

# THE RISKS OF START-UP CROWDFUNDING

Participating in start-up crowdfunding is a great way to support a new business venture. Before you get involved, make sure you understand the risks:

## 4 RISKS OF INVESTING

1

### MANY START-UPS FAIL

Statistically speaking, a high percentage of start-up businesses fail. If your risk tolerance is low, start-up crowdfunding may not be for you.

2

### RETURNS ARE UNCERTAIN

Getting a return on your investment depends on many factors beyond your control and the business's control. Only invest what you can afford to lose.

3

### RESELLING MAY BE DIFFICULT

You may have to hold onto your securities for a long time, or you may not be able to resell them at all. If you're looking for a quick turnaround, start-up crowdfunding may not be for you.

4

### BEWARE OF FRAUDSTERS

As the popularity of crowdfunding increases, so does the risk of fraud. If you have questions about the legitimacy of an investment opportunity, contact your provincial securities regulator.



## HOW TO PROTECT YOURSELF

### Find a funding portal.

There are two types of funding portals: registered portals, which offer investment advice, and unregistered portals, which do not. Ask your provincial securities regulator about funding portals in your area.

### Review the offering document.

An offering document contains basic information about the business, its activities, its officers, its financial condition, the amount it wants to raise, the investment, how the money raised will be used, and the risks associated with investing.

### Do your homework.

Use the Internet to research information on the business, the industry, the people managing the business and the viability of its business plan.

## WHAT TO LOOK FOR IN AN OFFERING DOCUMENT

A good offering document will tell you how the start-up plans to grow its business and make money. Here are some of the things that you may want to consider:

- Can I receive any income from the eligible securities?
- Can the business sell new shares and reduce my percentage ownership?
- Am I buying voting or non-voting shares?
- Will the business repurchase my shares after a set number of years?

## CHANGING YOUR MIND

Once you've committed to purchasing securities, you'll have two opportunities to change your mind:



### WITHIN 48 HOURS OF SUBSCRIPTION

You can withdraw your money if you no longer wish to invest.



### IF THE OFFERING DOCUMENT CHANGES

If the funding portal tells you that the offering document has changed, you'll have 48 hours to withdraw your investment if you choose to.

For more information on start-up crowdfunding and how to manage the risks, contact your provincial securities regulator.

**British Columbia**  
bcsc.bc.ca

**Manitoba**  
mbsecurities.ca

**New Brunswick**  
fcnbc.ca

**Nova Scotia**  
nssc.novascotia.ca

**Québec**  
lautorite.qc.ca

**Saskatchewan**  
fcaa.gov.sk.ca

## CHOOSE AN INVESTMENT OPPORTUNITY THAT WORKS FOR YOU.

Know the risks and rewards before you invest. There are lots of ways to participate in crowdfunding. Check out our infographic "Types of Crowdfunding" to learn more.