

# Start-up Crowdfunding Guide

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## For Businesses



**A|S|C**  
Alberta Securities Commission

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If any information in this guide is inconsistent with Blanket Order 45-521 *Start-up Crowdfunding Registration and Prospectus Exemptions*, or the corresponding orders in other jurisdictions, please follow the applicable blanket orders and related forms.

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How to contact ASC Inquiries:

Email: [inquiries@asc.ca](mailto:inquiries@asc.ca)

Telephone: 403-355-4151

Website: <https://www.albertasecurities.com/>

## START-UP CROWDFUNDING GUIDE FOR BUSINESSES

Crowdfunding is a process through which an individual or a business typically raises small amounts of money from a large number of people, usually through the Internet. The objective is generally to raise sufficient funds in order to carry out a specific project. There are different types of crowdfunding, such as by donation, pre-selling of products or by selling shares, loans or other securities, i.e., securities crowdfunding. This guide discusses securities crowdfunding.

### *Securities crowdfunding*

With securities crowdfunding, a business raises funds through the Internet by selling securities (such as bonds or shares) to many people. This type of crowdfunding is overseen by the securities regulators of the provinces or territories where the business and potential purchasers are located.

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

### *Legal obligations*

In Canada, the sale of securities is subject to securities law obligations. For example, a person or company (an **issuer**) seeking to raise capital by issuing securities must file a prospectus with the securities regulator of their province or territory or have an exemption from the prospectus requirement under securities law.

These obligations can be costly for start-ups and early stage businesses. Most issuers therefore rely on prospectus exemptions to sell their securities. Most of these exemptions can be found in National Instrument 45-106 *Prospectus Exemptions*. (See also Multilateral Instrument 45-108 *Crowdfunding*.) In addition, the securities regulators in Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia, Québec and Saskatchewan (the **participating jurisdictions**) allow start-ups and small businesses to raise funds using securities crowdfunding by preparing a brief disclosure document that, significantly, does not require preparing financial statements. In this guide, we refer to this as the “**start-up crowdfunding exemptions**” or “**start-up crowdfunding**”.

The start-up crowdfunding exemption allows a start-up or early stage issuer to raise relatively small amounts of capital by distributing securities to investors without filing a prospectus (**start-up prospectus exemption**).

The purpose of this guide is to assist issuers intending to raise funds by relying on the start-up prospectus exemption. In this guide, “**regulator**” means the securities regulator or regulatory authority in a participating jurisdiction.

## HOW START-UP CROWDFUNDING WORDS

**Business  
(Issuer)**



A small business or a start-up has an idea but needs to raise funds to make it happen. They create a pitch to investors that includes basic information about the business and the offering, how they will use the money, and the risks of the project. Then they set a minimum amount they need to raise to accomplish their goal. The pitch will be found on a crowdfunding website.

**Investor**



An investor spots an interesting business on a crowdfunding website. After reading all the business information (which they should make sure to understand) and researching the business and the people involved, the investor can invest up to \$1,500. In certain circumstances, investors resident in Alberta, British Columbia and Saskatchewan can invest up to \$5,000 if a registered dealer has determined that the investment is suitable for the investor. They must confirm they have read and understood the offering document and risk warnings presented.

**Crowdfunding  
Website  
(Portal)**



The crowdfunding website holds the money the business raises in trust for investors until the minimum amount is raised. If the business does not raise the money it needs, the portal must give each investor their money back.

In order to raise funds using the start-up prospectus exemption, issuers must prepare and post an offering document on a funding portal's crowdfunding website. Investors will then be able to read about the offering and decide whether to invest. Before investing, investors will have to confirm that they have read the offering document and understand that the investment is risky.

### *When should an issuer consider start-up crowdfunding?*

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

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

If a start-up crowdfunding campaign is successful, the founders of the issuer will be giving up part of the ownership of the issuer to investors. The issuer will also need to be accountable to investors.

Investors will expect to be informed about successes and failures of the issuer's business. Management of the issuer should assess whether they are willing to spend the time and effort to maintain contact with investors.

The start-up prospectus exemption is not available to reporting issuers. Reporting issuers are companies that are required to make continuous disclosure to the public of their business activities by filing financial statements and other documents as required by securities legislation. These types of issuers are considered to be more established than the start-up or early stage issuers that are permitted to use start-up crowdfunding.

