

Appendix A

Further details on the start-up crowdfunding exemption

The following is a high-level summary of the start-up crowdfunding exemption proposed by the Autorité des marchés financiers, the Financial and Consumer Affairs Authority of Saskatchewan, Financial and Consumer Service Commission of New Brunswick, the Manitoba Securities Commission and the Nova Scotia Securities Commission. You may find further details about the proposed exemption, including the required forms described below, at:

www.lautorite.qc.ca
www.fcaa.gov.sk.ca/SKEC
http://www.fcnc.ca/securities_1.html
www.msc.gov.mb.ca
<http://nssc.gov.ns.ca/>

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 ○ 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 start-up crowdfunding 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 10 days before the distribution

Element of exemption	Details
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 securities regulatory authority ○ they have not received advice from the portal or a securities regulatory authority ○ 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
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 are required
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 investors
Resale restrictions	<ul style="list-style-type: none"> • Securities are subject to an indefinite hold period and can only be resold under a prospectus, another prospectus exemption or after the issuer becomes a reporting issuer
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 must deliver a completed <i>Individual Information Form</i> 10 business days prior to beginning to trade
Reporting	
Reporting of distribution	<ul style="list-style-type: none"> • Report of exempt distribution must be filed by issuers within 30 days of the distribution

Element of exemption	Details
Portal requirements	
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 Form</i> 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 Form</i> 30 days prior to the portal beginning to facilitate distributions • 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 advice ○ be related to the issuer of the securities