

Form 1
Start-Up Crowdfunding – Offering Document

GENERAL INSTRUCTIONS:

Item 1: RISKS OF INVESTING

- 1.1 No securities regulatory authority or regulator has assessed reviewed or approved the merits of these securities or reviewed this Offering document. Any representation to the contrary is an offence. This is a risky investment.

Item 2: THE ISSUER

2.1 Information for the Issuer

- | | |
|--------------------------|--|
| (a) Company name: | Rio Theatre Properties Ltd. |
| (b) Head office address: | 1660 E Broadway, Vancouver, BC V5N 1W1 |
| (c) Telephone: | 604-723-2822 |
| (d) Fax: | N/A |
| (e) Website URL: | riotheatre.ca |

2.2 Contact Information for Issuer

- | | |
|------------------------------------|--|
| (a) Full legal name: | Corinne Lea |
| (b) Position held with the issuer: | Director |
| (c) Business address: | 1660 E Broadway, Vancouver, BC V5N 1W1 |
| (f) Business telephone: | 604-723-2822 |
| (d) Fax: | N/A |
| (e) Business e-mail: | corinne@riotheatre.ca |

Item 3: BUSINESS OVERVIEW

- 3.1 Rio Theatre Properties Ltd. (also referred to herein as the “Issuer”) has been incorporated for the purpose of acquiring that certain property located at 1660 East Broadway in Vancouver, BC, more particularly described as Lot 15 Block 161 District Lot 264A Plans 222 and 1771, PID 015-518-787 (the “Property”). The lot size of the Property is 66’ x 132’. Currently, the Rio Theatre business is a tenant of the Property, and accompanying buildings, and is operated by Shameless Lee Productions Ltd. (“Shameless”). The shareholders of Shameless are directors of the Issuer and holders of all of the issued and outstanding Class B Common shares of the Issuer as described below. Shameless intends to participate in this Offering.

Built in 1938, the Rio Theatre is a historical Vancouver landmark is an award-winning hub for independent film and live performances. Recent planning decisions by the City of Vancouver are intended to increase the allowable building density of the Property and surrounding buildings. As a result, the value of the Property has increased. The current owner of the Property is now selling the Property. To prevent the Property from being acquired for development purposes that would not include maintaining the Rio Theatre on the Property, in its current form or a re-developed form, the Issuer has entered into an agreement with the current owner to purchase the Property for \$7,500,000. The Issuer's intent is to continue to rent the Property to Shameless for the purposes of operating the Rio Theatre in its current form or a re-developed form as described below. The Issuer has obtained a third-party appraisal of the Property which values it at \$7,900,000.

A more detailed description of the Issuer's business is provided below.

Item 4: MANAGEMENT

- 4.1 Provide the information in the following table for each promoter, director, officer and control person of the Issuer:

Full legal name municipality of residence and position at Issuer	Principal occupation for the last five years	Expertise, education, and experience that is relevant to the Issuer's business	Number and type of securities of the Issuer owned ¹	Date securities were acquired and price paid for the securities	Percentage of the Issuer's securities held as of the date of this Offering document
Corinne Lea, Vancouver, B.C. Director	Owner and Operator of the Rio Theatre since 2008.	Artist, entrepreneur, producer and founder of several arts and cultural award-winning businesses in Vancouver such as: Flux Studios, Artist Studio Space, Havana Restaurant Gallery/Theatre on Commercial Drive, and Scout Boutique & Gallery. Over 20 years producing	100 Class B Common shares are registered in the name of Shameless, a company of which Corinne is a shareholder.	Acquired May 2, 2018 for \$0.10/share.	100% of the Class B Common shares

		shows and live events plus 10 years programming film screenings at the Rio. Education includes a BFA from Emily Carr Institute and a BA of Education from Simon Fraser University.			
Jonathan Paul Kerridge, Vancouver, B.C. Director	Builder and General Contractor since 2008.	Founder of The Whip Gallery Café on 6 th and main, he later moved on to open Monsoon, Soma Coffee House, and Soma Wine Bar. After exiting the restaurant industry in 2008, he became an award-winning builder and general contractor, designing, building and renovating homes, commercial projects and local businesses in Vancouver.	100 Class B Common shares are registered in the name of Shameless, a company of which Jonathan is a shareholder.	Acquired May 2, 2018 for \$0.10/share.	100% of the Class B Common shares

¹Shameless Lee Productions Ltd. is the sole holder of Class B Common shares, owing 100 Class B Common shares.

