

Ontario Securities Commission

Ontario Instrument 32-508

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ONTARIO INSTRUMENT 32-508

NOT-FOR-PROFIT ANGEL INVESTOR GROUP REGISTRATION EXEMPTION (INTERIM CLASS ORDER)

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Definitions

1. In this Order:

“**accredited investor**” has the meaning given in subsection 73.3(1) of the Act and in section 1.1 of National Instrument 45-106 Prospectus Exemptions;

“**Act**” means the [Securities Act, R.S.O. 1990, c. S.5](#), as amended from time to time;

“**angel investor**” means an individual with business or entrepreneurial experience who provides mentorship and money to issuers primarily in the start-up phase;

“**angel investor group**” means a partnership, unincorporated association, unincorporated syndicate, unincorporated organization or company that was established to bring together angel investors and to introduce the angel investors to Canadian early-stage businesses that are seeking capital;

“**Canadian early-stage business**” means an issuer that

- (a) is in the start-up phase of its development;
- (b) is, or is proposed to be, operating from or doing business in a jurisdiction of Canada where either 1. or 2. applies:
 - 1. the head office of the issuer is located in a jurisdiction of Canada; or
 - 2. at least 25% of the payroll of the issuer is for employees and consultants who reside in a province or territory of Canada;
- (c) is not a reporting issuer in any jurisdiction of Canada or in any foreign jurisdiction; and
- (d) is not an investment fund;

“**NI 14-101**” means [National Instrument 14-101 Definitions](#);

“**NI 31-103**” means [National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations](#);

“**securities legislation**” means, for a local jurisdiction of Canada, the statute and other instruments listed in Appendix B of [NI 14-101](#), opposite the name of the local jurisdiction; and

“**self-certified investor**” has the meaning set out in legislation or a rule that specifically provides a prospectus exemption that allow purchasers in Ontario, who may not meet the financial thresholds or other criteria required to qualify as an accredited investor, to invest in issuers provided that the purchasers meet other criteria intended to demonstrate financial

knowledge, investment knowledge or relevant industry-specific experience and acknowledge that they understand certain investment considerations and risks;

2. Terms used in this Order that are defined in the [Act](#) have the meaning ascribed to them in the [Act](#), unless otherwise defined in this Order or the context otherwise requires.

Background

3. There are a number of not-for-profit angel investor groups operating in Ontario. Angel investor groups serve an important role in the capital raising process. They bring together angel investors interested in supporting Ontario early-stage businesses and introduce the angel investors to Ontario early-stage businesses seeking capital to grow and scale their operations. Angel investor groups also provide their members with education and networking opportunities.

4. Angel investor groups operate in different ways. The most common form of angel investor groups operate in a manner similar to private investment clubs. Typically, with the support of volunteers or employees of the angel investor group, members research and select investments together. In this case, members generally invest individually instead of pooling their money.

5. Many not-for-profit angel investor groups in Ontario receive government funding to support their operations, but wish to become self-sufficient. Many recover costs by charging fees to their members and, in some cases, application fees to Ontario early-stage businesses. Certain not-for-profit angel investor groups also seek to receive a fee from working with their members to collaboratively finance Ontario early-stage businesses, such as success fees.

6. Whether an entity is carrying on activities requiring registration under securities legislation is based upon the activities of the entity and not how the entity labels itself or labels its activities. Whether an angel investor group is “in the business” of trading or advising and therefore subject to the dealer or adviser registration requirement under the [Act](#) will generally be fact specific.

7. The Capital Markets Modernization Taskforce (the **Taskforce**) was established by the Government of Ontario in February 2020. On January 22, 2021, the Taskforce published its [final report](#), which acknowledged the importance of capital formation for businesses and included a recommendation that the Commission consider amendments to the current registration requirements that would enable angel investor groups to work with their “accredited investor” members to encourage investments in Ontario early-stage businesses.

8. In order to promote capital formation, the Commission intends to explore a regulatory response to the Taskforce recommendation to modernize securities laws to support early-stage financing of Ontario early-stage businesses by not-for-profit angel investor groups and, in the interim, considers that it would be appropriate to create a time-limited dealer registration exemption for not-for-profit angel investor groups that meet certain conditions.

9. The Commission recognizes the importance of data-driven approaches to support analysis and regulatory decision-making. This Order will require not-for-profit angel investor groups to report on the use of the dealer registration exemption that will in turn provide the Commission with important insights to inform future policy-making.

