

FORM 45-517F1
START-UP BUSINESS OFFERING DOCUMENT

GENERAL INSTRUCTIONS:

- (1) *An offering document prepared using this Form can only be used for a distribution of securities under Alberta Securities Commission Rule 45-517 Prospectus Exemption for Start-up Businesses (the Rule).*
- (2) *This offering document and all amendments to it must be filed with the Alberta Securities Commission through the System for Electronic Document Analysis and Retrieval (SEDAR) in accordance with National Instrument 13-101 System for Electronic Document Analysis and Retrieval (SEDAR), no later than the 30th day after the closing of the distribution.*
- (3) *This offering document must be certified by an individual authorized to act on behalf of the issuer.*
- (4) *Draft this offering document so that it is easy to read and understand. Be concise and use clear, plain language. Avoid technical terms.*
- (5) *Conform as closely as possible to the format set out in this Form. Address the items in the order set out below. No variation of headings, numbering or information set out in the Form is allowed and all are to be displayed as shown.*
- (6) *Refer to Appendix A of this Form for definitions of terms used in this Form.*
- (7) *The offering document must be provided to each investor before the investor signs the agreement to purchase the security. If the information contained in this offering document becomes untrue or misleading the offering document must be amended and investors must be given the amended offering document before their subscription can be accepted.*
- (8) *If any forward-looking information (as defined in Appendix A) that could reasonably be expected to be material to an investor's decision to invest is included in the offering document identify it and include proximate to the identification of it*
 - a. *reasonable cautionary language identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information,*
 - b. *state that the issuer believes it has a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information, and*

c. *state in bold type:*

The forecasts and predictions of an early-stage business are difficult to objectively analyze or confirm. Forward-looking statements represent the opinion of the issuer only and may not prove to be reasonable.

Item 1: RISKS OF INVESTING

1.1 Include the following statement on the first page of the offering document, in bold type:

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 Provide the following information for the issuer:

- (a) Full legal name as it appears in the issuer's organizing documents,
- (b) Head office address,
- (c) Telephone,
- (d) Fax, and
- (e) Website URL.

Guidance: The organizing documents are the issuer's articles of incorporation, limited partnership agreement or other similar documents.

2.2 Identify an officer, employee or agent of the issuer who is able to answer questions from investors and any security regulatory authority or regulator. Provide the following contact information for that individual:

- (a) Full legal name (first name, middle name and last name),
- (b) Position held with the issuer,
- (c) Business address,
- (d) Business telephone,
- (e) Fax, and
- (f) Business e-mail.

Item 3: BUSINESS OVERVIEW

3.1 Briefly explain, in a few lines, the issuer’s business and why the issuer is raising funds.

Include the following statement, in bold type:

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, founder, director, officer and control person of the issuer:

Guidance: The definitions of the terms “promoter”, “founder”, “director”, “officer” and “control person” can be found in Appendix A of this Form.

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	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

4.2 For the issuer and for each person or company listed in item 4.1, state whether they:

- (a) have 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 have 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.

For each person or company listed in this item, provide details on the time, nature and outcome of any, and all, proceedings.

Guidance: The definitions of the terms “executive officer” and “quasi-criminal offence” can be found in Appendix A of this Form.

Item 5: START-UP BUSINESS DISTRIBUTION

5.1 Provide the name of any dealer the issuer is using to conduct its start-up business distribution.

5.2 List the name of all the jurisdictions where the issuer intends to raise funds.

Guidance: The distribution can only be made in jurisdictions that provide applicable exemptions or otherwise in compliance with applicable securities legislation in such jurisdictions.

5.3 Provide the following information with respect to the start-up business distribution:

- (a) the minimum offering amount that must be raised;
- (b) the date by which the issuer must raise the minimum offering amount (which cannot be later than 90 days after the date this offering document is first made available to an investor); and
- (c) the dates of each amendment, if any, made to this offering document, and a description of each amendment.