4.2 No person listed in item 4.1 or the issuer, as the case may be:

- (a) has ever, pled guilty to or been found guilty of:
 - (i) a summary conviction or indictable offence under the *Criminal Code* (R.S.C., 1985, c. C-46) of Canada,
 - (ii) a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction,
 - (iii) a misdemeanour or felony under the criminal legislation of the United States of America, or any state or territory therein, or
 - (iv) an offence under the criminal legislation of any other foreign jurisdiction,
- (b) is or has been the subject of an order (cease trade or otherwise), judgment, decree, sanction, or administrative penalty imposed by a government agency, administrative agency, self-regulatory organization, civil court, or administrative court of Canada or a foreign jurisdiction in the last ten years related to his or her involvement in any type of business, securities, insurance or banking activity,
- (c) is or has been the subject of a bankruptcy or insolvency proceeding,
- (d) is a director or executive officer of an issuer that is or has been subject to a proceeding described in paragraphs (a), (b) or (c) above.

Item 5: START-UP CROWDFUNDING DISTRIBUTION

- 5.1 The Issuer is using Silver Maple Ventures Inc., doing business as FrontFundr, to conduct this start-up crowdfunding distribution.
- 5.2 The Issuer intends to raise funds in British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, and Nova Scotia and make this Offering document available in British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, and Nova Scotia.
- 5.3 90 days after the date this Offering document is made available on the funding portal is the date before which the Issuer must have raised the minimum-offering amount for the closing of the distribution.
- 5.4 The securities being offered are Class A Preferred shares.
- 5.5 The Class A Preferred shares offered provide the following rights:
 - Voting rights, by way of a Voting Trust Agreement which is to be provided to purchasers in the investment process
 - Rights of first refusal by way of the Issuer's shareholder agreement (the "Shareholders Agreement"), which is to be provided to purchasers in the investment process,
 - Dividend and, participation rights with any distributions, through discretionary dividends winding-up or otherwise, to be divided 30% to holders of Class B Common shares and 70% to holders of Class A Preferred shares after holders of Class A Preferred shares have received return of their

paid-up capital, all of which is by way of the Issuer's Articles of Incorporation which is to be provided to purchasers in the investment process, and

- Tag along rights, by way of the Shareholders Agreement.

5.6 All Class A Preferred shareholders are to become a party to and to be bound by all of the terms and conditions of the Shareholders Agreement (by way of execution of the Accession Agreement referred to below).

5.7 In a table, provide the following information:

	Total amount (\$)	Total number of eligible securities issuable
Minimum offering amount	\$0	0
Maximum offering amount	\$3,900,000	3,900
Price per eligible security	\$1,000	

The Issuer will utilize other exemptions available to it throughout the Offering.

5.8 The minimum investment amount per purchaser is \$1,000.

Item 6: ISSUER'S BUSINESS

6.1 The Issuer's business is the acquisition, holding and potential development of the Property. The long-term objective of the Issuer is to earn a reasonable economic return on investment, in a reasonable time period, as an owner and/or developer of the Property, relative to other similar property owners in the area surrounding the Property, subject to maintaining the Rio Theater as a tenant on the Property in its form, with regards to building and improvements, as of the date of the Shareholders Agreement, or in a new form, with regards to building and improvements, but with attributes similar to such form as of the date of the Issuer's shareholders' agreement, and to distribute any cash to the Issuer's shareholders which is not required for such purposes.

6.2 The Issuer was incorporated on May 2, 2018, in British Columbia. Its incorporation number is BC1162571. Its registered office is 217-4368 Main Street, Whistler, BC V0N 1B4.

6.3 The Issuer's Articles of Incorporation which is to be provided to purchasers in the investment process. The Shareholders Agreement is attached to the Accession Agreement, which is to be provided to purchasers during the investment process.

6.4 The Issuer's operations are currently:

- In the development stage.

6.5 The Issuer does not have financial statements available, as of the date of the offering document, because it was formed in May of 2018 for the purpose of acquiring Property.

Item 7: USE OF FUNDS

7.1 The Issuer has not raised funds previous to this Offering.

7.2 Use of Funds of this Offering:

Description of intended use of funds listed in order or priority	Total amount (\$)	
	Assuming minimum offering amount \$ 0	Assuming maximum offering amount \$ 3,900,000
To complete the acquisition ²	-	3,500,000
Estimated property transfer tax	-	200,000
Estimated legal fees, crowdfunding commissions, and mortgage commitment fees	-	100,000
Estimated working capital	-	100,000
Total – Available Funds ³	-	3,900,000

The Issuer will continue to raise capital concurrently to this Offering using other available prospectus exemptions, but such concurrent capital raise will, in combination with this Offering, be limited to the maximum amount of the Offering.

