



## Unregistered Principal Training Program



# OVERVIEW

- Senior Management
- Belco Dealing Representatives
- Maintaining the Issuer's Registration Exemption (Section 8.5: Trades Through a Registered Dealer)
- Topics that Unregistered Individuals Should Avoid Discussing
- Unregistered Individuals – Discussion Point Examples
- Key Considerations
- Contact Information

# SENIOR MANAGEMENT

## Jonathon Botrie, CFA

President

### Experience

- Vice-President, Head of Operations/Trading and CCO, Crimson Asset Management Inc.
- Vice-President, Head of Operations/Trading and CCO, Timelo Investment Management Inc.
- Investment Analyst and Trader, Sky Investment Counsel Inc.

### Education

- Chartered Financial Analyst (CFA)
- Masters of Business Administration (Investment Management), John Molson School of Business, Concordia University
- Bachelor of Administrative and Commercial Studies, University of Western Ontario

# SENIOR MANAGEMENT

## Karen Luprypa, CFA

Director Of Compliance

### Experience

- CRO & CCO, Prime Quadrant Corp.
- CRO & CCO, Westcourt Capital Corp.

### Education

- Chartered Financial Analyst (CFA)
- Bachelor of Commerce (Finance), University of Manitoba

## AS AN EMD

**Belco must conduct its “registrable activities” through its Dealing Representatives, who are individually registered in the necessary Canadian jurisdiction(s).**

## DEALING REPRESENTATIVES

- Coordinating solicitation activities on behalf of issuers, including the delivery of Term Sheets, Offering Memorandums, and Subscription Agreements.
- Explaining the structure, features, and specific risks of an investment in an issuer to prospective investors.
- Establishing the identity and reputation of prospective investors and collecting prescribed “know-your-client (KYC)” information.
- Determining whether an investment in the issuer is suitable for an investor based on the collected KYC information.
- Taking reasonable steps to keep an investor’s KYC information current and determining the suitability of any subsequent investments that the investor may wish to make in the issuer.

## MAINTAINING THE ISSUER'S "DEALING REGISTRATION EXEMPTION"

- An issuer and its principals will be exempt from the obligation to register as a dealer under Canadian securities laws if trades in securities of an issuer are made through a registered dealer (e.g., Belco).
- This dealer registration exemption will not apply if, in furtherance of a trade, the issuer or its principals solicit or contact directly any purchaser or prospective purchaser.
- The purpose of this training is to provide unregistered principals of an issuer guidance with their interactions with prospective and existing investors, to minimize the risk of losing the dealer registration exemption during these interactions.

## MAINTAINING THE ISSUER'S "DEALING REGISTRATION EXEMPTION"

**Staff of the Canadian Securities Administrators, including Staff of the Ontario Securities Commission, exercise factual discretion in determining what constitutes solicitation activities. As a result, unregistered individuals should err on the side of caution when interacting with prospective and existing investors.**



## TOPICS THAT AN UNREGISTERED INDIVIDUAL SHOULD AVOID DISCUSSING

### Specific Investment KYP Information

When talking with an individual, unregistered principals should avoid discussing the specifics of an investment in the issuer. By way of example, unregistered principals should not discuss the following...

- The specific terms of an investment in an issuer such as any lock-up periods, the risk/return profile, the liquidity of the investment, redemption features, fees, other detailed features of the investment, and comparisons to other similar-type investments that may be available in the market.

# TOPICS THAT AN UNREGISTERED INDIVIDUAL SHOULD AVOID DISCUSSING

## KYC Information

Unregistered principals should not contextualize their discussions to the specific circumstances of any individual. By way of example, unregistered principals should not discuss the following...

- An individual's investment needs, objectives, or time-horizons for investments.
  - If an unregistered principal finds themselves in a conversation with a potential investor, the principal should not say "given where you are in your life, our company is a good investment for you". Instead, the unregistered principal should speak on the merits of the business/issuer and say to the potential investor "we have retained an exempt market dealer to qualify investors who are interested in investing in our company".

## TOPICS THAT AN UNREGISTERED INDIVIDUAL SHOULD AVOID DISCUSSING

### KYC Information

- An individual's financial circumstances, including net worth, current investment holdings, employment status, or status as an accredited investor.
- An individual's risk tolerance for various types of investments or investment knowledge.

**KYC information must only be obtained from an investor by a registered Dealing Representative.**

## TOPICS THAT AN UNREGISTERED INDIVIDUAL SHOULD AVOID DISCUSSING

### Determining the “Suitability” of an Investment

Only registered Dealing Representatives may determine whether an investment in an issuer is “suitable” for an investor. Accordingly, unregistered individuals should avoid...

- Making a recommendation as to whether an investor should invest in the issuer or not.
- Stating that an investment in the issuer is “suitable” for an individual with regards to the individual’s investment needs, objectives, or time-horizon for investments.
- Accepting instructions from an individual to buy or sell securities of an issuer.

## TOPICS THAT AN UNREGISTERED INDIVIDUAL SHOULD AVOID DISCUSSING

### Determining the “Suitability” of an Investment

Only registered Dealing Representatives may discuss and determine that an investment is “suitable” for an individual and/or recommend the investment to an individual. It is critical to demonstrate that an individual could not have made an investment decision based on discussions with the issuer’s unregistered principals.

## UNREGISTERED INDIVIDUALS – DISCUSSION POINT EXAMPLES

An unregistered principal is not permitted to “solicit” individuals for investment. Solicitation must always be conducted by registered individuals. Accordingly, in discussions with a prospective or existing investor, principals should not provide them with the ability to make an informed decision in respect to an initial or further investment in the issuer.

Unregistered individuals should limit discussions with prospective or existing investors to topics such as...

- An overview of the history of the issuer and its track record of growth and development.
- A description of the issuer’s current business and business plans, as well as its projected plans.
- The issuer’s intent with respect to the “use of proceeds” raised in any offering of the issuer’s securities (e.g., what the issuer currently intends to do with any investor capital that is raised)

## UNREGISTERED INDIVIDUALS – DISCUSSION POINT EXAMPLES

Unregistered individuals should limit discussions with prospective or existing investors to topics such as...

- Information regarding the issuer's directors, management, and key employees, including their experience.
- Information regarding the issuer's current ownership, corporate structure, and organizational structure.
- A description of the issuer's key products and/or services.
- An overview of the issuer's management, clients, partners, service providers, and competitors.
- Information regarding the issuer's background, history, and how the issuer conducts its operations.
- General industry information and trends.

## UNREGISTERED INDIVIDUALS – DISCUSSION POINT EXAMPLES

We advise against a non-registered individual providing prospective investors with the issuer's financial statements, pro-forma financial information, financial projections, or similar information. Once a prospective investor has had discussions with the Dealing Representative, the Dealing Representative may direct the investor back to the principals of the issuer, who may then answer operational or industry-specific questions.

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We believe that the issuer and its principals may provide existing investors with the financial statements and other information they are entitled to receive in their capacity as existing investors of the issuer. However, documentation that provides existing investors with information regarding future investment opportunities should be delivered by a Dealing Representative or with a Dealing Representative copied on the communication (if the communication is not made by the Dealing Representative directly). This would include Term Sheets, Offering Memorandums, and Subscription Agreements, as well as any other documentation that may be delivered to assist them into making an investment decision.



## KEY CONSIDERATIONS

It is best practice for principals of an issuer to involve the Dealing Representative as much as reasonably possible in any interaction with prospective or existing investors who may want to increase their investment. Even copying the Dealing Representative on emails regarding non-registrable topics is recommended as it familiarizes the investor with the Dealing Representative.

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Principals should make the Dealing Representative aware of any prospective investor correspondence.

## KEY CONSIDERATIONS

It is important that prospective and existing investors understand the role of the Belco Dealing Representative. Principals should have this goal in mind when interacting with prospective and existing investors.

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Principals should take advantage of opportunities to inform prospective and existing investors about the role that Belco plays in the investment process and the function of the Dealing Representative.

## KEY CONSIDERATIONS

Try to make the Dealing Representative the main point of contact for inbound calls from prospective and/or existing investors. In order to do so, some of the steps below may be implemented...

- Updating presentation material with the Dealing Representative's contact information
- Introducing the Dealing Representative to the investor base through monthly/quarterly newsletters
- Prominently displaying the Dealing Representative's contact information on the issuer's website
- Educating other staff members of the Dealing Representative role and explaining that staff should point any investor/prospect inquires to the Dealing Representative
- The Dealing Representative should have access to the investor/prospect general question email inbox if one exists
- Email notice to prospects/investors outlining the role of the principals and Dealing Representative

## KEY CONSIDERATIONS

**Principals should avoid speaking about specific features of the issuer, such as risk profile, redemption features, and fees. These topics are better handled by the registered Dealing Representative.**

## CONTACT INFORMATION

For more information, please contact:

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