Guidance: The date in (a) does not change as a result of amending an offering document.

5.4 State the type of eligible securities offered.

Guidance: Only “eligible securities” as defined in the Rule can be distributed under the Rule.

5.5 The eligible securities offered provide the following rights (choose all that apply):

- Voting rights,
- Dividends or interests (describe any right to receive dividends or interest),
- Rights on dissolution,
- Conversion rights (describe what each security is convertible into),
- Other (describe the rights).

Guidance: This information is usually found in the organizing documents referred to in Item 6.3.

5.6 Provide a brief summary of any other material restrictions or conditions that attach to the eligible securities being offered, such as tag-along, drag along or pre-emptive rights.

Guidance: The restrictions or conditions to be described here are generally found in shareholder’s agreements or limited partnership agreements. The definitions of the terms “tag-along right”, “drag along right”, and “pre-emptive right” can be found in Appendix A of this Form.

5.7 In a table, provide the following information:

	Total amount (\$)	Total number of eligible securities issuable
Minimum offering amount		
Maximum offering amount		
Price per eligible security		

Guidance: The total number of eligible securities issuable multiplied by the offering price per security should equal the minimum or maximum offering amount, as applicable. The maximum offering amount cannot exceed \$250,000 and cannot, including all other start-up distributions ever conducted by the issuer and other members of the issuer group (as defined in the Rule) exceed \$1,000,000. The minimum offering amount stated in this offering document may be satisfied with funds that are available to the issuer that are raised under other prospectus exemptions.

5.8 State whether investors are each required to make a minimum investment. If so, state the minimum investment.

Guidance: The issuer has the option to set a minimum investment amount per investor. This amount cannot be over \$1,500 if there is no registered dealer involved. If a

registered dealer provides positive suitability advice to an investor, the maximum amount of the subscription that can be accepted from that investor is \$5,000.

If the issuer has not set a minimum investment amount, state that.

Item 6: ISSUER'S BUSINESS

6.1 Describe the issuer's business. Provide sufficient details about the issuer's industry and operations for an investor to understand the issuer's business and its plans and make an informed investment decision.

Guidance: The information provided must be balanced and fair and not misleading or untrue. It should not over-emphasize the positive and downplay the negative. If the issuer has future hopes or goals but the reasonableness of those hopes or goals cannot yet be appropriately analyzed or assessed or, given the stage of development of the business, there can be little or no assurance that the hopes or goals are achievable, the risks associated with being able to achieve those hopes or goals should be made clear.

Enough details should be provided so an investor can clearly understand the issuer's business, what it does and intends to do. Consideration should be given to addressing the following:

- Does or will the issuer build, design or develop something? Sell something produced by others? Provide a service?*
- Does the issuer have business premises from which it can operate its business?*
- How many employees does the issuer have? Need?*
- Has the issuer entered any contracts that are important to its business?*
- Has the issuer conducted any operations yet?*
- Are there factors that make the issuer's business different from its competitors?*
- What milestones has the issuer already reached e.g., developed a prototype, signed a distribution agreement, leased premises, obtained a bank loan or other significant financing?*
- What milestones does the issuer hope to achieve in the next couple years e.g., Complete testing? Find a manufacturer? Commence a marketing campaign? Buy inventory? What is the proposed timeline for achieving each of the milestones?*
- What are the major hurdles that the issuer expects to face in achieving its milestones?*
- If the issuer is offering shares or similar securities to investors, is there a long-term hope or goal that would provide an "exit-opportunity" for investors e.g., the issuer*

hopes to eventually become a reporting issuer? Be bought out/taken over by a larger company. (NOTE: It is a breach of securities laws to state that an issuer will be or will apply to be traded on an exchange or quoted on a quotation and trade reporting system.)

