

CSA Multilateral Notice and Request for Comment 45-327 *Proposed Prospectus Exemption for Self-Certified Investors*

November 20, 2020

Introduction

The Alberta Securities Commission (ASC) and the Financial and Consumer Affairs Authority of Saskatchewan (FCAA) (together, **staff** or **we**) are publishing for comment proposed text for local blanket orders, which if adopted would provide a new prospectus exemption entitled *Prospectus Exemption For Self-Certified Investors* (**Proposed Blanket Order**) intended to be available to Alberta and Saskatchewan issuers distributing securities in either or both of Alberta and Saskatchewan.

The comment period is open until **December 23, 2020**. The Proposed Blanket Order is attached as Annex A to this Notice.

Substance and Purpose

If adopted the Proposed Blanket Order would provide, on an interim, three-year basis, a new additional prospectus exemption for use by Alberta and Saskatchewan businesses to further facilitate their capital raising efforts, permitting them to distribute securities to investors in those provinces, provided that:

- the investor signs a statutory declaration attesting to having completed a Self-Certified Investor Statement and Acknowledgement respecting
 - having certain financial education or experience, and
 - having read and understood a specified summary of investment risks and considerations; and
- the amount invested under the exemption by that investor in the last 12 months in the issuer does not exceed \$10,000 and in all issuers does not exceed \$30,000.

One of the goals of the exemption is to allow self-certified investors to invest alongside “accredited investors”¹ in our provinces and to help facilitate the growth of the angel investor² ecosystem.

¹ The term “accredited investor” is defined in National Instrument 45-106 *Prospectus Exemptions* and includes various specified institutions and wealthy individuals. In the case of individuals, the definition contemplates annual net income in excess of \$200,000, net assets of at least \$5,000,000 or net realizable financial assets of at least \$1,000,000.

To address investor protection concerns, the conditions of the proposed exemption are intended to ensure that a self-certified investor understands the relevant financial and investing considerations. Recognizing that a self-certified investor will not have the income or assets of an accredited investor, to address an investor's ability to withstand loss, the proposed exemption includes a limit on the amount that can be invested in a 12 month period in the issuer and in aggregate.

Using a blanket order to provide a new prospectus exemption allows us to take a faster, more flexible approach to pursuing regulatory initiatives. Implementing the blanket order on an interim basis reflects the pilot project nature of this exemption, allowing us to test this proposed new form of capital formation and pursue innovation in regulation.

Background

(a) General

Many factors are having serious impacts on our capital markets and economies. Efforts are being taken by various parties to both strengthen and adapt and to expand and diversify our provincial economies. As securities regulators, we support these efforts by ensuring appropriate securities regulation that while protecting investors, fosters a vibrant capital market that facilitates access to capital by businesses and investment opportunities for investors. Our goal is to find the right balance, appropriately protecting investors, without unduly burdening the businesses trying to raise capital to build and grow.

To that end, the we are seeking comment on a proposed new prospectus exemption that would, similar to the existing accredited investor prospectus exemption, permit Alberta and Saskatchewan issuers to distribute securities to persons or companies in Alberta and Saskatchewan without a specified offering document³. Although we do not propose to mandate a particular offering document, we propose to require that the purchaser be provided with the same information made available to accredited investors in a concurrent offering.

To reduce the risk of loss to a self-certified investor, we have proposed that the maximum investment in any one issuer in a 12 month period would be \$10,000, but to facilitate diversification, would allow aggregate investments in a 12 month period of up to \$30,000. We anticipate that individuals that qualify as accredited investors would continue to invest as such and that this exemption would primarily be used for sales to investors who do not qualify as accredited investors.

In the face of the current economic situation in Alberta, market participants have urged us to take prompt action to pursue regulatory initiatives that can facilitate access to capital while

² Angel investors are typically high net worth or net income individuals that would qualify as "accredited investors". They will often invest in early stage businesses that are not yet at the stage of development to attract venture capital investment. They may invest individually or invest together with other angel investors through special purpose vehicles, e.g., corporations or limited partnerships, created to invest in a single business.

