

Multilateral CSA Notice of Publication and Request for Comment**Proposed****Multilateral Instrument 45-108 *Crowdfunding*****Companion Policy 45-108 *Crowdfunding*****Blanket Orders in Manitoba, Québec, New Brunswick and
Nova Scotia on the Start-Up Crowdfunding Prospectus and
Registration Exemption****Amendments to General Order 45-925 – *Saskatchewan Equity
Crowdfunding Exemption***

March 20, 2014

Introduction

The Autorité des marchés financiers (**AMF**), the Financial and Consumer Affairs Authority of Saskatchewan (**FCAA**), Financial and Consumer Services Commission of New Brunswick (**FCNB**), the Manitoba Securities Commission (**MSC**) and the Nova Scotia Securities Commission (**NSSC**) (collectively, the **Participating Jurisdictions**) are publishing for a 90-day comment period:

- the integrated Crowdfunding Prospectus Exemption and Crowdfunding Portal Requirements (the **Crowdfunding Exemption**); and
- the Start-Up Crowdfunding Prospectus and Registration Exemption (the **Start-Up Exemption**)
(collectively, the **Proposed Exemptions**).

It is intended that both proposed exemptions will coexist as they target issuers at different stages of development.

To facilitate harmonization, staff of the Participating Jurisdictions and the Ontario Securities Commission (**OSC**) have worked closely and coordinated their efforts in developing proposals relating to the Crowdfunding Exemption. The OSC is also concurrently publishing materials for comment containing prospectus and registration exemptions substantially similar to the Crowdfunding Exemption under a separate Ontario local notice.

The British Columbia Securities Commission (**BCSC**) is also concurrently publishing a local notice soliciting comments on the Start-Up Exemption. Although the Alberta Securities Commission (**ASC**) is not publishing the Proposed Exemptions for comments, it will be considering the public comments in respect of them.

This notice summarizes the terms of the Proposed Exemptions and includes a request for comments.

Background

In a relatively short period of time, crowdfunding has become an important new method of raising capital through the internet for a broad range of purposes. To date, it has been used to raise money for a specific project and does not generally involve the issuance of securities. However, in some foreign jurisdictions, crowdfunding is emerging as a way for businesses to raise capital through the issuance of securities, particularly start-ups and small and medium enterprise (**SMEs**).

We think that crowdfunding can be a viable method for start-ups and SMEs to raise capital. However, because issuers do not all have the same capital needs nor the same resources to raise capital, we propose two different crowdfunding prospectus exemptions: the Crowdfunding Exemption available to reporting issuers and non-reporting issuers and the Start-Up Exemption aimed more particularly at providing an alternative source of capital to non-reporting issuers at a very early stage of development.

The requirements on issuers under the Start-Up Exemption are lighter compared to the ones under the Crowdfunding Exemption. For example, issuers that use the Start-Up Exemption will not be subject to ongoing disclosure, while issuers that use the Crowdfunding Exemption will need to file annual financial statements. The requirements under the Start-Up Exemption are also lighter for portals. For example, there is no requirement for the portal to be registered as a dealer under the Start-Up Exemption. Despite less onerous requirements, we believe that appropriate investor protection safeguards are in place in the Start-Up Exemption, notably the following:

- the portal may not provide investment advice to investors nor hold, handle or have access to investor funds;
- the portal must deliver information documents to Participating Jurisdictions where the offering is made prior to beginning its operations, ensure filing of the issuer's offering document and obtain a risk warning signed by investors; and
- the investment limits are lower, and the amount of capital that an issuer may raise using the Start-Up Exemption are significantly lower, compared to the Crowdfunding Exemption.

The Proposed Exemptions are intended to facilitate capital raising for all issuers. The Crowdfunding Exemption and the Start-Up Exemption are believed to be complementary because they focus on different stages in the growth and operating cycles of start-ups and SMEs. At the same time, the Proposed Exemptions have requirements that are intended to maintain an appropriate level of investor protection and regulatory oversight.

The proposed framework for the Crowdfunding Exemption has two main components:

- the proposed crowdfunding prospectus exemption, and
- a set of proposed funding portal registration requirements (the **Crowdfunding Portal Requirements**).

The proposed framework for the Start-Up Exemption is composed of a prospectus exemption and a registration exemption. Under the Start-Up Exemption, portals are exempted from registration if they comply with the requirements applicable to portals (the **Start-Up Portal Requirements**) set out in the exemption.

The Participating Jurisdictions are publishing the Start-Up Exemption under blanket orders which contain substantially harmonized terms and conditions across provinces.

Summary of the proposed Crowdfunding Exemption

Crowdfunding Exemption

The following is a high-level summary of the proposed Crowdfunding Exemption.

Element of exemption	Details
Issuer restrictions	
Qualification criteria	<ul style="list-style-type: none"> • Issuer must be incorporated or organized in Canada • Head office must be situated in Canada • Majority of directors must be resident of Canada • Available to both reporting issuers and non-reporting issuers • Not available to investment funds, real estate issuers that are not reporting issuers, or issuers without a written business plan • Not available to issuers not in compliance with the ongoing requirements of the Crowdfunding Exemption
Distribution details	
Types of securities	<ul style="list-style-type: none"> • Limited to distributions by an issuer of securities of its own issue • Limited types of securities can be offered: <ul style="list-style-type: none"> ○ common shares ○ non-convertible preference shares ○ securities convertible into common shares or non-convertible preference shares ○ non-convertible debt securities linked to a fixed or floating interest rate ○ units of a limited partnership ○ flow-through shares under the <i>Income Tax Act</i> (Canada)

Element of exemption	Details
Offering parameters	<ul style="list-style-type: none">• Cannot raise more than \$1.5 million under the Crowdfunding Exemption during the period commencing 12 months prior to the current offering• \$1.5 million limit applies, in aggregate, to an issuer, an affiliate of the issuer, and any other issuer that is engaged in a common enterprise with the issuer or with an affiliate of the issuer• Offering cannot remain open for more than 90 days• Offering document must disclose minimum offering size and whether there is a maximum offering size• Offering cannot be completed unless: (i) minimum offering fully subscribed and (ii) at time of completion of offering, issuer has financial resources to achieve next milestone in written business plan or, if no milestones, to carry out the activities set out in the business plan
Restrictions on solicitation and advertising	<ul style="list-style-type: none">• Issuer, portal or any other person involved with offering cannot advertise the offering or solicit potential investors, except as specifically permitted• Offering materials must be made available to potential investors on portal's website• Offering document cannot be posted on any other website• Offering materials must be delivered to the regulator at same time they are posted on portal's website• Investors can be directed to portal's website by paper notice or through social media• Marketing materials limited to offering document, documents described in offering document and any term sheet or other summary (including a video)

Element of exemption	Details
Investor protection measures	
Investment limits	<ul style="list-style-type: none"> • An investor cannot invest more than \$2,500 in a single investment under the Crowdfunding Exemption • An investor cannot invest more than \$10,000 in total under the Crowdfunding Exemption in a calendar year
Restriction on borrowing money	<ul style="list-style-type: none"> • Portals, issuers and their directors and officers cannot lend money to, or arrange financing for, potential investors
Risk acknowledgement form	<ul style="list-style-type: none"> • Investors must sign a risk acknowledgement form (proposed Form 45-108F2) confirming that they meet the investment limits, understand they may lose their entire investment and understand the other specified risks that are set out in the form
Point of sale disclosure	<ul style="list-style-type: none"> • Streamlined disclosure document must be provided that includes basic information about the offering, the issuer and the portal • Includes the following financial information: <ul style="list-style-type: none"> ○ disclosure of the amount of issuer’s cash together with third party confirmation of cash in bank account or held in trust if issuer has not incurred any expenditures and its only asset is cash ○ annual financial statements if issuer has incurred expenditures ○ annual financial statements must be audited if issuer has achieved the financial threshold referred to below, or be reviewed by an independent public accounting firm if issuer has not achieved the financial threshold ○ achieving the financial threshold means that the issuer has raised more than \$500,000 under the Crowdfunding Exemption or any other prospectus exemption since its formation and has expended more than \$150,000 since that time • Offering document must be delivered to the regulator at the time that it is posted on the portal’s website
Statutory or contractual rights in the event of a misrepresentation	<ul style="list-style-type: none"> • If comparable right not provided by securities legislation of jurisdiction in which purchaser resides, issuer must provide contractual right of action for rescission or damages in the event of a misrepresentation in any materials made available to purchaser
Two day right of withdrawal	<ul style="list-style-type: none"> • Investors have 48 hours prior to the disclosed offering deadline to withdraw

Element of exemption	Details
Resale restrictions	<ul style="list-style-type: none"> • Securities of a reporting issuer are subject to a four-month hold period (subject to certain other conditions being met) • Securities of a non-reporting issuer are subject to an indefinite hold period and can only be resold under another prospectus exemption or under a prospectus
Ongoing disclosure	<p><u>Ongoing disclosure</u></p> <ul style="list-style-type: none"> • A reporting issuer must provide ongoing continuous disclosure in accordance with securities law requirements • A non-reporting issuer must provide the following ongoing disclosure on an annual basis: <ul style="list-style-type: none"> ○ annual financial statements that are audited if the issuer has achieved the financial threshold referred to above, or reviewed by an independent public accounting firm if the issuer has not achieved the financial threshold ○ a notice that discloses how the proceeds of a crowdfunding offering have been expended ○ disclosure of certain specified events <p><u>Books and records</u></p> <ul style="list-style-type: none"> • A non-reporting issuer must keep books and records which contain at a minimum: <ul style="list-style-type: none"> ○ the offering document, documents described in the offering document and any term sheet or other summary (including a video) provided to investors ○ completed risk acknowledgement forms ○ the documents set out above under <i>Ongoing disclosure</i> for non-reporting issuers ○ the number of securities issued by the issuer under the Crowdfunding Exemption as well as the issue price and date ○ names of all security holders and the number and type of securities held by each security holder
Reporting	
Reporting of distribution	<ul style="list-style-type: none"> • Report of exempt distribution on proposed Form 45-106F11 or Form 45-106F1, as applicable, must be filed within 10 days of the distribution

Crowdfunding Portal Requirements

It is a condition of the proposed Crowdfunding Exemption that investments are made through a funding portal registered under applicable securities law. The following is a high-level summary of the terms and conditions applicable to a registered portal.

Element of framework	Details
Portal registration	
Registration	<ul style="list-style-type: none"> • Portals that facilitate offerings made in reliance on the Crowdfunding Exemption will be registered as a restricted dealer • Only entities registered in this category may facilitate offerings under the Crowdfunding Exemption • Portals will not be permitted to register in any other dealer or adviser category (i.e., there will be no dual registration of portals)
Portal obligations	
General registrant obligations	<ul style="list-style-type: none"> • Portals must comply with general registrant requirements applicable to exempt market dealers (with certain exceptions), including minimum capital, insurance, regulatory reporting, record-keeping and record-retention requirements
Additional portal obligations	<ul style="list-style-type: none"> • Portals will be required to: <ul style="list-style-type: none"> ○ conduct background checks on issuers, directors, officers, promoters and control persons ○ understand the general structure, features and risks of a security offered ○ review the information presented by the issuer on the portal’s website to confirm that the information adequately sets out the general features and structure of the security, issuer-specific risks, parties involved, any identified conflicts of interest, and the intended use of funds ○ deny access to an issuer if it has reason to believe that the issuer or its offering is fraudulent ○ provide investor education materials in plain language and obtain a signed risk acknowledgement form from investors

Element of framework	Details
Permitted and prohibited activities	
Permitted activities	<ul style="list-style-type: none"> • A portal may apply criteria to limit the offerings on its platform, provided the criteria are disclosed, applied consistently and would not be viewed by a reasonable person as a recommendation or endorsement
Prohibited activities	<ul style="list-style-type: none"> • A portal cannot: <ul style="list-style-type: none"> ○ provide specific recommendations or advice to investors about securities being offered on their platform ○ solicit purchases or sales of securities offered on their platform (other than through posting an offering on the platform) ○ compensate employees or agents to solicit the sale of securities on their platform ○ hold or handle investor funds/securities ○ invest in any issuer or underwrite any issuer (subject to receiving fees in the form of securities that do not exceed a 10% ownership interest in the issuer) ○ endorse or comment on the merits or expected returns of an investment to investors (since this would constitute a recommendation or advice) ○ facilitate secondary trading (resales) in any securities issued under the exemption

Summary of the proposed Start-Up Exemption

Start-Up Exemption

The following is a high-level summary of the proposed Start-Up Exemption.

Element of exemption	Details
Issuer restrictions	
Qualification criteria	<ul style="list-style-type: none"> • Head office must be located in a Participating Jurisdiction • Available to non-reporting issuers only • Not available to investment funds
Distribution details	
Types of securities	<ul style="list-style-type: none"> • Limited to distributions by an issuer of securities of its own issue • Limited types of securities can be offered: <ul style="list-style-type: none"> ○ common shares

Element of exemption	Details
	<ul style="list-style-type: none"> ○ non-convertible preference shares ○ securities convertible into common shares or non-convertible preference shares ○ non-convertible debt securities linked to a fixed or floating interest rate ○ units of a limited partnership
Offering parameters	<ul style="list-style-type: none"> ● Cannot raise more than \$150,000 under each offering ● Distribution cannot remain open for more than 90 days ● The exemption cannot be used more than twice in a calendar year ● Offering document must disclose minimum offering size and whether there is a maximum offering size ● The minimum amount must be equal to the amount needed to carry out the purpose for which the funds are sought ● No concurrent offering using the exemption for the same project
Restrictions on solicitation and advertising	<ul style="list-style-type: none"> ● Offering materials can be made available to potential investors only on portal's website ● Offering materials must be delivered to regulator at least 10 days before the distribution
Investor protection measures	
Investment limits	<ul style="list-style-type: none"> ● An investor cannot invest more than \$1,500 in a single investment under the exemption
Risk acknowledgement	<ul style="list-style-type: none"> ● Investors must read and understand the important risk warning that includes that: <ul style="list-style-type: none"> ○ they understand they may lose their entire investment ○ they understand the illiquid nature of the investment ○ they have read and understood the offering document ○ the investment opportunity has not been approved by a Participating Jurisdiction, as applicable ○ they have not received advice from the portal or the government of a Participating Jurisdiction, as applicable ○ they don't have as many legal rights when purchasing this investment as they would through a prospectus offering ○ they reside in a Participating Jurisdiction, as applicable
Provision of disclosure at point of sale	<ul style="list-style-type: none"> ● Standardized disclosure document must be provided that includes basic information about the offering, the issuer and the portal ● No financial statements requirement

Element of exemption	Details
Statutory Rights	<ul style="list-style-type: none"> • There may be limited or no right of action for rescission or damages in the event of a misrepresentation in any materials made available to purchaser
Resale restrictions	<ul style="list-style-type: none"> • Securities are subject to an indefinite hold period and can only be resold under another prospectus exemption or under a prospectus
Provision of ongoing disclosure	<ul style="list-style-type: none"> • No requirement for ongoing disclosure above any requirements in the issuer's corporate governance statute. Issuers may decide to provide ongoing disclosure to their shareholders.
Other	<ul style="list-style-type: none"> • Each promoter, officer, director and control person of the issuer deliver a complete <i>Individual Information</i> form at least 10 business days prior to beginning to trade
Reporting	
Reporting of distribution	<ul style="list-style-type: none"> • <i>Report of distribution</i> form must be filed by issuers within 30 days of the closing of the distribution

Start-Up Portal Requirements

Under the Start-Up Exemption, it is a condition that investments are made through a funding portal. However, there is no obligation for the portal to be registered as a dealer with a Participating Jurisdiction.