- *How are the funds raised from this financing expected to help the issuer advance its business and achieve one or more of the milestones?*
- 6.2** Describe the legal structure of the issuer (e.g., corporation, partnership, trust, unincorporated sole proprietor) and indicate the jurisdiction where the issuer is incorporated or organized.
- 6.3** Indicate where the issuer's articles of incorporation, limited partnership agreement, shareholder agreement or similar document are available to investors.
- 6.4** Indicate which statement(s) best describe the issuer's operations (select all that apply):
- Has never conducted operations,
 - Is in the development stage,
 - Is currently conducting operations,
 - Has shown profit in the last financial year.
- 6.5** Describe the number and type of securities of the issuer outstanding as at the date of the offering document. If there are securities outstanding other than the eligible securities being offered, please describe those securities.
- 6.6** If the issuer is providing financial statements to investors, state that fact.
- (a) If the financial statements have not been audited, state in bold type:
The financial statements have not been audited.
 - (b) Unless the financial statements are prepared in accordance with Canadian generally accepted accounting principles applicable to publicly accountable enterprises, state in bold type:
The financial statements have not been prepared using Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises and are not comparable to financial statements using Canadian GAAP for publicly accountable enterprises. They may not be suitable for your purposes.

Guidance: The issuer is not required to provide financial statements to investors in connection with a start-up business distribution. The issuer can choose to make financial

statements available to investors; however, if financial statements are provided they must comply with sections 6 and 7 of the Rule.

If financial statements are included in the offering document, they must be filed with the offering document and must be prepared in accordance with the requirements of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards.

Item 7: USE OF FUNDS

Prior Funds

7.1 Provide information on all funds previously raised by the issuer (including from its promoters, founders, directors, officers and control persons) and how they have been used by the issuer. Include enough details so an investor can clearly understand:

- How much money the issuer has already raised?
- How the issuer raised it?
- What prospectus exemption(s) was/were used?
- How has that money been used?

If the issuer has not previously raised funds, state this fact.

Funds from this Start-up Business Distribution

7.2 Using the following table, provide a detailed breakdown of how the issuer will use the funds from this start-up business distribution. Provide enough details to allow investors to make a reasoned investment decision.

If any of the funds will be paid directly or indirectly to a promoter, founder, director, officer or control person of the issuer, disclose in a note to the table the name of the person or company, the relationship to the issuer and the amount. If more than 10% of the available funds will be used by the issuer to pay debt and the issuer incurred the debt within the two preceding financial years, describe why the debt was incurred.

Description of intended use of funds listed in order of priority	Total amount (\$)	
	Assuming minimum offering amount	Assuming maximum offering amount

Item 8: PREVIOUS START-UP BUSINESS DISTRIBUTIONS

8.1 If the issuer or any member of the issuer group has conducted a start-up business distribution in the past five years, state the following:

- (a) the full legal name of the issuer that made the distribution,
- (b) the name of any dealer used, and
- (c) whether the distribution successfully closed, was withdrawn by the issuer or did not close because the minimum offering amount was not reached and the date on which each of these, as applicable, occurred.

Guidance: The term “issuer group” is defined in the Rule.

8.2 If a promoter, founder, director, officer or control person of the issuer has been a promoter, founder, director, officer or control person of any issuer that has conducted a start-up business distribution in the past five years, state the following:

- (a) the full legal name of the issuer that made the distribution,
- (b) the name of any dealer used, and
- (c) whether the distribution successfully closed, was withdrawn by the issuer or did not close because the minimum offering amount was not reached and the date on which each of these, as applicable, occurred.

Item 9: COMPENSATION PAID TO DEALER

9.1 If any commission, fee or other payment is expected to be paid by the issuer to any dealer in connection with the start-up business distribution,

- (a) for each type of commission, fee or other payment, describe it and state the estimated amount to be paid, and
- (b) if a commission is expected to be paid, indicate the percentage that the commission will represent of the gross proceeds of the offering (assuming both the minimum and maximum offering).

Guidance: Fees payable to the dealer should be mutually agreed between the dealer and the issuer prior to distributing the offering document.

