



## Finhaven Private Markets

### ISSUER INFORMATION AND REQUIREMENTS

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## ISSUER INFORMATION AND REQUIREMENTS

### IS FINHAVEN PRIVATE MARKETS RIGHT FOR YOUR BUSINESS?

**Finhaven Private Markets** offers capital raising services on Finhaven Investment Platform (the Platform). Our services are right for a non-reporting issuer from the tech, biotech, clean energy, health care, real estate, or sports and entertainment industries.

**You are looking for access** to experienced and knowledgeable accredited investors willing to provide capital for your growth journey. You are not a start up and you are likely well into operating territory, looking for scale and new markets for your products and services. You may want to grow your business so that it is a candidate for an initial public offering.

**Finhaven Capital Inc.** operates Finhaven Private Markets. We are a registered exempt market dealer from BC to Québec, serving accredited investor clients who want access to a curated selection of non-reporting issuers poised for growth. The investors understand that investing in your securities is risky and they could lose all their money. They also understand how to conduct their own due diligence about your business and your people. They are comfortable making investment decisions without live advice. They agree that our proprietary automated suitability algorithm will prevent them from creating concentration risk in their overall portfolios.

These experienced and knowledgeable investors also expect regular, meaningful, compliant communication from the issuers they support.

If you are selected for access to the Platform after undergoing a thorough due diligence process and your governing documents allow it, you can raise capital by distributing digital securities (also known as security tokens) through the Platform. Your offering will be available for review to every Finhaven Capital investor client, all of whom are pre-qualified for purchases under the accredited investor prospectus exemption.

Before you are granted access to the Platform, you must agree to comply with securities laws when distributing digital securities on the Platform and to complying with the requirements described in your Issuer Client Agreement (summarized here) and any additional requirements set out here in this Issuer Information.

### WE ARE REGULATED

Our business and our technology are unique. As a result, while we are a registered exempt market dealer from BC to Québec (with our Principal Regulator being the British Columbia Securities Commission), we operate in an environment created by the Canadian Securities Administrators called the Regulatory Sandbox.

Tailored terms and conditions for both our exempt market dealer business and operating the Platform have been imposed on us to address the unique elements, including risk elements, of our business. This allows us to grow in a controlled environment and allows us, and our regulators, to closely observe how the business functions in this environment. The Sandbox environment is currently set to expire on

December 31, 2022; the intention is that we would graduate from the Sandbox into a permanent regulatory environment at that time.

Key elements of our terms and conditions of interest to issuers are that we are limited to onboarding 10 issuers in each of 2020, 2021, and 2022. In addition, we are limited to onboarding 5,000 investors in each of 2020, 2021, and 2022.

You can read about all the terms and conditions we must meet here:

### **Terms and Conditions for Finhaven Capital Registration**

<https://www.finhaven.ca/T&C for Finhaven Capital Registration.pdf>

### **Platform Terms and Conditions**

<https://www.finhaven.ca/Platform Terms & Conditions.pdf>

Our policies and procedures are informed by the constructive dialogue we had with our regulators before being granted our registration and authorization.

## **ACCESS TO THE PLATFORM**

Before you can raise capital on the Platform, you must go through two distinct phases of cooperative work with us.

### ***Stage 1 – Letter of Engagement and Due Diligence***

As an issuer candidate for the Platform, you can take one of two routes.

1. You can engage our corporate finance advisory services to assist you with your strategy, with the end goal of issuing digital securities on the Platform. (By the way, you can also engage our corporate finance advisory services without intending to distribute securities on the Platform!) If you choose this route, we will negotiate an appropriate fee with you for the advisory services separate from the due diligence review. The fee schedule is set out later in this document.
2. You can simply agree to undergo our due diligence process, again with the goal of issuing digital securities on the Platform.

If you are approved for onboarding, you will move onto stage 2.

### ***Stage 2 – Onboarding to the Platform***

At this stage, you must agree to the terms and conditions of our Issuer Client (Services and Platform) Agreement, before our tech team can begin the work of onboarding you to the Platform, providing you with your issuer dashboard, programming your digital securities, providing what you need to distribute securities, and setting up your cap table and corporate action required functionality.

