

*Note: [21 Nov 2022] - The following is a consolidation of NI 45-106. It incorporates the amendments to this document that came into effect on January 1, 2011, June 30, 2011, May 31, 2013, September 22, 2014, May 5, 2015, November 17, 2015, December 8, 2015, April 30, 2016, June 30, 2016, June 12, 2018, October 5, 2018, March 1, 2021, January 5, 2022, November 21, 2022, local amendments in Ontario as described in CSA Notice 11-330, local amendments in New Brunswick as described in CSA Notice 11-334 and local amendments in Nunavut and New Brunswick as described in CSA Staff Notice 11-335. This consolidation is provided for your convenience and should not be relied on as authoritative.*

## **NATIONAL INSTRUMENT 45-106 PROSPECTUS EXEMPTIONS**

*Text boxes in this Instrument located above sections 2.1 to 2.5, 2.7 to 2.21, 2.24, 2.26, 2.27, and 2.30 to 2.43 refer to National Instrument 45-102 Resale of Securities. These text boxes do not form part of this Instrument.*

*Text boxes in this Instrument located below sections 2.34, 2.36, 2.37, and 2.41 refer to the Securities Act (Ontario). These text boxes do not form part of this Instrument.*

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**NATIONAL INSTRUMENT 45-106**  
***PROSPECTUS EXEMPTIONS***

**PART 1 DEFINITIONS AND INTERPRETATION**

**Definitions**

**1.1 In this Instrument**

**“accredited investor”** means

- (a) except in Ontario, a Canadian financial institution, or a Schedule III bank,
- (b) except in Ontario, the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada),
- (c) except in Ontario, a subsidiary of any person referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary,
- (d) except in Ontario, a person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer,
- (e) an individual registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (d),
- (e.1) an individual formerly registered under the securities legislation of a jurisdiction of Canada, other than an individual formerly registered solely as a representative of a limited market dealer under one or both of the *Securities Act* (Ontario) or the *Securities Act* (Newfoundland and Labrador),
- (f) except in Ontario, the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly owned entity of the Government of Canada or a jurisdiction of Canada,
- (g) except in Ontario, a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec,
- (h) except in Ontario, any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government,
- (i) except in Ontario, a pension fund that is regulated by the Office of the Superintendent of Financial Institutions (Canada), a pension commission or similar regulatory authority of a jurisdiction of Canada,

- (j) an individual who, either alone or with a spouse, beneficially owns financial assets having an aggregate realizable value that, before taxes but net of any related liabilities, exceeds \$1 000 000,
- (j.1) an individual who beneficially owns financial assets having an aggregate realizable value that, before taxes but net of any related liabilities, exceeds \$5 000 000,
- (k) an individual whose net income before taxes exceeded \$200 000 in each of the 2 most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300 000 in each of the 2 most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year,
- (l) an individual who, either alone or with a spouse, has net assets of at least \$5 000 000,
- (m) a person, other than an individual or investment fund, that has net assets of at least \$5 000 000 as shown on its most recently prepared financial statements,
- (n) an investment fund that distributes or has distributed its securities only to
  - (i) a person that is or was an accredited investor at the time of the distribution,
  - (ii) a person that acquires or acquired securities in the circumstances referred to in sections 2.10 [*Minimum amount investment*], or 2.19 [*Additional investment in investment funds*], or
  - (iii) a person described in paragraph (i) or (ii) that acquires or acquired securities under section 2.18 [*Investment fund reinvestment*],
- (o) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in Québec, the securities regulatory authority, has issued a receipt,
- (p) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be,
- (q) a person acting on behalf of a fully managed account managed by that person, if that person is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction,

- (r) a registered charity under the *Income Tax Act* (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded,
- (s) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (d) or paragraph (i) in form and function,
- (t) a person in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are persons that are accredited investors,
- (u) an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser,
- (v) a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Québec, the regulator as an accredited investor; or
- (w) a trust established by an accredited investor for the benefit of the accredited investor's family members of which a majority of the trustees are accredited investors and all of the beneficiaries are the accredited investor's spouse, a former spouse of the accredited investor or a parent, grandparent, brother, sister, child or grandchild of that accredited investor, of that accredited investor's spouse or of that accredited investor's former spouse;

**In Ontario, paragraphs (a) to (h) of subsection 73.3(1) of the *Securities Act* (Ontario) correspond to paragraphs (a) to (d) and paragraphs (f) to (i) of the definition of “accredited investor” in section 1.1 of this Instrument.**

“**acquisition date**” has the same meaning as in the issuer’s GAAP;

“**AIF**” means

- (a) an AIF as defined in National Instrument 51-102 *Continuous Disclosure Obligations*,
- (b) a prospectus filed in a jurisdiction, other than a prospectus filed under a CPC instrument, if the issuer has not filed or been required to file an AIF or annual financial statements under National Instrument 51-102 *Continuous Disclosure Obligations*, or
- (c) a QT circular if the issuer has not filed or been required to file annual financial statements under National Instrument 51-102 *Continuous Disclosure Obligations*, subsequent to filing a QT circular;

**“asset pool”** means a pool of cash-flow generating assets in which an issuer of a securitized product has a direct or indirect ownership or security interest;

**“asset transaction”** means a transaction or series of transactions in which a conduit acquires a direct or indirect ownership or security interest in an asset pool in connection with issuing a short-term securitized product;

**“bank”** means a bank named in Schedule I or II of the *Bank Act* (Canada);

**“Canadian financial institution”** means

- (a) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act, or
- (b) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;