### *Where is start-up crowdfunding available?*

The start-up prospectus exemption is only available to issuers that have a head office located in one of the participating jurisdictions (Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia, Québec and Saskatchewan). In addition, each investor must be resident in one of the participating jurisdictions.

If an issuer wants to raise funds in a participating jurisdiction, the issuer will want to make sure that the funding portal they choose is also permitted to operate in that participating jurisdiction.

### *What is the maximum amount that can be raised? Are there any time limitations for raising that amount?*

The maximum that can be raised in a start-up crowdfunding distribution is \$250,000. The issuer can conduct a maximum of two start-up crowdfunding distributions in a calendar year.

The offering document must indicate a minimum amount that has to be raised before the offering can close. The issuer has a maximum of 90 days to raise the minimum amount, starting on the day the issuer's offering document is first made available to investors through a funding portal's website.

The money will be held in trust by the funding portal until the minimum amount of the offering is reached. The issuer may then complete the offering by issuing the securities or continue the offering to try to achieve the maximum. If the minimum amount is not reached, or the start-up crowdfunding campaign is withdrawn, the funding portal must return all the money to the investors.

### *How often can an issuer raise money using start-up crowdfunding?*

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

The “**issuer group**” means the issuer, any affiliates of the issuer and any other issuer that is engaged in a common enterprise with the issuer or an affiliate, or whose business is founded or organized by one of the same persons or companies who founded or organized the issuer.

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

The maximum investment that an issuer can accept from an investor in a start-up crowdfunding distribution is \$1,500. However, this amount can be increased to \$5,000 if:

- the investor resides in Alberta, British Columbia or Saskatchewan;
- the issuer has a head office in Alberta, British Columbia or Saskatchewan;
- a registered dealer has determined that the investment is suitable for the investor.

The issuer may require a minimum amount per investor (e.g. \$500).

***Compliance with the start-up prospectus exemption***

Each of the participating jurisdictions has their own start-up crowdfunding order. The issuer must ensure that they are in compliance with the order in each participating jurisdiction where they are raising funds. Please check the applicable order which can be found on the regulator’s website.

If an issuer does not meet the conditions of the start-up prospectus exemption, then it can not rely on that exemption to raise money from investors.

**LAUNCHING A START-UP CROWDFUNDING CAMPAIGN**

Once an issuer has determined that it will launch a start-up crowdfunding campaign, it will need to prepare an offering document and choose a funding portal to post its offering document. Issuers are required to prepare the offering document using Form 1 *Start-up Crowdfunding – Offering Document*.

***What is a funding portal?***

A funding portal lists start-up crowdfunding campaigns on its website and facilitates the payment of the purchase price from the investor to the issuer. Funding portals will generally charge issuers for hosting a start-up crowdfunding campaign.

The funding portal is responsible for:

- providing a risk warning form to potential investors;
- holding all investor funds in trust until the issuer raises the minimum funding target; and
- returning funds to investors, without deduction, if the issuer does not reach its minimum funding target or if the issuer withdraws the start-up crowdfunding campaign.

Please refer to the *Start-up Crowdfunding Guide for Funding Portals* for more information on funding portal requirements for the different types of funding portals.

### *What types of funding portals are available?*

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

- funding portals that are operated by **registered** dealers (i.e., investment dealers or exempt market dealers) that must provide advice on suitability of the investment to investors; and
- funding portals that are operated by persons relying on the start-up registration exemption and that cannot provide suitability advice.

The issuer has the choice of which of these two types of funding portal to use for its start-up crowdfunding campaign.

(There is a third type of funding portal contemplated under Multilateral Instrument 45-108 *Crowdfunding*, a restricted dealer funding portal. However, that type of funding portal is not permitted to facilitate a distribution under the start-up crowdfunding exemption.)

