture. She thinks there is a market for maple soft drinks in gourmet grocery stores, bars and restaurants. She wants to begin production. She needs \$75,000 in order to bottle and market her soft drinks. She applied to a financial institution for a loan, but was refused. She is thinking about raising the

funds she needs by issuing shares through a securities crowdfunding campaign.

## The start-up prospectus exemption

In general, a business that issues securities (an issuer) to the public must satisfy certain legal requirements. For example, issuers that seek capital from the public through the issuance of securities must file a prospectus with the regulator of their province or territory.

In this guide, “regulator” means the securities regulator or regulatory authority in a participating jurisdiction.

These obligations, however, can be costly for start-ups and early stage issuers. An exemption from the prospectus requirement (the start-up prospectus exemption) is available in British Columbia, Saskatchewan, Manitoba, Québec, New Brunswick and Nova Scotia (the participating jurisdictions). **Under certain conditions, this exemption allows issuers to raise capital through the issuance of securities without filing a prospectus.** The regulators refer to this as start-up crowdfunding.

### *Is start-up crowdfunding available in my province or territory?*

The start-up prospectus exemption is available if the issuer’s head office is located in British Columbia, Saskatchewan, Manitoba, Québec, New Brunswick or Nova Scotia.

### *Is it appropriate for my business?*

Before launching a start-up crowdfunding campaign, the issuer should:

- Evaluate other sources of funding, such as a loan from a financial institution.
- Assess whether they are willing to invest the time and efforts needed to prepare a start-up crowdfunding campaign.
- Determine the type of securities that will be sold.
- Determine the number of securities to be sold and at what price.
- Estimate if they have the capabilities to manage a great number of security holders.

If a start-up crowdfunding campaign is successful, the founders of the issuer may have to give up part of the ownership of the issuer to investors. The issuer will be accountable to investors. Investors will likely expect to be informed about successes and failures of the issuer’s business. The issuer may have to spend time and money to maintain contact with investors.

### *What is the maximum amount an issuer can raise from each investor?*

\$1,500 per start-up crowdfunding distribution. The issuer may require a minimum amount per investor (e.g. \$500).

### *What is the maximum amount that can be raised?*

\$250,000 per start-up crowdfunding distribution. The offering document must indicate a minimum amount that has to be raised before the offering can close. The issuer has a maximum of 90 days to raise the minimum amount, starting on the day the issuer's offering document is first made available to investors through a funding portal's website.

The money will be held in trust by the funding portal until the minimum amount of the offering is reached. The issuer may then issue the securities, which is the closing of the offering.

If the minimum amount is not reached, or the start-up crowdfunding campaign is withdrawn, the funding portal will return the money to the investors.

### *What is the maximum number of distributions per calendar year?*

An issuer group may complete a maximum of two start-up crowdfunding distributions per year. Also, there cannot be two start-up crowdfunding campaigns running at the same time or on different funding portals for the same purpose. The issuer group must wait until the first campaign has ended before launching a second one.

The issuer group includes the issuer, any affiliates of the issuer and any other issuer that is engaged in a common enterprise with the issuer or whose business is founded or organized by the same person or persons who founded or organized the issuer.

### *What is the funding portal's role?*

A funding portal lists start-up crowdfunding campaigns on its website and facilitates the payment of the purchase price from the investor to the issuer. Any start-up crowdfunding campaign is made through a funding portal that meets the required conditions.

There are two types of funding portals that may participate in start-up crowdfunding:

- funding portals that are relying on the start-up crowdfunding exemption, and
- funding portals that are operated by registered dealers.



The issuer has the option to choose either type of funding portal to use for its start-up crowdfunding campaign.

## Preparing an offering document

Issuers are responsible for preparing an offering document that investors will read to determine if they want to invest in an issuer. The offering document must be prepared by using the form prescribed by the regulator. The issuer must provide information for each of the items in the form.