Item 10: RISK FACTORS

10.1 Describe **in order of importance**, starting with the most important, the main risks of investing in the issuer’s business for the investors. Explain the risks of investing in the issuer for the investor in a meaningful way, avoiding overly general or “boilerplate” disclosure. Disclose both the risk and the factual basis for it. Risks can relate to the

issuer's business, its stage of development, its lack of management experience, its limited financial resources, the industry, the extent of competition, its clients, etc.

Guidance: The disclosure must be fair and balanced and not misleading or untrue. Issuers may indicate how the business plans to mitigate these risks, but should not de-emphasize the risks by including excessive caveats or conditions.

If the securities being distributed are to pay interest, dividends or distributions and the issuer does not have the financial resources to make such payments, (other than from the sale of securities) state in bold type:

We do not currently have the financial resources to pay [interest, dividends or distributions] to investors. There is no assurance that we will ever have the financial resources to do so.

Item 11: REPORTING OBLIGATIONS

- 11.1** Describe the nature and frequency of any disclosure of information the issuer intends to provide to investors after the closing of the distribution and explain how investors can access this information.

Guidance: Setting out a reporting plan will generally be important to investors. As it will create an expectation by investors, ensure it is realistic and achievable. Reporting does not have to be complex or costly. Reporting can be through a website, newsletters, social media sites, email and mailings. Reporting might involve identifying milestones that have been met, confirming how investors' money was used, identifying material changes to the business, discussing future plans and providing financial statements.

- 11.2** If the issuer is required by corporate legislation, its constating documents (e.g., articles of incorporation or bylaws) or otherwise to provide either or both of annual financial statements or an information circular/proxy statements to its security holders, state that fact.

Guidance: Corporate legislation in many jurisdictions requires issuers with more than a specified number of shareholders to prepare and disseminate audited annual financial statements. Further, such issuers may be required to hold annual meetings of shareholders and provide certain specified disclosure in an information circular. Refer to applicable corporate law.

Item 12: RESALE RESTRICTIONS

- 12.1** Include the following statement, in bold type:

The securities you are purchasing are subject to resale restrictions. They can only legally be resold to a very limited number of people. You may never be able to resell the securities.

Item 13: INVESTORS' RIGHTS

13.1 Include the following statement, in bold type:

***Two-day cancellation right* – if you agree to make an investment, you have a short period in which to change your mind and cancel your agreement. To do so, you must send a notice to the issuer, or if the issuer has retained a dealer in respect of the distribution, to the dealer within 48 hours of the later of (a) your subscription, and (b) an amended offering document being delivered to you.**

***Right of action in the event of a misrepresentation* – if there is a misrepresentation in the offering document, including all amendments to that document, you have a statutory right to sue (a) the issuer to cancel your agreement or (b) the issuer, its directors, and each individual who has signed the offering document for damages.**

This right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on these rights, you must do so within strict time limits. An action to cancel your agreement must be commenced no more than 180 days from the day of the transaction giving rise to the cause of action. An action for damages must be within the lesser of (a) 180 days from the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, and (b) 3 years from the day of the transaction giving rise to the cause of action.

Item 14: DATE AND CERTIFICATE

14.1 Include the following statement, in bold type:

This offering document does not contain a statement that, in a material respect and at the time and in light of the circumstances in which it is made, is misleading or untrue and it does not fail to state a fact that is required to be stated or that is necessary to make a statement not misleading.

14.2 The offering document must be dated, certified and signed by an individual authorized to sign on behalf of the issuer, as follows:

Certified as of: [State the date on which the certification is made]

By: [State the name of the individual who certifies the statement]

Title: [State the title of the individual with the issuer]

Signature: [Include signature of the authorized individual].

Guidance: This certificate can only be signed by a person authorized to sign on behalf of the issuer.