A funding portal operated by a registered dealer must confirm in writing to the issuer that it can provide certain services necessary for start-up crowdfunding, including that it will make the offering document and risk warning available to the investor through its website. The issuer may also check with a regulator to determine whether the funding portal is authorized to operate in jurisdictions that it proposes to conduct start-up crowdfunding. Issuers can search to find out whether and where a funding portal is registered by visiting the following link:

<https://www.securities-administrators.ca/investortools.aspx?id=1128>

In addition, the regulators may maintain a list of funding portals that are relying on the start-up crowdfunding registration exemption in the province. The contact information for the participating jurisdictions can be found at the end of this guide. In Alberta, refer to the ASC website page on start-up crowdfunding.

The issuer may also want to evaluate other aspects of the funding portal's business, such as finding out about the individuals operating the funding portal, how the funding portal handles the funds collected from investors, what participating jurisdictions the funding portal is operating in, and what fees it will charge the issuer for posting its start-up crowdfunding offering document.

### *What information needs to be in the offering document?*

The offering document must include the information specified by Form 1 *Start-up Crowdfunding – Offering Document*. This includes basic information about the business of the issuer and the offering, how the issuer will use the money and any risks to the project. The offering document must also include the minimum amount needed to be raised to accomplish the issuer's business goals.

The offering document and any other information provided to investors must not be misleading or untrue.

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

is no longer true, the issuer must amend the offering document as soon as practicable and send the new version to the funding portal. The funding portal will post the new version of the offering document on its website and will notify investors about the amendment.

The offering document does not need to be updated after the start-up crowdfunding campaign is over.

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

For additional details on the offering document, including instructions on how to prepare that document, please refer to *Start-up Crowdfunding Guide - Preparing an Offering Document*, starting on page 12 of this guide.

### *What if an investor changes their mind?*

Investors have the right to change their mind and withdraw their investment within 48 hours following the investor's subscription. Investors also have the right to withdraw their investment within 48 hours of the funding portal notifying the investor of an amendment to an offering document.

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

## COMPLETING A START-UP CROWDFUNDING CAMPAIGN

Once the minimum amount has been raised, the issuer can choose to close the start-up crowdfunding campaign by issuing the securities to investors. However, the issuer must wait until each investor's 48-hour withdrawal period has expired.

If the issuer has disclosed a maximum offering in the offering document and what it will do with any extra funds raised above the minimum amount, then the issuer can continue raising funds. However, the issuer must close the offering within the 90-day maximum offering period and cannot raise more than the maximum amount indicated in the offering document. This maximum amount cannot be more than \$250,000.

At the closing of the distribution, the funding portal releases the funds raised to the issuer.

### *Can an issuer use another prospectus exemption to meet the minimum amount?*

Although an issuer cannot have two start-up crowdfunding campaigns running at the same time, and cannot raise money on more than one funding portal at a time, the issuer can raise funds using other prospectus exemptions during a start-up crowdfunding campaign. For example, the issuer may issue securities to an accredited investor outside of the funding portal while conducting a



start-up crowdfunding distribution on the portal. Other prospectus exemptions, such as the accredited investor exemption, are found in the instruments and rules of the local regulator, including National Instrument 45-106 *Prospectus Exemptions*. The funds raised under other prospectus exemptions can be counted towards the minimum amount stated in the offering document but only if they are unconditionally available to the issuer. This would not trigger the requirement to amend the offering document by the issuer.

If an issuer raises funds under other prospectus exemptions, it must comply with both the start-up crowdfunding exemptions and the legal requirements of the other exemptions. An issuer should seek professional advice if it has any questions regarding compliance.

Valerie's objective is to raise a minimum of \$75,000. Through the funding portal, she raised \$45,000 from investors under the start-up crowdfunding exemption. At the same time, Paul, who is considered to be an "accredited investor" because of his income and assets, unconditionally undertakes to invest \$30,000 in Valerie's enterprise. The minimum amount has been reached because Valerie can include Paul's \$30,000 investment as part of the start-up crowdfunding offering minimum amount. By including this amount, Valerie would not have to amend her start-up offering document. Valerie can now close her start-up crowdfunding distribution and ask the funding portal to release the \$45,000 raised on its crowdfunding website as soon as the 48-hour withdrawal period has expired for all investors.

## AFTER THE CLOSING

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

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

When filing the offering document, the issuer must include all versions or amendments of the offering document provided to investors.

In addition, the offering document and report of exempt distribution must be filed with the regulator of the participating jurisdiction where the issuer's head office is located, even if no investors were located in this jurisdiction.