## WE MANAGE OUR CONFLICTS.

No issuer related or connected to Finhaven Capital Inc. is eligible to distribute digital securities on the Platform. And to inject independent judgement into the due diligence review process, our Independent Advisory Board considers the staff's preliminary and detailed due diligence results against two standards:

- Is there evidence of or the potential for an actual conflict between our desire to accept issuers to the Platform and our duty to investor clients to ensure only suitable investment opportunities are presented to them?
- Is staff's assessment and recommendation consistent with our Issuer and Product Due Diligence Policy?

You should also know that we do not allow our own people (directors, officers, employees, contractors, significant (10% or more) shareholders – in either Finhaven Capital Inc., or its parent Finhaven Technology Inc., or its sister, Finhaven Asia) to open accounts. Nor can they nominate someone else to do it. Neither can members of their households open accounts or nominate others to hold one for them.

We don't let our interests come into play when we are looking after yours.

## CORPORATE FINANCE ADVISORY SERVICES

You may decide to retain us to assist you with your corporate finance strategy and implementation plan. We offer the services listed below. If you do not require these services, you can begin the application process by entering directly into the pre-approval due diligence process.

- Assistance with financial structuring, financing plans, form of documents, and details on the issuance, trading, and distribution of digital securities.
- Advice about potential issues relating to digital securities structuring, capital raising, and the valuation of your business.
- Assistance in assessing strategic options and potential economic outcomes available to your business.
- Review and analysis of public and confidential financial and operating information, management prepared forecasts, and sensitivity analyses relating to your business and a financing as you consider appropriate.
- Assistance with activities necessary to prepare your business for marketing and for approval by management and the board of directors (or the functional equivalent).
- Assistance in negotiating all aspects of a financing, including the form, structure, terms, and price.
- Assistance in preparing financing materials, on the understanding that you are solely responsible for those materials and that we do not and cannot provide legal advice or take on your responsibilities as an issuer.
- If you are not retaining us with the end goal of distributing digital securities on the Platform, but making a distribution in another fashion, assistance with due diligence requirements in coordination with your legal and other advisors.

- Assistance in the execution of an overall process that is in your best interests.

## DUE DILIGENCE POLICY AND PROCEDURES

Our due diligence policies and procedures are summarized here, so that you can know what to expect when you engage us.

When, in the assessment of our corporate finance staff, enough information is known about your business to warrant a preliminary review by the Independent Advisory Board and the full Due Diligence Team (which includes the CEO, the Chief Compliance Officer, the Director, Investment Banking, and the corporate finance staff members who have been reviewing your information), the Advisory Board considers the known information to consider whether staff should continue to put time and effort into a detailed due diligence process. The Advisory Board members may require that staff gather specific information during detailed due diligence that is relevant for your business, or it may require staff to discontinue the due diligence process.

When all the due diligence information is gathered, and assuming it has not surfaced any issue inconsistent with our standards for Finhaven Private Markets issuers, staff will recommend that your business be accepted onto the Platform, providing the results of the due diligence process and the rationale for their recommendation. The Independent Advisory Board will consider that recommendation and make an independent assessment about whether your business ought to be onboarded, considering our eligibility criteria, your risk profile and our risk appetite, and the interests of our investor client community.

**We seek out high-growth businesses.** You should be financing your business at the Series A stage or beyond. We will not review an issuer that is a start-up or a resource issuer at the prospecting stage. These are the minimum criteria you must demonstrate to be considered, and the preliminary due diligence stage is designed to verify your eligibility.

**We ask for information that helps us answer these questions.** Do you have the potential to develop into a large business with social, economic, or environmental benefits likely to generate a strong market demand, appealing to the Platform's investor community? Does your board and management team have a successful capital raising record? Do you have a current proposal for capital raising? Are you seeking financing between \$10 and \$20 million (CAD)?

**Threshold:** We won't accept proposals for less than \$2 million (CAD).

Are your key people suitable, and not objectionable, for their roles? This includes any founders who are still active in your business, directors, and executive officers. We will ask your key people to consent to us submitting their full legal names, dates of birth, and countries of residence to our third-party service provider for comparison to their databases, which include information about sanctioned persons, politically exposed persons and their associates, beneficial ownership of businesses, state-owned and funded entities, media reports, law enforcement and disciplinary decisions. This information is critical for us to know we are not providing access to an issuer that presents unnecessary risk to our investor community and Canadian capital markets.