**“conduit”** means an issuer of a short-term securitized product

- (a) created to conduct one or more asset transactions, and
- (b) in respect of which it is reasonable for the issuer to expect that, in the event of a bankruptcy or insolvency proceeding under the *Bankruptcy and Insolvency Act* (Canada), the *Companies Creditors’ Arrangement Act* (Canada) or a proceeding under similar legislation in Canada, a jurisdiction of Canada or a foreign jurisdiction,
  - (i) none of the assets in an asset pool of the issuer in which the issuer has an ownership interest will be consolidated with the assets of a third party that transferred or participated in the transfer of assets to the issuer prior to satisfaction in full of all securitized products that are backed in whole or in part by the assets transferred by the third party, or
  - (ii) for the assets in an asset pool of the issuer in which the issuer has a security interest, the issuer will realize against the assets in that asset pool in priority to the claims of other persons;

**“CPC instrument”** means a rule, regulation or policy of the TSX Venture Exchange Inc. that applies only to capital pool companies, and, in Québec, includes Policy Statement 41-601Q, Capital Pool Companies;

**“credit enhancement”** means a method used to reduce the credit risk of a series or class of securitized product;



**“debt security”** means any bond, debenture, note or similar instrument representing indebtedness, whether secured or unsecured;

**“designated rating”** has the same meaning as in National Instrument 81-102 *Investment Funds*;

**“designated rating organization”** has the same meaning as in National Instrument 44-101 *Short Form Prospectus Distributions*;

**“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;

**“DRO affiliate”** has the same meaning as in section 1 of National Instrument 25-101 *Designated Rating Organizations*;

**“eligibility adviser”** means

- (a) a person that is registered as an investment dealer and authorized to give advice with respect to the type of security being distributed, and
- (b) in Manitoba, also means a lawyer who is a practicing member in good standing with a law society of a jurisdiction of Canada or a public accountant who is a member in good standing of an institute or association of chartered accountants, certified general accountants or certified management accountants in a jurisdiction of Canada provided that the lawyer or public accountant must not
  - (i) have a professional, business or personal relationship with the issuer, or any of its directors, executive officers, founders, or control persons, and
  - (ii) have acted for or been retained personally or otherwise as an employee, executive officer, director, associate or partner of a person that has acted for or been retained by the issuer or any of its directors, executive officers, founders or control persons within the previous 12 months;

**“eligible investor”** means

- (a) a person whose
  - (i) net assets, alone or with a spouse, in the case of an individual, exceed \$400 000,
  - (ii) net income before taxes exceeded \$75 000 in each of the 2 most recent calendar years and who reasonably expects to exceed that income level in the current calendar year, or

- (iii) net income before taxes, alone or with a spouse, in the case of an individual, exceeded \$125 000 in each of the 2 most recent calendar years and who reasonably expects to exceed that income level in the current calendar year,
- (b) a person of which a majority of the voting securities are beneficially owned by eligible investors or a majority of the directors are eligible investors,
- (c) a general partnership of which all of the partners are eligible investors,
- (d) a limited partnership of which the majority of the general partners are eligible investors,
- (e) a trust or estate in which all of the beneficiaries or a majority of the trustees or executors are eligible investors,
- (f) an accredited investor,
- (g) a person described in section 2.5 [*Family, friends and business associates*], or
- (h) in Manitoba, Northwest Territories, Nunavut, Prince Edward Island and Yukon, a person that has obtained advice regarding the suitability of the investment and, if the person is resident in a jurisdiction of Canada, that advice has been obtained from an eligibility adviser;

**“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;

**“financial assets”** means

- (a) cash,
- (b) securities, or
- (c) a contract of insurance, a deposit or an evidence of a deposit that is not a security for the purposes of securities legislation;

**“financial statements”** includes interim financial reports;

**“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;

**“fully managed account”** means an account of a client for which a person makes the investment decisions if that person has full discretion to trade in securities for the account without requiring the client’s express consent to a transaction;

**“investment fund”** has the same meaning as in National Instrument 81-106 *Investment Fund Continuous Disclosure*;

**“issuer’s GAAP”** has the same meaning as in National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

**“liquidity provider”** means a person that is obligated to provide funds to a conduit to enable the conduit to pay principal or interest in respect of a maturing securitized product;

**“marketplace”** has the same meaning as in National Instrument 21-101 *Marketplace Operation*;

**“market price”** means, for securities of a class for which there is a published market,

- (a) except as provided in paragraph (b),
  - (i) if the published market provides a daily closing price, the average of the daily closing price of securities of that class on the published market for each of the trading days on which there was a daily closing price falling not more than 20 trading days immediately before the day as of which the market price is being determined, or
  - (ii) if the published market does not provide a daily closing price, but provides only the highest and lowest daily prices of securities of the class traded, the average of the averages of the highest and lowest daily prices of securities of the class on the published market for each of the trading days on which there were highest and lowest daily prices falling not more than 20 trading days immediately before the day as of which the market price is being determined, or
- (b) if trading of securities of the class on the published market has occurred on fewer than 10 of the immediately preceding 20 trading days, the average of the following amounts established for each of the 20 trading days immediately before the day as of which the market price is being determined:

- (i) the average of the closing bid and closing ask prices for each day on which there was no trading;
- (ii) if the published market
  - (A) provides a closing price of securities of that class on the published market for each day that there was trading, the closing price, or
  - (B) provides only the highest and lowest prices, the average of the highest and lowest prices of securities of that class on the published market for each day that there was trading;

**“MD&A”** has the same meaning as in National Instrument 51-102 *Continuous Disclosure Obligations*;

**“non-redeemable investment fund”** has the same meaning as in National Instrument 81-106 *Investment Fund Continuous Disclosure*;

**“person”** includes

- (a) an individual,
- (b) a corporation,
- (c) a partnership, trust, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not, and
- (d) an individual or other person in that person’s capacity as a trustee, executor, administrator or personal or other legal representative;

**“private enterprise”** has the same meaning as in Part 3 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

**“professional association”** means an association or other organization, whether incorporated or not, of real property appraisers that

- (a) has its head office in Canada,
- (b) admits its members on the basis of their academic qualifications, experience and ethical fitness,
- (c) requires its members to meet standards of competence and comply with a code of ethics it has established or endorsed,