The following will help issuers to complete certain of the items of the offering document and should be read together with the form.

### *Item 2: The issuer*

- 2.1 (a) The organizing documents are the issuer's articles of incorporation, limited partnership agreement or other similar documents.
- (b) The head office is generally where the people managing the issuer, including the CEO, maintain their offices. This may be the same address, or different from the registered office address, depending on the legal structure of the corporation. The address of the head office should be a physical address and not be a P.O. box.

### *Item 4: Management*

- 4.1 The people named here are important for investors to assess if they want to invest in the issuer. These people should preferably have experience in managing a business, or in the same industry as the issuer.

Director: An individual occupying the position of director with the issuer. If the issuer is a limited partnership, information should also be provided for the directors of the general partner.

Officer: Includes the CEO, president, a vice-president, corporate secretary, general manager or any other individual who performs functions of officer for the issuer. If the issuer is a limited partnership, information should also be provided for the officers of the general partner.

Promoter: A person who takes the initiative in founding or organizing the issuer is generally considered a promoter of the issuer.

Control person: A person that holds more than 20% of the voting rights, alone or with other persons acting in concert, is generally considered a control person of the issuer.

- 4.2 If any of the persons listed in item 4.1 is or has been subject to any of the proceedings described in item 4.2, state this fact. Provide the name of the person involved and enough details on the time, nature and the outcome of the proceedings.

A quasi-criminal offence may include offences under the *Income Tax Act* (R.S.C. 1985, c. 1 (5th Suppl.)), the *Immigration and Refugee Protection Act* (R.S.C., 2001, c. 27) or the tax, immigration, drugs, firearms, money laundering or securities legislation of any province or territory of Canada or foreign jurisdiction.

#### *Item 5: Start-up crowdfunding distribution*

- 5.1 The issuer must provide the offering document to a funding portal. The funding portal must make the offering document available on its website before the issuer can begin to raise money. If the issuer is using a funding portal that is operated by a registered dealer, it must provide the name of the registered dealer in addition to the name of the funding portal. The offering document can only be posted on one funding portal.

- 5.3 (a) A start-up crowdfunding distribution is not allowed to close if the minimum offering amount has not been reached within 90 days. The offering document will be posted on the funding portal's website on the date agreed to by the issuer and the funding portal.

(b) During the offering period, the issuer must immediately amend the offering document if the information that it contains is no longer true. Provide the date the amended offering document is posted on the funding portal's website and a description of the information that was amended. If the offering document is amended, the issuer must not modify the date in (a). Investors will have the right to withdraw their subscription within 48 hours of the funding portal notifying the investor that the offering document has been amended.

If the offering document has not been amended, (b) is not applicable.

- 5.5 The issuer must tell investors what rights are attached to the securities described in item 5.4, if any. This information is usually found in the organizing documents referred to in item 6.3.

- 5.6 The restrictions and conditions to be described here are generally found in shareholder's agreements or limited partnership agreements.

A tag-along right is a contractual obligation used to protect minority shareholders. The right assures that if the majority shareholder sells his stake, minority shareholders have the right to join and sell their securities on the same terms and conditions as would apply to the majority shareholder.

A drag-along right is designed to protect a majority shareholder. A drag-along right enables a majority shareholder to force minority shareholders to join in the sale of a company, by giving the minority shareholders the same price, terms, and conditions as any other seller.

A pre-emptive right is the right of existing shareholders to acquire new shares issued by the issuer. It can allow existing shareholders to maintain their proportional ownership of the issuer, preventing stock dilution.

- 5.7 A minimum amount to be raised must be set before a start-up crowdfunding distribution can close. The maximum amount cannot exceed \$250,000.

The amount raised needs to be equal to the total number of securities the issuer wishes to issue multiplied by the price per security.

- 5.8 The issuer has the option to set a minimum investment amount per investor. This amount cannot be over \$1,500. If the issuer does not wish to set a minimum investment amount, item 5.8 should be left blank. The minimum investment amount per investor cannot be below the price per security.