In Alberta and British Columbia, the report of exempt distribution is Form 45-106F1 *Reports of Exempt Distribution*. In the other participating jurisdictions the report is Form 5 under the start-up crowdfunding exemption in that jurisdiction. In all participating jurisdictions, except British Columbia, the report of exempt distributions and the offering document is filed via SEDAR.

There is a fee associated with filing reports of exempt distribution. In Alberta, the fee is set out in ASC Rule 13-501 *Fees*. See the ASC Fee Calculator for assistance in calculating the fee payable to the ASC: <https://www.albertasecurities.com/Online-Forms/Fee-Calculator>

The issuer must follow the filing requirements of the applicable participating jurisdiction(s) as indicated in the table below:

Participating Jurisdiction	Filing requirements
Alberta	<p>What to file:</p> <ul style="list-style-type: none"> <li>• Form 1 <i>Start-up Crowdfunding - Offering Document</i></li> <li>• Form 45-106F1 <i>Report of Exempt Distribution</i></li> </ul> <p>How to file:</p> <ul style="list-style-type: none"> <li>• Electronically through SEDAR, in accordance with National Instrument 13-101 <i>System for Electronic Document Analysis and Retrieval</i> (SEDAR)</li> </ul> <p>The Canadian Securities Administrators (CSA) have information regarding the SEDAR filing requirements. Please see:</p> <ul style="list-style-type: none"> <li>• CSA Staff Notice 13-323 <i>Frequently Asked Questions About Making Exempt Market Offering and Disclosure Filings on SEDAR</i>  <a href="https://www.albertasecurities.com/-/media/ASC-Documents-part-1/Regulatory-Instruments/2018/10/5229378-Multilateral-CSA-Notice-13-323.ashx">https://www.albertasecurities.com/-/media/ASC-Documents-part-1/Regulatory-Instruments/2018/10/5229378-Multilateral-CSA-Notice-13-323.ashx</a></li> </ul> <p>The CSA website on <i>Reports of Exempt Distribution</i> contains links to the reports for reporting distributions under the start-up crowdfunding prospectus exemption. See <a href="https://www.securities-administrators.ca/industry_resources.aspx?id=1464">https://www.securities-administrators.ca/industry_resources.aspx?id=1464</a></p>
British Columbia	<p>What to file:</p> <ul style="list-style-type: none"> <li>• Form 1 <i>Start-up Crowdfunding - Offering Document</i></li> <li>• Form 45-106F1 <i>Report of Exempt Distribution</i></li> </ul> <p>How to file:</p> <ul style="list-style-type: none"> <li>• Electronically via BC's eServices website: <a href="https://eservices.bcsc.bc.ca/">https://eservices.bcsc.bc.ca/</a></li> <li>• When submitting a report of exempt distribution for a start-up crowdfunding distribution, there will be an option to attach the offering document.</li> </ul>

Manitoba, New Brunswick, Nova Scotia, Québec, and Saskatchewan	<p>What to file:</p> <ul style="list-style-type: none"> <li>• Form 1 <i>Start-up Crowdfunding - Offering Document</i></li> <li>• Form 5 <i>Start-up Crowdfunding - Report of Exempt Distribution</i> <ul style="list-style-type: none"> <li>◦ Schedule 1 to Form 5 <i>Start-up Crowdfunding – Purchaser Information</i></li> </ul> </li> </ul> <p>How to file: See instructions for “How to file” for Alberta, above.</p>
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### *Different filing requirements*

An issuer may be subject to different filing requirements if they are required to file documents in a number of participating jurisdiction(s).

Valerie lives in Alberta. Her brilliant idea raised \$45,000 through start-up crowdfunding. She raised the following funds from investors: \$10,000 in Alberta, \$12,000 in Saskatchewan, and \$9,000 in British Columbia.

To meet her filing requirements, Valerie will need to file the Form 1 and Form 5 electronically through SEDAR in Saskatchewan.

She will file the Form 1 and Form 45-106F1 in British Columbia electronically via the BCSC’s eServices website (<https://eservices.bcsc.bc.ca/>).

She will file the Form 1 and Form 45-106F1 electronically, through SEDAR with Alberta. Because she is in Alberta, the Form 45-106F1 she files in Alberta will need to report sales to all investors, not just those in Alberta. (However, the fee is calculated only based on the investors in Alberta.)