We will also ask your people to provide full resumés detailing their education and experience, provide references we can check, declare any regulatory licenses they hold or have held and consent to a check of those regulators' data, and a credit check. We will ask them, as well, to certify that they have not been a director or executive officer of an entity that, in civil or criminal proceedings, was ever alleged to have engaged in market misconduct, fraud, or bad faith dealings.

**Test:** We won't accept an issuer for onboarding if any of its key people has:

- a criminal, regulatory, or civil proceedings finding of fraud or bad faith
- engaged in gross negligence in running a business
- has been dishonest in a material way
- is a current or recently discharged bankrupt or has been mind or management of a business that is currently bankrupt or has been recently discharged

**We review the documents under which you are organized.** You must provide evidence of your incorporation or other form of organization, together with your articles (or functional equivalent).

**We request and consider information about your corporate governance.** Our issuers must have a demonstrated track record of corporate governance practices appropriate to a private issuer. You must have at least one independent director.

**We will consider your risk profile.** We will ask for relevant documents that will help us understand how well you know your risks and how you manage them. We will also consider, independently of your documents, objective information about your industry, sector, political environment, market, and other factors affecting the risk environment you operate in.

**Additional requirements if you are based outside Canada.** You must meet the basic eligibility requirements and:

- have at least one director who is resident in Canada and either holds an ICD (Institute of Corporate Directors) designation or can demonstrate at least 3 years' experience as a director for a for-profit entity that, itself, has demonstrated record of being soundly managed
- provide information about and evidence of your constating documents, your standing in your jurisdiction of organization, your articles of incorporation, your head office, and the jurisdictions in which you operate
- provide clear evidence about how you will comply with your local jurisdiction's requirements for offering digital securities to investors from BC to Québec
- agree that purchasers of your digital securities will receive an additional risk warning that if they wish to bring a claim against you, there may not be a remedy for a Canadian resident investor or, if there is, it may be difficult and costly to avail themselves of that remedy
- agree to attorn to the jurisdiction of each province in which you offer digital securities and appoint an agent for service in that province

**We strike a cross-disciplinary team of professionals appropriate to assess your business.** The team we assemble to conduct detailed due diligence will include corporate finance staff, legal counsel (if necessary), industry experts (if we require additional expertise), and local professionals from your jurisdiction if we are not familiar with standards and markets there. We will visit (or will engage local representatives to visit) your head office and main operational sites. We will question your management team, your auditors, and your legal counsel (if necessary) to arrive at a better understanding of your business. We need to understand your business and the key internal and external factors affecting it.

When we have finished gathering documentary and verbal information, and we've made our own observations, we will assess and verify key information found in your:

- business plan and budget projections, considering your strategy and your competitive environment
- operational data
- material contracts, litigation documents, regulatory correspondence, and other key documents

**We will identify “red flags” that indicate your business should not be onboarded.** These include, but are not limited to:

- incomplete or evasive responses to our questions
- material internal disputes during the last 24 months
- the business or its people have been the subject of criminal, regulatory, disciplinary, or civil proceedings alleging fraud, market misconduct, or bad faith
- requested information is not provided at all
- undue delay or failure to facilitate a site visit
- inconsistencies in key information

**We will consider whether the digital securities you propose to distribute are appropriate for our investor clients.** Our product due diligence review will result in a summary for investor clients describing the nature of your security, restrictions on trading after purchased, risk associated with the product (relating to you, the issuer, and to your competitive environment, your sector, your geo-political circumstances, and other relevant factors), and who the investment is suitable for. We will only approve your digital securities for distribution if we conclude that they have a reasonable prospect of meeting the investment objectives of and are suitable for our community of accredited investor clients.

Products that might meet these standards include common shares, preferred shares, convertible bonds, convertible preferred shares, and corporate bonds. We are open to discussing other types of investment contracts as well. However, we will not approve digital securities that are highly speculative, like seed-round financing for a start-up, derivatives, or leveraged instruments. These are not suitable for our community of accredited investors and will be rejected.

