

Notice of General Order – Ontario Instrument 45-506 *Start-Up Crowdfunding Registration and Prospectus Exemptions (Interim Class Order)*

The Ontario Securities Commission (the **Commission**) is providing relief from the requirement to be registered as a dealer (the **Registration Exemption**) and from the requirement to file a prospectus (the **Prospectus Exemption**) in respect of a start-up crowdfunding distribution, subject to conditions.

Description of Order

The order provides that an issuer may rely on the Prospectus Exemption in respect of a start-up crowdfunding distribution of securities if the distribution is facilitated through a funding portal that satisfies the Registration Exemption or that is registered in Ontario as an investment dealer or exempt market dealer, provided that certain conditions are satisfied, including that:

- (i) The distribution is of the issuer's eligible securities;
- (ii) The issuer is not a reporting issuer or an investment fund;
- (iii) The issuer prepares an offering document that is made available to purchasers on the funding portal's platform;
- (iv) The aggregate amount raised by the issuer in the distribution does not exceed \$250,000 and the issuer completes no more than two start-up crowdfunding distributions in a calendar year; and
- (v) Each purchaser invests no more than \$1,500 (or no more than \$5,000 if the purchaser has obtained positive suitability advice from a registered dealer).

A person or company that operates a funding portal may rely on the Registration Exemption to facilitate a start-up crowdfunding distribution, provided that certain conditions are satisfied, including that the funding portal:

- (i) Has its head office in Canada and is not registered under securities legislation in any jurisdiction of Canada;
- (ii) Does not advise a purchaser about the merits of an investment or recommend or represent that an eligible security is a suitable investment for the purchaser;
- (iii) Does not receive a commission, fee or other similar payment from a purchaser;
- (iv) Only facilitates or proposes to facilitate crowdfunding distributions;
- (v) Completes certain funding portal information forms and delivers these to the Commission; and
- (vi) Has policies and procedures to meet certain other conditions in the order.

The order also provides that a firm registered in the category of investment dealer or exempt market dealer may operate a funding portal that facilitates the distribution of securities under the Prospectus Exemption provided that it meets the conditions in the order.

Detail on these conditions, as well as the other conditions necessary to be satisfied for reliance on the Registration Exemption and the Prospectus Exemption, are included in the order.

Reasons for the Order

Having considered the interests of investors and the financing needs of early-stage businesses and other small enterprises, the Commission is granting the Registration Exemption and the Prospectus Exemption in order to allow for crowdfunding distributions of securities. The order, which provides exemptions that are substantially similar to local exemptions available in British Columbia, Alberta, Saskatchewan,

Manitoba, Quebec, New Brunswick and Nova Scotia, is intended to provide access to new sources of capital for start-ups and small and medium sized enterprises. The order is particularly relevant in the current COVID-19 business environment, when it may be especially challenging for these categories of businesses to access capital.

The Registration Exemption and the Prospectus Exemption each apply only if the conditions contained in the order are met, and the Commission is therefore satisfied that it would not be prejudicial to the public interest to grant the order.

On February 27, 2020, the Commission published Proposed National Instrument 45-110 *Start-up Crowdfunding Registration and Prospectus Exemptions* (the **Proposed Instrument**) and related materials for a comment period that ended on July 13, 2020. The Registration Exemption and the Prospectus Exemption are intended to provide interim relief until such time as the Canadian Securities Administrators have had an opportunity to consider comments, finalize and, subject to Ministerial approval, implement the start-up crowdfunding regime contemplated in the Proposed Instrument.

On May 28, 2020, the Commission granted relief to issuers from the requirement to file a prospectus in respect of crowdfunding distributions of securities through the funding portal operated by Silver Maple Ventures, Inc. (known as “FrontFundr”), which is registered as an exempt market dealer in Ontario (the **May Order**). This order revokes the May Order. Provided that the conditions of the order are satisfied, the Prospectus Exemption is available to all issuers in respect of start-up crowdfunding distributions facilitated through a funding portal that is relying on the Registration Exemption or operated by an investment dealer or exempt market dealer.

Day on which the Order Ceases to Have Effect

The order comes into effect on July 30, 2020 (the **Effective Date**) and remains in effect until the earlier of the date on which the Commission adopts the Proposed Instrument or the date that is 18 months from the Effective Date.