³ We propose to treat self-certified investors similarly to accredited investors. In Saskatchewan, this means certain statutory rights of action would apply in the event of a misrepresentation in an offering document.

adequately protecting investors. Saskatchewan faces similar economic concerns and Saskatchewan capital market participants may also benefit from this exemption. Accordingly, subject to review of comments and necessary approvals, we are proposing to adopt this exemption on a faster-track basis as a blanket order rather than through the typical rule-making process.

(b) ASC *Energizing Alberta's Capital Market Initiatives*

For the ASC, the Proposed Blanket Order flows from ASC Consultation Paper 11-701 *Energizing Alberta's Capital Market (11-701)*⁴, in which the ASC consulted on a number of ideas that might help better facilitate access to capital while still adequately addressing investor protection. One of the ideas⁵ explored was expanding the accredited investor prospectus exemption. The accredited investor exemption allows businesses to raise money through the sale of securities to institutions and wealthy individuals without having to use a prescribed offering document.

One of the key pillars of securities regulation is of course that investors be provided with sufficient information about a proposed investment so that they can make an informed decision regarding whether or not to invest. However, securities legislation recognizes that there are circumstances where, having regard to economic efficiencies and competing policy considerations, the protections of a prospectus are not necessary e.g., ability to withstand loss, a relationship of trust or alternative disclosure.

In connection with the consultations on 11-701 ASC staff heard that another rationale for providing an exemption could be the education or experience of an investor. It was suggested that the definition of “accredited investor” be expanded to include investors who had obtained certain education or experience and who self-certified, attesting to the sufficiency of their education and experience. Commenters encouraged the use of clear objective standards.

Summary of the Proposed Blanket Order

The Proposed Blanket Order would provide Alberta and Saskatchewan issuers a prospectus exemption under securities legislation in our jurisdictions for a distribution to an Alberta or Saskatchewan purchaser provided that:

- 1) the purchaser’s aggregate investment in the issuer under the self-certified investor exemption in the prior 12 month period, after giving effect to the distribution, is not more than \$10,000;
- 2) the purchaser represents to the issuer that, after giving effect to the distribution, the purchaser will not have invested more than \$30,000, in aggregate, in the prior 12 month period, under the self-certified investor exemption;

⁴ https://www.albertasecurities.com/-/media/ASC-Documents-part-1/Regulatory-Instruments/2019/06/5466593- - Consultation_Paper_Energizing_Alberta_s_Capital_Market.ashx

⁵ Other initiatives are also being pursued. For example, the ASC website has recently been updated to include new more plainly worded content to help small businesses and their advisors navigate the securities regulatory requirements when raising capital through the sale of securities. <https://www.albertasecurities.com/small-business>.

- 3) the purchaser is provided access to substantially the same information about the issuer as is provided to an accredited investor in any concurrent offering;
- 4) the purchaser, in the case of an individual, provides the issuer with a statutory declaration substantially in the form specified in Appendix 1 to the Proposed Blanket Order (the Statutory Declaration), dated within 24 months of the distribution, attesting that the purchaser has completed, read and understood the Self-Certified Investor Statement and Acknowledgement, in the form attached as Appendix 2 to the Proposed Blanket Order, including that at least one of the following is true
 - a. the purchaser holds a CFA designation,
 - b. the purchaser holds a CPA designation in a jurisdiction of Canada,
 - c. the purchaser was admitted to practice law in a jurisdiction of Canada and the purchaser's practice has involved being significantly engaged in providing advice respecting public or private financings or mergers and acquisition transactions,
 - d. the purchaser holds from an accredited university an MBA with a focus on finance or a degree in finance;

(the **Self-Certified Investor Criteria**)