Element of framework	Details
Portal registration	
Registration	<ul style="list-style-type: none"> • No registration requirement for the portal
Portal obligations	
Portal obligations	<ul style="list-style-type: none"> • The head office of the portal must be located in any of the Participating Jurisdictions and its promoters, directors, officers and control person must be Canadian residents • The portal delivers a complete <i>Portal Information</i> form at least 30 days prior to beginning to facilitate distributions • Each promoter, director, officer and control person of the owner of the portal delivers a complete <i>Portal Individual Information</i> form at

Element of framework	Details
	<p>least 30 days prior to the Portal beginning to facilitate distributions</p> <ul style="list-style-type: none"> • Portals will be required to: <ul style="list-style-type: none"> ○ Make the offering document of the issuer and the important risk warnings separately available to investors electronically online ○ Allow an investment only once the investor confirms online they have read and understood the offering document and important risk warnings ○ Release funds to the issuer only when the minimum offering amount to close the offering has been reached ○ Ensure that all funds received for an offering are held in trust for the investors ○ Provide the issuer with the details on the investors (name, address, telephone number, email address, detail of purchase) within 15 days of closing of the offering
Prohibited activities	
Prohibited activities	<ul style="list-style-type: none"> • A portal cannot: <ul style="list-style-type: none"> ○ provide investment advice ○ be related to the issuer of the securities

Questions on proposed Crowdfunding Exemption and Start-Up Exemption

We would appreciate feedback on the proposed Crowdfunding Exemption and Crowdfunding Portal Requirements generally, as well as on the following questions:

Crowdfunding Exemption

Issuer qualification criteria

- 1) Should the availability of the Crowdfunding Exemption be restricted to non-reporting issuers?
- 2) Is the proposed exclusion of real estate issuers that are not reporting issuers appropriate?
- 3) The Crowdfunding Exemption would require that a majority of the issuer's directors be resident in Canada. One of the key objectives of our crowdfunding initiative is to facilitate capital raising for Canadian issuers. We also think this requirement would reduce the risk to investors. Would this requirement be appropriate and consistent with these objectives?

Offering parameters

- 4) The Crowdfunding Exemption would impose a \$1.5 million limit on the amount that can be raised under the exemption by the issuer, an affiliate of the issuer, and an issuer engaged in a common enterprise with the issuer or with an affiliate of the issuer, during the period

commencing 12 months prior to the issuer's current offering. Is \$1.5 million an appropriate limit? Should amounts raised by an affiliate of the issuer or an issuer engaged in a common enterprise with the issuer or with an affiliate of the issuer be subject to the limit? Is the 12-month period prior to the issuer's current offering an appropriate period of time to which the limit should apply?

- 5) Should an issuer be able to extend the length of time a distribution could remain open if subscriptions have not been received for the minimum offering? If so, should this be tied to a minimum percentage of the target offering being achieved?

Restrictions on solicitation and advertising

- 6) Are the proposed restrictions on general solicitation and advertising appropriate?

Investment limits

- 7) The Crowdfunding Exemption would prohibit an investor from investing more than \$2,500 in a single investment under the exemption, and more than \$10,000 in total under the exemption in a calendar year. An accredited investor can invest an unlimited amount in an issuer under the AI Exemption. Should there be separate investment limits for accredited investors who invest through the portal?

Statutory or contractual rights in the event of a misrepresentation

- 8) The Crowdfunding Exemption would require that, if a comparable right were not provided by the securities legislation of the jurisdiction in which the investor resides, the issuer must provide the investor with a contractual right of action for rescission or damages if there is a misrepresentation in any written or other materials made available to the investor (including video). Is this the appropriate standard of liability? What impact would this standard of liability have on the length and complexity of offering documents?

Provision of ongoing disclosure

- 9) How should the disclosure documents best be made accessible to investors? To whom should the documents be made accessible?
- 10) Would it be appropriate to require that non-reporting issuers provide financial statements that are either audited or reviewed by an independent public accounting firm? Are financial statements without this level of assurance adequate for investors? Would an audit or review be too costly for non-reporting issuers?
- 11) The proposed financial threshold to determine whether financial statements are required to be audited is based on the amount of capital raised by the issuer and the amount it has expended. Are these appropriate parameters on which to base the financial reporting requirements? Is the dollar amount specified for each parameter appropriate?

Other

- 12) Are there other requirements that should be imposed to protect investors?

Crowdfunding Portal Requirements

General registrant obligations

13) The Crowdfunding Portal Requirements provide that portals will be subject to a minimum net capital requirement of \$50,000 and a fidelity bond insurance of at least \$50,000. The fidelity bond is intended to protect against the loss of investor funds if, for example, a portal or any of its officers or directors breach the prohibitions on holding, managing, possessing or otherwise handling investor funds or securities. Are these proposed insurance and minimum net capital amounts appropriate?

Additional portal obligations

14) Do you think an international background check should be required to be performed by the portal on issuers, directors, executive officers, promoters and control persons to verify the qualifications, reputation and track record of the parties involved in the offering?

Prohibited activities

15) The Crowdfunding Portal Requirements would allow portal fees to be paid in securities of the issuer so long as the portal's investment in the issuer does not exceed 10%. Is the investment threshold appropriate? In light of the potential conflicts of interest from the portal's ownership of an issuer, should portals be prohibited from receiving fees in the form of securities?

16) The Crowdfunding Portal Requirements restricts portals from holding, handling or accessing client funds. Is this requirement appropriate? How will this impact the portal's business operations? Should alternatives be considered?

Other

17) Are there other requirements that should be imposed on portals to protect the interests of investors?

18) Will the regulatory framework applicable to portals permit a portal to appropriately carry on business?

Start-Up Exemption

We would appreciate feedback on the proposed Start-Up Exemption and Start-Up Portal Requirements generally, as well as on the following questions:

19) Considering that the Start-Up Exemption will be substantially harmonized amongst the Participating Jurisdictions, it is our intention to allow a portal established in one Participating Jurisdiction to post offerings from issuers established in another Participating Jurisdiction. Also, portals established in one Participating Jurisdiction would be allowed to open their offerings to investors from other Participating Jurisdictions. Do you see any problems with this approach?

- 20) One of the major differences between the Crowdfunding Exemption and the Start-Up Exemption is that there is no registration requirement for the portal under the Start-Up Exemption. Do you think there are appropriate safeguards to protect investors without the registration of the portal? If not, please indicate what requirements should be imposed to the portal in order to adequately protect investors.
- 21) We are considering imposing a limit per calendar year of 2 capital raises by an issuer of a maximum amount of \$150,000 under the exemption (\$300,000 per year). Are these limits appropriate? If not, please provide what you would consider acceptable limits given the parameters of the proposed exemption.
- 22) The Start-Up Exemption would prohibit an investor from investing more than \$1,500 in a single investment under the exemption. Is this limit appropriate? Should there also be a limit on the dollar amount that may be invested on a yearly basis by an investor?
- 23) Should there be minimal ongoing disclosure that issuers be required to provide to their security holders? If yes, what should it be?
- 24) We expect issuers using the Start-Up Exemption to maintain the information provided in the *Issuer Information* form and the *Offering Document* form updated throughout the distribution period. Should there be an obligation for issuers to further update that information outside the distribution period?
- 25) Should investors have the right to withdraw their subscription at least 48 hours prior to the disclosed offering deadline, as proposed under the Crowdfunding Exemption?
- 26) For Nova Scotia only, should Community Economic Development Investment Funds (CEDIFs) be eligible to use the Crowdfunding Exemption and/or Start-Up Exemption? If so, why? If not, why?
- 27) Are there other requirements that should be imposed to protect investors, taking into account the stage of development of the issuers susceptible to issue securities under the exemption?

Implementation by blanket order of the Start-Up Exemption

The Participating Jurisdictions, other than Saskatchewan, intend to adopt the Start-Up Exemption by way of a blanket order. The proposed blanket orders are designated as follows:

- Blanket Order 45-502 *Start-Up Crowdfunding Prospectus and Registration Exemption* in Manitoba;
- *Blanket Order on Québec Start-up Crowdfunding Prospectus and Registration Exemption* in Québec;
- Blanket Order 45-506 in New Brunswick; and
- Blanket Order 45-524 in Nova Scotia.

The Start-Up Exemption already exists in Saskatchewan (General Order 45-925 – *Saskatchewan Equity Crowdfunding Exemption*) and there is no intention to revoke it. This current exemption in Saskatchewan is not being published for comment. The FCAA is publishing for comment a

new version of this current exemption with a view to harmonizing the current exemption with other Participating Jurisdictions.

Proposed form of exemption in local jurisdiction

The Proposed Exemptions are published with, or as an appendix to, this notice in the Participating Jurisdictions.

Request for comments

We welcome all comments on the Proposed Exemptions on or before **June 18, 2014**.

Please submit your comments in writing. If you are not sending your comments by email, please send a CD containing the submissions (in Microsoft Word format).

Please note that comments received will be made publicly available and posted on the websites of the AMF at www.lautorite.qc.ca and may be posted on the websites of certain other securities regulatory authorities. You should not include personal information directly in comments to be published. It is important that you state on whose behalf you are making the submission.

Please **address** your submission as follows:

Autorité des marchés financiers
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Financial and Consumer Services Commission (New Brunswick)
Nova Scotia Securities Commission

Please **deliver** your comments **only** to the address below. Your comments will be distributed to the other Participating Jurisdictions.

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Contents of Annexes

The following annexes form part of this Notice:

Annex A – proposed Crowdfunding Exemption
Annex B – proposed Start-Up Exemption

Questions

Please refer your questions to any of the following:

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**CROWDFUNDING PROSPECTUS EXEMPTION AND CROWDFUNDING PORTAL
REQUIREMENTS**

**PROPOSED MULTILATERAL INSTRUMENT 45-108
CROWDFUNDING**

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- 50. Effective date

Appendix A - Signing Requirements for Certificate of a Crowdfunding Offering Document referred to in Section 15

Form 45-108F1 Crowdfunding offering document

Form 45-108F2 Risk acknowledgement form

PART 1
DEFINITIONS AND INTERPRETATION

Definitions

1. (1) In this Instrument

“Canadian financial institution” has the same meaning as in section 1.1 [*Definitions*] of NI 45-106;

“connected issuer” has the same meaning as in section 1.1 [*Definitions*] of National Instrument 33-105 *Underwriting Conflicts*;

“crowdfunding offering document” means the document referred to in section 15 [*Disclosure at time of distribution – crowdfunding offering document*] and any document incorporated by reference in such document;

“crowdfunding prospectus exemption” means the exemption from the prospectus requirement in section 7 [*Crowdfunding prospectus exemption*];

“debt security” has the same meaning as in section 1.1 [*Definitions*] of NI 45-106;

“director” has the same meaning as in section 1.1 [*Definitions*] of NI 45-106;

“distribution period” means the period referred to in the crowdfunding offering document during which an issuer offers its securities to purchasers in reliance on the crowdfunding prospectus exemption and that ends no later than 90 days after the date the issuer first offers its securities to potential purchasers;

“eligible crowdfunding issuer” means an issuer referred to in section 8 [*Availability of crowdfunding prospectus exemption to issuers*];

“eligible securities” means any of the following:

- (a) a common share;
- (b) a non-convertible preference share;
- (c) a security convertible into securities referred to paragraphs (a) or (b);
- (d) a non-convertible debt security linked to a fixed or floating interest rate;
- (e) a unit of a limited partnership;
- (f) a flow-through share under the ITA;

“executive officer” has the same meaning as in section 1.1 [*Definitions*] of NI 45-106;

“interim financial report” means the interim financial report described in subsections 4.3(2) and (2.1) [*Interim financial report*] of NI 51-102;

“interim period” has the same meaning as in section 1.1 [*Definitions*] of NI 51-102;

“investment fund” has the same meaning as in National Instrument 81-106 *Investment Fund Continuous Disclosure*;

“issuer access agreement” means an agreement entered into between an issuer and a registered funding portal containing all of the following:

- (a) the terms and conditions under which the issuer proposes to offer securities through the registered funding portal;
- (b) confirmation that the issuer will comply with the registered funding portal’s posting policies, including confirmation that the information that the issuer provides to the registered funding portal or posts on the registered funding portal’s website will
 - (i) comply with applicable securities legislation,
 - (ii) not contain unduly promotional statements or material that cannot be reasonably supported or any misrepresentation,
 - (iii) be presented in a fair and balanced manner, and
 - (iv) not be misleading;
- (c) confirmation by the issuer that it is responsible for compliance with applicable securities laws, including those pertaining to reliance on prospectus exemptions, the drafting, delivery and filing of offering documents, the filing of reports of exempt distribution and the payment of filing fees;
- (d) a requirement for the issuer to prepare and send to its security holders that invest through the registered funding portal’s website annual financial statements and a notice detailing the actual use of the gross proceeds received by the issuer under the crowdfunding prospectus exemption as required under sections 23 [*Annual financial statements*] and 24 [*Annual disclosure of use of proceeds*];
- (e) such other terms and conditions as may be required by the registered funding portal;

“issuer group” means:

- (a) the issuer;
- (b) an affiliate of the issuer; and
- (c) any other issuer that is engaged in a common enterprise with the issuer or with an affiliate of the issuer;

“issuer’s GAAP” has the same meaning as in NI 52-107;

“marketplace” has the same meaning as in National Instrument 21-101 *Marketplace Operation*;

“NI 31-103” means National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*;

“NI 45-106” means National Instrument 45-106 *Prospectus and Registration Requirements*;

“NI 51-102” means National Instrument 51-102 *Continuous Disclosure Obligations*;

"NI 52-107" means National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

"person" has the same meaning as in section 1.1 [*Definitions*] of NI 45-106;

"posting policies" means policies and procedures established by a registered funding portal governing the information that an issuer may post on the registered funding portal's website;

"Principal Regulator" has the same meaning as in section 1.3 [*Information may be given to the principal regulator*] of NI 31-103;

"private enterprise" has the same meaning as in section 3.1 [*Definitions and application*] of NI 52-107;

"publicly accountable enterprise" has the same meaning as in section 3.1 [*Definitions and application*] of NI 52-107;

"public accounting firm" has the same meaning as in section 1.1 [*Definitions*] of National Instrument 52-108 *Auditor Oversight*;

"real estate issuer" means an issuer that is

- (a) a real estate investment trust,
- (b) a mortgage investment entity, or
- (c) a person that primarily invests in, or develops, real estate, or derives its revenues primarily from investments in real estate;

"registered firm" means a registered dealer, a registered adviser, or a registered investment fund manager;

"registered individual" means an individual who is registered

- (a) in a category that authorizes the individual to act as a dealer or an adviser on behalf of a registered firm,
- (b) as an ultimate designated person, or
- (c) as a chief compliance officer;

"registered funding portal" means a person or company who

- (a) is registered in the category of restricted dealer,
- (b) acts or proposes to act as an intermediary in a distribution of securities made in reliance on the crowdfunding prospectus exemption, and
- (c) is in compliance with the restrictions and obligations imposed on a registered funding portal in Part 3 of this Instrument;

"related issuer" has the same meaning as in section 1.1 [*Definitions*] of National Instrument 33-105 *Underwriting Conflicts*;

"restricted dealer" means a person or company registered in the category of restricted dealer;

“restricted portfolio manager” means a person or company registered in the category of restricted portfolio manager;

“SEC issuer” has the same meaning as in section 1.1 [*Definitions*] of NI 52-107;

“subsidiary” means an issuer that is controlled directly or indirectly by another issuer and includes a subsidiary of that subsidiary;

“U.S. GAAP” has the same meaning as in section 1.1 [*Definitions*] of NI 52-107.

Interpretation of affiliate

2. For the purpose of this Instrument, an issuer is an affiliate of another issuer if
 - (a) one of them is the subsidiary of the other, or
 - (b) each of them is controlled by the same person.

Control

3. For the purpose of this Instrument, a person (first person) is considered to control another person (second person) if
 - (a) the first person beneficially owns or directly or indirectly exercises control or direction over securities of the second person carrying votes which, if exercised, would entitle the first person to elect a majority of the directors of the second person, unless that first person holds the voting securities only to secure an obligation,
 - (b) the second person is a partnership, other than a limited partnership, and the first person holds more than 50% of the interests of the partnership, or
 - (c) the second person is a limited partnership and the general partner of the limited partnership is the first person.

Registration requirement

4. An exemption in this Instrument from the prospectus requirement that refers to a registered dealer is only available for a trade in a security if the dealer is registered in a category that permits the trade described in the exemption.

Definition of trade – Québec

5. For the purpose of this Instrument, in Québec, "trade" refers to any of the following activities:
 - (a) the activities described in the definition of "dealer" in section 5 of the *Securities Act* (R.S.Q., c. V-1.1), including the following activities:
 - (i) the sale or disposition of a security by onerous title, whether the terms of payment be on margin, installment or otherwise, but does not include a transfer or the giving in guarantee of securities in connection with a debt or the purchase of a security, except as provided in paragraph (b);

- (ii) participation as a trader in any transaction in a security through the facilities of an exchange or a quotation and trade reporting system;
- (iii) the receipt by a registrant of an order to buy or sell a security;
- (b) a transfer or the giving in guarantee of securities of an issuer from the holdings of a control person in connection with a debt.

Language

6. In Québec, an issuer must file a crowdfunding offering document and any other document required to be delivered under this Instrument in French or in French and English.