### *Confirmation notice to investors*

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

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

## PREPARING AN OFFERING DOCUMENT

Issuers (i.e., businesses selling securities) that want to rely on start-up crowdfunding under ASC Blanket Order 45-521 *Start-up Crowdfunding Prospectus and Registration Exemptions* are responsible for preparing an offering document for investors to read to determine whether they want to invest in that issuer. The offering document must be prepared using Form 1 *Start-up Crowdfunding – Offering Document*. The offering document and any other information provided to investors must not be misleading or untrue. Under ASC Blanket Order 45-521, the issuer must provide information for each of the items in the form.

The following will help issuers complete certain items of the offering document and should be read together with Form 1.

### *Item 2: The Issuer*

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

### *Item 4: Management*

- 4.1 The people named in this section are important for investors to assess in deciding whether they want to invest in the issuer. Ideally, these people should have experience in managing a business, or be in the same industry as the issuer.
- (a) Director: An individual occupying the position of director with the issuer or performing a similar function. If the issuer is a limited partnership, information should be provided for the directors of the general partner.
- (b) Officer: Includes the CEO, president, chief operating officer (**COO**), chief financial officer (**CFO**), a vice-president, corporate secretary, treasurer, general manager or any other individual who performs the functions of an officer for the issuer. If the issuer is a limited partnership, information should be provided for the officers of the general partner.
- (c) Promoter: A person who takes the initiative in founding or organizing the issuer is generally considered a promoter of the issuer.
- (d) Control person: A person that holds more than 20% of the voting rights of an issuer, alone or with other persons in combination, is generally considered a control person of the issuer.

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

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

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

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

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

(b) During the offering period, the issuer must promptly amend the offering document if the information that it contains is no longer true. If the offering document must be amended, state the date of the amended offering document and a description of the information that was amended. If the offering document is amended, this does not allow the issuer to modify the date in (a) by which the minimum offering document must be raised. Investors will have the right to withdraw their subscription within 48 hours of the funding portal notifying the investor that the offering document has been amended.

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

- 5.5 The issuer must tell investors what rights are attached to the securities described in item 5.4. This information is usually found in the organizing documents referred to in item 6.3.
- 5.6 The restrictions and conditions to be described here are generally found in shareholders agreements or limited partnership agreements.

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

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

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

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

- 5.8 The issuer has the option to set a minimum investment amount per investor. This amount cannot be over \$1,500 (unless the issuer and investor are in Alberta, British Columbia or Saskatchewan and a registered dealer determines the investment is suitable in which case it cannot be over \$5,000). If the issuer does not wish to set a minimum investment amount, item 5.8 should be left blank. The minimum investment amount per investor cannot be below the price per security.

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

- 6.1 The description of the issuer's business is a very important part of the offering document. Enough details should be provided for an investor to clearly understand what the issuer does, or intends to do. Consideration should be given to the following:
- What makes the issuer's business special and different from other competitors in the industry?
  - What milestones has the issuer already reached?
  - Where does the issuer see its business in three, five and ten years?
  - What are the issuer's future plans and hopes for its business and how does it plan to get there?
  - What is the experience of the issuer's management in running a business or being involved in the same industry?
- 6.2 Indicate whether the issuer is a corporation, a limited partnership, a general partnership or other. Also, indicate the province, territory or state where the issuer is incorporated or organized.
- 6.3 Specify where investors can review the issuer's organizing documents. Online access to these documents is convenient for investors.
- 6.5 The issuer is not required to provide financial statements to investors in connection with a start-up crowdfunding distribution. However, many investors use financial statements to assess and compare investment opportunities and may be reluctant to invest in a business that does not provide this type of information.

The issuer can choose to make financial statements available to investors. If so, it must include the statement provided in item 6.5 in the offering document. The financial statements must not be misleading. The issuer may want to post the financial statements on the issuer's website for the convenience of its investors.

The issuer should carefully consider the implications of including the financial statements with or providing a link to the financial statements in the offering document. If the issuer chooses to include the financial statements or a link in the offering document, there may be an obligation under securities laws to prepare the financial statements using certain accounting principles and to audit the financial statements using certain auditing standards.