### *Item 6: Issuer's business*

- 6.1 The description of the issuer's business is a very important part of the offering document. Enough details should be provided so an investor can clearly understand what the issuer does, or intends to do. Consideration should be given to the following:

- What makes the issuer's business special and different from other competitors in the industry?
- What milestones has the issuer already reached?
- Where does the issuer see its business in three, five and ten years?
- What are the issuer's future plans and hopes for its business and how does it plan to get there?

- What is the issuer's management experience in running a business or in the same industry?
- 6.2 Indicate whether the issuer is a corporation, a limited partnership, a general partnership or other. Also, indicate the province, territory or state where the issuer is incorporated or organized.
- 6.3 Specify where investors can see the issuer's organizing documents. Making these documents available online may be convenient for them.
- 6.5 The issuer is not required to provide financial statements to investors in connection with a start-up crowdfunding distribution. However, investors may be more interested in a business that can show good accounting practices and that is prepared to share their financial condition. Investors may be reluctant to invest in a business that refuses to provide this type of information.

The issuer can choose to make financial statements available to investors. If so, it must include the statement provided in item 6.5 in the offering document. Making financial statements available online on the issuer's website may be convenient for investors.

The issuer should not, however, include the financial statements with or provide a link to the financial statements in the offering document. If the issuer chooses to include the financial statements or a link in the offering document, there may be an obligation under securities laws to prepare the financial statements using certain accounting principles and to audit the financial statements using certain auditing standards.

### *Item 7: Use of funds*

- 7.1 If the issuer has previously raised funds, specify for which purpose they were used. Include enough details so an investor can clearly understand:
- How much money the issuer has already raised?
  - How the issuer raised it?
  - What prospectus exemption was used?
  - How has that money been used?

If the issuer has not previously raised funds, state this fact.

- 7.2 The issuer must tell investors what it will do with the money raised from this start-up crowdfunding distribution by providing enough details to allow investors to make a reasoned investment decision. Incomplete or unrealistic information will not help the issuer raise more money. Therefore, the issuer should make sure its plans are realistic and achievable.

#### *Item 8: Previous start-up crowdfunding distributions*

- 8.1 Provide the information listed under item 8.1 if any of the persons listed in item 4.1 have been involved in a start-up crowdfunding distribution in any of the participating jurisdictions in the past five years, whether with the issuer, or with another issuer.

#### *Item 9: Compensation paid to funding portal*

- 9.1 Describe the fees (e.g., commission, arranging fee or other fee) that the funding portal is charging for its services. Describe each type of fee and the estimated amount to be paid for each type. If a commission is being paid, indicate the percentage that the commission will represent of the gross proceeds of the offering (assuming both the minimum and maximum offering).

Fees payable to the funding portal should be mutually agreed with the issuer prior to posting the offering document.

#### *Item 10: Risk factors*

- 10.1 Explain the risks of investing in the issuer for the investor in a meaningful way, avoiding overly general or “boilerplate” disclosure. Disclose both the risk and the factual basis for it. Risks can relate to the issuer’s business, its industry, its clients, etc.

Issuers should be truthful, reasonable and clear. Investors deserve to be able to make a reasoned decision based on all the information, even the downside. Issuers may indicate how the business plans to mitigate these risks, but should not de-emphasize the risks by including excessive caveats or conditions.

#### *Item 11: Reporting obligations*

- 11.1 Tell investors how the issuer will keep them informed about the business and their investment.

The regulator does not require that the issuer report to investors, but investors will want to be kept informed. If the issuer fails to do this, it may create

disgruntled investors that can make it difficult for the issuer to raise money in the future.

Setting out a reasonable reporting plan is important. Issuers should make sure the plan is realistic. Reporting doesn't have to be complex or costly. Reporting can be through newsletters, social media sites, email, financial statements or similar documents. Issuers should go over the milestones that have been met, confirm how investors' money was used, and discuss future plans.