- 5) the purchaser, in the case of a purchaser that is not an individual, provides the issuer with a Statutory Declaration dated within 24 months of the distribution, signed by an authorized signatory of the purchaser, attesting that the purchaser has read and understood the Self-Certified Investor Statement and Acknowledgement in the form attached as Appendix 2 to the Blanket Order, including that at least one of the following is true:
 - a. the majority of owners of interests of the purchaser, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are accredited investors or meet the Self-Certified Investor Criteria;
 - b. the majority of directors of the purchaser are accredited investors or meet the Self-Certified Investor Criteria,
 - c. the purchaser is a trust, established or settled by an individual that meets the Self-Certified Investor Criteria, which trust was established for the benefit of that individual's spouse, former spouse, or a parent, grandparent, brother, sister, child or grandchild of the individual or that individual's spouse or former spouse.

As an anti-avoidance measure, we propose that the exemption would not be available if the issuer knows or would reasonably be expected to know that the statutory declaration is false. However, we do not expect either the issuer or the notary public or commissioner for oaths who signs the statutory declaration to take steps to independently confirm the educational or

experience qualifications of a person or company that proposes to attest a statutory declaration. The statutory declaration, having the same force and effect as an oath made under the *Canada Evidence Act* (Canada) should be sufficient. The statutory declaration is intended to provide independent confirmation that the investor has actually read and understood the statement of investment risks and considerations and signed it of their own volition.

Next Steps

This is an initiative of only the ASC and FCAA and, if adopted, the exemption would be available only for distributions of securities in Alberta and Saskatchewan.

Assuming that the Proposed Blanket Order is adopted by the ASC and FCAA, we intend to monitor the use of the exemption during the interim period to assess it and will consider whether or not to continue it permanently and whether any modifications are appropriate.

Our colleagues within the Canadian Securities Administrators (CSA) have expressed interest in being kept apprised of the comments we receive and information on the use of the Proposed Blanket Order and we anticipate sharing that information with them.

Request for Comments and Questions

We invite comment on all aspects of the Proposed Blanket Order. In particular, we would like to receive feedback in respect of the following questions:

1. To what extent do you anticipate that this prospectus exemption would be relied on by businesses in Alberta or Saskatchewan?
2. In setting the limits on investment, we considered that a policy rationale for the accredited investor exemption is ability to withstand loss. Investors investing under the proposed exemption are likely not accredited investors and can be assumed to have annual income of less than \$200,000. Are the limits of \$10,000 in any one issuer in a 12 month period and \$30,000 in all issuers in a 12 month period appropriate in ensuring that an investor has the ability to withstand the loss of the investment? Are other conditions necessary to address investor protection concerns?
3. Are there other factors that an investor should acknowledge they understand in the Self-Certified Investor Statement and Acknowledgement?
4. The exemption focuses on financial and investment education and experience. Are there other designations or courses that would provide an investor with relevant financial and investment education and should be included e.g., the chartered investment management designation? Please explain.
5. In the ASC consultations, some parties suggested that we should include persons with experience or education that is not of a financial or investment nature but that is relevant to the industry in which they propose to invest. For example, it was suggested that we allow a

young professional with a computer science degree to invest in a software technology company or an individual with a petroleum engineering designation to invest in an oil and gas company. However, others raised concerns that those type of educational criteria would not adequately address investor protection concerns as the investor may not appreciate the financial or investment considerations important to investing.