### ***Item 7: Use of funds***

7.1 If the issuer has previously raised funds, specify for which purpose they were used. Include enough details so an investor can clearly understand:

- How much money the issuer has already raised;
- How the issuer raised it;
- What prospectus exemptions were used; and
- How has that money been used.

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

7.2 The issuer must tell investors what it will do with the money raised from the start-up crowdfunding distribution and must provide enough details to allow investors to make a reasoned investment decision. The information must not be misleading. Incomplete or unrealistic information could be misleading. The issuer should make sure its plans are realistic and achievable.

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

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

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

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

### ***Item 10: Risk factors***

10.1 Explain the risks of investing in the issuer for the investor. This information should be meaningful, avoiding overly general or “boilerplate” disclosure. Disclose both the risk and the factual basis for it. Risks can relate to the issuer’s business, its industry, its clients, etc. Issuers should be truthful, reasonable and clear. The information should be balanced so it is not misleading. Investors need to be able to make a reasoned decision based on all the

information, even the downside. Issuers may indicate how they plan to mitigate these risks, but should not de-emphasize the risks by including excessive caveats or conditions.

***Item 11.1: Reporting obligations***

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

Securities law does not obligate an issuer using start-up crowdfunding to report to investors. Corporate law may impose certain obligations. In either case, investors will want to be kept informed. If the issuer fails to do this, it may create disgruntled investors that can make it difficult for the issuer to raise money in the future.

Setting out a reasonable reporting plan is important. Issuers should make sure the plan is realistic. Reporting doesn't have to be complex or costly. Reporting can be through newsletters, social media sites, email, financial statements or similar documents. Investors will likely expect the issuer to report on how it is doing in accomplishing its milestones, confirm how investors' money was used, and discuss future plans.



## WHERE CAN I GET MORE INFORMATION?

For more information about the start-up crowdfunding exemptions in the participating jurisdictions, please refer to the following contact information:

Alberta	<p>Alberta Securities Commission            Telephone: 403-355-4151            Email: <a href="mailto:inquiries@asc.ca">inquiries@asc.ca</a>            Website: <a href="https://www.albertasecurities.com/">https://www.albertasecurities.com/</a></p>
British Columbia	<p>British Columbia Securities Commission            Telephone: 604-899-6854            E-mail: <a href="mailto:inquiries@bcsc.bc.ca">inquiries@bcsc.bc.ca</a>            Website: <a href="http://www.bcsc.bc.ca">www.bcsc.bc.ca</a></p>
Saskatchewan	<p>Financial and Consumer Affairs Authority of            Saskatchewan            Securities Division            Telephone: 306-787-5645            E-mail: <a href="mailto:exemptions@gov.sk.ca">exemptions@gov.sk.ca</a>            Website: <a href="http://www.fcaa.gov.sk.ca">www.fcaa.gov.sk.ca</a></p>
Manitoba	<p>The Manitoba Securities Commission            Toll-free in Manitoba: 1-800-655-2548            E-mail: <a href="mailto:exemptions.msc@gov.mb.ca">exemptions.msc@gov.mb.ca</a>            Website: <a href="http://www.mbsecurities.ca">www.mbsecurities.ca</a></p>
Québec	<p>Autorité des marchés financiers            Direction du financement des sociétés            Toll-free in Québec: 1-877-525-0337            E-mail: <a href="mailto:financement-participatif@lautorite.qc.ca">financement-participatif@lautorite.qc.ca</a>            Website: <a href="http://www.lautorite.qc.ca">www.lautorite.qc.ca</a></p>
New Brunswick	<p>Financial and Consumer Services Commission            Toll-free: 1-866-933-2222            E-mail: <a href="mailto:emf-md@fcnb.ca">emf-md@fcnb.ca</a>            Website: <a href="http://www.fcnb.ca">www.fcnb.ca</a></p>
Nova Scotia	<p>Nova Scotia Securities Commission            Toll-free in Nova Scotia: 1-855-424-2499            E-mail: <a href="mailto:nssc.crowdfunding@novascotia.ca">nssc.crowdfunding@novascotia.ca</a>            Website: <a href="https://nssc.novascotia.ca/">https://nssc.novascotia.ca/</a></p>