PART 2 CROWDFUNDING PROSPECTUS EXEMPTION

Division 1: Offering requirements

Crowdfunding prospectus exemption

7. The prospectus requirement does not apply to a distribution by an issuer of securities of its own issue to a purchaser if all of the following apply:
- (a) the securities are eligible securities of an eligible crowdfunding issuer;
 - (b) the sum of the following does not exceed \$1,500,000:
 - (i) the aggregate proceeds to be raised under the distribution;
 - (ii) the aggregate proceeds to be raised under a concurrent distribution under the crowdfunding prospectus exemption by any issuer in the issuer group;
 - (iii) the aggregate proceeds received by the issuer group under distributions made in reliance on the crowdfunding prospectus exemption during the 12-month period immediately preceding the beginning of the distribution period;
 - (c) the distribution is conducted through a registered funding portal;
 - (d) the distribution is made during the distribution period;
 - (e) the purchaser purchases the securities as principal;
 - (f) at or before the time that the purchaser enters into an agreement to purchase the security,
 - (i) the issuer makes available to the purchaser the crowdfunding offering document through the registered funding portal in compliance with section 15 [*Disclosure at time of distribution – crowdfunding offering document*], and
 - (ii) the issuer obtains a signed risk acknowledgement from the purchaser in compliance with section 20 [*Risk acknowledgement*].

Availability of crowdfunding prospectus exemption to issuers

8. (1) For the purposes of section 7 [*Crowdfunding prospectus exemption*], an eligible crowdfunding issuer means an issuer if all of the following apply:
- (a) the issuer, and if applicable, the parent and the principal operating subsidiary of the issuer, are incorporated or organized under the laws of Canada or a jurisdiction of Canada;
 - (b) the head office of the issuer is situated in Canada;
 - (c) a majority of the directors of the issuer are resident in Canada.
- (2) Despite subsection (1), a real estate issuer that is not a reporting issuer is not an eligible crowdfunding issuer.
- (3) Despite subsection (1), an investment fund is not an eligible crowdfunding issuer.
- (4) Despite section 7 [*Crowdfunding prospectus exemption*], the crowdfunding prospectus exemption does not apply to a distribution of an issuer in a distribution period if
- (a) the issuer does not have a written business plan setting out its business or proposed business, its goals or milestones and the plan for reaching those goals or milestones; or
 - (b) the proceeds of the distribution will be used primarily by the issuer to invest in, merge with or acquire another unspecified business.
- (5) Despite section 7 [*Crowdfunding prospectus exemption*], the crowdfunding prospectus exemption does not apply to a distribution of an issuer in a distribution period if the issuer has previously distributed securities in reliance on the crowdfunding prospectus exemption and the issuer is not in compliance with sections 23, 24, 25, 26 and 27 with respect to that distribution.

Investment limits

9. Despite section 7 [*Crowdfunding prospectus exemption*], a distribution of securities to a purchaser may not be made in reliance of the crowdfunding prospectus exemption if
- (a) the acquisition cost to the purchaser of securities distributed under the crowdfunding prospectus exemption exceeds \$2,500, or
 - (b) the sum of the following exceeds \$10,000:
 - (i) the acquisition cost referred to in paragraph (a);
 - (ii) the acquisition cost of all other securities previously distributed to the purchaser in the same calendar year in reliance on the crowdfunding prospectus exemption.

Restriction on lending

10. An issuer, or a director or executive officer of the issuer, must not lend or finance, or arrange lending or financing, for a purchaser to purchase securities of the issuer under the crowdfunding prospectus exemption.

Prohibition on distributions through multiple registered funding portals

11. For the purposes of paragraph 7(c) [*Crowdfunding prospectus exemption*], during the distribution period, an issuer must not use more than one registered funding portal to conduct a distribution of securities under the crowdfunding prospectus exemption.

Terms and conditions of securities to be distributed

12. Despite section 7 [*Crowdfunding prospectus exemption*], all securities distributed under the crowdfunding prospectus exemption during a distribution period must have the same price, terms and conditions.

Full subscription of distribution and financial resources available

13. (1) Despite section 7 [*Crowdfunding prospectus exemption*], a distribution in reliance on the crowdfunding prospectus exemption must not be completed by the issuer unless
- (a) the minimum amount of funds to be raised under the crowdfunding prospectus exemption, as specified in the crowdfunding offering document, has been subscribed for, and
 - (b) at the time of completion of the distribution, the issuer has
 - (i) financial resources sufficient to achieve the next milestone set out in the issuer's written business plan, or
 - (ii) if the issuer does not have any milestones set out in the issuer's written business plan, financial resources sufficient to carry out the activities set out in the written business plan.
- (2) For the purposes of subsection (1), the issuer's financial resources include
- (a) the net proceeds of the distribution under the crowdfunding prospectus exemption;
 - (b) the net proceeds of any distribution under a prospectus exemption, other than the crowdfunding prospectus exemption; and
 - (c) any other financial resources of the issuer.
- (3) Prior to proceeds being transferred to the issuer, the issuer must confirm to the registered funding portal that the conditions in subsection (1) have been satisfied.

Concurrent distributions under other prospectus exemptions

14. If an issuer distributes a security under a prospectus exemption other than the crowdfunding prospectus exemption during the period beginning on the first day of the distribution period and ending one month after the end of the distribution period, the security must have the same price, terms and conditions as the security distributed under the crowdfunding prospectus exemption.

Disclosure at time of distribution – crowdfunding offering document

15. (1) For the purposes of subparagraph 7(f)(i) [*Crowdfunding prospectus exemption*], a crowdfunding offering document must contain
- (a) the disclosure required by Form 45-108F1, and
 - (b) a certificate signed by the issuer in accordance with the applicable provision of Appendix A, stating: “This offering document does not contain a misrepresentation. Purchasers of securities have rights of action and withdrawal in the case of a misrepresentation.”
- (2) A certificate under paragraph 1(b) must be true as at the date the certificate is signed and as of the date the crowdfunding offering document is made available to a potential purchaser.
- (3) Despite section 7 [*Crowdfunding prospectus exemption*], if a certificate under paragraph (1)(b) ceases to be true after it is made available to a potential purchaser, the issuer must not accept an offer to purchase the security from the purchaser unless
- (a) an amended and restated crowdfunding offering document is posted on the website of the registered funding portal and is made available to the purchaser,
 - (b) the amended and restated crowdfunding offering document contains a newly dated certificate signed by the issuer in accordance with the provisions of Appendix A, and
 - (c) the purchaser reconfirms its offer, or does not withdraw its offer, to purchase the security prior to the end of the distribution period.
- (4) A crowdfunding offering document cannot be posted on any website other than the website of the registered funding portal through which the distribution is being conducted.

Disclosure at time of distribution – marketing materials

16. (1) The only materials that may be made available to potential purchasers by an issuer during a distribution period in connection with a distribution under the crowdfunding prospectus exemption are
- (a) the crowdfunding offering document,
 - (b) a document that is described in the crowdfunding offering document, and
 - (c) a term sheet or other summary, including a video, of the information that is included in the crowdfunding offering document.
- (2) The documents referred to in subsection (1) must be made available to potential purchasers through the website of the registered funding portal through which the distribution will be made.

Delivery of distribution materials

17. The issuer must deliver a copy of the documents referred to in subsection 16(1) [*Disclosure at the time of distribution – marketing materials*] to the securities regulatory authority at the time that they are posted on the website of the registered funding portal.

Advertising and general solicitation

- 18. (1)** An issuer, the registered funding portal through which a distribution is being made and any other person involved with a distribution under the crowdfunding prospectus exemption must not advertise the distribution or solicit potential purchasers.
- (2)** Despite subsection (1), a person referred to in subsection (1) may
- (a)** make the materials referred to in section 16 [*Disclosure at time of distribution – marketing materials*] available to potential purchasers, and
 - (b)** advise potential purchasers, including customers and clients of the issuer, that the issuer is proposing to distribute securities under the crowdfunding prospectus exemption and refer the potential purchasers to the website of the registered funding portal through which the distribution will be made.
- (3)** Despite subsection (1), a registered funding portal may advertise the fact that a distribution in reliance on the crowdfunding prospectus exemption is being made to potential purchasers through the registered funding portal and may carry on the activities contemplated by this Instrument.

Commissions or fees

- 19.** An issuer may not, directly or indirectly, pay a commission, finder's fee, referral fee or similar payment to any person in connection with a distribution in reliance on the crowdfunding prospectus exemption, other than to a registered funding portal.

Risk acknowledgement

- 20. (1)** A risk acknowledgement under paragraph 7(f)(ii) [*Crowdfunding prospectus exemption*] must be in Form 45-108F2.
- (2)** An issuer must retain the signed risk acknowledgment for 8 years after the distribution.

Division 2: Rights of security holders

Right of withdrawal

- 21.** If the securities legislation of the jurisdiction in which the purchaser resides does not provide a comparable right, an issuer of securities under the crowdfunding prospectus exemption that makes a crowdfunding offering document available to a purchaser must provide the purchaser with a contractual right to withdraw any offer or agreement to purchase the security by delivering a notice to the issuer within at least 48 hours prior to the date of completion of the distribution disclosed in the crowdfunding offering document.

Liability for misrepresentation

- 22. (1)** If the securities legislation of the jurisdiction in which the purchaser resides does not provide a comparable right, an issuer of securities under the crowdfunding prospectus exemption that makes a crowdfunding offering document or any other document or video available to potential purchasers must provide a contractual right of action against the issuer for rescission or damages that

- (a) is available to the purchaser if the crowdfunding offering document, other document or video made available to the purchaser contains a misrepresentation, without regard to whether the purchaser relied on the misrepresentation,
 - (b) is enforceable by the purchaser delivering a notice to the issuer
 - (i) in the case of an action for rescission, within 180 days after the purchaser agrees to purchase the security, or
 - (ii) in the case of an action for damages, before the earlier of
 - (A) 180 days after the purchaser first has knowledge of the facts giving rise to the cause of action, or
 - (B) 3 years after the date the purchaser agrees to purchase the security,
 - (c) is subject to the defence that the purchaser had knowledge of the misrepresentation,
 - (d) in the case of an action for damages, provides that the amount recoverable
 - (i) does not exceed the price at which the security was offered, and
 - (ii) does not include all or any part of the damages that the issuer proves does not represent the depreciation in value of the security resulting from the misrepresentation, and
 - (e) is in addition to, and does not detract from, any other right of the purchaser.
- (2) In addition to subsection (1), in Québec
- (a) the crowdfunding offering document and any other document or videos that are made available to potential purchasers are documents authorized by the Autorité des marchés financiers for use in lieu of a prospectus;
 - (b) a crowdfunding offering is considered to be a securities distribution to which a special disclosure scheme is established by regulation under section 64 of the *Securities Act* (Québec).

Division 3: Ongoing disclosure requirements for issuers that have relied on the crowdfunding prospectus exemption

Annual financial statements

- 23. (1)** A reporting issuer that distributes securities under the crowdfunding prospectus exemption must comply with its disclosure obligations under securities legislation, including the requirement to file annual financial statements as and when required under sections 4.1 and 4.2 of NI 51-102.
- (2)** An issuer that is not a reporting issuer that distributes securities under the crowdfunding prospectus exemption must deliver to the securities regulatory authority and make available to each purchaser, within 120 days after the end of its most recently completed financial year
- (a) annual financial statements reviewed by an independent public accounting firm, if the issuer has incurred any expenditures and has

- (i) raised an aggregate of \$500,000 or less under the crowdfunding prospectus exemption or any other prospectus exemption since its formation, or
 - (ii) expended \$150,000 or less since its formation,
- (b) annual financial statements audited by an independent public accounting firm, if the issuer has
- (i) raised an aggregate of more than \$500,000 under the crowdfunding prospectus exemption or any other prospectus exemption since its formation, and
 - (ii) expended more than \$150,000 since its formation.
- (3) The financial statements referred to in subsection (2) must be prepared in accordance with paragraph (a) of subsection 3.2(1) [*Acceptable accounting principles – general requirements*] of NI 52-107 and include the disclosure required by paragraph (b)(i) of subsection 3.2(1) [*Acceptable accounting principles – general requirements*] of NI 52-107.
- (4) Despite subsection (3), the financial statements of an SEC issuer may be prepared in accordance with U.S. GAAP.
- (5) Despite subsection (3), the financial statements of an issuer that is not a publicly accountable enterprise may be prepared in accordance with Canadian GAAP for private enterprises.
- (6) The financial statements referred to in paragraph (2)(a) must be reviewed in accordance with the relevant standards set out in the Handbook for a review of financial statements by a public accounting firm.
- (7) The financial statements referred to in paragraph (2)(b) must be audited in compliance with section 3.3 [*Acceptable auditing standards – general requirements*] of NI 52-107 by an auditor that complies with section 3.4 [*Acceptable auditors*] of NI 52-107.
- (8) Despite paragraph 2(a) and subsections (6) and (7), the financial statements of an SEC issuer may be audited in accordance with section 3.8 [*Acceptable auditing standards for SEC issuers*] of NI 52-107.

Annual disclosure of use of proceeds

24. (1) The financial statements of an issuer referred to in section 23 [*Annual financial statements*] must be accompanied by a notice of the issuer disclosing in reasonable detail the actual use of the gross proceeds received by the issuer under the distribution made under the crowdfunding prospectus exemption.
- (2) An issuer is not required to provide a notice referred to in subsection (1) if
- (a) it has disclosed in one or more prior notices the actual use of the entire gross proceeds from the distribution under the crowdfunding prospectus exemption, or
 - (b) it is no longer required to deliver and make available annual financial statements.

Notice of specified events

25. (1) An issuer that is not a reporting issuer that distributes securities in reliance on the crowdfunding prospectus exemption must make available to each holder of a security acquired under the crowdfunding prospectus exemption within 10 days of their occurrence a notice of each of the following events:

- (a) a fundamental change in the nature, or a discontinuation, of the issuer's business;
- (b) a material change to the issuer's capital structure;
- (c) a major reorganization, amalgamation or merger involving the issuer;
- (d) a take-over bid, issuer bid or insider bid involving the issuer;
- (e) a significant acquisition or disposition of assets, property or joint venture interests;
- (f) changes to the issuer's board of directors or executive officers, including the departure of the issuer's chief executive officer, chief financial officer, chief operating officer or president or persons acting in similar capacities.

Period of time for providing ongoing disclosure

26. An issuer that is not a reporting issuer must continue to provide the disclosure required by sections 23 [*Annual financial statements*] and 25 [*Notice of specified events*] until the earliest of the following events:

- (a) the issuer becomes a reporting issuer;
- (b) the issuer ceases to carry on business;
- (c) securities of the issuer are beneficially owned, directly or indirectly, by fewer than 51 security holders worldwide that acquired such securities under the crowdfunding prospectus exemption.

Books and records

27. An issuer that is not a reporting issuer that distributes securities under the crowdfunding prospectus exemption must maintain the following books and records:

- (a) the crowdfunding offering document and the other documents and things described in section 16;
- (b) the risk acknowledgement form described in section 20;
- (c) the ongoing disclosure documents described in Division 3;
- (d) the number of securities issued by the issuer under the crowdfunding prospectus exemption, and the date of issuance and the price per security; and
- (e) the names of all security holders of the issuer together with the number and the type of securities held by each security holder.

Market participant

28. In Ontario, a non-reporting issuer that distributes securities in reliance on the crowdfunding prospectus exemption is designated a market participant under the *Securities Act* (Ontario).

PART 3 REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING OBLIGATIONS FOR REGISTERED FUNDING PORTALS

Division 1: Obligations of a registered funding portal and its registered individuals

General

29. (1) A registered funding portal and a registered individual of a registered funding portal must comply with the terms, conditions, restrictions or requirements applicable to an exempt market dealer under NI 31-103 except for the following requirements:
- (a) section 12.3 [*Insurance - dealer*];
 - (b) paragraph 13.2(2)(c) [*Know your client*];
 - (c) section 13.3 [*Suitability*];
 - (d) paragraphs 14.2(2)(i), (j), (k) and (m) [*Relationship disclosure information*];
 - (e) division 3 of Part 14 [*Client assets*];
 - (f) division 4 of Part 14 [*Client accounts*], except for:
 - (i) section 14.10 [*Allocating investment opportunities*];
 - (ii) section 14.11 [*Selling or assigning client accounts*];
 - (g) division 5 of Part 14 [*Reporting to clients*], except for section 14.12 [*Content and delivery of trade confirmation*].
- (2) Subsection (1) only applies to a registered funding portal and a registered individual of a registered funding portal if the registered funding portal and the registered individual comply with the terms, conditions, restrictions and requirements in this Instrument.
- (3) A registered funding portal and every registered individual of a registered funding portal must deal fairly, honestly and in good faith with purchasers.

Proficiency

30. (1) A registered individual of a registered funding portal must not perform an activity in connection with a distribution of securities made through the registered funding portal unless the individual has the education, training and experience that a reasonable person would consider necessary to perform the activity competently, including understanding the structure, features and risks of each security distributed.

- (2) For the purposes of subsection (1), the obligation to understand the structure, features and risks of each security does not include any obligation to assess
- (a) the merits or expected returns of an investment to purchasers, or
 - (b) the commercial viability of a proposed business or offering.

Division 2: Permitted and restricted dealing activities

Permitted dealing activities

31. A registered funding portal and every registered individual of the registered funding portal may only act as an intermediary in connection with a distribution of securities made in reliance on the crowdfunding prospectus exemption.

Restricted dealing activities

32. A registered funding portal and its registered individuals must not act as an intermediary in connection with a distribution of or trade in securities of an issuer that is a related issuer of the registered funding portal.

Prohibition on providing recommendations or advice

33. (1) A registered funding portal and its registered individuals must not provide a recommendation or advice to a potential purchaser to purchase securities under the crowdfunding prospectus exemption or in connection with any other trade in a security.
- (2) Despite subsection (1), and provided that the following would not be viewed by a reasonable person as an assessment of the quality or commercial viability of a crowdfunding offering, a portal may
- (a) present or display information about an issuer or a crowdfunding offering on its website, if the information is presented or displayed in a fair, balanced and reasonable manner,
 - (b) use objective criteria to limit the crowdfunding offerings on its website, provided the objective criteria are disclosed on the website and applied consistently to all offerings on the website,
 - (c) prohibit crowdfunding offerings on its website based on a good faith determination that an issuer is not complying with securities law, including the provisions of this instrument,
 - (d) assist an issuer in the preparation of an offering document, business plan or other document contemplated by this instrument, provided that the service is limited to assisting the issuer comply with its disclosure obligations and to ensure the information is presented in a fair, balanced and reasonable manner,
 - (e) provide general information and educational materials to potential purchasers about crowdfunding offerings, provided that the information and materials are presented in a fair, balanced and reasonable manner,

- (f) provide on its website search functions or other tools for potential purchasers to search, sort or categorize crowdfunding offerings available on the funding portal's website according to objective criteria, and
- (g) provide communication channels or discussion boards to enable potential purchasers pursuant to a crowdfunding offering, to communicate with one another and with representatives of the issuer about a crowdfunding offering displayed on the funding portal's website provided that communication by a person can be traced back to its author.

Division 3: Portal obligations – issuer access to the portal

Issuer access agreement

- 34.** Prior to allowing an issuer to access the registered funding portal's website, the registered funding portal must enter into an issuer access agreement with that issuer.

Personal information forms and background checks

- 35. (1)** Prior to allowing an issuer to access the registered funding portal's website, the registered funding portal must require directors, executive officers and promoters of the issuer
- (a) to complete a personal information form that contains substantially the same information as set out in Appendix A to National Instrument 41-101 *General Prospectus Requirements*, and
 - (b) to consent to criminal record and other background checks and the collection of personal information in accordance with applicable privacy legislation.
- (2)** For the purposes of paragraph (1)(b), the form containing the consent referred to in that paragraph must acknowledge that
- (a) the registered funding portal will file, as agent of the issuer, a copy of the completed personal information form and the results of any criminal record or other background checks with the Principal Regulator, and
 - (b) it is an offence to make a statement in any document required to be filed with the Principal Regulator that, in a material respect, is misleading or untrue or does not state a fact that is required to be stated or that is necessary to make the statement not misleading.

Criminal record and background checks

- 36.** The registered funding portal must arrange for criminal record and background checks to be conducted on
- (a) each individual who is, at the time of application for access, a director, executive officer or promoter of an issuer, and
 - (b) each individual who subsequently becomes a director, executive officer or promoter of an issuer, in which case section 35 [*Personal information forms and background checks*] and paragraph (a) apply to in respect of the individual with necessary modifications during the distribution period.

Issuers' access refusal – general

37. Prior to allowing an issuer to access the registered funding portal's website, a registered funding portal must
- (a) review the information referred to in sections 35 [*Personal information forms and background checks*] and 36 [*Criminal record and background checks*];
 - (b) make a good faith determination that it does not appear that
 - (i) the issuer or the offering is a fraud,
 - (ii) the issuer's offering documents or other materials contain a statement or information that is false, deceptive, misleading or that constitutes a misrepresentation,
 - (iii) the business of the issuer may not be conducted with integrity and in the best interests of security holders because of the past conduct of
 - (A) the issuer, or
 - (B) any of the issuer's executive officers, directors or promoters,
 - (iv) the issuer is not complying with this Instrument, and
 - (c) if it appears to the portal that, based upon its review of the issuer's application for access, completed personal information forms and the results of the criminal records and background checks, any of the following is true, ensure that such information is disclosed in the issuer's crowdfunding offering document:
 - (i) a director or executive officer of the issuer is or has been, within 10 years before the date of the personal information form, a director or executive officer of an issuer that is or has been
 - (A) subject to a cease trade order or similar order, or
 - (B) bankrupt or subject to a similar insolvency proceeding;
 - (ii) a director or executive officer of the issuer is or has been, within 10 years before the date of such personal information form, bankrupt or subject to a similar insolvency proceeding;
 - (iii) a director or executive officer of the issuer is or has been subject to
 - (A) penalties or sanctions imposed by a court relating to contraventions of securities legislation or by a securities regulatory authority or who entered into a settlement agreement with a securities regulatory authority, or
 - (B) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable purchaser in making an investment decision.

Issuers' access refusal – misleading disclosure

38. A registered funding portal must not include on its website any offering document or information that appears to be false, deceptive, misleading or contains a misrepresentation and must terminate any

offering and report immediately to the Principal Regulator if fraud is discovered during the distribution period.

Restriction on cross ownership

39. A registered funding portal must not allow an issuer access to the funding portal's website if the registered funding portal, or any officer, director or significant shareholder of the registered funding portal or of any affiliate of the registered funding portal
- (a) has beneficial ownership of, or control or direction over, more than 10% of the issued and outstanding securities of the issuer, or securities convertible into securities of the issuer, or
 - (b) except as permitted under clause (a), otherwise has an economic interest in the issuer.

Division 4: General portal obligations and prohibited activities

Required website disclosure

40. A registered funding portal must
- (a) take reasonable steps to ensure that potential purchaser accessing the registered funding portal's website understands the high risk nature of any investment made under the crowdfunding prospectus exemption,
 - (b) include on its website prominent disclosure that discloses
 - (i) no securities regulatory authority or regulator has approved or expressed an opinion about the securities offered on the registered funding portal's website,
 - (ii) "A crowdfunding investment is highly risky. You may lose all your investment and you may not be able to sell any securities you purchase.",
 - (iii) all compensation, including fees, costs and other expenses that the registered funding portal may charge to, or impose on, an issuer or purchaser.

Monitoring purchaser communications

41. If a registered funding portal establishes on its website a communication channel by which potential purchasers may communicate with one another and with representatives of the issuer about offerings of securities displayed on the website, the registered funding portal must monitor postings to confirm that the issuer is not making any statement or providing information that is inconsistent with the crowdfunding offering document or is not in compliance with this Instrument and remove any material that it deems inappropriate, or that raises investor protection concerns.

Prohibition on holding, handling or having access to purchaser funds or assets

42. A registered funding portal and every registered individual of the registered funding portal must not hold, handle or have access to purchaser funds or assets.

Custodial arrangements

43. (1) The portal must arrange for a Canadian financial institution

- (a) to hold in trust all funds or consideration received from a potential purchaser in connection with a distribution of a security under the crowdfunding prospectus exemption until midnight on the second business day after the purchaser agrees to purchase the security, and
 - (b) to return all funds or consideration to the purchaser promptly if the purchaser exercises the right to cancel the agreement to purchase the security described under section 21 [*Right of withdrawal*].
- (2) The registered funding portal must confirm that the conditions in section 13 [*Full subscription of distribution and financial resources available*] have been satisfied.

Insurance

44. The registered funding portal must maintain fidelity bonding or insurance of
- (a) \$50,000 per employee, agent and dealing representative or \$200,000, whichever is less, and
 - (b) such other amount as may be determined by the regulator.

Restriction on lending

45. A registered funding portal, or a director or executive officer of the registered funding portal, must not lend or finance, or arrange lending or financing, for a purchaser to purchase securities of an issuer under the crowdfunding prospectus exemption.

Restrictions on referral agreements

46. A registered funding portal must not participate in a “referral arrangement” as such term is defined in section 13.7 [*Definitions – Referral arrangements*] of NI 31-103, except that a registered funding portal may compensate a third party for referring an issuer to the registered funding portal.

PART 4 REPORTING REQUIREMENTS

Report of exempt distribution

47. (1) An issuer that distributes securities under section 7 [*Crowdfunding prospectus exemption*] must file a report within 10 days of completion of the distribution.
- (2) The required form of report under subsection (1) is
- (a) in Saskatchewan, Ontario and New Brunswick, Form 45-106F11, and
 - (b) in Manitoba, Nova Scotia and Québec, Form 45-106F1.

Registered funding portal reporting requirement

48. A registered funding portal must provide within 30 days of the end of each quarter of its financial year to the Principal Regulator a report on
- (a) the amounts raised through offerings on the portal that were successfully completed within the quarter based on information received from issuers, on a per offering basis, including the

name of the issuer, details on the type and amount of the offering, the industry of the issuer and the number of purchasers participating in each such offering,

- (b) the names and types of issuers given access to the portal and the types of offerings posted on the portal,
- (c) the names and types of issuers denied access to the portal at the time of initial application and the reasons for denial of access,
- (d) the names and types of issuers granted access to the portal at the time of initial application that were subsequently removed from the portal and the reasons for removal,
- (e) the names of issuers who have not complied with ongoing disclosure obligations to purchasers, and
- (f) such other information as the Principal Regulator may reasonably request.

PART 5 EXEMPTION

Exemption

- 49. (1)** Subject to subsection (2), the regulator or the securities regulatory authority may grant an exemption to this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.
- (2)** In Ontario, only the regulator may grant an exemption and only from Part 3 [*Registration requirements, exemptions and ongoing registrant obligations for registered funding portals*] and Part 4 [*Reporting requirements*], in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.
- (3)** Except in Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction.

PART 6 COMING INTO FORCE

Effective date

- 50.** This Instrument comes into force on •.

Appendix A

Signing Requirements for Certificate of a Crowdfunding Offering Document referred to in Section 15

1. If the issuer is a company, a certificate under paragraph 15(1)(b) of the Instrument complies with this section if it is signed
 - (a) by the issuer's chief executive officer and chief financial officer or, if the issuer does not have a chief executive officer or chief financial officer, an individual acting in that capacity,
 - (b) on behalf of the directors of the issuer, by
 - (i) any 2 directors who are authorized to sign, other than the persons referred to in paragraph (a), or
 - (ii) all the directors of the issuer, and
 - (c) by each promoter of the issuer.
2. If the issuer is a trust, a certificate under paragraph 15(1)(b) of the Instrument complies with this section if it is signed by
 - (a) the individuals who perform functions for the issuer similar to those performed by the chief executive officer and the chief financial officer of a company, and
 - (b) each trustee and the manager of the issuer.
3. A certificate under paragraph 15(1)(b) of the Instrument complies with this section
 - (a) if a trustee or manager signing the certificate is an individual, the individual signs the certificate,
 - (b) if a trustee or manager signing the certificate is a company, the certificate is signed
 - (i) by the chief executive officer and the chief financial officer of the trustee or the manager, and
 - (ii) on behalf of the board of directors of the trustee or the manager, by
 - (A) any two directors of the trustee or the manager, other than the persons referred to in subparagraph (i), or
 - (B) all of the directors of the trustee or the manager,
 - (c) if a trustee or manager signing the certificate is a limited partnership, the certificate is signed by each general partner of the limited partnership as described in section 5 in relation to an issuer that is a limited partnership, or
 - (d) in any other case, the certificate is signed by any person or company with authority to act on behalf of the trustee or the manager.

4. Despite sections 2 and 3, if the trustees of an issuer, do not perform functions for the issuer similar to those performed by the directors of a company, the trustees are not required to sign the certificate of the issuer if at least two individuals who perform functions for the issuer similar to those performed by the directors of a company sign the certificate.
5. If the issuer is a limited partnership, a certificate under paragraph 15(1)(b) of the Instrument complies with this section if it is signed by
 - (a) each individual who performs a function for the issuer similar to any of those performed by the chief executive officer or the chief financial officer of a company, and
 - (b) each general partner of the issuer.
6. A certificate under paragraph 15(1)(b) of the Instrument complies with this section
 - (a) if a general partner of the issuer is an individual, the individual signs the certificate,
 - (b) if a general partner of the issuer is a company, the certificate is signed
 - (i) by the chief executive officer and the chief financial officer of the general partner, and
 - (ii) on behalf of the board of directors of the general partner, by
 - (A) any two directors of the general partner, other than the persons referred to in subparagraph (i), or
 - (B) all of the directors of the general partner,
 - (c) if a general partner of the issuer is a limited partnership, the certificate is signed by each general partner of the limited partnership and, for greater certainty, this section applies to each general partner required to sign,
 - (d) if a general partner of the issuer is a trust, the certificate is signed by the trustees of the general partner as described in section 7 in relation to an issuer that is a trust, or
 - (e) in any other case where there is a general partner of the issuer, the certificate is signed by any person or company with authority to act on behalf of the general partner.
7. If an issuer is not a company, trust or limited partnership, a certificate under paragraph 15(1)(b) of the Instrument complies with this section if it is signed by the persons that, in relation to the issuer, are in a similar position or perform a similar function to any of the persons referred to in section 1, 2, 3, 4, 5 or 6.

**CROWDFUNDING PROSPECTUS EXEMPTION AND CROWDFUNDING PORTAL
REQUIREMENTS**

**PROPOSED COMPANION POLICY 45-108CP
CROWDFUNDING**

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PREAMBLE TO COMPANION POLICY

Purpose of this Companion Policy

This Companion Policy sets out how the participating members of the Canadian Securities Administrators (the **participating CSA members** or **we**) interpret or apply the provisions of Multilateral Instrument 45-108 *Crowdfunding* (the **Instrument**) and related securities legislation.

The Instrument provides

- (a) in Part 2, a prospectus exemption for eligible crowdfunding issuers that wish to make a crowdfunding offering in accordance with the regime described in the Instrument,
- (b) in Part 3, the principal registration requirements, exemptions and ongoing obligations that apply to a funding portal that wishes to act as an intermediary in a crowdfunding offering in accordance with the regime described in the Instrument, and
- (c) in Part 4, the reporting requirements for eligible crowdfunding issuers and registered funding portals that make a crowdfunding offering in accordance with the regime described in the Instrument.

Numbering system

Except for this preamble, the numbering of parts, divisions and sections in this Companion Policy corresponds to the numbering in the Instrument. Any general guidance for a part or a division appears immediately after the part or division name. Any specific guidance on sections in the Instrument follows any general guidance. If there is no guidance for a part, division or section, the numbering in this Companion Policy will skip to the next provision that does have guidance.

All references in this Companion Policy to parts, divisions and sections are to the Instrument, unless otherwise noted.

Meaning of crowdfunding

Crowdfunding is a method of funding a project or venture through small amounts of money raised from a potentially large number of people over the internet via an internet portal acting as intermediary. There are at least five models of crowdfunding:

- (a) the donation model, which is the practice of the crowd donating to a project or venture in exchange for nothing of tangible value;
- (b) the reward model, which is the practice of the crowd donating to a project or venture in exchange for some tangible reward or a “perk”;
- (c) the pre-purchase model, which is the practice of the crowd donating to a project or venture in exchange for a future tangible reward, such as a consumer product;
- (d) the peer-to-peer lending model, which is the practice of an online intermediary facilitating money lending between individuals to fund a project or a business, usually in the form of unsecured personal loans;

- (e) the securities-based model, which is the practice of the crowd investing in an issuer and its business in exchange for securities, which are often equity securities but may include other types of securities, including debt securities.

In this Companion Policy, when we refer to a “crowdfunding offering”, we are referring to an offering (distribution) of securities made in reliance on the crowdfunding prospectus exemption through a registered funding portal as described in the Instrument.

Applicability of securities legislation

Crowdfunding activities that are limited to the donation model, reward model and/or pre-purchase model generally will not constitute or involve a distribution of securities. However, crowdfunding offerings based on the peer-to-peer lending model and the securities-based model will generally involve an offering of securities. As a result, issuers that wish to make a crowdfunding offering based on the peer-to-peer lending model or the securities-based model will generally be subject to the prospectus requirement in securities legislation or be required to limit their offering to accredited investors or other investors who are eligible to purchase securities in the “exempt market”.

Securities-based and non-securities-based crowdfunding

An issuer may wish to include both securities and non-securities rewards and perks in a crowdfunding offering. Permitting an issuer to do so may enable an issuer to derive the benefits of both securities-based and non-securities based crowdfunding. Where an issuer combines securities and non-securities rewards and perks in a crowdfunding offering, it must disclose in the crowdfunding offering document information about the non-securities rewards and perks that are being offered.

All distributions and other trades are subject to securities legislation

The securities legislation of a local jurisdiction applies to any distribution of a security in that jurisdiction, whether or not the issuer of the security is a reporting issuer in that jurisdiction. A person who engages in this activity must comply with the securities legislation of each jurisdiction in which the distribution occurs. That may include the requirement that such person be registered under securities legislation.

Multi-jurisdictional distributions

A distribution can occur in more than one jurisdiction. If it does, the person conducting the distribution must comply with the securities legislation of each jurisdiction in which the distribution occurs. For example, a distribution from a person in Québec to a purchaser in Ontario may be considered a distribution in both jurisdictions.

PART 1 DEFINITIONS AND INTERPRETATION

Defined terms used in this Companion Policy have the meaning ascribed to that term in the Instrument unless otherwise noted.

Definitions

1. (1) **Directors and executive officers** – The term “director” is defined in the Instrument and includes, for non-corporate issuers, individuals who perform functions similar to those of a director of a company. Therefore, non-corporate issuers must determine in light of the particular circumstances which individuals or persons are acting in such capacities for the purposes of complying with the Instrument and Form 45-108F1 *Crowdfunding Offering Document*.

The term “executive officer” includes an individual who is performing a policy-making function in respect of the issuer. We would consider an individual who is employed by an entity separate from the issuer, but

who performs a policy-making function in respect of the issuer through that separate entity or otherwise, to fit within this definition.

- (2) Distribution period – The Instrument contemplates a distribution period of 90 days. If an issuer cannot complete a crowdfunding distribution within 90 days, the issuer must withdraw it. It can commence a new crowdfunding distribution after the 90-day period.
- (3) Principal Regulator - A registered funding portal's Principal Regulator will generally be determined in accordance with section 1.3 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations (NI 31-103)*. This means that the principal regulator will usually be the securities regulatory authority or regulator in the jurisdiction where the registered funding portal's head office is located.
- (4) Registered funding portal - A person that intends to operate a portal, platform or website to facilitate offerings made in reliance on the crowdfunding prospectus exemption is required to register as a restricted dealer under NI 31-103. The restricted dealer category is described in paragraph 7.1(2)(e) of NI 31-103 and permits specialized dealers or other intermediaries with an unconventional business model to carry on a limited trading business.

We recognize that other categories of registered dealers and advisers may wish to operate internet portals, platforms or websites that may facilitate distributions of securities in reliance on other prospectus exemptions, such as the accredited investor exemption in section 2.3 of National Instrument 45-106 *Prospectus and Registration Exemptions (NI 45-106)* or the offering memorandum exemption in section 2.9 of NI 45-106, and may be similar to the registered funding portal concept described in the Instrument. However, the registered funding portal described in the Instrument is intended to be a specialized type of restricted dealer to facilitate only distributions of securities in reliance on the crowdfunding prospectus exemption described in the Instrument. Accordingly, the regulatory regime for registered funding portals described in the Instrument, including the exemptions from certain usual registrant requirements described in Part 3 of the Instrument, are not available to other types of registrants that facilitate the sale of securities through the internet. A registered funding portal will not be permitted to obtain dual registration in another registration category.

- (5) Registered individual - The term "registered individual" is defined in NI 31-103 and ordinarily refers to an individual who is registered as the ultimate designated person (**UDP**), chief compliance officer (**CCO**) or a dealing or advising representative of a registered firm. A registered funding portal is not permitted to provide recommendations or advice to investors, except as permitted in subsection 33(2) [*Prohibition on providing recommendations or advice*] of the Instrument. Therefore, we do not anticipate that it will be necessary for an individual to register as a dealing or advising representative of a registered funding portal.

PART 2 CROWDFUNDING PROSPECTUS EXEMPTION

Division 1: Offering requirements

Crowdfunding prospectus exemption

7. Subsection 7(b) [*Crowdfunding prospectus exemption*] imposes a \$1.5 million limit on the amount that can be raised under the crowdfunding prospectus exemption by the issuer group during a specified time period. The imposition of the offering limit on the aggregate proceeds raised by the issuer group, rather than only by the issuer, is intended to prevent the \$1.5 million limit being circumvented.

Availability of crowdfunding prospectus exemption to issuers

8. (1) Reporting and non-reporting issuers - Subsections 8(1) to (3) [*Availability of crowdfunding prospectus exemption to issuers*] impose certain conditions on the availability of the crowdfunding prospectus exemption. Subject to these conditions, the crowdfunding prospectus exemption is available to both reporting issuers and non-reporting issuers.
- (2) Real estate issuers –A “real estate issuer”, as defined in section 1 of the Instrument, that is not a reporting issuer, is excluded from being able to rely on the crowdfunding prospectus exemption. A real estate issuer includes a non-reporting issuer that “is a person that primarily invests in, or develops, real estate, or derives its revenues primarily from investments in real estate”. This exclusion is intended to capture non-reporting issuers whose primary business is focused on real estate. It is not intended to capture an issuer with a primary business that is not focused on real estate, but that invests in or develops real estate in the furtherance of its primary business. For example, an issuer that is developing a bakery business might need to rent or purchase real estate in order to establish retail bakery locations. We would not generally consider real estate activity that is ancillary to the issuer’s primary business as precluding the issuer from being able to rely on the exemption.

Investment limits

9. Section 9 [*Investment limits*] of the Instrument imposes certain investment limits on purchasers of securities distributed under the crowdfunding prospectus exemption. An accredited investor that purchases securities under the crowdfunding prospectus exemption is subject to the same investment limits as other investors. However, an issuer can distribute securities to the accredited investor under the accredited investor prospectus exemption simultaneously with the distribution of securities under the crowdfunding prospectus exemption. In so doing, the issuer must comply with all applicable requirements under both exemptions, including the requirement that the securities distributed under the accredited investor prospectus exemption during the prescribed period have the same price, terms and conditions as those distributed under the crowdfunding prospectus exemption. The registered funding portal is not permitted to act as an intermediary in the distribution of securities under the accredited investor prospectus exemption. However, information about this distribution must be disclosed in the issuer’s marketing materials described in section 16 [*Disclosure at time of distribution - marketing materials*].

Full subscription of distribution and financial resources available

13. Section 13 [*Full subscription of distribution and financial resources available*] requires that, at the time of the closing of an offering under the crowdfunding prospectus exemption, an issuer must have financial resources sufficient to achieve the next milestone set out in its written business plan. If no milestones have been established, the financial resources must be sufficient to carry out the activities set out in the business plan. This requirement will provide an element of investor protection, as a purchaser will have some assurance that the issuer will raise a sufficient amount of proceeds to achieve the next milestone or activities set out in its written business plan. In addition, permitting the additional financial resources of the issuer to be included in the determination as to whether this requirement has been satisfied will permit an issuer to satisfy the requirement as quickly as possible.

Concurrent distributions under other prospectus exemptions

14. (1) The crowdfunding prospectus exemption set out in the Instrument is in addition to other prospectus exemptions contained in securities legislation, including the prospectus exemptions contained in NI 45-106. An eligible crowdfunding issuer may rely on other prospectus exemptions and may distribute securities through other types of registered intermediaries at the same time as conducting a crowdfunding offering in

accordance with the crowdfunding regime described in the Instrument.

- (2) Section 14 [*Concurrent distributions under other prospectus exemptions*] of the Instrument requires that securities distributed under another prospectus exemption during the period beginning on the first day of the distribution period and ending one month after the end of the distribution period, must have the same price, terms and conditions as those distributed under the crowdfunding prospectus exemption. This requirement is intended to promote fairness to purchasers by prohibiting an issuer from offering securities during the prescribed period at different prices, or with different terms and conditions, than those distributed under the crowdfunding prospectus exemption.

Advertising and general solicitation

18. Subsections 18(1) and (2) [*Advertising and general solicitation*] of the Instrument impose limits on advertising and soliciting purchasers in connection with a crowdfunding offering other than through the registered funding portal. No person involved with a crowdfunding offering can advertise the offering or solicit purchasers except as described below. However, an issuer or any other person involved with a crowdfunding offering can advise potential purchasers, including the issuer's customers and clients, that the issuer is proposing to offer its securities through crowdfunding and refer the potential purchasers to the website of the portal through which the distribution will be made. This advice can be provided in paper format or through the use of social media. However, in all cases, the advice must be limited to directing the potential purchaser to the portal's website to obtain relevant information about the offering.

Commissions or fees

19. Section 19 [*Commissions or fees*] of the Instrument prohibits the payment by an issuer of a commission, finder's fee, referral fee or similar payment to any person in connection with a crowdfunding offering, other than to a registered funding portal. This is meant to mitigate against potential conflicts of interest. However, this restriction is not intended to prohibit payments to persons as compensation for their services to an issuer in preparing materials in connection with a crowdfunding offering, such as accounting or legal fees.

Risk acknowledgement

20. (1) The risk acknowledgment form required by section 20 [*Risk acknowledgement*] of the Instrument may be completed online through the registered funding portal through which the distribution is made.
- (2) The risk acknowledgment form should be completed and signed by the issuer and registered funding portal (including by online signature) before it is provided to a purchaser.

Division 2: Rights of security holders

Liability for misrepresentation

22. (1) In Ontario, the crowdfunding offering document required to be delivered by an issuer under the Instrument is considered to be an offering memorandum and the rights available under section 130.1 of the *Securities Act* (Ontario) apply in respect of the crowdfunding offering document. Refer to OSC Rule 45-501 *Ontario Prospectus and Registration Exemptions* and the related Companion Policy for more information. Under section 22 [*Liability for misrepresentation*] of the Instrument, an issuer must provide a purchaser with a contractual right equivalent to the right in section 130.1 for any document or video made available to a purchaser in addition to the crowdfunding offering document.
- (2) In Québec, the crowdfunding offering document and any other documents or videos that are made available to potential purchasers are documents authorized by the Authority for use in lieu of a prospectus in regards to which rights of action established in section 217 to 219 of *Securities Act* (Québec) may be exercised. In

addition, an issuer must provide a purchaser with a contractual right equivalent to the right in sections 217 to 219 of *Securities Act* (Québec) for any document or video made available to a purchaser in addition to the crowdfunding offering document.

- (3) The offering document required to be delivered by an issuer under the Instrument is considered to be an offering memorandum and the rights available under section 138 of the *Securities Act* (Nova Scotia) apply in respect of the offering document. Refer to Nova Scotia Securities Commission Rule 45-501 *Statutory Liability for Misrepresentations in an Offering Memorandum Under Certain Exemptions From the Prospectus Requirement* and the related Companion Policy for more information. Under section 22 [*Liability for misrepresentation*] of the Instrument, an issuer must provide a purchaser with a contractual right equivalent to the right in section 138 for any document or video made available to a purchaser in addition to the crowdfunding offering document.

Division 3: Ongoing disclosure requirements for issuers that have relied on the crowdfunding prospectus exemption

Ongoing disclosure – reporting issuers and non-reporting issuers

23. (1) Section 23 [*Annual financial statements*] of the Instrument prescribes ongoing disclosure obligations for non-reporting issuers that distribute securities under the crowdfunding prospectus exemption. For reporting issuers that distribute securities under the crowdfunding prospectus exemption, all applicable continuous disclosure obligations under securities law will continue to apply.
- (2) Non-reporting issuers are required to make available to the purchaser certain ongoing disclosure documents. These include annual financial statements, notices disclosing the use of proceeds and notices of specified events. Issuers may choose to make these documents available to purchasers in different ways, provided they take reasonable steps to ensure that all purchasers receive or can access the documents.

We consider disclosure documents to have been made available if they are mailed to each security holder or if the security holder receives notice that the disclosure documents can be viewed on a public website of the issuer or a website accessible by all security holders of the issuer.

**PART 3
REGISTRATION REQUIREMENTS, EXEMPTIONS
AND ONGOING REGISTRANT OBLIGATIONS FOR REGISTERED FUNDING PORTALS**

Division 1: Obligations of a registered funding portal and its registered individuals

General

29. A registered funding portal and its registered individuals must deal fairly, honestly and in good faith with its clients. This is consistent with the obligation imposed on all registrants, including restricted dealers, under securities legislation. A registered funding portal's clients include both issuers that enter into a contractual relationship with the portal to distribute securities through the portal and investors who open an account with the portal to purchase these securities.

Proficiency

30. (1) Section 30 [*Proficiency*] of the Instrument provides that a registered individual of a registered funding portal must, among other things, understand the structure, features and risks of each security distributed through the registered funding portal. This is consistent with the general proficiency requirement applicable to all registered individuals in section 3.4 of NI 31-103.

- (2) We expect the registered individual to develop an understanding of the structure, features and risks of each security distributed through the registered funding portal based on a review of the issuer’s articles of incorporation, other constating documents and other materials included in the application for access to the registered funding portal. For example:
- (a) a registered funding portal and its registered individuals are expected to take reasonable steps to confirm that an issuer that proposes to make an offering through a registered funding portal meets the definition of an “eligible crowdfunding issuer” and that the proposed offering involves “eligible securities”;
 - (b) if an issuer proposes to offer securities described as “common shares” to the public, but the issuer’s constating documents and application for access indicate that the “common shares” contain restrictions on voting, or contain redemption rights that allow the issuer to redeem the shares in certain circumstances, or that insiders or promoters of the issuer hold another class of securities that have multiple votes, the registered funding portal should understand that it may be misleading to investors if the issuer describes the securities as “common shares” or does not disclose the existence and material terms of the securities held by the insiders and promoters;
 - (c) if the issuer is part of a corporate group, and the issuer’s interest in the business or the assets of the business are owned through one or more subsidiaries, the registered funding portal should understand the features and risks of the capital structure of the corporate group and assess whether the issuer’s disclosure adequately discloses these risks.
- (3) Subsection 30(2) [*Proficiency*] of the Instrument provides that the obligation to understand the structure, features and risks of a security does not include any obligation to assess
- (a) the merits or expected returns of an investment to investors, or
 - (b) the commercial viability of a proposed business or offering.

In addition, the obligation does not include any obligation to determine whether an issuer’s milestones are realistic or achievable or to assess the experience of the executive officers or directors of the issuer.

Division 2: Permitted and restricted dealing activities

Permitted dealing activities

31. (1) Section 31 [*Permitted dealing activities*] of the Instrument provides that a registered funding portal and every registered individual of the registered funding portal may only act as an intermediary in connection with a distribution of securities made in reliance on the crowdfunding prospectus exemption. This means that registered funding portals are not permitted to engage in a broader range of dealing and/or advising activities, including
- (a) facilitating distributions of securities in reliance on other prospectus exemptions;
 - (b) facilitating resales of securities acquired by an investor to accredited investors or other investors who are eligible to purchase securities on a prospectus-exempt basis; or
 - (c) providing other services of a corporate finance nature to issuers.
- (2) The limitation on dealing activities applies only to activities in connection with a distribution of securities

under the crowdfunding prospectus exemption. A registered funding portal may engage in other types of crowdfunding activities that do not involve a distribution of securities, including facilitating crowdfunding activities based on a donation model, reward model or pre-purchase model.

Restricted dealing activities

32. (1) Section 32 [*Restricted dealing activities*] of the Instrument provides that a registered funding portal and every registered individual of the registered funding portal must not allow an issuer access to the funding portal's website if the issuer is a "related issuer" of the registered funding portal. The definition of a "related issuer" is described in National Instrument 33-105 *Underwriting Conflicts* (NI 33-105) and generally refers to a situation where there is cross-ownership between an issuer and the registered funding portal. Subsection 1.2(2) of NI 33-105 provides that an entity is a related issuer to another entity if one of them is an "influential securityholder" of the other, or each of them is a related issuer of the same third party.
- (2) If a registered funding portal or a registered individual of a registered funding portal proposes to allow an issuer that is a connected issuer access to the registered funding portal, the registered funding portal should ensure that the issuer's offering documents include the disclosure required by Appendix C to NI 33-105. The definition of a "connected issuer" is described in NI 33-105 and generally refers to a situation where an issuer is not a related issuer of the registrant, but has some other relationship with the registrant that would cause a reasonable investor to question whether the registrant and the issuer are independent of each other for purposes of the distribution. Refer to NI 33-105 and the related guidance in Companion Policy 33-105CP for more information.

Prohibition on providing recommendations or advice

33. (1) Section 33 [*Prohibition on providing recommendations or advice*] of the Instrument provides that a registered funding portal and a registered individual of the registered funding portal must not provide a recommendation or advice to an investor in connection with a distribution of or other trade in a security. Certain activities undertaken by registered funding portals may, by their nature, be considered a form of express or implied recommendation, endorsement or advice to investors. These activities may include activities in relation to:
- (a) selecting, screening or approving an issuer for access to the registered funding portal, which is sometimes referred to as curating;
 - (b) highlighting, showcasing or spotlighting an issuer on the portal's website;
 - (c) matching an issuer to an investor based on selection criteria identified by an investor;
 - (d) distributing information about a particular issuer or offering to an investor based on selection criteria identified by an investor.

Since these activities may be considered part of the *bona fide* activities of a registered funding portal, the Instrument provides that the prohibition on providing a recommendation or advice does not prevent the activities described in subsection 33(2) of the Instrument.

- (2) Nothing in the Instrument prevents a registered funding portal from establishing additional criteria or terms and conditions that an issuer must satisfy or meet in order to participate in a distribution under the crowdfunding prospectus exemption through the registered funding portal. In addition to its obligations under section 37 [*Issuers' access refusal - general*], a registered funding portal may establish additional criteria or due diligence checks to prevent access by an issuer to its portal for any reason, including any concern of the registered funding portal that:

- (a) any offering document or marketing materials of the issuer contain any statement or information that is misleading, false or deceptive or contains a misrepresentation;
 - (b) the proceeds from a distribution under the crowdfunding prospectus exemption, together with any other amounts referred to in subsection 13(2) [*Full subscription of distribution and financial resources available*], are insufficient to accomplish the milestone or business plan referred to in section 8 [*Availability of crowdfunding prospectus exemption to issuers*];
 - (c) the issuer may not be financially responsible in the conduct of its business or such business may not be conducted with integrity and with a view to the best interests of investors; or
 - (d) the issuer has not complied with, or is not complying with, securities law or the undertakings, terms and conditions agreed to by the issuer in connection with any distribution under the crowdfunding prospectus exemption or otherwise.
- (3) We expect a registered funding portal to take reasonable steps to confirm that an investor proposing to participate in a crowdfunding distribution through its website understands the risks of such a distribution. In this respect, a registered funding portal should not rely solely on the risk acknowledgement form signed by an investor.

Division 3: Portal obligations – issuer access to the portal

Criminal record and background checks

36. (1) Section 36 [*Criminal record and background checks*] of the Instrument requires a registered funding portal to obtain the following documents from the the directors, executive officers and promoters of an issuer prior to allowing the issuer access to the registered funding portal’s website:
- (a) a completed personal information form that contains substantially the same information as set out in Appendix A to National Instrument 41-101 *General Prospectus Requirements*, and
 - (b) a consent to criminal record and other background checks and the collection of personal information in accordance with applicable privacy legislation.
- (2) At a minimum, we expect the following checks to be conducted by a registered funding portal:
- (a) regarding issuers:
 - (i) the existence of the issuer and its business registration, including a review of the issuer’s constating documents,
 - (ii) criminal record and securities enforcement history checks,
 - (iii) bankruptcy check, and
 - (iv) court record check, where available;
 - (b) regarding directors, executive officers, control persons and promoters of the issuer:
 - (i) criminal record and securities enforcement history checks,
 - (ii) bankruptcy check, and
 - (iii) court record check, where available.
- (3) A registered funding portal may retain a third party to perform these checks. However, the responsibility to comply with this section remains with the registered funding portal.
- (4) Subsection 35(2) requires the registered funding portal to file the completed personal information form with its Principal Regulator. This requirement is intended to act as a deterrent against false statements in a personal information form since it is an offence to make a false statement in a document that is required to

be filed or furnished to the securities regulatory authorities and to ensure that regulatory authorities have recourse against the person making a false statement in a personal information form.

Restriction on cross ownership

39. (1) Section 39 [*Restriction on cross ownership*] of the Instrument provides that a registered funding portal must not accept an application for access by an issuer if the registered funding portal, or any officer, director or significant shareholder of the registered funding portal or of any affiliate of the registered funding portal,
- (a) has beneficial ownership of, or control or direction over, more than 10% of the issued and outstanding securities of the issuer, or securities convertible into securities of the issuer, or
 - (b) except as permitted in paragraph (a), otherwise has an economic interest in the issuer.
- (2) A registered funding portal may accept securities of an issuer as payment of portal access fees or similar fees, provided the investment by the registered funding portal does not exceed the limit contained in section 39. However, an investment by a registered funding portal in an issuer that intends to distribute securities through the registered funding portal, including an investment in the form of securities accepted as payment for fees, will generally give rise to a conflict of interest. Accordingly, we expect the registered funding portal to prominently disclose the investment and to comply with the conflicts of interest provisions in Part 13 of NI 31-103.
- (3) A registered funding portal is not permitted to recommend or endorse a particular issuer or offering on its website. Accordingly, a registered funding portal is not permitted to advertise or promote an issuer in which it has an investment in a manner that is more prominent than, or inconsistent with, the manner in which other issuers are displayed on its website.

Division 4: General portal obligations and prohibited activities

Prohibition on holding, handling or having access to purchaser funds or assets

42. (1) Section 42 [*Prohibition on holding, handling or having access to purchaser funds or assets*] of the Instrument provides that a registered funding portal and its registered individuals must not hold, handle or have access to purchaser funds or purchaser assets. Indicia of holding or having access to an investor's funds or assets include
- (a) holding an investor's securities, certificates or cash for any period of time;
 - (b) having authority (e.g., a power of attorney) to withdraw funds or securities from an investor's account;
 - (c) accepting funds from an investor directly (e.g., a cheque made payable to the registered funding portal) or accepting funds on the investor's behalf from a custodian);
 - (d) acting in the capacity of a trustee for an investor;
 - (e) having, in any capacity, legal ownership of, or access to, the investor's funds or securities.
- (2) For the purposes of this condition, we interpret the phrase "hold, handle or have access" as not including the handling in transit of an investor's cheque made payable to a third party. For example, a registered funding portal may handle in transit an investor's cheque made payable to a Canadian financial institution or other acceptable escrow party.

Restriction on lending

45. (1) Section 45 [*Restriction on lending*] of the Instrument provides that a registered funding portal must not lend money, extend credit or provide margin to an investor or recommend that an investor use borrowed money to finance the purchase of securities of the issuer under the crowdfunding prospectus exemption. This activity would create a conflict of interest which cannot be properly managed. In addition, investments made in reliance on the crowdfunding prospectus exemption will generally be made without the benefit of a suitability assessment or other advice from a registrant.
- (2) To the extent that products sold to clients are structured in a way that would result in the registered funding portal becoming a lender to the clients, including the portal extending margin to the client, we would consider the registered funding portal to not be in compliance with section 45.

MISCELLANEOUS**Resale of securities distributed under the crowdfunding prospectus exemption**

Securities acquired under the crowdfunding prospectus exemption are subject to resale restrictions. Securities of a reporting issuer acquired under the crowdfunding prospectus exemption are subject to a four-month hold period. Securities of a non-reporting issuer cannot be resold in a jurisdiction:

- (a) until the issuer becomes a reporting issuer and certain other conditions are met, or
- (b) unless the sale is made under another available prospectus exemption.

The crowdfunding prospectus exemption is not available for distributions by selling security holders. Refer to National Instrument 45-102 *Resale of Securities*.

**CROWDFUNDING PROSPECTUS EXEMPTION AND CROWDFUNDING PORTAL
REQUIREMENTS**

**PROPOSED FORM 45-108F1
CROWDFUNDING OFFERING DOCUMENT**

Instructions

This Form contains the disclosure items that an entity distributing securities under the crowdfunding prospectus exemption (the **issuer** or **you**) must include in a crowdfunding offering document. If any disclosure item is not applicable, include the relevant heading and state “Not applicable” under it.

Use plain language and focus on relevant information that would assist investors in making an investment decision. Use tables, charts and other graphic methods of presenting information if this will make information easier to understand. A longer document is not necessarily a better document.

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ITEM 1 – REQUIRED STATEMENTS

1.1 – Warning

Include the following text at the top of this crowdfunding offering document.

WARNING TO INVESTORS

This document is intended to help you decide whether or not to make a crowdfunding investment in this issuer. **Read this document carefully before making any investment decision.**

You should understand the following before you make an investment:

- **Many start-ups and small businesses fail.** Investing in these entities through crowdfunding involves a high degree of risk, and you should not invest in this offering unless you can afford to lose your entire investment.
- **You may not be able to resell your securities.** Securities of start-ups and small businesses are difficult to sell. The securities are subject to resale restrictions under securities legislation.
- **You may receive limited ongoing information about the issuer’s performance.** Unless the issuer is a reporting issuer, you will receive limited ongoing information about how the issuer’s business is performing.
- **No securities regulatory authority has reviewed this offering.** No securities regulatory authority has reviewed this crowdfunding offering document for its truth or accuracy. No securities regulatory authority has reviewed the business or management of the issuer, the securities being offered or any other aspect of this offering.

ITEM 2 – FINANCING FACTS

2.1 – Offering summary

Provide the following information in the format set out below:

Offering Details

Issuer information	
Full legal name of issuer	
Legal status (form of entity and jurisdiction of organization)	
Date of organization	
Reporting issuer (yes/no)	
Offering information	
Type of securities being offered	
Additional rewards or benefits that are not securities	

Offering start date	
Offering closing date	
Name of any person promoting or marketing this offering	
Registered funding portal	
Name of registered funding portal	
Full website address of registered funding portal	

Amount of offering

Number or principal amount of securities being offered ⁽¹⁾	\$ _____
Offering price per security	\$ _____
Total amount of offering	\$ _____

Estimated expenses of offering

Fees to be paid to registered funding portal ⁽²⁾	\$ _____
Other expenses of offering, if any ⁽³⁾	\$ _____
Total estimated expenses of offering	\$ _____
Estimated net proceeds of offering	\$ _____

⁽¹⁾ This information relates to the minimum number or principal amount of securities being offered. Disclose whether there is a maximum number or principal amount of securities being offered.

⁽²⁾ Disclose the estimated number and value of the issuer's securities to be issued, if any, in consideration for all or a portion of the portal's fees.

⁽³⁾ State the nature of each expense, the estimated amount of the expense and to whom it is being paid.

2.2 – Description of securities offered and relevant rights

Basic information about securities

Provide basic information about the rights and characteristics of the securities being offered, including:

- (a) dividend rights,
- (b) voting rights,
- (c) interest rates (if applicable), and

- (d) conversion rights (if applicable).

Other rights or obligations

State whether investors will have protections such as tag-along or pre-emptive rights. If no such rights will be provided or are minimal in nature, explain:

- (a) the risks associated with being a minority security holder, and
- (b) that the absence of such rights affects the value of the securities.

Dilution

Include the following statement:

The rights of purchasers of the securities under this offering may be diluted or negatively affected as a result of a number of factors, including the rights and characteristics of other securities already issued by the issuer, future issuances of securities by the issuer, and potential changes to the capital structure and/or control of the issuer.

2.3 – Ability to resell securities

Disclose:

- (a) whether there is any market for the securities and the impact on an investor's ability to resell the securities, and
- (b) the applicable resale restrictions under securities legislation.

2.4 – Rights of action for misrepresentation and right of withdrawal

State that an investor has the following contractual rights:

- (a) a right of action for damages or rescission if this crowdfunding offering document, or any document or video made available to a purchaser in addition to this crowdfunding offering document, contains a misrepresentation, and
- (b) a right to withdraw from a purchase of securities offered by this crowdfunding offering document.

Explain how an investor can exercise each of the above rights, including who an investor needs to contact, how an investor can contact such person and the deadline for an investor to do so. You may choose to include a link to the relevant portion of the registered funding portal's website.

2.5 – Concurrent offerings

Provide the following information about each concurrent offering by the issuer during the period beginning on the first day of the distribution period of this offering and ending one month after the end of the distribution period of this offering:

Type of securities being offered	
Proposed size of concurrent offering	
Proposed closing date of concurrent offering	
Price of securities offered in concurrent offering	

2.6 – Use of proceeds

Minimum subscription

State the minimum funds to be raised in this offering.

Use of proceeds

State in a table how you intend to spend the net proceeds to be raised from this offering, including the principal purposes to which proceeds will be allocated, for both of the following circumstances:

- (a) if you raise the minimum funds to be raised in this offering, and
- (b) if you raise more than the minimum funds.

Proceeds for insiders and related parties

Disclose if any of the following persons will receive any proceeds from this offering, directly or indirectly and, if so, the amount each person will receive:

- (a) any of your executive officers, directors or founders,
- (b) a person promoting or marketing this offering,
- (c) a person who owns 20% or more of your voting securities, or
- (d) any other person that is a related party to you.

2.7 – Ability to achieve next milestone or business plan

State your current financial resources (not including the proceeds from this offering). Explain how the net proceeds of this offering, the net proceeds of any concurrent offering, and your current financial resources will enable you to achieve the next milestone in your business plan or, if there are no milestones in your business plan, to carry out the activities that are set out in the plan as disclosed in Item 3 – Issuer Facts.

2.8 – Other crowdfunding offerings

Provide the following information for all previous crowdfunding offerings (both completed offerings and offerings that were commenced but were not completed) made by you, your affiliate or any other entity that is engaged in common enterprise with you or your affiliate:

For crowdfunding offerings that were commenced but not completed:

- (a) the date that each offering was discontinued,

For completed crowdfunding offerings:

- (b) the date that each offering commenced and the date each offering was completed,
- (c) the registered funding portal through which the offering was made,
- (d) the offering amount stated in the relevant crowdfunding offering document and the actual amount raised, and
- (e) the intended use of proceeds stated in the relevant crowdfunding offering document and the actual use of proceeds.

2.9 – Persons promoting and marketing this offering

State the name of each person promoting and marketing this offering. Include a link to any other crowdfunding offerings that the person has been involved with in a similar capacity within the past two years.

ITEM 3 – ISSUER FACTS

3.1 – Business of the issuer

Briefly describe:

- (a) your business or proposed business,
- (b) your business plan, including any goals or milestones in your business plan,
- (c) how your business has evolved over the last two years (or, if you were founded less than two years ago, since your formation), including your activities over that period of time, advancements in achieving your business plan and the current status of your business relative to your business plan, and
- (d) if applicable, the next milestone in your business plan, the anticipated length of time to achieve the milestone and the total cost and a breakdown of the key expenditures to achieve the milestone.

3.2 – Principal risks facing the business

State no more than the six most important risks facing your business that could result in an investor losing the value of the investor's investment. The risks should be disclosed in order of most to least significant. These risks should exclude the general risks identified under "Warning to Investors" on the first page of this crowdfunding offering document.

In addition to discussing the principal risks in this crowdfunding offering document, reporting issuers may refer to the risk disclosure in their continuous disclosure documents (for example, their annual information form or MD&A).

3.3 – Financial information

Reporting issuer

If you are a reporting issuer, attach as an appendix to this crowdfunding offering document:

- (a) the most recent annual financial statements you have filed with the securities regulatory authority, and
- (b) each of the most recent interim financial reports you have filed with the securities regulatory authority for an interim period that is subsequent to the financial year covered by the annual financial statements referred to in paragraph (a).

Non-reporting issuer

If you are not a reporting issuer, attach as an appendix to this crowdfunding offering document:

- (a) if you have not yet incurred any expenditures and your only asset is cash, disclosure of the amount of cash you have, together with a third party confirmation of your cash in a bank account or held in trust,
- (b) annual financial statements reviewed by an independent public accounting firm, if you have incurred any expenditures and have either:
 - (i) raised \$500,000 or less under the crowdfunding prospectus exemption or any other prospectus exemption since your formation, or
 - (ii) expended \$150,000 or less since your formation, or
- (c) annual financial statements audited by an independent public accounting firm, if you have
 - (i) raised more than \$500,000 under the crowdfunding prospectus exemption or any other prospectus exemption since your formation, and
 - (ii) expended more than \$150,000 since your formation.

Accounting principles

The financial statements referred to in paragraphs (b) and (c) must be prepared in accordance with paragraph (a) of subsection 3.2(1) [*Acceptable accounting principles – general requirements*] of NI 52-107 and include the disclosure required by paragraph (b)(i) of subsection 3.2(1) [*Acceptable accounting principles – general requirements*] of NI 52-107, subject to the following two exceptions:

- (a) the financial statements of an SEC issuer may be prepared in accordance with U.S. GAAP, and
- (b) the financial statements of an issuer that is not a publicly accountable enterprise may be prepared in accordance with Canadian GAAP for private enterprises.