- (d) requires or encourages its members to engage in continuing professional development, and
- (e) under the powers conferred by statute or under an agreement, may suspend or expel its members if misconduct occurs;

**“publicly accountable enterprise”** has the same meaning as in Part 3 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

**“published market”** means, for a class of securities, a marketplace on which the securities are traded, if the prices at which they have been traded on that marketplace are regularly

- (a) disseminated electronically, or
- (b) published in a newspaper or business or financial publication of general and regular paid circulation;

**“qualified appraiser”** means an individual who

- (a) regularly performs property appraisals for compensation,
- (b) is a member of a professional association and holds the designation, certification or licence to act as an appraiser for the class of property appraised, and
- (c) is in good standing with the professional association referred to in paragraph (b);

**“syndicated mortgage”** means a mortgage in which two or more persons participate, directly or indirectly, as a lender in a debt obligation that is secured by the mortgage;

**“QT circular”** means an information circular or filing statement in respect of a qualifying transaction for a capital pool company filed under a CPC instrument;

**“qualifying issuer”** means a reporting issuer in a jurisdiction of Canada that

- (a) is a SEDAR filer,
- (b) has filed all documents required to be filed under the securities legislation of that jurisdiction, and
- (c) if not required to file an AIF, has filed in the jurisdiction,
  - (i) an AIF for its most recently completed financial year for which annual statements are required to be filed, and
  - (ii) copies of all material incorporated by reference in the AIF not previously filed;

**“related liabilities”** means

- (a) liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets, or
- (b) liabilities that are secured by financial assets;

**“retrospective”** has the same meaning as in Canadian GAAP applicable to publicly accountable enterprises;

**“retrospectively”** has the same meaning as in Canadian GAAP applicable to publicly accountable enterprises;

**“RRIF”** means a registered retirement income fund as defined in the *Income Tax Act* (Canada);

**“RRSP”** means a registered retirement savings plan as defined in the *Income Tax Act* (Canada);

**“Schedule III bank”** means an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);

**“securitized product”** means a security that

- (a) is governed by a trust indenture or similar agreement setting out the rights and protections applicable to a holder of the security,
- (b) provides a holder with a direct or indirect ownership or security interest in one or more asset pools, and
- (c) entitles a holder to one or more payments of principal or interest primarily obtained from one or more of the following:
  - (i) the proceeds from the distribution of securitized products;
  - (ii) the cash flows generated by one or more asset pools;
  - (iii) the proceeds obtained on the liquidation of one or more assets in one or more asset pools;

**“SEDAR filer”** means an issuer that is an electronic filer under National Instrument 13-101 *System for Electronic Document Analysis and Retrieval (SEDAR)*;

**“self-directed RESP”** means an educational savings plan registered under the *Income Tax Act* (Canada)

- (a) that is structured so that a contribution by a subscriber to the plan is deposited directly into an account in the name of the subscriber, and

- (b) under which the subscriber maintains control and direction over the plan to direct how the assets of the plan are to be held, invested or reinvested subject to compliance with the *Income Tax Act* (Canada);

**“short-term securitized product”** means a securitized product that is a negotiable promissory note or commercial paper that matures not more than one year from the date of issue;

**“spouse”** means, an individual who,

- (a) is married to another individual and is not living separate and apart within the meaning of the *Divorce Act* (Canada), from the other individual,
- (b) is living with another individual in a marriage-like relationship, including a marriage-like relationship between individuals of the same gender, or
- (c) in Alberta, is an individual referred to in paragraph (a) or (b), or is an adult interdependent partner within the meaning of the *Adult Interdependent Relationships Act* (Alberta);

**“subsidiary”** means an issuer that is controlled directly or indirectly by another issuer and includes a subsidiary of that subsidiary;

**“successor credit rating organization”** has the same meaning as in National Instrument 44-101 *Short Form Prospectus Distributions*;

**“TFSA”** means a tax-free savings account as described in the *Income Tax Act* (Canada).

**1.1.1** In this Instrument, in Alberta, New Brunswick, Nova Scotia, Ontario, Québec and Saskatchewan

**“date of transition to IFRS”** has the same meaning as in National Instrument 51-102 *Continuous Disclosure Obligations*;

**“exempt market dealer”** has the same meaning as in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*;

**“first IFRS financial statements”** has the same meaning as in National Instrument 51-102 *Continuous Disclosure Obligations*;

**“investment dealer”** has the same meaning as in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*;

**“new financial year”** means the financial year of an issuer that immediately follows a transition year;

**“old financial year”** means the financial year of an issuer that immediately precedes a transition year;

**“OM marketing materials”** means a written communication, other than an OM standard term sheet, intended for prospective purchasers regarding a distribution of securities under an offering memorandum delivered under section 2.9 [*Offering memorandum*] that contains material facts relating to an issuer, securities or an offering;

**“OM standard term sheet”** means a written communication intended for prospective purchasers regarding a distribution of securities under an offering memorandum delivered under section 2.9 [*Offering memorandum*] that

- (a) is dated,
- (b) includes the following legend, or words to the same effect, on the first page:

“This document does not provide disclosure of all information required for an investor to make an informed investment decision. Investors should read the offering memorandum, especially the risk factors relating to the securities offered, before making an investment decision.”,
- (c) contains only the following information in respect of the issuer, the securities or the offering:
  - (i) the name of the issuer;
  - (ii) the jurisdiction or foreign jurisdiction in which the issuer’s head office is located;
  - (iii) the statute under which the issuer is incorporated, continued or organized or, if the issuer is an unincorporated entity, the laws of the jurisdiction or foreign jurisdiction under which it is established and exists;
  - (iv) a brief description of the business of the issuer;
  - (v) a brief description of the securities;
  - (vi) the price or price range of the securities;
  - (vii) the total number or dollar amount of the securities, or range of the total number or dollar amount of the securities;
  - (viii) the names of any agent, finder or other intermediary, whether registered or not, involved with the offering and the amount of any commission, fee or discount payable to them;
  - (ix) the proposed or expected closing date of the offering;
  - (x) a brief description of the use of proceeds;



- (xi) the exchange on which the securities are proposed to be listed, if any, provided that the OM standard term sheet complies with the requirements of securities legislation for listing representations;
  - (xii) in the case of debt securities, the maturity date of the debt securities and a brief description of any interest payable on the debt securities;
  - (xiii) in the case of preferred shares, a brief description of any dividends payable on the securities;
  - (xiv) in the case of convertible securities, a brief description of the underlying securities into which the convertible securities are convertible;
  - (xv) in the case of exchangeable securities, a brief description of the underlying securities into which the exchangeable securities are exchangeable;
  - (xvi) in the case of restricted securities, a brief description of the restriction;
  - (xvii) in the case of securities for which a credit supporter has provided a guarantee or alternative credit support, a brief description of the credit supporter and the guarantee or alternative credit support provided;
  - (xviii) whether the securities are redeemable or retractable;
  - (xix) a statement that the securities are eligible, or are expected to be eligible, for investment in registered retirement savings plans, tax-free savings accounts or other registered plans, if the issuer has received, or reasonably expects to receive, a legal opinion that the securities are so eligible;
  - (xx) contact information for the issuer or any registrant involved, and
- (d) for the purposes of paragraph (c), “brief description” means a description consisting of no more than three lines of text in type that is at least as large as that used generally in the body of the OM standard term sheet;

**“portfolio manager”** has the same meaning as in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*;

**“SEC issuer”** has the same meaning as in National Instrument 51-102 *Continuous Disclosure Obligations*;

**“specified derivative”** has the same meaning as in National Instrument 44-102 *Shelf Distributions*;

**“structured finance product”** has the same meaning as in National Instrument 25-101 *Designated Rating Organizations*;

“**transition year**” means the financial year of an issuer in which the issuer has changed its financial year end;

“**U.S. laws**” has the same meaning as in National Instrument 51-102 *Continuous Disclosure Obligations*.

### **Interpretation of indirect interest**

**1.2** For the purposes of paragraph 1.1(t), in British Columbia, an indirect interest means an economic interest in the person referred to in that paragraph.

### **Affiliate**

**1.3** For the purpose of this Instrument, an issuer is an affiliate of another issuer if

- (a) one of them is the subsidiary of the other, or
- (b) each of them is controlled by the same person.

### **Control**

**1.4** Except in Part 2, Division 4, for the purpose of this Instrument, a person (first person) is considered to control another person (second person) if

- (a) the first person beneficially owns or directly or indirectly exercises control or direction over securities of the second person carrying votes which, if exercised, would entitle the first person to elect a majority of the directors of the second person, unless that first person holds the voting securities only to secure an obligation,
- (b) the second person is a partnership, other than a limited partnership, and the first person holds more than 50% of the interests of the partnership, or
- (c) the second person is a limited partnership and the general partner of the limited partnership is the first person.

### **Registration requirement**

**1.5 (1)** An exemption in this Instrument that refers to a registered dealer is only available for a trade in a security if the dealer is registered in a category that permits the trade described in the exemption.

**(2)** [Repealed]

### **Definition of distribution – Manitoba**

**1.6** For the purpose of this Instrument, in Manitoba, “**distribution**” means a primary distribution to the public.

## Definition of trade – Québec

1.7 For the purpose of this Instrument, in Québec, “**trade**” refers to any of the following activities:

- (a) the activities described in the definition of "dealer" in section 5 of the *Securities Act* (R.S.Q., c. V-1.1), including the following activities:
  - (i) the sale or disposition of a security by onerous title, whether the terms of payment be on margin, installment or otherwise, but does not include a transfer or the giving in guarantee of securities in connection with a debt or the purchase of a security, except as provided in paragraph (b);
  - (ii) participation as a trader in any transaction in a security through the facilities of an exchange or a quotation and trade reporting system;
  - (iii) the receipt by a registrant of an order to buy or sell a security;
- (b) a transfer or the giving in guarantee of securities of an issuer from the holdings of a control person in connection with a debt.

## Designation of insider

1.8 For the purpose of this Instrument, in Ontario, the following classes of persons are designated as insiders:

- (a) a director or an officer of an issuer;
- (b) a director or an officer of a person that is an insider or a subsidiary of an issuer;
- (c) a person that has
  - (i) beneficial ownership of, or control or direction over, directly or indirectly, securities of an issuer carrying more than 10% of the voting rights attached to all the issuer’s outstanding voting securities, excluding, for the purpose of the calculation of the percentage held, any securities held by the person as underwriter in the course of a distribution, or
  - (ii) a combination of beneficial ownership of, and control or direction over, directly or indirectly, securities of an issuer carrying more than 10% of the voting rights attached to all the issuer’s outstanding voting securities, excluding, for the purpose of the calculation of the percentage held, any securities held by the person as underwriter in the course of a distribution;
- (d) an issuer that has purchased, redeemed or otherwise acquired a security of its own issue, for so long as it continues to hold that security.

## Interpretation of “market price”

**1.9** For the purpose of the definition of “market price”, if there is more than one published market for a security and

- (a) only one of the published markets is in Canada, the market price is determined solely by reference to that market,
- (b) more than one of the published markets are in Canada, the market price is determined solely by reference to the published market in Canada on which the greatest volume of trading in the particular class of securities occurred during the 20 trading days immediately before the day as of which the market price is being determined, and
- (c) none of the published markets are in Canada, the market price is determined solely by reference to the published market on which the greatest volume of trading in the particular class of securities occurred during the 20 trading days immediately before the day as of which the market price is being determined.

## PART 2 PROSPECTUS EXEMPTIONS

### Division 1: Capital Raising Exemptions

#### Rights offering – reporting issuer

**Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.**

**2.1 (1)** In this section and sections 2.1.1, 2.1.2, 2.1.3 and 2.1.4,

“**additional subscription privilege**” means a privilege, granted to a holder of a right, to subscribe for a security not subscribed for by any holder under a basic subscription privilege;

“**basic subscription privilege**” means a privilege to subscribe for the number or amount of securities set out in a rights certificate held by the holder of the rights certificate;

“**closing date**” means the date of completion of the distribution of the securities issued upon exercise of the rights issued under this section;

“**listing representation**” means a representation that a security will be listed or quoted, or that an application has been or will be made to list or quote the security, either on an exchange or on a quotation and trade reporting system, in a foreign jurisdiction;

“**listing representation prohibition**” means the provisions of securities legislation set out in Appendix C;

**“managing dealer”** means a person that has entered into an agreement with an issuer under which the person has agreed to organize and participate in the solicitation of the exercise of the rights issued by the issuer;

**“rights offering circular”** means a completed Form 45-106F15 *Rights Offering Circular for Reporting Issuers*;

**“rights offering notice”** means a completed Form 45-106F14 *Rights Offering Notice for Reporting Issuers*;

**“secondary market liability provisions”** means the provisions of securities legislation set out in Appendix D opposite the name of the local jurisdiction;

**“soliciting dealer”** means a person whose interest in a distribution of rights is limited to soliciting the exercise of the rights by holders of those rights;

**“stand-by commitment”** means an agreement by a person to acquire the securities of an issuer not subscribed for under the basic subscription privilege or the additional subscription privilege;

**“stand-by guarantor”** means a person who agrees to provide the stand-by commitment.

(2) [Repealed]

(3) The prospectus requirement does not apply to a distribution by an issuer, of a right to purchase a security of the issuer’s own issue, to a security holder of the issuer if all of the following apply:

- (a) the issuer is a reporting issuer in at least one jurisdiction of Canada;
- (b) if the issuer is a reporting issuer in the local jurisdiction, the issuer has filed all periodic and timely disclosure documents that it is required to have filed in that jurisdiction as required by each of the following:
  - (i) applicable securities legislation;
  - (ii) an order issued by the regulator or the securities regulatory authority;
  - (iii) an undertaking to the regulator or the securities regulatory authority;
- (c) before the commencement of the exercise period for the rights, the issuer files and sends the rights offering notice to all security holders, resident in Canada, of the class of securities to be issued upon exercise of the rights;
- (d) concurrently with filing the rights offering notice, the issuer files a rights offering circular;

- (e) the basic subscription privilege is available on a pro rata basis to the security holders, resident in Canada, of the class of securities to be distributed upon the exercise of the rights;
- (f) in Québec, the documents filed under paragraphs (c) and (d) are prepared in French or in French and English;
- (g) the subscription price for a security to be issued upon the exercise of a right is:
  - (i) if there is a published market for the security, lower than the market price of the security on the day the rights offering notice is filed, or
  - (ii) if there is no published market for the security, lower than the fair value of the security on the day the rights offering notice is filed unless the issuer restricts all of its insiders from increasing their proportionate interest in the issuer through the exercise of the rights distributed or through a stand-by commitment;
- (h) if the distribution includes an additional subscription privilege, all of the following apply:
  - (i) the issuer grants the additional subscription privilege to all holders of the rights;
  - (ii) each holder of a right is entitled to receive, upon the exercise of the additional subscription privilege, the number or amount of securities equal to the lesser of
    - (A) the number or amount of securities subscribed for by the holder under the additional subscription privilege, and
    - (B) the number or amount calculated in accordance with the following formula:

$x(y/z)$  where

x = the aggregate number or amount of securities available through unexercised rights after giving effect to the basic subscription privilege;

y = the number of rights exercised by the holder under the basic subscription privilege;

z = the aggregate number of rights exercised under the basic subscription privilege by holders of the rights that have subscribed for securities under the additional subscription privilege;

- (iii) all unexercised rights have been allocated on a pro rata basis to holders who subscribed for additional securities under the additional subscription privilege;
- (iv) the subscription price for the additional subscription privilege is the same as the subscription price for the basic subscription privilege;
- (i) if the issuer enters into a stand-by commitment, all of the following apply:
  - (i) the issuer has granted an additional subscription privilege to all holders of the rights;
  - (ii) the issuer has included a statement in the rights offering circular that the issuer has confirmed that the stand-by guarantor has the financial ability to carry out its stand-by commitment;
  - (iii) the subscription price under the stand-by commitment is the same as the subscription price under the basic subscription privilege;
- (j) if the issuer has stated in its rights offering circular that no security will be issued upon the exercise of a right unless a stand-by commitment is provided, or unless proceeds of no less than the stated minimum amount are received by the issuer, all of the following apply:
  - (i) the issuer has appointed a depository to hold all money received upon the exercise of the rights until either the stand-by commitment is provided or the stated minimum amount is received and the depository is one of the following:
    - (A) a Canadian financial institution;
    - (B) a registrant in the jurisdiction in which the funds are proposed to be held that is acting as managing dealer for the distribution of the rights or, if there is no managing dealer for the distribution of the rights, that is acting as a soliciting dealer;
  - (ii) the issuer and the depository have entered into an agreement, the terms of which require the depository to return the money referred to in subparagraph (i) in full to the holders of rights that have subscribed for securities under the distribution of the rights if the stand-by commitment is not provided or if the stated minimum amount is not received by the depository during the exercise period for the rights;
- (k) the rights offering circular contains the following statement:

“There is no material fact or material change about [name of issuer] that has not been generally disclosed”.

**(4)** An issuer must not file an amendment to a rights offering circular filed under paragraph (3)(d) unless

- (a) the amendment amends and restates the rights offering circular,
- (b) the issuer files the amended rights offering circular before the earlier of
  - (i) the listing date of the rights, if the issuer lists the rights for trading, and
  - (ii) the date the exercise period for the rights commences, and
- (c) the issuer issues and files a news release explaining the reason for the amendment concurrently with the filing of the amended rights offering circular.

**(5)** On the closing date or as soon as practicable following the closing date, the issuer must issue and file a news release containing all of the following information:

- (a) the aggregate gross proceeds of the distribution;
- (b) the number or amount of securities distributed under the basic subscription privilege to
  - (i) all persons who were insiders before the distribution or became insiders as a result of the distribution, as a group, to the knowledge of the issuer after reasonable inquiry, and
  - (ii) all other persons, as a group;
- (c) the number or amount of securities distributed under the additional subscription privilege to
  - (i) all persons who were insiders before the distribution or became insiders as a result of the distribution, as a group, to the knowledge of the issuer after reasonable inquiry, and
  - (ii) all other persons, as a group;
- (d) the number or amount of securities distributed under any stand-by commitment;
- (e) the number or amount of securities of the class issued and outstanding as of the closing date;
- (f) the amount of any fees or commissions paid in connection with the distribution.

**(6)** Subsection (3) does not apply to a distribution of rights if any of the following apply:

- (a) there would be an increase of more than 100% in the number, or, in the case of debt, the principal amount, of the outstanding securities of the class to be issued upon the exercise of the rights, assuming the exercise of all rights issued under a



distribution of rights by the issuer during the 12 months immediately before the date of the rights offering circular;

- (b) the exercise period for the rights is less than 21 days, or more than 90 days, and commences after the day the rights offering notice is sent to security holders;
- (c) the issuer has entered into an agreement that provides for the payment of a fee to a person for soliciting the exercise of rights by holders of rights that were not security holders of the issuer immediately before the distribution under subsection (3) and that fee is higher than the fee payable for soliciting the exercise of rights by holders of rights that were security holders at that time.

### **Rights Offering – stand-by commitment**

**Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.**

**2.1.1** The prospectus requirement does not apply to the distribution of a security by an issuer to a stand-by guarantor as part of a distribution under section 2.1 if the stand-by guarantor acquires the security as principal.

### **Rights offering – issuer with a minimal connection to Canada**

**Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.**

**2.1.2 (1)** The prospectus requirement does not apply to a distribution by an issuer, of a right to purchase a security of the issuer's own issue, to a security holder of the issuer if all of the following apply:

- (a) to the knowledge of the issuer after reasonable inquiry,
  - (i) the number of beneficial holders of the class for which the rights are issued that are resident in Canada does not constitute 10% or more of all holders of that class, and
  - (ii) the number or amount of securities of the issuer of the class for which the rights are issued that are beneficially held by security holders that are resident in Canada does not constitute, in the aggregate, 10% or more of the outstanding securities of that class;
- (b) all materials sent to any other security holders for the distribution of the rights are concurrently filed and sent to each security holder of the issuer that is resident in Canada;

- (c) the issuer files a written notice that it is relying on this exemption and a certificate that states that, to the knowledge of the person signing the certificate after reasonable inquiry,
  - (i) the number of beneficial holders of the class for which the rights are issued that are resident in Canada does not constitute 10% or more of all holders of that class, and
  - (ii) the number or amount of securities of the issuer of the class for which the rights are issued that are beneficially held by security holders that are resident in Canada does not constitute, in the aggregate, 10% or more of the outstanding securities of that class.

(2) For the purposes of paragraph (1)(c), a certificate of an issuer must be signed,

- (a) if the issuer is a limited partnership, by an officer or director of the general partner of the issuer,
- (b) if the issuer is a trust, by a trustee or officer or director of a trustee of the issuer, or
- (c) in any other case, by an officer or director of the issuer.

### **Rights offering – listing representation exemption**

**2.1.3** The listing representation prohibition does not apply to a listing representation made in a rights offering circular for a distribution of rights conducted under section 2.1.2 if the listing representation is not a misrepresentation.

### **Rights offering – civil liability for secondary market disclosure**

**2.1.4 (1)** The secondary market liability provisions apply to

- (a) the acquisition of an issuer's security pursuant to the exemption from the prospectus requirement set out in section 2.1, and
- (b) the acquisition of an issuer's security pursuant to the exemption from the prospectus requirement set out in section 2.42 if the security previously issued by the issuer was acquired pursuant to the exemption set out in section 2.1.

(2) For greater certainty, in British Columbia, the classes of acquisitions referred to in subsection (1) are prescribed classes of acquisitions under paragraph 140.2(b) of the *Securities Act* (British Columbia).

## Reinvestment plan

**Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.**

**2.2 (1)** Subject to subsections (3), (4) and (5), the prospectus requirement does not apply to the following distributions by an issuer, or by a trustee, custodian or administrator acting for or on behalf of the issuer, to a security holder of the issuer if the distributions are permitted by a plan of the issuer:

- (a) a distribution of a security of the issuer's own issue if a dividend or distribution out of earnings, surplus, capital or other sources payable in respect of the issuer's securities is applied to the purchase of the security, and
- (b) subject to subsection (2), a distribution of a security of the issuer's own issue if the security holder makes an optional cash payment to purchase the security of the issuer that trades on a marketplace.

**(2)** Subsection (1) does not apply unless the aggregate number of securities issued under the optional cash payment referred to in subsection (1)(b) does not exceed, in the financial year of the issuer during which the distribution takes place, 2% of the issued and outstanding securities of the class to which the plan relates as at the beginning of the financial year.

**(3)** A plan that permits a distribution described in subsection (1)(a) or (b) must be available to every security holder in Canada to which the dividend or distribution out of earnings, surplus, capital or other sources is available.

**(4)** Subsection (1) does not apply to a distribution of a security of an investment fund.

**(5)** If the security distributed under a plan described in subsection (1) is of a different class or series than the class or series of the security to which the dividend or distribution is attributable, the issuer or the trustee, custodian or administrator must have provided to each participant that is eligible to receive a security under the plan either a description of the material attributes and characteristics of the security distributed under the plan or notice of a source from which the participant can obtain the information without charge.

## Accredited investor

**Refer to Appendix D of National Instrument 45-102 *Resale of Securities*. First trades are subject to a restricted period on resale.**

**2.3 (0.1)** In this section, "accredited investor exemption" means

- (a) in a jurisdiction other than Ontario, the prospectus exemption under subsection (1), and

(b) in Ontario, the prospectus exemption under subsection 73.3(2) of the *Securities Act* (Ontario).

- (1) The prospectus requirement does not apply to a distribution of a security if the purchaser purchases the security as principal and is an accredited investor.
- (2) Subject to subsection (3), for the purpose of the accredited investor exemption, a trust company or trust corporation described in paragraph (p) of the definition of “accredited investor” in section 1.1 [*Definitions*] is deemed to be purchasing as principal.
- (3) Subsection (2) does not apply to a trust company or trust corporation registered under the laws of Prince Edward Island that is not registered or authorized under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in another jurisdiction of Canada.
- (4) For the purpose of the accredited investor exemption, a person described in paragraph (q) of the definition of “accredited investor” in section 1.1 [*Definitions*] is deemed to be purchasing as principal.
- (5) The accredited investor exemption does not apply to a distribution of a security to a person if the person was created, or is used, solely to purchase or hold securities as an accredited investor described in paragraph (m) of the definition of “accredited investor” in section 1.1 [*Definitions*].
- (6) The accredited investor exemption does not apply to a distribution of a security to an individual described in paragraphs (j), (k) or (l) of the definition of “accredited investor” in section 1.1 [*Definitions*] unless the person distributing the security obtains from the individual a signed risk acknowledgement in the required form at the same time or before that individual signs the agreement to purchase the security.
- (7) A person relying on the accredited investor exemption to distribute a security to an individual described in paragraphs (j), (k) or (l) of the definition of “accredited investor” in section 1.1 [*Definitions*] must retain the signed risk acknowledgement required in subsection (6) of this section for 8 years after the distribution.
- (8) Subsection (1) does not apply in Ontario.

**In Ontario, subsection 73.3(2) of the *Securities Act* (Ontario) provides a similar exemption to the exemption in subsection 2.3(1) of this Instrument.**

#### Private issuer

**Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.**

**2.4 (1)** In this section,

“**private issuer**” means an issuer

- (a) that is not a reporting issuer or an investment fund,
- (b) the securities of which, other than non-convertible debt securities,
  - (i) are subject to restrictions on transfer that are contained in the issuer’s constating documents or security holders’ agreements, and
  - (ii) are beneficially owned by not more than 50 persons, not including employees and former employees of the issuer or its affiliates, provided that each person is counted as one beneficial owner unless the person is created or used solely to purchase or hold securities of the issuer in which case each beneficial owner or each beneficiary of the person, as the case may be, must be counted as a separate beneficial owner, and
- (c) that
  - (i) has distributed its securities only to persons described in subsection (2), or
  - (ii) has completed a transaction and immediately following the completion of the transaction, its securities were beneficially owned only by persons described in subsection (2) and since the completion of the transaction has distributed its securities only to persons described in subsection (2).

**(2)** The prospectus requirement does not apply to a distribution of a security of a private issuer to a person who purchases the security as principal and is

- (a) a director, officer, employee, founder or control person of the issuer,
- (b) a director, officer or employee of an affiliate of the issuer,
- (c) a spouse, parent, grandparent, brother, sister, child or grandchild of a director, executive officer, founder or control person of the issuer,
- (d) a parent, grandparent, brother, sister, child or grandchild of the spouse of a director, executive officer, founder or control person of the issuer,
- (e) a close personal friend of a director, executive officer, founder or control person of the issuer,
- (f) a close business associate of a director, executive officer, founder or control person of the issuer,
- (g) a spouse, parent, grandparent, brother, sister, child or grandchild of the selling security holder or of the selling security holder’s spouse,

- (h) a security holder of the issuer,
- (i) an accredited investor,
- (j) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons described in paragraphs (a) to (i),
- (k) a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are persons described in paragraphs (a) to (i), or
- (l) a person that is not the public.

**(2.1)** The following persons are prescribed for purposes of subsection 73.4(2) of the *Securities Act* (Ontario):

- (a) a director, officer, employee, founder or control person of the issuer,
- (b) a director, officer or employee of an affiliate of the issuer,
- (c) a spouse, parent, grandparent, brother, sister, child or grandchild of a director, executive officer, founder or control person of the issuer,
- (d) a parent, grandparent, brother, sister, child or grandchild of the spouse of a director, executive officer, founder or control person of the issuer,
- (e) a close personal friend of a director, executive officer, founder or control person of the issuer,
- (f) a close business associate of a director, executive officer, founder or control person of the issuer,
- (g) a spouse, parent, grandparent, brother, sister, child or grandchild of the selling security holder or of the selling security holder's spouse,
- (h) a security holder of the issuer,
- (i) an accredited investor,
- (j) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons described in paragraphs (a) to (i),
- (k) a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are persons described in paragraphs (a) to (i), or
- (l) a person that is not the public.

**(3)** Except for a distribution to an accredited investor, no commission or finder's fee may be paid to any director, officer, founder or control person of an issuer in connection with a distribution

under subsection (2) or, in Ontario, a distribution under subsection 73.4(2) of the *Securities Act* (Ontario).

(4) Subsection (2) does not apply to a distribution of a short-term securitized product or a syndicated mortgage.

(5) Subsection (2) does not apply in Ontario.

(6) In Ontario, subsection 73.4(2) of the *Securities Act* (Ontario) does not apply to a distribution of a short-term securitized product or a syndicated mortgage.

