

## Appendix C

### Summary of Changes to the Start-up Crowdfunding Exemption Orders

We provide below a summary of the key changes that have been made to the start-up crowdfunding exemption orders published in the 2014 proposal.

#### *Definitions*

We have amended certain definitions, such as the following:

- we have modified the definition of “issuer group” so it includes 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, or whose business is founded or organized, directly or indirectly, by the same person who founded or organized the issuer; and
- the list of “participating jurisdictions” was amended to include British Columbia and any other jurisdiction with a corresponding start-up crowdfunding exemption order.

We have added certain definitions for ease of reading of the conditions set out in the start-up crowdfunding exemption orders;

#### *Offering limits*

We have increased the offering limit from \$150,000 to \$250,000 twice per calendar year. We think this limit will better address the funding needs of issuers at an early stage of development, while remaining an appropriate investor protection safeguard. We have also clarified that this is an aggregate limit that applies to a start-up crowdfunding distribution made in all participating jurisdictions.

#### *Funding portals head office and residence conditions for directors, officers, promoters and control persons*

We have revised the funding portal head office location condition so that a funding portal located in a jurisdiction of Canada that is not a participating jurisdiction may use the start-up registration exemption. A funding portal located in a non-participating jurisdiction that intends to use the start-up registration exemption in a participating jurisdiction should consider whether it is subject to the registration requirement under the securities legislation of its local jurisdiction.

Previously, funding portals’ promoters, directors, officers and control persons were required to be residents of Canada. We have amended this condition to require that the majority of the funding portal’s directors be resident of Canada. We expect that this

condition to give funding portals sufficient latitude to recruit qualified individuals, while maintaining a strong management presence in Canada.

#### *48-hour right to withdraw investment*

Following the comments received, we have amended the start-up crowdfunding exemption orders to provide a right of withdrawal to purchasers that can be exercised within 48 hours of a subscription or after the purchaser is notified by the funding portal of any amendment to an offering document. Issuers are required to amend their offering document if it is no longer true before the end of a distribution period.

#### *Handling of purchaser's funds by funding portals*

We have revised the conditions applicable to handling of purchaser funds by funding portals during a start-up crowdfunding distribution. We think that the cost associated with funding portals retaining the services of an accepted depository may be too onerous given the relatively low offering limits under the start-up prospectus exemption and the fact that start-up crowdfunding distributions involve a high number of purchasers. We have amended the start-up registration exemption to allow funding portals to hold purchasers' funds, provided that the funds are segregated and held in trust for purchasers in a designated trust account at a Canadian financial institution.

We have amended the start-up registration exemption to clarify that the funding portals are to release funds to the issuer only after the minimum offering amount has been reached and the 48-hour right to withdraw has elapsed. If the minimum offering amount is not reached or the offering has been withdrawn by the issuer, funding portals are required to return all funds to purchasers no later than five business days after the end of the distribution period or withdrawal of the distribution. Consequently, we have amended the start-up registration exemption to remove the trust agreement delivery condition.

#### *Books and record of funding portals*

We have added the condition for a funding portal relying on the start-up registration exemption to maintain books and records at its head office to accurately record its financial affairs and client transactions, and to demonstrate the extent of the funding portal's compliance with the start-up registration exemption for a period of eight years from the date a record is created.

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

We have amended the start-up crowdfunding exemption orders to allow registered dealers to operate funding portals. Registered dealers must still comply with their existing obligations under securities legislation when operating funding portals. An issuer using the start-up prospectus exemption and using a funding portal operated by a registered dealer must receive a confirmation from the registered dealer that it will meet certain conditions provided under the start-up registration exemption.

### *Issuer information form and issuer individual form*

We have removed the condition to file an issuer information form to avoid duplication of information and simplify the process for issuers. We have amended other forms to incorporate information that previously required in the issuer information form under the 2014 proposal.

Also, we have removed the condition to file issuer individual forms to ensure consistency with delivery or filing requirements associated with other statutory prospectus exemptions.

### *Offering document*

We have amended the offering document to include additional background information about the issuer's directors, officers, promoters and control persons. We have made other changes to the offering document to ensure that the information is clearer.

### *Risk acknowledgement form*

We have made several changes to the risk acknowledgement form for ease of reading and to ensure that the information is clearer.

### *Filing or delivery of offering document and issuer access agreement*

We have amended the deadline for issuers to file the offering document to 30 days after the closing of the distribution. Also, we have removed the condition to deliver the issuer access agreement. These changes were made to ensure consistency with delivery or filing requirements associated with other statutory prospectus exemptions.

### *Funding portal disclosure of contact information*

We have added a condition for funding portals relying on the start-up registration exemption to disclose online the name and business contact information of their officers, directors, promoters and control persons.

### *Availability of the registration exemption*

We have added a condition that allows securities regulatory authorities to notify funding portals that they cannot rely on the start-up registration exemption because their principals or their past conduct demonstrate a lack of integrity, financial responsibility or relevant knowledge or expertise. We think this will provide an investor protection safeguard.