- a. Are there other education or experience qualifications that we should consider? Please explain.
 - b. What other conditions might help to ameliorate the risks that the investor may not appreciate the financial and investment considerations?
6. The proposed exemption contemplates lawyers but only where their practice has involved being significantly engaged in providing financing or mergers and acquisitions advice. As worded, the requirement is a subjective assessment by the lawyer. Should objective criteria be provided e.g., percentage of practice and/or years of practising? If so, what minimum level of experience is appropriate?
7. One of the goals of the proposed self-certified investor exemption would be to help facilitate the development of the angel investor entrepreneurial community. Although angel investors may invest directly into early-stage businesses, we understand that angel investors will often invest on a syndicated basis, forming a special purpose vehicle, such as a limited partnership or corporation, in which they will invest and then that special purpose vehicle will invest in an early-stage business. The proposed self-certified investor exemption could facilitate direct investment into a business or a special purpose vehicle. However, the distribution of securities of an early stage business to a special purpose vehicle also requires reliance on a prospectus exemption. We understand that these financings are often conducted under the private issuer exemption, which allows the distribution of securities to a number of specified parties, including accredited investors. We understand that the special purpose vehicle is often treated as an accredited investor because all the owners of interests (except voting securities required to be owned by directors) are accredited investors. This option would seem not to be available for a special purpose vehicle where one or more of the owners of interests were self-certified investors.
- a. Would this issue be adequately addressed by providing guidance that the ASC and FCAA would not object to an issuer relying on s.2.4(2)(1) of National Instrument 45-106 *Prospectus Exemptions*, i.e., the prong of the private issuer exemption that permits a distribution to a person or company that is “not the public”, provided that the special purpose vehicle is predominantly owned by accredited investors e.g., at least 80% of the funds contributed to the special purpose vehicle were contributed by accredited investors?
 - b. Are there other alternatives that would better address this issue?
 - c. If we were to adopt the proposal outlined in 7a., a Form 45-106F1 *Report of Exempt Distribution* would be required for the sale of securities to the self-certified investor. Would this be a significant deterrent to distributing securities to self-certified investors given that private issuers do not otherwise have reporting obligations to securities

regulators? Given our interest in tracking use of this exemption, could we address this issue by requiring only a very simple letter reporting on use, which could be filed by email?

Submitting comments

We welcome your comments on the Proposed Blanket Order. Please submit your comments in writing on or before **Wednesday, December 23, 2020**. Comments can be submitted either

By e-mail to New.Economy@asc.ca or

By hard copy to the attention of:

Cathy Tearoe
Senior Legal & Policy Counsel
Alberta Securities Commission
Suite 600, 250 – 5th Street SW
Calgary, AB T2P 0R4

Please note that comments received will be made publicly available and will be posted on the ASC's website at www.albertasecurities.com. **Accordingly, you should not include personal information directly in comments.** It is important that you state on whose behalf you are making the submission.

Questions

If you have any questions on the Proposed Blanket Order, please contact any of the following:

Denise Weeres Director, New Economy Alberta Securities Commission 403.297.2930 denise.weeres@asc.ca	Cathy Tearoe Senior Legal & Policy Counsel, New Economy Alberta Securities Commission 403.355.9027 cathy.tearoe@asc.ca
Tom Graham Director, Corporate Finance Alberta Securities Commission 403.297.5355 tom.graham@asc.ca	Timothy Robson Manager, Legal, Corporate Finance Alberta Securities Commission 403.355.6297 timothy.robson@asc.ca
Heather Kuchuran Director, Corporate Finance, Securities Division Financial and Consumer Affairs Authority of Saskatchewan 306.787.1009 heather.kuchuran@gov.sk.ca	

ANNEX A TO MULTILATERAL NOTICE 45-327

**TEMPLATE BLANKET ORDER 45-5XX
PROSPECTUS EXEMPTION FOR SELF-CERTIFIED INVESTORS**

[Recitals as applicable]

Definitions

1. Terms defined in the *Securities Act* (■) (the **Act**), National Instrument 14-101 *Definitions*, or National Instrument 45-106 *Prospectus Exemptions* have the same meaning in this [Blanket/General Order].