Review and auditing standards

The financial statements referred to in paragraph (b) must be reviewed in accordance with the relevant standards set out in the Handbook for a review of financial statements by a public accounting firm.

The financial statements referred to in paragraph (c) must be audited in compliance with section 3.3 [*Acceptable auditing standards – general requirements*] of NI 52-107 by an auditor that complies with section 3.4 [*Acceptable auditors*] of NI 52-107.

Despite the above, the financial statements of an SEC issuer that are otherwise required to be reviewed or audited by an independent public accounting firm as set out above, may be audited in accordance with section 3.8 [*Acceptable auditing standards for SEC issuers*] of NI 52-107.

3.4 – Ongoing disclosure

Reporting issuer

If you are a reporting issuer, state that you are subject to reporting obligations under securities legislation and explain how an investor can access your continuous disclosure documents.

Non-reporting issuer

If you are not a reporting issuer:

- (a) state that you have limited disclosure obligations under securities legislation and that you are required to provide only annual financial statements, annual disclosure regarding use of proceeds and notice of certain specified events,
- (b) state the nature and frequency of any other disclosure you intend to provide to investors, and
- (c) explain how investors can access the disclosure documents referred to in paragraphs (a) and (b).

3.5 – Mining issuer disclosure

If you are a mining issuer, state that you are subject to the requirements of National Instrument 43-101 *Standards of Disclosure for Mineral Projects*.

3.6 – Capital structure

Disclose your capital structure, including the terms and conditions of any other securities that are issued and outstanding as of the date of this crowdfunding offering document.

3.7 – Executive officers, directors and other principals

Background of executive officers and directors

Provide the following information in the format set out below for each of your executive officers and directors:

Name and position at issuer	Principal occupation for the last two years	Any expertise, education and/or experience that will contribute to the issuer achieving its business objectives, including the next milestone (if the issuer has one)

Cease trade orders, bankruptcies and insolvencies, penalties and sanctions

For each of your executive officers and directors, state whether he or she is or has been:

- (a) within the last 10 years, a director or executive officer of an issuer that is or has been subject to a cease trade order or similar order, or bankrupt or subject to a similar insolvency proceeding,
- (b) within the last 10 years, bankrupt or subject to a similar insolvency proceeding, or
- (c) at any time subject to
 - (i) penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or who entered into a settlement agreement with a securities regulatory authority, or
 - (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Investment by executive officers, directors and principals

Provide the following information in the format set out below for each of the following persons:

- (a) each of your executive officers, directors and founders,
- (b) any person promoting or marketing this offering,
- (c) any person who owns more than 20% of your voting securities, and

(d) any other person that is related to you.

Name and relationship to issuer	Number and type of securities owned	Date securities were acquired and price of securities	Percentage of the issuer's securities held as of the date of this crowdfunding offering document (on a fully diluted basis)

3.8 – Management compensation

Reporting issuer

If you are a reporting issuer, provide a cross reference to the disclosure provided for purposes of Item 3 of Form 51-102F6 *Statement of Executive Compensation* (Form 51-102F6) and also any other cross-references to other information disclosed in the issuer's Form 51-102F6 as needed.

Non-reporting issuer

If you are a non-reporting issuer, provide the following information for each director and the three most highly compensated executive officers (or all executive officers if you have fewer than three) in the format set out below:

Name of person and position at issuer	Total amount of compensation paid to that person during the 12 month period preceding commencement of this offering	Total amount of compensation expected to be paid to that person during the 12 month period following closing of this offering

3.9 – Related party transactions

Describe any significant transactions that have occurred between you and any of the following persons during the 12 months preceding the date of this crowdfunding offering document:

- (a) any of your executive officers, directors or founders,
- (b) a person promoting or marketing this offering,

- (c) a person who owns 20% of more of your voting securities, or
- (d) any other person that is a related party to you.

For each transaction, include details of the transaction including the nature of the goods, services or other consideration that were exchanged and how they were valued.

3.10 – Other relevant information

State any other facts that would likely be important to an investor purchasing securities under this crowdfunding offering document.

ITEM 4 – REGISTRANT FACTS

4.1 – Registered funding portal

State that you are using the services of a registered funding portal to offer your securities and provide the following information about the registered funding portal:

- (a) its full legal name, and
- (b) all compensation that the registered funding portal is receiving in connection with this offering.

Include the following statement:

An investor can check the registered funding portal’s registration status and history at the following website: www.aretheyregistered.ca

ITEM 5 – CONTACT INFORMATION

5.1 – Contact information for the issuer

Provide your contact information in the format set out below:

Full name of contact person	
Street address	
City	
Province or territory	
Canada	
Postal code	
Business telephone number	
Business email address of issuer	

5.2 – Contact information for the registered funding portal

Provide the contact information of the registered funding portal in the format set out below:

Full name of contact person	
Street address	
City	
Province, territory, state or other equivalent	
Country	
Postal/zip code	
Business telephone number	
Business email address of registered funding portal	

CERTIFICATE

Insert the date of this crowdfunding offering document and include the following statement:

This crowdfunding offering document does not contain a misrepresentation.

Sign this crowdfunding offering document in accordance with section 15 [*Disclosure at time of distribution – crowdfunding offering document*] and Appendix A to Multilateral Instrument 45-108 *Crowdfunding*.

CROWDFUNDING PROSPECTUS EXEMPTION AND CROWDFUNDING PORTAL REQUIREMENTS

**PROPOSED FORM 45-108F2
RISK ACKNOWLEDGEMENT FORM FOR CROWDFUNDING INVESTORS**

WARNING TO INVESTORS

TO BE COMPLETED BY THE PURCHASER:

1. Acknowledgement of risk

I acknowledge that this is a very risky investment. I could lose all of the \$ _____ *[insert amount being invested, including any amounts you have agreed to pay in the future]* I invest.

I understand that I may never be able to sell these securities and I will be provided with less disclosure than public companies are required to provide to their investors. *[Instruction: Delete if issuer is a reporting issuer.]*

I acknowledge that, because I am purchasing this investment under a prospectus exemption, I will not have the benefit of protections under securities law for investments made under a prospectus.

I understand that borrowing money to invest increases the risk of my investment because I will be responsible for repaying the borrowed money and any interest owing even if I lose all of the money I invest.

The portal is not allowed to recommend or provide me with investment advice about any offering that is posted on its website. I understand that the portal will not be responsible if I lose all or part of the money I invest.

First and last name (please print):

Signature:

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.

Date:

2. What I am buying

Number and type of securities:

Name of issuer:

I understand that \$ _____ of my total investment is being paid to the registered funding portal as a fee or commission.

Initial by the purchaser:

By clicking the [I confirm] button, I acknowledge that I am initialling this form electronically and agree that this is the legal equivalent of my handwritten initials. I will not at any time in the future claim that my electronic initials are not legally binding.

3. Investment limits that I am subject to	
	Purchaser's initials*
I acknowledge that my investment of \$ _____ today in this issuer, is not more than \$2,500.	
I acknowledge that I cannot invest more than \$10,000 during this calendar year in investments made under the crowdfunding exemption. I confirm that, after taking into account my investment of \$ _____ today in this issuer, I have not exceeded my investment limit.	

** By clicking the [I confirm] button, I acknowledge that I am initialling this form electronically and agree that this is the legal equivalent of my handwritten initials.*

TO BE COMPLETED BY THE REGISTERED FUNDING PORTAL: *[Instruction: The registered funding portal must complete this section before delivering this form to the purchaser. An executive officer acting on behalf of the registered funding portal must sign below.]*

4. How to contact the registered funding portal
Name and address of portal*:
First and last name of contact person:
Phone number:
Email address:
Signature of executive officer of registered funding portal: 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.

**A purchaser can check the portal's registration status and history at the following website:
www.aretheyregistered.ca*

TO BE COMPLETED BY THE ISSUER: *[Instruction: The issuer must complete this section before delivering this form to the purchaser. An executive officer acting on behalf of the issuer must sign below.]*

5. How to contact the issuer
Name and address of issuer:
First and last name of contact person:
Phone number:
Email address:
Signature of executive officer of issuer: 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.

Form Instructions:

1. *This form may be presented to purchasers online through the registered funding portal.*
2. *The purchaser, issuer and registered funding portal must electronically sign this form. Each of the purchaser, issuer and registered funding portal must receive a signed copy of this form. The issuer and the registered funding portal are required to keep a completed signed copy of this form for 8 years after the distribution.*

THE SECURITIES ACT) Order No. ****
)
Section 20(1)) *****

**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;

(B) Terms defined in *The Securities Act*, R.S.M. c. S50 (the “Act”) or National Instrument 14-101 Definitions have the same meaning in this Instrument. In this Instrument:

“accepted depository”: a lawyer, a Québec-licensed notary or a reputable third party;

“eligible securities”: any of the following:

- (a) a common share;
- (b) a non-convertible preference share;
- (c) a security convertible into securities referred to paragraphs (a) and (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”: a person who:

- (a) facilitates or proposes to facilitate a start-up crowdfunding distributions made in reliance on this order; and
- (b) is in compliance with the restrictions and obligations imposed pursuant to subsection 2.a) to 2.g) of this order;

“issuer access agreement”: a written agreement entered into between an issuer and a funding portal containing the terms and conditions under which the issuer proposes to distribute securities through the funding portal;

“issuer group”: a group of persons composed of the issuer, an affiliate of the issuer and any other issuer that is engaged in a common enterprise with the issuer or with an affiliate of the issuer;

“participating jurisdictions”: Manitoba, New Brunswick, Nova Scotia, Québec and Saskatchewan;

“risk warnings”: the *Important Risk Warnings* set out in schedule A to this order;

“start-up crowdfunding distribution”: a primary distribution to the public of securities that is exempted from the prospectus and registration requirements pursuant to this order;

“trust agreement”: a written agreement entered into between a funding portal and an accepted depository containing the terms and conditions under which the accepted depository will accept, hold and release funds in a start-up crowdfunding distribution;

(C) The Commission is of the opinion that it is in the public interest to make this order.

IT IS ORDERED:

1. THAT, under subsection 20(1) of the Act, an issuer is exempt from the prospectus requirements in section 37 of the Act for all start-up crowdfunding distributions, provided that:

- a) The distribution is carried out through a funding portal and, subject to funding portal restrictions set out in paragraph 2.g)(iii) below, the payment for the securities is made through the funding portal;
- b) The distribution is a distribution by the issuer of securities of its own issue facilitated by the funding portal;
- c) The issuer is not a reporting issuer or an investment fund;
- d) The head office of the issuer is located in any of the participating jurisdictions;
- e) The issuer delivers to the Commission a completed Form 1 – *Issuer Information* at least ten business days prior to the beginning of the distribution;
- f) The distribution size is no more than \$150,000;
- g) No person in the issuer group may use this exemption more than twice in a calendar year;
- h) The securities being offered are eligible securities;

- i) Each promoter, director, officer and control person of the issuer delivers to the Commission a completed Form 2 – *Individual Information* at least ten business days prior to the beginning of the start-up crowdfunding distribution;
- j) The start-up crowdfunding distribution period is no longer than 90 days;
- k) The issuer uses an offering document set out in Form 3 – *Offering Document* to conduct the start-up crowdfunding distribution, files the completed offering document with the Commission at least ten business days prior to the beginning of the start-up crowdfunding distribution and makes it available through the funding portal to investors;
- l) The offering document discloses how the funds raised will be used and sets a minimum offering amount to close the start-up crowdfunding distribution, which must be equal to the amount needed to carry out the purpose for which the funds are sought as set out in the offering document;
- m) The issuer delivers to the Commission an executed copy of the trust agreement and the issuer access agreement;
- n) The minimum amount to close the start-up crowdfunding distribution set in paragraph l) may be reduced by the amount of any concurrent distribution made under a prospectus exemption other than the one set out in this order, as long as the offering document discloses that these other funds are unconditionally available to the issuer;
- o) There can be no concurrent start-up crowdfunding distribution by any person of the issuer group or by any other person for the same project described in the offering document;
- p) No commission or other amounts are paid to the issuer or its promoters, directors, officers, control persons, employees or agents with respect to the start-up crowdfunding distribution;
- q) The funding portal can charge the issuer for its services under this order;
- r) No person may invest more than \$1,500 in any one start-up crowdfunding distribution;
- s) The issuer files a report of distribution as set out on Form 4 – *Report of Distribution* within 30 days after the start-up crowdfunding distribution closes; and

- t) The first trade of securities distributed pursuant to this order is subject to the provisions of *Regulation 45-102 respecting Resale of Securities* as if they were acquired under section 2.5 of Regulation 45-106;
- 2. THAT**, under subsection 20(1) of the Act, a funding portal is exempt from the registration requirements under section 6 of the Act, provided that:
- a) The funding portal delivers to the Commission a completed Form 5 – *Portal Information* at least 30 days prior to beginning to facilitate any start-up crowdfunding distribution;
 - b) Each promoter, director, officer and control person of the funding portal delivers to the Commission a completed Form 6 – *Portal Individual Information* at least 30 days prior to the funding portal beginning to facilitate any start-up crowdfunding distribution;
 - c) The head office of the funding portal is located in any of the participating jurisdictions;
 - d) Each of the funding portal's promoters, directors, officers and control persons is a resident of Canada;
 - e) The funding portal is not related to the issuer of the securities;
 - f) The funding portal provides no investment advice;
 - g) The funding portal:
 - (i) Makes the offering document of the issuer and the risk warnings in the form set out in Schedule A separately available to investors online;
 - (ii) Does not allow an investment until the investor confirms online they have read and understood the offering document and risk warnings;
 - (iii) Ensures that all the funds received for the distribution are held in trust in any of the participating jurisdictions for the investors by an accepted depository;
 - (iv) Does not instruct the accepted depository to release funds to the issuer until the minimum amount to close the distribution has been reached;
 - (v) Instructs the accepted depository to return all funds without deduction to investors no later than five business days after a start-up crowdfunding distribution is withdrawn or after the end of the start-up crowdfunding distribution period referred to in paragraph j) above, if the minimum

amount to close the start-up crowdfunding distribution has not been reached at that time;

- (vi) Provides the issuer with the details of the investors (name, address, telephone number, email address, details of purchase) within 15 days of the successful closing of the start-up crowdfunding distribution; and
- (vii) Takes reasonable measures to ensure that issuers and investors are residents of a participating jurisdiction.

This order will cease to have effect on • [Second anniversary of the order].

Signed on •.

Director

Schedule A

Important Risk Warnings

- I understand that I might not make any money from this investment, I could lose my entire investment, and I will find it very difficult to sell this investment.
- I have read and understood the offering document.
- This investment opportunity has not been approved in any way by the *Autorité des marchés financiers* (Québec), the Financial and Consumer Affairs Authority (Saskatchewan), the Financial and Consumer Services Commission (New Brunswick), The Manitoba Securities Commission, the Nova Scotia Securities Commission¹ or by anyone else.
- I understand that I have not received any advice about this investment from this website or the Government of Manitoba, New Brunswick, Nova Scotia, Québec or Saskatchewan¹ or any of their governmental agencies. If I want guidance, I know that I need to seek professional investment advice.
- I understand that I do not have as many legal rights when purchasing this investment as I would when investing through a prospectus offering. If I want to know more, I know that I need to seek professional legal advice.
- I currently reside in Manitoba, New Brunswick, Nova Scotia, Québec or Saskatchewan.

Note 1: It is not necessary to include the name of the securities regulatory authority or government if the offering is not made in the corresponding jurisdiction.

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

Form 1 – Issuer Information

Instructions:

This form should be completed by the business seeking to raise money using the Start-Up Crowdfunding Exemption. The form must be delivered to each participating jurisdiction listed below where you wish to raise money at least 10 business days before you start raising money and must be accompanied by completed Form 2 – *Individual Information* and Form 3 – *Offering Document* for each promoter, director, officer and control person of the issuer.

1. Issuer Name

Address

Telephone Fax Website URL

2. Issuer Contact Person Name

Address

Telephone Fax Email

3. Provide the full name of each promoter, director, officer and control person of the Issuer below.

Name

Name

Position Type

Position Type

Name

Name

Position Type

Position Type

4. Name of the portal you will use:

5. Date you will begin raising money:

6. Has the issuer made an offering under this exemption in any participating jurisdiction before? Yes No

If yes, date your last offering under this exemption closed:

Date

Signature

Print Name

Title

You must print, sign, and mail this form to each participating jurisdiction where you wish to raise money to the address(es) indicated below. Alternatively, you may also send a copy of the signed form by e-mail to each participating jurisdiction where you wish to raise money (e-mail addresses to come).