10. The Commission is making this Order alongside other Commission initiatives aimed at fostering early-stage capital raising for small businesses in Ontario, namely, [Ontario Instrument 32-509 Early-Stage Business Registration Exemption \(Interim Class Order\)](#), [OSC Rule 45-508 Extension to Ontario Instrument 45-507 Self-Certified Investor Prospectus Exemption](#), and [Ontario Instrument 45-509 Report of Distributions under the Self-Certified Investor Prospectus Exemption \(Interim Class Order\)](#).

11. These initiatives are time-limited and are being introduced together through [OSC TestLab](#), a Commission program which uses testing to accelerate the evaluation of capital market innovations and new approaches to regulation to advance responsible innovation in Ontario's capital markets and economic growth for Ontario. Insights from these initiatives will provide valuable input to inform the Commission's efforts to modernize the regulatory environment.

Class Orders under the Securities Act

12. Under subsection 143.11(2) of the [Act](#), if the Commission considers that it would not be prejudicial to the public interest to do so, the Commission may, on application by an interested person or company or on its own initiative, make an order exempting a class of persons or companies, trades, intended trades, securities or derivatives from any requirement of Ontario securities law on such terms or conditions as may be set out in the order, effective for a period of no longer than 18 months after the day on which it comes into force unless extended pursuant to paragraph (b) of subsection 143.11(3) of the [Act](#).

13. The Commission is satisfied that it would not be prejudicial to the public interest to provide, on an interim basis, the exemptions set out below, subject to the conditions of this Order.

Order

Exemption from the Dealer Registration Requirement

14. An angel investor group is exempt from the dealer registration requirement in subsection 25(1) of the [Act](#) when trading in securities issued or proposed to be issued by a Canadian early-stage business if all of the following apply:

- (a) the angel investor group is organized and conducts its activities primarily for not-for-profit purposes;
- (b) the angel investor group operates from Ontario and its head office is located in Ontario;
- (c) the angel investor group has no more than 500 members and each member is an accredited investor or is eligible to be a self-certified investor;
- (d) the angel investor group is not registered under securities legislation in any jurisdiction of Canada or in any foreign jurisdiction;

- (e) the angel investor group deals fairly, honestly and in good faith with its members;
- (f) an individual acting on behalf of the angel investor group deals fairly, honestly, and in good faith with members of the angel investor group;
- (g) the angel investor group engages in one or more of the following activities:
 - (i) identify Canadian early-stage businesses seeking capital to introduce to members, including screening of Canadian early-stage businesses that have applied to be introduced to members;
 - (ii) make available information on Canadian early-stage businesses seeking capital only to its members and the information must be fair, balanced and not misleading;
 - (iii) hold regular meetings for Canadian early-stage businesses to present their business only to its members;
 - (iv) facilitate its members' due diligence in Canadian early-stage businesses introduced by the angel investor group;
 - (v) keep its members up-to-date on Canadian early-stage businesses that were introduced by the angel investor group and that members have invested in;
 - (vi) provide educational resources relating to early-stage investing to its members and early-stage capital raising to Canadian early-stage businesses; and
 - (vii) refer Canadian early-stage businesses to other angel investor groups;
- (h) the angel investor group does not engage in any of the following activities:
 - (i) directly or indirectly, publicly advertise an issuer or a distribution of securities;
 - (ii) introduce a Canadian early-stage business to persons or companies who are not members of the angel investor group;
 - (iii) prepare marketing materials, offering documents or subscription agreements for an issuer;
 - (iv) provide financing strategies or financing support;
 - (v) participate in the negotiations, structuring, documentation or closing of an investment opportunity;

- (vi) pay compensation to any person or company in connection with any investment opportunity or investment in an issuer, other than compensation to directors, officers, employees and independent contractors performing the activities in paragraph (g);
 - (vii) hold, handle or have access to any person's or company's funds or securities other than the angel investor group's funds;
- (i) the angel investor group discloses to members all of the following information prior to relying on the dealer registration exemption set out in this Order, within 10 days of any changes, and at least annually:
 - (i) the mission of the angel investor group, including any geographic boundaries in respect of members and Canadian early-stage businesses and any targeted industries;
 - (ii) the role of the angel investor group in connection with introducing Canadian early-stage businesses to members, including all of the following:
 - 1. how Canadian early-stage businesses are identified by the angel investor group;
 - 2. how information on Canadian early-stage businesses is made available to members;
 - 3. what, if any, assistance is provided by the angel investor group in connection with members' due diligence in an Canadian early-stage business;
 - 4. what, if any, post-investment information is collected by the angel investor group and provided to its members;
 - (iii) the criteria to be a member of the angel investor group; and
 - (iv) all fees and expenses members and Canadian early-stage businesses are required to pay to the angel investor group;
- (j) the angel investor group discloses to its members, annually, financial information relating to the financial position of the angel investor group, including but not limited to revenues earned by the angel investor group by source and the costs of its operations.
- (k) the angel investor group
 - (i) identifies all material conflicts of interest and material conflicts of interest that are reasonably foreseeable between:
 - 1. the angel investor group and its members, and