² The City of Vancouver (the “City”) has agreed to provide Rio Theatres with a grant in the amount of \$375,000, to be invested through the Vancouver Art House Society, a registered non-profit, in Class A Preferred Shares, under the same terms of this offering. These funds are included in the \$3,500,000 acquisition cost. The grant also provides the City with covenant on the land, to restrict the use of the land to be used for the purposes of the Rio Theatre. For more details, please view the document as attached on the FrontFundr campaign.

³ The purchase price is \$7,500,000 of which up to a maximum of \$4,775,000 is to be funded through a mortgage from Vancity (personally guaranteed by Corinne Lea and Jonathan Kerridge, with Shameless as the corporate guarantor, and offset by a \$150,000 promissory note issued to the Issuer by Corinne Lea and Jonathan Kerridge). The total offering amount and the mortgage amount will not, on a combined basis, exceed \$7,900,000 (The Total Acquisition Cost). The remainder of the acquisition is to be financed through this Offering and other available prospectus exemptions.

Item 8: PREVIOUS START-UP CROWDFUNDING DISTRIBUTIONS

- 8.1 The Issuer has previously raised funds under the Start-Up Crowdfunding distribution. Such distribution began on May 22, 2018, was conducted by Silver Maple Ventures Inc., doing business as FrontFundr, and is no longer raising funds.

Item 9: COMPENSATION PAID TO FUNDING PORTAL

- 9.1 FrontFundr may retain 8% of the total raise or \$40 per individual that invests, based on which of the amounts are greater, as commission in connection with this Offering.

Item 10: RISK FACTORS

- 10.1 **There are certain risks inherent in an investment in the Preferred Shares and in the activities of the Issuer, which investors should carefully consider before investing in the Preferred Shares. The following is a summary only of the risk factors. Prospective investors should review the risks relating to an investment in the Preferred Shares with their legal and financial advisors.**

The Issuer advises that prospective Subscribers should consult with their own independent professional legal, tax, investment and financial advisors before purchasing Preferred Shares in order to determine the appropriateness of this investment in relation to their financial and investment objectives and in relation to the tax consequences of any such investment.

In addition to the factors set forth elsewhere in this Offering Document, prospective Subscribers should consider the following risks before purchasing Preferred Shares. Any or all of these risks, or other as yet unidentified risks, may have a material adverse effect on the Corporation's business, and/or the return to the Subscribers.

10.2 Investment Risk

Risks that are specific to the Class A Preferred Shares being offered under this Offering include:

- (a) *Absence of Market for Preferred Shares*** – There is no public market for the Preferred Shares. The Preferred Shares are not listed on a stock market or quoted on any public market in Canada or elsewhere.
- (b) *Retraction Liquidity*** – Shareholders do not have the right to require the Issuer to retract the Preferred Shares upon appropriate notice from the Shareholder to the Issuer with the guidelines set forth in Item 5.5, Terms of Securities. The Issuer provides no assurance that any Shareholder will be able to retract any or all of their Preferred Shares at any time. Retraction of the Preferred Shares is subject to the Issuer having access to sufficient excess cash, or other liquid assets, and being in compliance with the applicable corporate, tax and securities legislation.
- (c) *No Guarantees*** – There is no assurance that the Issuer will be able to pay dividends. Moreover, at any point in time, the interest rates being charged for the mortgage is reflective of the general level of interest rates and, as interest rates fluctuate, it is expected that the interest payment on the mortgage will change.
- (d) *Lack of Separate Legal Counsel*** – The Investors, as a group, have not been represented by

separate counsel. Neither counsel for the Issuer nor counsel for the funding portal purports to have acted for the Investors or to have conducted any investigation or review on their behalf.

- (e) *Leverage by the Issuer*** –The Issuer may from time to time borrow under loans with Canadian chartered banks and others. The obligations under such loans may be secured, and while the addition of leverage has the potential to enhance returns, it also involves additional risks. Therefore, there can be no assurance that the leveraging employed by the Issuer will enhance returns.

10.3 Issuer Risk

Risks that are specific to the Issuer include the following:

- (a) *Reliance on third parties*** - In assessing the risk of an investment in the Issuer, potential investors should be aware that they will be relying on the good faith, experience and judgment of certain staff of the Issuer. Should these staff be unable or unwilling to continue their employment with the Issuer, this could have an adverse effect on the Issuer's business, financial condition and results of its operations, which in turn may adversely affect the Issuer's ability to perform its obligations and its ability to potentially pay dividends on the Preferred Shares. The competition for such key qualified personnel is intense and there can be no assurance of success in attracting, retaining, or motivating such individuals. Failure in this regard would likely have a material adverse effect on the Issuer's business, financial condition and results of operations which in turn may adversely affect the Issuer's ability to perform its obligations and its ability to potentially pay dividends on the Preferred Shares.
- (b) *Limited history.*** The Issuer was incorporated on May 2, 2018 and accordingly has a limited operating history. Investors must rely solely on his, her or its good faith in the Issuer. The Issuer has not made any warranties or guarantees to the investor.
- (c) *Potential conflicts of interest*** - The Directors of the Issuer may be employed by or act in other capacities for other companies, such as the Rio Theatre.

The Issuer and its shareholders are dependent in large part upon the experience and good faith of the directors. The directors are entitled to act, currently act and in the future may act in a similar capacity for other companies and entities with operations similar or in conflict of the Issuer. In such cases, the Directors have the right to take such action as they may see fit.

The Issuer's board of directors may in its discretion but acting in the best interests of the Issuer make any amendments, modifications or other changes to the business strategies, operating restrictions and business policies of the Issuer.

Management will have the authority, subject to any budget approved by the board to make decisions in respect of any matter in the ordinary course of business of the Company and the Business which is not specified as requiring unanimous consent per Section 3.3 of the Shareholders' Agreement. Management will require unanimous consent from the Board for any Consent transactions, provided, however that any member of the Board who does not advise Management in writing, within ten (10) days of receiving a request in writing from management for such consent, of such Board member's approval or disapproval, will

be deemed to have so approved.

10.4 Industry Risk

There are also risks faced by the Issuer related to the industry in which it operates. Real estate values are subject to fluctuation owing to a variety of supply and demand factors impacting real estate markets. In addition, prospective Investors should take note of the following:

- (a) *Sensitivity to interest rates*** – It is anticipated that the value of the Issuer’s investment in Property at any given time may be affected by the level of interest rates prevailing at such time. There can be no assurance that an interest rate environment in which there is a significant increase in interest rates would not adversely affect the Issuer’s business, financial condition and results of operations which in turn may adversely affect the Issuer’s ability to perform its obligations and its ability to potentially pay dividends on the Preferred Shares. Due to the term of the mortgages made by the directors of the Issuer and the inability to accurately predict the extent to which the Property’s mortgage may be prepaid, it is possible that the Issuer may not be able to sufficiently reduce interest rate risk associated with the replacement of such mortgage through a new mortgage.
- (b) *Changes in property values*** – The Issuer's investment is in Property, the value of which can fluctuate. The value of real estate is affected by general economic conditions, local real estate markets, the attractiveness of the property to tenants where applicable, competition from other available properties, fluctuations in occupancy rates, operating expenses and other factors. While independent appraisals may be required before the Issuer makes a Property investment, the appraised values, even where reported on an “as is” basis, are not necessarily reflective of the market value of the underlying real property, which may fluctuate. In addition, the appraised values reported in independent appraisals may be subject to certain conditions, including the completion, rehabilitation or making of leasehold improvements on the real property. There can be no assurance that these conditions will be satisfied and, if and to the extent they are not satisfied, the mortgage amount may prove to exceed the value of the underlying real property thus resulting in a loan loss if the property must be sold to remedy a mortgage default. Even if such conditions are satisfied, the appraised value may not necessarily reflect the market value of the real property at the time the conditions are satisfied.
- (c) *Environmental liability of a mortgage*** – Under various laws, the Issuer could become liable for the costs of effecting remedial work necessitated by the release, deposit or presence of certain materials, including hazardous or toxic substances and wastes, where the Issuer has exercised its right of re-entry or foreclosure or has otherwise assumed the control, occupation or management of the property. The Issuer obtained a Phase I environmental audit on the Property, dated April 12, 2012, which did not identify any environmental matters requiring remediation. The Issuer may obtain a Phase II environmental audit, if there is a change in circumstances or knowledge which raises a reasonable possibility of past or future environmental contamination that could require remediation work, and/or which could impact the value and marketability of the Property.
- (d) *Investment not insured*** – Neither the Directors nor the Issuer are a member of the Canada Deposit Insurance Issuer and the Preferred Shares offered hereunder are therefore not insured against loss through the Canada Deposit Insurance Issuer.

(e) *Renewal of Mortgages* – There can be no assurances that any of the mortgages held by the directors of the Issuer can or will be renewed at the same interest rates and terms, or in the same amounts as are currently in effect. With respect to the mortgage held in respect to the Property, it is possible that either the mortgagor, the mortgagee, i.e. the Issuer's directors, or both, will elect not to renew such mortgage. In addition, if the mortgage is renewed, the principal balance of such renewals, the interest rates and the other terms and conditions of such mortgages will be subject to negotiations between the mortgagors and the mortgagees at the time of renewal and the terms of a refinancing may therefore not be as favourable as the terms of existing indebtedness.

(f) *Nature of the investment* – Investments in Property are relatively illiquid. Such illiquidity will tend to limit the Issuer's ability to sell the Property promptly in response to changing economic or investment conditions. Furthermore, certain significant expenditures, including property taxes, capital repair and replacement costs, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing income or whether mortgage payments are being made. The Issuer may be required to incur such expenditures to protect its investment, even if the borrower is not honouring its contractual obligations.

(g) *Management Discretion as to Application of Proceeds* –The net proceeds from this Offering will be used for the purposes described under “Item 7: USE OF FUNDS”. The Issuer reserves the right to use the funds obtained from this Offering for any general business purposes and such other purposes not presently contemplated which it deems to be in the best interests of the Issuer and its shareholders. As a result of the foregoing, the success of the Issuer may be substantially dependent upon the discretion and judgment of the Issuer's management with respect to application and allocation of the net proceeds of this Offering. Investors will be entrusting their funds to the Issuer's management, upon whose judgment and discretion, the investors must depend.

Item 11: REPORTING OBLIGATIONS

11.1 The Company will prepare and provide to the Shareholders "notice to reader" annual financial statements for the Company on or before the date that is ninety (90) days following the Company's financial year end.

Item 12: RESALE RESTRICTIONS

12.1 **The securities you are purchasing are subject to a resale restriction. You may never be able to resell the securities.**

Item 13: PURCHASERS' RIGHTS

13.1 **If you purchase these securities, your rights may be limited and you will not have the same rights that are attached to a prospectus under applicable securities legislation. For information about your rights you should consult a lawyer.**

You can cancel your agreement to purchase these securities. To do so, you must send a notice to the funding portal within 48 hours of your subscription. If there is an amendment to this offering document, you can cancel your agreement to purchase these securities by sending a notice to the funding portal within 48 hours of receiving notice of the amendment.

The offering of securities described in this Offering document is made pursuant to a start-up crowdfunding registration and prospectus exemptions order issued by the securities regulatory authority or regulator in each participating jurisdiction exempting the issuer from the prospectus requirement.

Item 14: DATE AND CERTIFICATE

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

14.2 Authorized Signatory:

Signature: Corinne Lea

Date: 08/01/2018

Corinne Lea

Director

Rio Theatre Properties Ltd.

14.3 I acknowledge that I am signing this Offering document 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.

Securities regulatory authority and regulators of the participating jurisdictions:

British Columbia

British Columbia Securities Commission

The document must be filed electronically at the same time as the report of exempt distribution in Form 45-106F6 at www.bcsc.bc.ca (click on BCSC eServices and follow the steps).

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
Fax: 204-945-0330
E-mail: Exemptions.msc@gov.mb.ca
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
Fax: 506-658-3059
E-mail: info@fcnb.ca
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
Fax: 902-424-4625
E-mail: nssc.crowdfunding@novascotia.ca
www.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
Fax: 514-873-3090
E-mail: financement-participatif@lautorite.qc.ca
www.lautorite.qc.ca

Saskatchewan

Financial and Consumer Affairs Authority of Saskatchewan
Securities Division
Suite 601 - 1919 Saskatchewan Drive
Regina, Saskatchewan S4P 4H2
Telephone: 306-787-5645
Fax: 306-787-5842
E-mail: exemptions@gov.sk.ca
www.fcaa.gov.sk.ca

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Document History



SENT

08/01/2018

10:50:27 UTC-8

Sent for signature to Corinne Lea (corinne@riotheatre.ca)
from agreements@frontfundr.com
IP: 199.60.221.180



VIEWED

08/01/2018

11:00:21 UTC-8

Viewed by Corinne Lea (corinne@riotheatre.ca)
IP: 24.86.137.53



SIGNED

08/01/2018

11:00:59 UTC-8

Signed by Corinne Lea (corinne@riotheatre.ca)
IP: 24.86.137.53



COMPLETED

08/01/2018

11:00:59 UTC-8

The document has been completed.