**We must have assurance that the digital securities you propose to distribute will be well founded in law.** You must represent and warrant that you have authority and power to issue a security in digital

form. This means that your constating documents and the law governing your organization must accommodate securities issuance in digital form. You must agree, as well, that we will program each class of digital securities you issue on the Platform to include the security's terms and restrictions, including any requirement that you pre-approve a purchase when investors trade your digital securities on a secondary trade.

**We will keep accurate records.** We will document our due diligence review process thoroughly and accurately and will keep a record of our work for seven years.

**Our standards for access to the Platform are fair and do not create unreasonable discrimination among issuers (or investors).** We post the standards for issuer (and investor) access to our Platform on our website so that how you will be assessed is transparent. The due diligence process is a key component of investor protection, as we must "know our products" before we can recommend that an investor client purchase it. Our independent Advisory Board provides objectivity for the final decision about whether to accept you as an issuer on the Platform or not. These checks and balances create an environment in which you will not face unreasonable discrimination.

**Due diligence results will be reviewed by our Independent Advisory Board.** The Advisory Board ensures that information outstanding at the preliminary due diligence stage has been gathered for their consideration and that they are satisfied they have all the information they need. The Board considers your information against the standards set out above and considers whether onboarding your business might create an appearance of or an actual conflict between your interests and our own, and the interests of our investor clients.

**We will communicate our decision and the reason for it to you.** If you have not been approved for the Platform, we will provide you with that decision, and its reasons, in writing (unless we are prohibited, by law, from communicating that information to you). There is no appeal from our decision.

## ONBOARDING TO THE PLATFORM

**We will ask you to sign our Issuer Client (Services and Platform) Agreement.** This agreement sets out the process for getting your business set up on the Platform. Key services we provide include:

- issuer dashboard, where your offering documents will be stored and from which you will access your cap table information
- an email-based process for you to digitally sign subscription agreements that have been delivered to you
- issuer digital data room, where you must post your offering documents and our summary of the specific risks related to your digital securities (required for our investor clients' review); after you close your offering, you must post your audited annual financial statements, your quarterly management updates, and material information news there as well
- issuer communications facility, for announcing closings and corporate actions
- ongoing technical support

- ongoing assistance with implementing a corporate action or a change request

The agreement covers our expectations of how each of us will keep the others' information confidential and sets out protections of our intellectual property rights. Additional elements of the agreement are described below.

**We will actively prevent conflicts.** Your directors, officers, and employees, and members of their households, or nominees or any of them, may not trade digital securities issued by your business without first getting our prior approval. You must provide us with a list of these individuals at onboarding and you must provide us with updates to that list as it changes. In turn, we program those names into the Platform so that a trade by one of these individuals is automatically blocked until we approve it (within three business days).

Our approval for one of these individuals will depend on our assessment about whether a proposed trade is fair to our other investors or presents a conflict of interest that must be avoided.

Our decision cannot be appealed.

**Activating your issuer dashboard.** When your organization's application is approved, your authorized representative will receive an email with instructions telling you how to navigate to the Platform to login. Once you login, you will click on "Set up my issuer account". This will take you to another page called "Issuer Account Generation". Here, your authorized rep will click on "Download my issuer account key". This will generate and download onto that individual's computing device the randomly generated, unique Secret Key for your issuer account. At that point, your authorized rep will copy the Secret Key, navigate back to the Platform, and paste it into the Secret Key field, clicking on "Verify Secret Key". A pop-up request to set that individual's PIN will appear; it will have to be entered twice. When your authorized rep clicks "Next", they should receive a message indicating the issuer account generation has been successful. This process will load the Secret Key into the authorized rep's browser's cache in encrypted form, protected by their PIN. The authorized rep will receive a message encouraging them to print out the PDF file and store it.

Your authorized representative must save your Private Key and PIN information securely, so that it cannot fall into anyone else's hands without your express authorization. You can print this information out and lock it in a fireproof cabinet, for example, or put it into a safety deposit box at the bank. It is critical that you take the strongest possible security measures to protect yourself from the risks of theft or loss.

Your private key and PIN allow us to verify that it is you requesting a withdrawal of your capital after a capital raise or initiating a corporate action.

**Programming your digital securities.** It is critical that you provide us with all information necessary to ensure your digital securities comply with the law of your home jurisdiction, the laws of the jurisdictions into which you are offering your digital securities, and your constating documents. In addition, you must provide us with a legal opinion from a qualified legal practitioner confirming that a digital securities is a legal form of security and that it can be validly transferred.

**Programming your subscription agreement.** You must cooperate with us to program your subscription agreement, so that when an investor initiates the subscription agreement process, it will present as intended to the investor and allow the investor to sign and initial in required places (for example, the Risk Acknowledgement).

**Fees.** We will charge you:

- A set-up fee (between \$10-\$50K USD)
- An annual maintenance fee (between \$10-\$50K USD)
- A corporate finance fee (up to 6% of total capital raised)

**You are responsible for regulatory filings related to a distribution.** We will not prepare or file these documents for you, including, but not limited to, offering memoranda and exempt distribution reports.

**You must comply with corporate and securities law requirements.** We provide technology that supports your corporate actions, whether it is distributing digital securities, updating your security holder register, distributing a dividend, or complying with proxy voting requirements. You must ensure all related requirements are met and agree that we are not responsible for your compliance. Your ability to continue to access the Platform and its services depends on this compliance.

**You must provide ongoing information to your digital data room.** Our community of investors expects regular, meaningful communication from Platform issuers. When you agree to become a Platform issuer, you agree to post these materials in your digital data room:

- within 120 days of your fiscal year end, audited annual financial statements prepared in accordance with the accounting and auditing standards in your home jurisdiction;
- within 45 days of a quarter's end, a management update in writing, or by audio or video file; and
- information about a material change promptly after you have sufficient information to communicate clearly what the change is, in writing or by audio or video file.

**Your ongoing information and communications must comply with securities laws.** You are responsible for your communications being compliant with applicable securities laws. These may include, but are not limited to, prohibitions against making a misrepresentation, restrictions on promotional activity, and standards for forward-looking information. The term "material change" has the same meaning as in securities law.

**You must keep us continually updated with changing information about your directors, officers, employees and members of their households.** Prohibiting these individuals from trading without prior approval from us is a critical tool in our efforts to prevent trading behaviour that looks like illegal insider trading, tipping and recommending, or frontrunning. It is a material term of your contract with us that you give us this information when we onboard you and every time new information develops.

**You must tell us when additional individuals might have material information that is not yet generally disclosed.** If you and another non-reporting issuer are discussing a possible merger or acquisition, and your discussions have progressed to the point of exchanging non-disclosure agreements so that you can share confidential information with each other, you must provide us with a list of that other party's insiders and persons in a special relationship with it (as defined in securities law), as well as individuals in those persons' households. If any of those individuals is a Finhaven Private Markets investor client, we will apply the same requirement for our prior approval for any proposed trade in your issuer's securities as we apply to your own people. This allows us to prevent trading that mimics illegal insider trading, tipping and recommending, or frontrunning. The requirement for our prior approval expires either three days after you inform us that discussions have discontinued or three days after a deal between you and the other party is announced.

**We employ an ongoing due diligence program.** You must agree to provide information we need to ensure, on an ongoing basis, that your digital securities are appropriate for the class of investors who have accounts. We have an ongoing obligation to our investor clients to keep our product knowledge current so that we can fulfil our obligation to them to recommend only suitable investments.

**If you breach securities laws or a material term of your agreement with us, there are consequences.** We reserve the right to withdraw the privilege of distributing digital securities on the Platform and may require you to leave the Platform entirely. If we require you to leave, we will halt secondary trading in your digital securities, advise investor clients that their investments will be converted to certificated securities, and begin that process. You must cooperate with the conversion process.

We also reserve the right to withhold approval for a further distribution of digital securities on the Platform.

If you are late posting your annual audited financial statement or quarterly management updates to your issuer digital data room, we will halt secondary trading in your digital securities until that information is provided. Our investor clients expect current information to be available to form part of their assessment about whether to buy, hold, or sell your digital securities.

In addition, we may report any information we have indicating a breach of securities laws to the relevant securities and law enforcement authorities, as appropriate.

**If you leave the Platform or if we wind down our business, you must convert digital securities you distributed to certificated securities.** This is a key term of our agreement with you. There must be a means for investors to continue to hold their investments in your business, even if we require you to leave or we go out of business ourselves.