2. the individuals acting on behalf of the angel investor group and its members;
 - (ii) addresses each material conflict of interest between the angel investor group, including each individual acting on its behalf, and its members in the best interest of its members or avoids the conflict of interest if the material conflict of interest cannot be addressed in the best interest of its members; and
 - (iii) discloses to its members the conflicts of interest that a member would reasonably expect to be informed of;
- (l) the angel investor group has policies and procedures sufficient to provide reasonable assurance that the angel investor group complies with the conditions of this Order and securities legislation;
- (m) the angel investor group limits any transaction-based compensation it receives in connection with an investment between a Canadian early-stage business identified by the angel investor group and its members to a maximum of 5% of the value of the securities invested;
- (n) no director, officer, employee or member of the angel investor group, and no other person or company performing the activities in paragraph (g), receives transaction-based compensation in connection with an investment between a Canadian early-stage business identified by the angel investor group and its members;
- (o) none of the angel investor group, any director, officer, employee of the angel investor group, or any other person or company performing the activities in paragraph (g)
 - (i) is or has been, in Canada or in any foreign jurisdiction, the subject of an order, judgment, decree, sanction, or administrative penalty imposed by, or has entered into a settlement agreement with, a government agency, administrative agency, self-regulatory organization or court in the last 10 years related to a claim based in whole or in part on fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, illegal distributions, failure to disclose material facts or changes, or allegations of similar conduct; and
 - (ii) is or has been a principal of an entity that is or has been subject to an order, judgment, decree, sanction or administrative penalty or a settlement agreement referred to in subparagraph (i) above;
- (p) the angel investor group maintains for a period of seven years from the date a record is created, books and records that accurately record its activities and demonstrate the extent of its compliance with this Order and securities legislation; and

- (q) the angel investor group delivers to the Commission the following information by January 31 of each year:
- (i) in relation to the angel investor group as at December 31 of the prior year,
 - 1. the number of employees, independent contractors and volunteers of the angel investor group;
 - 2. the number of members of the angel investor group;
 - 3. the number of members who are accredited investors;
 - 4. the number of members who are self-certified investors;
 - (ii) in relation to the Canadian early-stage businesses introduced to and funded by members of the angel investor group during the period between January 1 and December 31 of the prior year:
 - 1. the total number of Canadian early-stage businesses funded;
 - 2. the industries of the Canadian early-stage businesses funded;
 - 3. the number of employees and independent contractors of the Canadian early-stage businesses funded;
 - 4. the age of the Canadian early-stage businesses funded;
 - 5. the total dollar amount of the investments made in all Canadian early-stage businesses funded;
 - 6. the total number of members that made investments;
 - (iii) the number of investments exited during the period between January 1 and December 31 of the prior year;
- (r) the angel investor group delivers to the Commission the following:
- (i) prior to relying on the exemption from dealer registration set out in this Order, a [Form 32-508 Angel Investor Group Information Form](#) with Part A and Part C completed by the angel investor group;
 - (ii) no later than 10 days after any change to the information in Part A of the form, a [Form 32-508 Angel Investor Group Information Form](#) with Part A and Part C completed; and
 - (iii) by January 31 of each year,

1. a completed [Form 32-508 Angel Investor Group Information Form](#); and
2. financial information relating to the financial position of the angel investor group.

Effective Date and Term

15. This Order comes into effect on May 9, 2024 and will cease to be effective on October 25, 2025 unless extended by the Commission.

APPENDIX A
FORM 32-508 NOT-FOR-PROFIT ANGEL INVESTOR GROUP INFORMATION FORM

Instructions

- This form is available on the Ontario Securities Commission website, and is to be completed and submitted online.
- This form should be completed in one sitting. There is no ability to save the information entered and return to the form at a future time to complete it.
- Please save a copy of the completed form for your records. You will not be able to access the completed form once submitted. You will need the Submission ID (e.g., AGF1234567890-123) to amend any information.