Participating jurisdictions:

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
www.msc.gov.mb.ca

New Brunswick

Financial and Consumer Services Commission
85 Charlotte Street, Suite 300
Saint John, New Brunswick E2L 2J2
Toll Free: 1-866-933-2222
www.fcnb.ca

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
nssc.gov.ns.ca ☐

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
www.lautorite.qc.ca

Saskatchewan

Financial and Consumer Affairs Authority
Securities Division - Saskatchewan Equity Crowdfunding Exemption
Suite 601 -- 1919 Saskatchewan Drive
Regina, Saskatchewan S4P 4H2
Telephone: 306-787-5645
www.fcaa.gov.sk.ca

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

Form 2 – Individual Information

Instructions:

This form should be completed by **each** promoter, director, officer and control person of the business seeking to raise money using the Start-Up Crowdfunding Exemption. The form must be delivered to each participating jurisdiction listed below where you wish to raise money at least 10 business days before you start raising money. Submit this form along with completed Form 1 – *Issuer Information* and Form 3 – *Offering Document* for the business.

The information provided below should pertain to the individual person filing the form.

1. Name

Position Type

Telephone Fax Email

2. Birth Date Birth Place

3. Residential history: Provide all residential addresses for the past 5 years starting with your current principal residential address.

Street Address, City, Province/State, Country and Postal/ZIP Code	From		To	
	MM	YYYY	MM	YYYY
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

4. For each offering you have been involved in under the Start-Up Crowdfunding Exemption in any participating jurisdiction, please list the issuer name and date the offering closed.

5. Have you ever been registered or licensed in any capacity with a securities regulator in any of the participating jurisdiction or any other professional or regulatory entity?

Yes No

If yes, provide your license/ registration type, name of the entity, and the date and reason for termination:

6. Have you ever resigned or been dismissed for cause by an employer from a position?

Yes No

If yes, please provide details:

7. Have you ever been convicted of an offense under any legislation?

Yes No

If yes, please provide details:

8. Have you ever been subject to any proceedings or any order resulting from proceedings under any securities legislation or derivatives legislation or both in any province, territory, state or country?

Yes No

If yes, please provide details:

9. Are you currently up to date on all your financial commitments?

Yes No

If no, please provide details:

About the Collection and Use of Personal Information

The personal information required under this form is collected on behalf of, and used by, the securities regulator of each participating jurisdiction where securities will be offered to administer and enforce the provisions of applicable securities law.

By submitting this form, you consent to the collection by the securities regulator of each participating jurisdiction where the issuer will raise money of this personal information, 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 regulator may need to complete its review of the information submitted in this form relating to your fitness to be involved in offerings under this exemption. Securities regulators 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 your participating jurisdiction at the number indicated below.

Witness

Print Name

Date

Signature

Print Name

Title

You must print, sign, and mail this form to each participating jurisdiction where the issuer wishes to raise money to the address(es) indicated below. Alternatively, you may also send a copy of the signed form by e-mail to each participating jurisdiction where the issuer wishes to raise money (e-mail addresses to come).

Participating jurisdictions:

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 www.msc.gov.mb.ca
New Brunswick	Financial and Consumer Services Commission 85 Charlotte Street, Suite 300 Saint John, New Brunswick E2L 2J2 Toll Free: 1-866-933-2222 www.fcnb.ca
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 nssc.gov.ns.ca
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 www.lautorite.qc.ca
Saskatchewan	Financial and Consumer Affairs Authority Securities Division - Saskatchewan Equity Crowdfunding Exemption Suite 601 -- 1919 Saskatchewan Drive Regina, Saskatchewan S4P 4H2 Telephone: 306-787-5645 www.fcaa.gov.sk.ca

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

Form 3 – Offering Document

Instructions:

This form should be completed by the business seeking to raise money using the Start-Up Crowdfunding Exemption. The form must be filed with each participating jurisdiction listed below where you wish to raise money at least 10 business days before you start raising money and must be accompanied by completed Form 1 – *Issuer Information* and Form 2 – *Individual Information* for each promoter, director, officer and control person of the issuer. The portal must make this form available to investors online before securities are purchased for this offering.

Contact Information

Date

1. Issuer Name

Address

Telephone Fax Website URL

2. Issuer Contact Person Name

Address

Telephone Fax Email

3. Provide the full name of each promoter, director, officer and control person of the Issuer below.

Name

Name

Position Type

Position Type

Name

Name

Position Type

Position Type

Name

Name

Position Type

Position Type

About Our Business

4. We are a (choose one): A Corporation A Limited Partnership

5. You can see our Article of Incorporation, Limited Partnership Agreement, or similar document at:

6. This is what we do:

This is how we've previously raised funds and what they were used for:

This is our management team's business experience:

7. We have financial statements available Yes No

You can read our financial statements at _____

Our company's current financial condition:

The Investment Opportunity

8. We want to raise a minimum \$ under this offering by (date)

9. We will use the money to:

10. If we raise more than the minimum amount we need, the additional money will be used to:

11. We are selling (type of securities):

Note: The securities you are selling must be one of the following:

- *Common shares*
- *Non-convertible preference shares*
- *Securities convertible into common shares or preference shares*
- *Non-convertible debt securities linked to a fixed or a floating interest rate, such as bonds or promissory notes*
- *Units of a limited partnership*

12. The price per security is \$

13. (Optional) You must invest a minimum \$ and a maximum \$

Note: Investors can only invest up to \$1,500 per offering under the Start-Up Crowdfunding Exemption.

14. Purchasing this security gives you the following rights (choose all that apply):

Voting Rights

Dividends

Rights on Dissolution

Conversion Rights: Each security is convertible into

Other

15. This is how we will report to our investors:

The Risks of Investing

16. As with any investment, there are risks to making this investment:

Directions for the Issuer: Briefly describe the six most important risks an investor should consider before investing in your business. These risks should be specific to your business and this investment. For example, company/organization risks, industry risks, are additional regulatory approvals required, is the business seasonal, can it be deeply affected by weather changes or other elements outside your control?

Your Legal Rights

The offering of securities described in this document is made pursuant to a blanket order from the participating jurisdictions exempting from the prospectus and registration requirements under the applicable securities laws. Therefore, your rights as an investor will be limited and you will not have the rights attached to a prospectus under applicable securities laws.

Please consult with a professional adviser to go over your legal rights in detail.

Glossary (for information purpose only)

Bond: In this type of investment, an investor loans money to a company for a defined period of time at a fixed interest rate.

Dividends: A distribution of a portion of a business corporation's earnings, decided by the board of directors, to a class of its shareholders. Dividends may be in the form of cash, stock or property.

Limited Partnership: A limited partnership is a type of business in which two or more partners united to conduct a business jointly. In this scenario, the partners are generally only responsible for the amount of money they put in to the business.

If you hold units of a limited partnership, you will not be involved in the management of the company. If the company fails, you will not generally be responsible for any debt and will only lose your original investment amount.

Promissory Note: This kind of investment is essentially a loan on which you collect interest. It includes a written promise to repay the investor either on demand or at a specified future date.

Promoter: Someone who took the initiative to found, organize or substantially reorganize the issuer or someone connected to these activities that received 10% or more of any type of security or of any proceeds of an offering for the activities.

Security: Includes a share, a unit of a limited partnership, a bond and a promissory note.

Share: There are two main types of share: common and preferred.

Common shares usually entitle the owner to vote at shareholders' meetings and to receive *dividends* (a portion of the company's earnings, if any).

Preferred shares generally do not have voting rights, but have a higher claim on assets and earnings than common shares. For example, owners of preferred shares receive dividends before common shareholders and have priority in the event that a company goes bankrupt and is liquidated.

Also known as "equity."

Voting: The right of a shareholder to vote on matters of corporate policy and who will make up the board of directors. Voting often involves decisions on issuing securities, initiating corporate actions and making substantial changes in the corporation's operations. The number of votes that a shareholder has corresponds to the numbers of shares that he owns. For example, a shareholder that owns 100 shares will have a 100 times more votes than a shareholder that owns a single share.

You must print, and mail this form to each participating jurisdiction where you wish to raise money to the address(es) indicated below. Alternatively, you may also send a copy of the completed form by e-mail to each participating jurisdiction where you wish to raise money (e-mail addresses to come).

Participating jurisdictions:

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 www.msc.gov.mb.ca
New Brunswick	Financial and Consumer Services Commission 85 Charlotte Street, Suite 300 Saint John, New Brunswick E2L 2J2 Toll Free: 1-866-933-2222 www.fcncb.ca
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 nssc.gov.ns.ca
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 www.lautorite.qc.ca
Saskatchewan	Financial and Consumer Affairs Authority Securities Division - Saskatchewan Equity Crowdfunding Exemption Suite 601 -- 1919 Saskatchewan Drive Regina, Saskatchewan S4P 4H2 Telephone: 306-787-5645 www.fcaa.gov.sk.ca

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

Form 4 – Report of Distribution

Instructions:

This form should be completed by the issuer that has raised money using the Start-Up Crowdfunding Exemption. The form must be filed with each participating jurisdiction listed below where the issuer has raised money within 30 days of the offering's close.

Issuer Information

1. Issuer Name
- Address
- Telephone Fax Website URL
2. Issuer Contact Person Name
- Address
- Telephone Fax Email
3. Date that the Form 1 - *Issuer Information* was delivered:

Details of Offering

4. Date Offering Began Date Offering Closed
5. Type of security:
6. Total Number of Securities Price per security \$
7. Total amount of money raised through this offering:
8. Total amount of fees paid to the Portal for this offering:

About the Collection and Use of Personal Information

The personal information required under this form is collected on behalf of, and used by participating jurisdictions' securities regulators to administer and enforce the provisions of applicable securities laws.

If you have any questions about the collection and use of this information, contact your participating jurisdiction at the number indicated below.

Certificate

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

Date

Issuer Name

Signature

Print Name

Title

Telephone

Email

You must print, sign, and mail this form to each participating jurisdiction where the issuer has raised money to the address(es) indicated below. Alternatively, you may also send a copy of the signed form by e-mail to each participating jurisdiction where the issuer has raised money (e-mail addresses to come).

Participating jurisdictions:

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 www.msc.gov.mb.ca
New Brunswick	Financial and Consumer Services Commission 85 Charlotte Street, Suite 300 Saint John, New Brunswick E2L 2J2 Toll Free: 1-866-933-2222 www.fcnb.ca
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 nssc.gov.ns.ca ☐
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 www.lautorite.qc.ca
Saskatchewan	Financial and Consumer Affairs Authority Securities Division - Saskatchewan Equity Crowdfunding Exemption Suite 601 -- 1919 Saskatchewan Drive Regina, Saskatchewan S4P 4H2 Telephone: 306-787-5645 www.fcaa.gov.sk.ca

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

Form 5 – Portal Information

Instructions:

This form should be completed by the portal interested in facilitating trades under the Start-Up Crowdfunding Exemption. The form must be delivered to each participating jurisdiction listed below where you wish to facilitate trades 30 days before beginning a crowdfunding offering and must be accompanied by a completed Form 6 - *Portal Individual Information* for **each** promoter, director, officer, and control person of the portal. If you have delivered this form for a previous crowdfunding offering, you do not have to re-deliver the form if there are no changes in the information that was previously provided

1. Portal Name

2. Provide the following information regarding the portal:

Name

Address

Telephone Email Portal URL

3. Portal Contact Person Name

Address

Telephone Fax Email

4. Provide the full name of each promoter, director, officer and control person of the portal's owner below.

Name Name

Position Type Position Type

Name Name

Position Type Position Type

Name Name

Position Type Position Type

5. When will the portal start crowdfunding operations:

6. Please acknowledge that you understand the requirements for portals operating under the Start-Up Crowdfunding Exemption.

- The portal will not provide investment advice.
- The portal will make the Offering Document and Important Risk Warnings available to investors online.
- The portal will not allow an investment until the investor confirms online that they have read and understood the Offering Document and Important Risk Warnings.
- The portal will not release funds to the Issuer until the minimum amount to close the offering has been reached.
- The portal will ensure that all funds received for an offering are held in trust for investors by a lawyer, a Québec-licensed notary or a reputable third party until the minimum amount to close the offering has been reached.
- The portal will provide the Issuer with each investor's name, address, telephone number, email address, and the details of the purchase within 15 days of closing the offering.
- The portal will ensure that both the Issuer and the investor have an address in a participating jurisdiction.

7. Provide details regarding how you will meet these requirements:

Certification

I certify that we will comply with the terms of Start-Up Crowdfunding Exemption.

Signature

Date

Print Name

Portal Owner's Name

Title

Telephone

You must print, sign, and mail this form to each participating jurisdiction where the portal wishes to facilitate trades to the address(es) indicated below. Alternatively, you may also send a copy of the signed form by e-mail to each participating jurisdiction where the portal wishes to facilitate trades (e-mail addresses to come).

Participating jurisdictions:

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 www.msc.gov.mb.ca
New Brunswick	Financial and Consumer Services Commission 85 Charlotte Street, Suite 300 Saint John, New Brunswick E2L 2J2 Toll Free: 1-866-933-2222 www.fcnb.ca
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 nssc.gov.ns.ca ☐
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 www.lautorite.qc.ca
Saskatchewan	Financial and Consumer Affairs Authority Securities Division - Saskatchewan Equity Crowdfunding Exemption Suite 601 -- 1919 Saskatchewan Drive Regina, Saskatchewan S4P 4H2 Telephone: 306-787-5645 www.fcaa.gov.sk.ca

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

Form 6 – Portal Individual Information

Instructions:

This form should be completed by each promoter, director, officer, and control person of the company that operates the portal that will be facilitating trades under the Start-Up Crowdfunding Exemption. The form must be delivered to each participating jurisdiction listed below where the portal wishes to facilitate trades at least 30 days before beginning to a crowdfunding offering and must be accompanied by a completed Form 5 – *Portal Information Form*. If you have delivered this form for a previous crowdfunding offering, you do not have to re-deliver the form if there are no changes in the information that was previously provided.

Provide the following information regarding the individual filing this form.

1. Name

Position Type

Telephone Fax Email

2. Residential history: Provide all residential addresses for the past 5 years starting with your current principal residential address.

Street Address, City, Province/State, Country and Postal/ZIP Code	From		To	
	MM	YYYY	MM	YYYY
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
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3. Birth Date

Birth Place

4. Portal Name

5. Have you ever been registered or licensed in any capacity with a securities regulator in any of the participating jurisdiction or any other professional or regulatory entity?

Yes No

If yes, provide your licence/
registration type, name of the
entity, and the date and reason
for termination:

6. Have you ever resigned or been dismissed for cause by an employer from a position?

Yes No

If yes, please provide details:

7. Have you ever been convicted of an offense under any legislation?

Yes No

If yes, please provide details:

8. Have you ever been subject to any proceedings or any order resulting from proceedings under any securities legislation or derivatives legislation or both in any province, territory, state or country?

Yes No

If yes, please provide details:

8. Are you currently up to date on all your financial commitments?

Yes No

If no, please provide details:

About the Collection and Use of Personal Information

The personal information required under this form is collected on behalf of, and used by, the securities regulator of each participating jurisdiction where the portal wishes to facilitate trades to administer and enforce the provisions of applicable securities law.

By submitting this form, you consent to the collection by the securities regulator of each participating jurisdiction where the issuer will raise money of this personal information, 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 regulator may need to complete its review of the information submitted in this form relating to your fitness to be involved in trades under this exemption. Securities regulators 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 your participating jurisdiction at the number indicated below.

Witness

Signature

Print Name

Print Name

Date

Title

You must print, sign, and mail this form to each Participating Jurisdiction where the portal wishes to facilitate trades to the address(es) indicated below. Alternatively, you may also send a copy of the signed form by e-mail to each participating jurisdiction where you wish to raise money (e-mail addresses to come).

Participating jurisdictions:

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 www.msc.gov.mb.ca
New Brunswick	Financial and Consumer Services Commission 85 Charlotte Street, Suite 300 Saint John, New Brunswick E2L 2J2 Toll Free: 1-866-933-2222 www.fcnb.ca
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 www.gov.ns.ca/nssc □
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 www.lautorite.qc.ca
Saskatchewan	Financial and Consumer Affairs Authority Securities Division - Saskatchewan Equity Crowdfunding Exemption Suite 601 -- 1919 Saskatchewan Drive Regina, Saskatchewan S4P 4H2 Telephone: 306-787-5645 www.fcaa.gov.sk.ca