Order

2. The [Securities Regulatory Authority], considering that it would not be prejudicial to the public interest to do so, orders under section [213 ASA /83 SSA] of the Act that the prospectus requirement in section [110 ASA /58 SSA] of the Act does not apply to a distribution by an issuer provided all of the following apply:
 - a) the head office of the issuer is located in Alberta or Saskatchewan;
 - b) the aggregate acquisition cost of the securities of the issuer acquired by the purchaser under this Blanket Order in the prior 12 months does not exceed \$10 000;
 - c) the purchaser represents to the issuer that the aggregate acquisition cost of the securities of all issuers acquired by the purchaser under this Blanket Order in the prior 12 months does not exceed \$30 000;
 - d) the purchaser is provided access to substantially the same information about the securities being distributed as is provided to an accredited investor in connection with any concurrent distribution;
 - e) the purchaser purchases as principal, provided that a trust is deemed to be purchasing as principal;
 - f) at or before the time the purchaser signs the agreement to purchase the securities, the issuer obtains from the purchaser a statutory declaration substantially in the form specified in Appendix 1 to this Blanket Order, dated within 24 months of the distribution, attesting that the purchaser has completed, read and understood the Self-Certified Investor Statement and Acknowledgement, in the form specified in Appendix 2 to this Blanket Order,
 - g) the issuer does not know and would not reasonably be expected to know that the statutory declaration is false;

- h) on or before the 10th day after the closing of the distribution, the issuer files a completed Form 45-106F1 *Report of Exempt Distribution*, together with the applicable fee; and
- i) the issuer retains the sworn statutory declaration for 8 years after the distribution.

Resale restrictions

- 3. The [Securities Regulatory Authority], considering that it would not be prejudicial to the public interest to do so, orders under section [144(2) ASA/SSA] of the Act that the first trade of a security acquired under section 2 is subject to section 2.5 of National Instrument 45-102 *Resale of Securities*.

Saskatchewan - Designated offering memorandum

- 4. In Saskatchewan, any document that provides information about the business or affairs of an issuer that has been prepared primarily for delivery to and review by a prospective purchaser to assist the prospective purchaser in making an investment decision about securities being sold in a distribution under this Order, including all amendments to that document, is designated to be an offering memorandum under securities legislation in Saskatchewan, unless that document is an annual report, interim report, information circular, take-over bid circular, issuer bid circular or prospectus.

Effective date

- 5. This [Blanket/General] Order comes into force on ■ 2021 and expires on ■, 2024.

**Annex 1 to Blanket Order 45-5XX
Statutory Declaration**

CANADA }
Province of [Alberta/Saskatchewan]}

I, _____ **[insert name of declarant]** do solemnly declare that:

1. I [*or if signed for a non-individual, the entity's name*] am resident at [*or for a non-individual has its head office at*] _____
[insert address in Alberta or Saskatchewan] .
2. I have, of my own choice and of my own volition, fully completed the attached Self-Certified Investor Statement and Acknowledgement for the purpose of being recognized as a Self-Certified Investor under securities legislation in either or both of Alberta and Saskatchewan.
3. I have read and understood the attached Self-Certified Investor Statement and Acknowledgement.

I make this solemn declaration conscientiously believing it to be true and knowing that it is of the same force and effect as if made under oath, and by virtue of the *Canada Evidence Act*.

DECLARED before me at _____ [insert municipality and province].

Dated: _____

Print name of Declarant

Print name of Notary Public or
Commissioner for Oaths

If Declarant is not an individual state
name and title of authorized signatory

Signature of Notary Public or [seal]
Commissioner for Oaths*

Signature of Declarant

Expiry Date of Commission:

*Note: A statutory declaration intended for use outside of the province in which it is taken must be signed by a Notary Public.

**Annex 2 to Blanket Order 45-5XX
Self-Certified Investor
Statement and Acknowledgement**

Instruction: In the case of a purchaser that is not an individual state:

I am an authorized signatory of the purchaser _____ [*insert name of the purchaser*]. The purchaser wishes to be recognized as a Self-Certified Investor under securities legislation in either or both of Alberta and Saskatchewan. I certify on behalf of the purchaser that [*select at least one of the following*]:

Initials	
	The majority of owners of interests of the purchaser, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are accredited investors (as defined in National Instrument 45-106 <i>Prospectus Exemptions</i>) or meet the Self-Certified Investor Criteria as set out in the table below
	The majority of directors of the purchaser are accredited investors (as defined in National Instrument 45-106 <i>Prospectus Exemptions</i>) or meet the Self-Certified Investor Criteria as set out in the table below
	The investor is a trust, established or settled by an individual that meets the criteria for a Self-Certified Investor, as set out in the table below and the trust was established for the benefit of the such individual's spouse, former spouse, or a parent, grandparent, brother, sister, child or grandchild of the individual or that individual's spouse or former spouse

Instruction: In the case of a purchaser that is an individual state:

I _____ [*insert name of purchaser*] meet one or more of the Self-Certified Investor Criteria as set out in the table below and wish to be recognized as a Self-Certified Investor under securities legislation in either or both of Alberta and Saskatchewan

Instruction: In the case of all purchasers, complete the following:

Self-Certified Investor Criteria			
<i>Provide the date and institutional information for the statement that applies to you and then initial the statement. (You may complete and initial more than one statement.)</i>	Date of designation/ admission/ graduation	Name of granting institution	Your initials
I [<i>or in the case of a non-individual, an owner or director of the purchaser or the settlor of a trust that is the purchaser</i>] hold(s) a Chartered Financial Analyst designation from the CFA Institute			
I [<i>or in the case of a non-individual, an owner or director of the purchaser or the settlor of a trust that is the purchaser</i>] hold(s) a Certified Public Accountant designation from CPA Canada .			

I [or in the case of a non-individual, an owner or director of the purchaser or the settlor of a trust that is the purchaser] was admitted to practice law in a jurisdiction of Canada and a significant aspect of my legal practice involves or has involved providing advice respecting public or private financings or mergers and acquisition transactions			
I [or in the case of a non-individual, an owner or director of the purchaser or the settlor of a trust that is the purchaser] hold(s) from an accredited university, either a Masters of Business Administration degree, focused on finance, or a degree in finance			

Instruction: To qualify as a Self-Certified Investor you must read the following and confirm your understanding of each of the statements with respect to the risks of investing.

If you do not understand the risks of investing, do not complete this form.

1. Reliance on an exemption from the prospectus requirement and rights

Securities legislation generally requires that a business trying to raise money through the sale of securities provide investors with a comprehensive disclosure document called a prospectus in order that investors can make an informed decision about whether or not to buy those securities.

The accuracy of prospectus is typically required to be certified by CEO, CFO and two directors of the issuer and any underwriter involved in the sale. Investors who buy under a prospectus have certain additional rights, including a two day right to cancel their investment for any reason, a right to sue either to get their money back or for damages if there is a misrepresentation in the prospectus. This right to sue is available not just against the business but also the other parties that sign the prospectus. This special right to sue also removes the requirement to prove that the investor relied on the misrepresentation in making their investment decision.

As an investor under a prospectus exemption you will not have the special rights afforded to an investor under a prospectus. However, in Saskatchewan, you will have a statutory right to sue either to get your money back or for damages if there is a misrepresentation in the offering document.

Have you read and understood the above information?	Yes or No?

2. Information needed to make investment decision

A business trying to raise money through the sale of securities under a prospectus is required to provide investors with disclosure of all material facts relating to the securities including significant prescribed information.

Since you will not receive a prospectus you will need to consider whether you otherwise have access to all the important information necessary to make an informed investment decision and, if not, take steps to seek to obtain that information before investing.

Examples of information that you would typically receive with a prospectus and would typically assist in making an informed investment decision include:

- a details of the securities being offered for sale, including the rights they provide you;
- information about outstanding securities and the prices at which securities were issued;
- details on how the proceeds of the offering will be used including any fees and commissions, payments to be made to related parties or to repay outstanding indebtedness;
- the business objectives and key milestones, including when those are anticipated to occur and the costs to achieve them;
- for businesses that have not achieved significant revenues, a breakdown of expenditures including those relating to research and development and general and administrative expenses;
- information on any bankruptcies, insolvencies, criminal or regulatory proceedings involving the business or any of its principals;
- a description of any actual or anticipated significant litigation or liabilities;
- details of any significant contracts;
- if the money being raised is to acquire an asset or other business, information about that asset or other business, including how the purchase price was determined and any relationship between the parties;
- information about the directors, executives and key employees of the issuer, including for each their principal occupation, their prior relevant experience and education, the amount of time they will work for the business and their security holdings in the business;
- the compensation paid and to be paid to directors and executives and any outstanding indebtedness;
- the relevant experience of the audit committee and the business' corporate governance policies; and
- significant risk factors relating to the business such as cash flow and liquidity problems, limited experience of the management, risks inherent to the business, environmental and health risks, reliance on key personnel, regulatory constraints, and economic and political considerations.

Have you read and understood the above information?	Yes or No?

3. Audited financial statements

A business trying to raise money through the sale of securities under a prospectus is required to provide investors with audited annual financial statements. The audit of the financial statements provides certain independent assurance with respect to the financial information presented.

As an investor under a prospectus exemption you may not be provided with audited financial statements and if any financial information is provided you may have no independent assurance with respect to it. You will need to determine whether audited financial statements are important to your investment decision and whether you will require that these be provided before investing.

Have you read and understood the above information?	Yes or No?

4. Financial projections and other forward-looking information

Securities legislation does not generally require that businesses provide financial projections and other forward-looking information in a prospectus. Because of the potential unreliability of this type of information, cautionary language is required in a prospectus to

- indicate that actual results may vary from the forward looking information,
- state the material factors or assumptions used to develop forward looking information,
- identify material risk factors that could cause actual results to differ materially from the forward-looking information, and
- state the business’ policy for updating forward-looking information.

In the context of a prospectus, securities legislation generally prohibits financial outlooks and future-oriented financial information unless they are based on assumptions that are reasonable in the circumstances and for a period that can be reasonably estimated. As an investor under a prospectus exemption you will need to assess whether the assumptions and risk factors underlying any financial outlooks and future-oriented financial information are sufficiently clear and whether forward-looking information provided seems reasonable.

Have you read and understood the above information?	Yes or No?

5. No registered dealer or qualified advice

If you invest under a prospectus, the business selling its securities will have typically retained one or more registered dealers to sell the securities to you. A registered dealer is required to understand the securities that they are selling and will often have conducted certain analysis and review of the business. A registered dealer is typically required to meet certain proficiency requirements in order to provide you with advice. The registered dealer is required to collect information from you to understand your financial and other circumstances, risk tolerance, investment objectives and time horizon and, having regard to that information, assess whether an investment is suitable for you.

You may be investing in circumstances where there is no registered dealer involved. If that is the case, you will need to assess for yourself whether or not the investment is suitable for you, having regard to factors such as

- your financial and other circumstances, risk tolerance, investment objectives and time horizon;
- your other investments, e.g., whether your investments are overly concentrated in a particular area such as an industry or geographical area;
- the prospect of some of your investments being a failure and how much risk you are prepared to take and how much money you can afford to lose.

Other parties that may recommend an investment to you may not have any expertise or qualifications. They may have a conflict of interest that incentivizes them to encourage you to invest. Even if they are independent, experienced and knowledgeable investors, their circumstances, risk tolerance and objectives may be very different than your own. An investment that is good for them may not be good for you.

Have you read and understood the above information?	Yes or No?

6. Ongoing disclosure

If you were to invest under a prospectus, the business would be or become a reporting issuer (public company) and would be obligated under securities legislation to continue to provide information about its business including such as

- audited annual financial statements and managements discussion and analysis;
- quarterly interim financial statements and management’s discussion and analysis;
- news releases announcing material changes such as relating to changes in directors and executives, significant acquisitions or dispositions, significant liabilities or litigation, material contracts and loss of significant contracts;
- board composition and governance policies; and
- executive compensation disclosure.

If you invest in a business that is not a reporting issuer, the business may have no obligation under securities legislation to provide you with any ongoing information.