Type of Filing

	Initial			
	Annual	If this is an annual report, provide the year the activities that are being reported on took place (i.e., the prior year): _____		
	Amendment	If amending a previous report:		
		1. Provide the Submission ID of the report being amended (e.g., AGF1234567890-123):		
		2. Indicate the part of the form being amended:		Part A: Angel Investor Group
				Part B: Annual Information

PART A: ANGEL INVESTOR GROUP

Legal name:
Trade name:
URL:
Head office address
Street address: _____
Municipality: _____ Province: _____ Postal code: _____
Mailing address (if different from head office address)
Street address: _____
Municipality: _____ Province: _____ Postal code: _____

Please provide the following names (as applicable)

CEO/President: _____

Treasurer or CFO: _____

CONTACT PERSON

Name: _____

Position: _____ Telephone number: _____

E-mail address: _____

PART B: ANNUAL INFORMATION

Angel investor group (as of December 31 of the prior year)

Number of employees:	Number of independent contractors ¹ :	Number of volunteers:
_____	_____	_____

Number of members: _____

Number of accredited investor members: _____

Number of self-certified investor members: _____

Canadian early-stage businesses **that applied to the angel investor group or that were identified by the angel investor group** (between January 1 and December 31 of the prior year)

Total number that applied: _____

Total number that were identified by the angel investor group: _____

Total number of that operate from or do business in Ontario: _____

Industries of the Canadian early-stage businesses that applied or were identified (enter the number of businesses for the applicable categories):

Agriculture	_____	Consumer goods	_____
Crypto assets	_____	Energy	_____
Financial services	_____	Healthcare	_____
Information and communications technologies	_____	Life sciences	_____
Manufacturing	_____	Mining	_____
Other (please describe and provide the number of businesses)	_____		

Total number of Canadian early-stage businesses that applied or were identified with:

0 to 5 employees and independent contractors: _____

¹ A self-employed individual who provides goods or services to the entity under a contract with the entity.

6 to 10 employees and independent contractors: _____

11 to 20 employees and independent contractors: _____

21 to 50 employees and independent contractors: _____

51 to 100 employees and independent
contractors: _____

More than 100 employees and independent
contractors: _____

Total number of Canadian early-stage businesses that applied or were identified and
that have been operational for:

0 to less than 1 year: _____

1 to less than 3
years: _____

3 to less than 5
years: _____

5 to 10 years: _____

More than 10 years: _____

Canadian early-stage businesses **introduced to members** (between January 1 and
December 31 of the prior year)

Total number of Canadian early-stage businesses introduced: _____

Total number of Canadian early-stage businesses introduced that operate from or do
business in Ontario: _____

Industries of the Canadian early-stage businesses introduced (enter the number of
businesses for the applicable categories):

Agriculture _____ Consumer goods _____

Crypto assets _____ Energy _____

Financial services _____ Healthcare _____

Information and
communications
technologies _____

Life sciences _____

Manufacturing _____ Mining _____

Other (please describe
and provide the number
of businesses) _____

Total number of Canadian early-stage businesses introduced with:

0 to 5 employees and independent contractors: _____

6 to 10 employees and independent contractors: _____

11 to 20 employees and independent contractors: _____

21 to 50 employees and independent contractors: _____

51 to 100 employees and independent
contractors: _____

More than 100 employees and independent
contractors: _____

Total number of Canadian early-stage businesses introduced that have been
operational for:

0 to less than 1 year: _____

1 to less than 3
years: _____

3 to less than 5
years: _____

5 to 10 years: _____

More than 10 years: _____

Financial information document(s)

Attach the document(s) with the financial information relating to the financial position of the
angel investor group. A maximum of five (5) documents may be uploaded. All such
documents should be unrestricted, in Word, Excel or searchable PDF/A file format:

PART C: CERTIFICATION

By signing below, I, on behalf of the angel investor group, certify to the Ontario Securities
Commission that:

- I have read and understand this form and Ontario Instrument 32-508 *Not-for-profit
Angel Investor Group Registration Exemption (Interim Class Order)*,
- the angel investor group has complied with all of the terms and conditions of the
Instrument, and
- to the best of my knowledge, all of the information provided in this form is true and
complete.

Date (YYYY/MM/DD):

Signature of Individual/Authorized Signing Officer:

Full Name (Print):

Title:

Legal Name of Angel Investor Group:
