



MSC NOTICE 2024-18

Blanket Order 45-505 *Prospectus Exemption for Self-Certified Investors*

October 11, 2024

Introduction

The Manitoba Securities Commission (**MSC**) has issued Blanket Order 45-505 *Prospectus Exemption for Self-Certified Investors* (the **Blanket Order**) to be available to Manitoba issuers. The Alberta Securities Commission (**ASC**) and the Financial and Consumer Affairs Authority of Saskatchewan (**FCAA**) have already adopted similar local blanket orders:

- ASC Blanket Order 45-538 *Self-Certified Investor Prospectus Exemption*;
- FCAA General Order 45-538 *Self-Certified Investor Prospectus Exemption*

(together, the **Orders**).

Substance and Purpose

The Blanket Order provides a new prospectus exemption for use by Manitoba businesses to further facilitate their capital raising efforts, permitting them to distribute securities to investors, provided that:

- the investor signs a statutory declaration attesting to having completed a self-certified investor statement and acknowledgement respecting
 - having certain financial education or experience, and
 - having read and understood a specified summary of investment risks and considerations; and
- the amount invested under the exemption by that investor in the last 12 months in the issuer does not exceed \$10,000 and in all issuers does not exceed \$30,000.

One of the goals of the exemption is to allow self-certified investors to invest alongside “accredited investors”¹ and to help facilitate the growth of the angel investor² ecosystem.

¹ The term “accredited investor” is defined in National Instrument 45-106 Prospectus Exemptions and includes various specified institutions and wealthy individuals. In the case of individuals, the definition contemplates annual net income in excess of \$200,000, net assets of at least \$5,000,000 or net realizable financial assets of at least \$1,000,000.

² Angel Investors are typically high net worth or net income individuals that would qualify as “accredited investors”. They will often invest in early stage businesses that are not yet at the stage of development to attract venture capital investment. They may invest individually or invest together with other angel investors through special purpose vehicles, e.g., corporations or limited partnerships, created to invest in a single business.

To address investor protection concerns, the conditions of the Blanket Order are intended to ensure that a self-certified investor understands the relevant financial and investing considerations. Recognizing that a self-certified investor will not have the income or assets of an accredited investor, the Blanket Order includes a limit on the amount that can be invested in a 12 month period in the issuer and in aggregate in all issuers to address an investor's ability to withstand loss.

Summary of the Blanket Order

The Blanket Order provides Manitoba issuers with a prospectus exemption under securities legislation for a distribution to a purchaser provided that:

- 1) the purchaser's aggregate investment in the issuer under the self-certified investor exemption in the prior 12 month period, after giving effect to the distribution, is not more than \$10,000;
- 2) the purchaser represents to the issuer that, after giving effect to the distribution, the purchaser will not have invested more than \$30,000, in aggregate, in the prior 12 month period, under the self-certified investor exemption;
- 3) the purchaser is provided access to substantially the same information about the issuer as is provided to an accredited investor in any concurrent offering;
- 4) the purchaser, in the case of an individual, provides the issuer with a statutory declaration substantially in the form specified in Annex 1 to the Blanket Order (the Statutory Declaration), dated within 24 months of the distribution, attesting that the purchaser has completed, read and understood the Self-Certified Investor Statement and Acknowledgement, in the form attached as Annex 2 to the Blanket Order, including that the purchaser meets one of the criteria in Schedule A to Annex 2 such as:
 - a. the purchaser holds a CFA designation,
 - b. the purchaser holds a CPA designation in a jurisdiction of Canada,
 - c. the purchaser was admitted to practice law in a jurisdiction of Canada and the purchaser's practice has involved being significantly engaged in providing advice respecting public or private financings or mergers and acquisition transactions,
 - d. the purchaser holds from an accredited university an MBA with a focus on finance or a degree in finance;

(the Self-Certified Investor Criteria)
- 5) the purchaser, in the case of a purchaser that is not an individual, provides the issuer with a Statutory Declaration dated within 24 months of the distribution, signed by an

authorized signatory of the purchaser, attesting that the purchaser has read and understood the self-certified investor statement and acknowledgement in the form attached as Annex 2 to the Blanket Order, including that at least one of the following is true:

- a. the majority of owners of interests of the purchaser, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are accredited investors or meet the Self-Certified Investor Criteria;
- b. the majority of directors of the purchaser are accredited investors or meet the Self-Certified Investor Criteria,
- c. the purchaser is a trust, established or settled by an individual that meets the Self-Certified Investor Criteria, which trust was established for the benefit of that individual's spouse, former spouse, or a parent, grandparent, brother, sister, child or grandchild of the individual or that individual's spouse or former spouse.

Questions

If you have any questions on the Blanket Order, please contact Kevin Sharma, Legal Counsel at kevin.sharma@gov.mb.ca.