## **Posting the offering online on a funding portal**

The funding portal makes the offering document available to investors through its website. Funding portals will generally charge issuers for posting a start-up crowdfunding campaign.

Investors will then be able to read about the offering and decide whether or not to invest. Before investing, investors will have to confirm that they have read the offering document and understood that the investment is very risky.

If the issuer raises funds in Québec, the offering document and the risk acknowledgement form must be made available to investors in Québec in French or in French and English.

Investors may withdraw their investment within 48 hours of subscription if the investor no longer wishes to invest. Investors who want to withdraw their investment during this time must notify the funding portal.

The funding portal will hold the funds raised in trust for the investors. If the issuer is unable to raise the minimum amount, the funds will be returned to investors.

## **Amendments to the offering document**

The information contained in the offering document must be kept up to date throughout the duration of the start-up crowdfunding campaign.

If information contained in the offering document is no longer true, the issuer must amend the offering document as soon as practicable and send the new version to the funding portal. The funding portal will post the new version of the offering document on its website and will inform investors about the amendment. Investors will then have 48 hours to withdraw their investment. Investors who want to withdraw their investment during this time must notify the funding portal.

The offering document does not require updates once the start-up crowdfunding campaign is over.

## Closing of the distribution

If the minimum amount has been raised within the determined time period, the issuer can proceed to close the start-up crowdfunding campaign. The issuer will issue the securities and instruct the funding portal to release the funds. However, the issuer must wait until the expiry of the 48-hour withdrawal period for each investor.

If the offering document states that the issuer can raise more than the minimum amount (which cannot exceed \$250,000) and explains what it intends to do with the excess funds raised, the issuer can wait before closing the distribution and continue to raise funds until the end of the period determined by the issuer (that cannot exceed 90 days).

At the closing, the funding portal must release the funds raised to the issuer.

## Concurrent distributions

Although there cannot be two start-up crowdfunding campaigns running at the same time, the issuer can raise money using other prospectus exemptions during a start-up crowdfunding campaign. Other prospectus exemptions are found in *Regulation 45-106 respecting Prospectus Exemptions*. The funds raised under other prospectus exemptions can serve to reach the minimum amount stated in the offering document if they are unconditionally available to the issuer.

Valérie's objective is to raise a minimum of \$75,000. The funding portal raised \$65,000 from several investors. At the same time, Paul, who is considered to be an "accredited" investor by reason of his income and assets, unconditionally undertakes to invest \$10,000 in Valérie's enterprise. Since this amount exceeds \$1,500, Paul's investment cannot be made through the funding portal. Nevertheless, the minimum amount has been reached and Valérie can ask the funding portal to release the \$65,000 raised as soon as the 48-hour withdrawal period has expired for all investors.
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## After the closing

### *Filing of the offering document and report of exempt distribution*

No later than 30 days after the closing of the distribution, the offering document and a report of exempt distribution must be filed with the regulator of each participating jurisdiction where the issuer has raised money. For example, if the issuer has raised money in Québec and Nova Scotia, the offering document and report of exempt distribution must be filed with the Autorité des marchés financiers and the Nova Scotia Securities Commission.

If not already filed, the offering document and report of exempt distribution must be filed with the regulator of the participating jurisdiction where the issuer's head office is located, even if no money was raised in this jurisdiction.

When filing the offering document, the issuer includes all copies of the offering document including any amended versions.

In British Columbia, the report of distribution is in Form 45-106F6 – *British Columbia Report of Exempt Distribution*.

### *Confirmation notice to investors*

Within 30 days after the closing of the distribution, the issuer must send a confirmation notice to each investor who purchases securities with the following information:

- The date of subscription and the closing date of the distribution
- The quantity and description of securities purchased
- The price paid per security
- The total commission, fee and other amount paid by the issuer to the funding portal in respect of the start-up crowdfunding distribution