- 14.3** If the offering document is signed electronically, include the following statement, in bold type:

I acknowledge that I am signing this offering document electronically and agree that this is the legal equivalent of my handwritten signature.

Appendix A

“control person” means

- (a) a person or company who holds a sufficient number of the voting rights attached to all outstanding voting securities of an issuer to affect materially the control of the issuer, and if a person or company holds more than 20% of the voting rights attached to all outstanding voting securities of an issuer, the person or company is deemed, in the absence of evidence to the contrary, to hold a sufficient number of the voting rights to affect materially the control of the issuer, or
- (b) each person or company in a combination of persons or companies acting in concert by virtue of an agreement, arrangement, commitment or understanding, who holds in total a sufficient number of the voting rights attached to all outstanding voting securities of an issuer to affect materially the control of the issuer, and if a combination of persons or companies holds more than 20% of the voting rights attached to all outstanding voting securities of an issuer, the combination of persons or companies is deemed, in the absence of evidence to the contrary, to hold a sufficient number of the voting rights to affect materially the control of the issuer;

“director” means

- (a) a member of the board of directors of a company or an individual who performs similar functions for a company, and
- (b) with respect to a person that is not a company, an individual who performs functions similar to those of a director of a company;

“drag-along right” is a right designed to protect a majority shareholder, a drag-along right enables a majority shareholder to force minority shareholders to join in the sale of a company, by giving the minority shareholders the same price, terms, and conditions as any other seller;

“executive officer” means, for an issuer, an individual who is

- (a) a chair, vice-chair or president,
- (b) a vice-president in charge of a principal business unit, division or function including sales, finance or production, or
- (c) performing a policy making function in respect of the issuer;

“forward-looking information” means disclosure regarding possible events, conditions or financial performance that is based on assumptions about the future economic conditions and courses of action, and includes future-oriented financial information with respect to prospective results of operations, financial position or cash flows that is presented either as a forecast or a projection;

“founder” means, in respect of an issuer, a person who,

- (a) acting alone, in conjunction, or in concert with one or more persons, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of the issuer, and
- (b) at the time of the distribution or trade is actively involved in the business of the issuer;

“officer” with respect to an issuer, means

- (a) a chair or vice-chair of the board of directors, a chief executive officer, chief operating officer, chief financial officer, president, vice-president, secretary, assistant secretary, treasurer, assistant treasurer or general manager,
- (b) an individual who is designated as an officer under a bylaw or similar authority of the issuer or registrant, or
- (c) an individual who performs functions for a person or company similar to those normally performed by an individual referred to in subclause (a) or (b);

“pre-emptive right” is the right of existing shareholders to acquire new shares issued by the issuer, it can allow existing shareholders to maintain their proportional ownership of the issuer, preventing stock dilution;

“promoter” means

- (a) a person or company, acting alone or in conjunction with one or more other persons or companies or a combination of them, that, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of the issuer, or
- (b) a person or company that, directly or indirectly, receives in consideration of services or property, or both,
 - a. 10% or more of any class of securities of the issuer, or
 - b. 10% or more of the proceeds from the sale of any class of securities of a particular issue,

in connection with the founding, organizing or substantial reorganizing of the business of the issuer, but does not include a person or company that receives securities or proceeds solely

- (i) as underwriting commissions, or
- (ii) in consideration of property transferred to the issuer,

if that person or company does not otherwise take part in founding, organizing or substantially reorganizing the business;

“quasi-criminal offence” includes offences under the *Income Tax Act* (R.S.C. 1985, c. 1 (5th Suppl.)), the *Immigration and Refugee Protection Act* (R.S.C., 2001, c. 27) and the tax, immigration, drugs, firearms, money laundering or securities legislation of any province or territory of Canada or of a foreign jurisdiction; and

“tag-along right” is a contractual obligation used to protect minority shareholders, the right assures that if the majority shareholder sells his stake, minority shareholders have the right to join and sell their securities on the same terms and conditions as would apply to the majority shareholder.