Consequently, you will need to determine what ongoing reporting you want from the business and negotiate by contract to obtain it. You will need to consider the possibility that the business fails to continue to provide you with that information and what rights you have under that contract and whether they can be effectively enforced.

Have you read and understood the above information?	Yes or No?

7. Restrictions on ability to resell securities

If you invest under a prospectus, the securities you acquire are typically able to be immediately resold in the secondary market e.g., on an exchange.

You are seeking to invest under a prospectus exemption. If you acquire securities of a reporting issuer (public company) under a prospectus exemption, you are typically subject to resale restrictions for a period of four months. Practically, that generally means you cannot resell those securities except under another prospectus exemption for that four month period.

If you acquire securities of a business that is not a reporting issuer (i.e., not a public company) under a prospectus exemption, you will typically be subject to resale restrictions that continue indefinitely. That means that unless the business becomes a reporting issuer, securities legislation prohibits you from reselling those securities except under another prospectus exemption or under a prospectus.

Further, even if you can comply with securities legislation, there will be no market to help identify parties that might be interested in buying the securities from you. It may not be possible to find a willing buyer.

8. Realizing a return on your investment

Many early stage businesses fail. You could lose your investment. However, even if a business you invest in is successful, you will need to determine how you will realize any return. If you buy securities, such as common shares, of a non-reporting issuer you will need to identify whether there is a realistic “exit strategy” for you, an opportunity to sell your securities and potentially obtain a return and whether the timing of that potential opportunity aligns with your investment time horizon.

If the business is not a reporting issuer, there is no assurance that it will ever become one and even if it does, that could take many years. There is no assurance that the business will be acquired by another entity. You could be forced to hold the securities for many years, potentially indefinitely.

If you are buying debt securities, you will need to consider whether the business has a realistic prospect of being able to pay you the interest or yield that is offered and what rights you will have if they default on such payments.

If you buy redeemable securities, you will need to consider whether the business has a realistic prospect of being able to redeem the securities if at a future date you have a need to redeem. You will also need to consider the limitations on or conditions to your ability to redeem.

Have you read and understood the above information?	Yes or No?

9. Valuation issues

If you acquire securities such as common shares under a prospectus, the issuer will be a reporting issuer (public company) and the securities will typically be available for resale on a secondary market. In the case of a mutual fund, the securities will typically be redeemable on demand based on the net asset value, which is required to be calculated and disclosed on an ongoing basis.

If you acquire securities such as common shares under a prospectus exemption and the business is not a reporting issuer, there will be no secondary market to use to assess the value of the securities. In the case of an investment fund, there may be no legal obligation for the fund to disclose its net asset value and there may be restrictions on your ability to redeem.

It may be difficult to establish a value for the business or the securities.

Have you read and understood the above information?	Yes or No?

10. No misleading statements or unfair practices

Securities legislation prohibits parties selling securities from making statements that they know or reasonably ought to know are, in any material respect, and at the time and in light of the circumstances in which they are made, misleading or untrue or do not state a fact that is required to be stated or that is necessary to make a statement made not misleading, where one would reasonably expect that statement to have a significant effect on the market price or value of a security.

Securities legislation also prohibits unfair practices in connection with the sale of securities, such as unreasonable pressure to buy, sell or hold or imposing harsh, oppressive or excessively one-sided terms.

Although you are seeking to invest under a prospectus exemptions, these prohibitions still apply to the parties selling you securities. They are not exempted from these fundamental provisions.

Have you read and understood the above information?	Yes or No?

I understand that there is a risk that [I / the purchaser] could lose the entire investment and [I / the purchaser] should not invest more than [I / it] can afford to lose.

I confirm that when investing as a Self-Certified Investor, [I do / the purchaser does] not intend to invest in any 12 month period,

- **more than \$10,000 in any one issuer, or**
- **more than \$30,000 in all issuers.**

Dated: _____

Name (printed): _____

Signature: _____

*If signing for a corporation or other non-individual entity, also include the title of the authorized signatory.