**In Ontario, subsection 73.4(2) of the *Securities Act* (Ontario) provides a similar exemption to the exemption in subsection 2.4(2) of this Instrument.**

#### **Family, friends and business associates**

**Refer to Appendix D of National Instrument 45-102 *Resale of Securities*. First trades are subject to a restricted period on resale.**

**2.5 (1)** Subject to section 2.6 [*Family, friends and business associates -- Saskatchewan*] and section 2.6.1 [*Family, friends and business associates – Ontario*], the prospectus requirement does not apply to a distribution of a security to a person who purchases the security as principal and is

- (a) a director, executive officer or control person of the issuer, or of an affiliate of the issuer,
- (b) a spouse, parent, grandparent, brother, sister, child or grandchild of a director, executive officer or control person of the issuer, or of an affiliate of the issuer,
- (c) a parent, grandparent, brother, sister, child or grandchild of the spouse of a director, executive officer or control person of the issuer or of an affiliate of the issuer,
- (d) a close personal friend of a director, executive officer or control person of the issuer, or of an affiliate of the issuer,
- (e) a close business associate of a director, executive officer or control person of the issuer, or of an affiliate of the issuer,
- (f) a founder of the issuer or a spouse, parent, grandparent, brother, sister, child, grandchild, close personal friend or close business associate of a founder of the issuer,
- (g) a parent, grandparent, brother, sister, child or grandchild of a spouse of a founder of the issuer,

- (h) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons described in paragraphs (a) to (g), or
- (i) a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are persons described in paragraphs (a) to (g).

(2) No commission or finder's fee may be paid to any director, officer, founder, or control person of an issuer or an affiliate of the issuer in connection with a distribution under subsection (1).

(3) Subsection (1) does not apply to a distribution of a short-term securitized product.

### **Family, friends and business associates - Saskatchewan**

**2.6 (1)** In Saskatchewan, section 2.5 [*Family, friends and business associates*] does not apply unless the person making the distribution obtains a signed risk acknowledgement from the purchaser in the required form for a distribution to

- (a) a person described in section 2.5(1) (d) or (e) [*Family, friends and business associates*],
- (b) a close personal friend or close business associate of a founder of the issuer, or
- (c) a person described in section 2.5(1)(h) or (i) [*Family, friends and business associates*] if the distribution is based in whole or in part on a close personal friendship or close business association.

(2) The person making the distribution must retain the required form referred to in subsection (1) for 8 years after the distribution.

(3) Subsection (1) does not apply to a distribution of a short-term securitized product.

### **Family, friends and business associates - Ontario**

**2.6.1 (1)** In Ontario, section 2.5 [*Family, friends and business associates*] does not apply to a distribution of a security of an issuer unless all of the following are satisfied:

- (a) the issuer is not an investment fund;
- (b) the person making the distribution obtains a risk acknowledgement signed by all of the following:
  - (i) the purchaser;
  - (ii) an executive officer of the issuer other than the purchaser;
  - (iii) if the purchaser is a person referred to under paragraph 2.5(1)(b), the director, executive officer or control person of the issuer or an affiliate of the issuer who has the specified relationship with the purchaser;



- (iv) if the purchaser is a person referred to under paragraph 2.5(1)(c), the director, executive officer or control person of the issuer or an affiliate of the issuer whose spouse has the specified relationship with the purchaser;
- (v) if the purchaser is a person referred to under paragraph 2.5(1)(d) or (e), the director, executive officer or control person of the issuer or an affiliate of the issuer who is a close personal friend or a close business associate of the purchaser; and
- (vi) the founder of the issuer, if the purchaser is a person referred to in paragraph 2.5(1)(f) or (g) other than the founder of the issuer.

(2) The person making the distribution must retain the required form referred to in subsection (1) for 8 years after the distribution.

## 2.7 [Repealed]

### Affiliates

**Refer to Appendix D of National Instrument 45-102 *Resale of Securities*. First trades are subject to a restricted period on resale.**

2.8 The prospectus requirement does not apply to a distribution by an issuer of a security of its own issue to an affiliate of the issuer that is purchasing as principal.

### Offering memorandum

**Refer to Appendix D of National Instrument 45-102 *Resale of Securities*. First trades are subject to a restricted period on resale.**

2.9 (1) In British Columbia and Newfoundland and Labrador, the prospectus requirement does not apply to a distribution by an issuer of a security of its own issue to a purchaser if

- (a) the purchaser purchases the security as principal, and
- (b) at the same time or before the purchaser signs the agreement to purchase the security, the issuer
  - (i) delivers an offering memorandum to the purchaser in compliance with subsections (5) to (13), and
  - (ii) obtains a signed risk acknowledgement from the purchaser in compliance with subsection (15).

**(2)** In Manitoba, Northwest Territories, Nunavut, Prince Edward Island and Yukon, the prospectus requirement does not apply to a distribution by an issuer of a security of its own issue to a purchaser if

- (a) the purchaser purchases the security as principal,
- (b) the purchaser is an eligible investor or the acquisition cost to the purchaser does not exceed \$10 000,
- (c) at the same time or before the purchaser signs the agreement to purchase the security, the issuer
  - (i) delivers an offering memorandum to the purchaser in compliance with subsections (5) to (13), and
  - (ii) obtains a signed risk acknowledgement from the purchaser in compliance with subsection (15),

and

- (d) if the issuer is an investment fund, the investment fund is
  - (i) a non-redeemable investment fund, or
  - (ii) a mutual fund that is a reporting issuer.

**(2.1)** In Alberta, New Brunswick, Nova Scotia, Ontario, Québec and Saskatchewan, the prospectus requirement does not apply to a distribution by an issuer of a security of its own issue to a purchaser if

- (a) the purchaser purchases the security as principal,
- (b) the acquisition cost of all securities acquired by a purchaser who is an individual under this section in the preceding 12 months does not exceed the following amounts:
  - (i) in the case of a purchaser that is not an eligible investor, \$10 000;
  - (ii) in the case of a purchaser that is an eligible investor, \$30 000;
  - (iii) in the case of a purchaser that is an eligible investor and that received advice from a portfolio manager, investment dealer or exempt market dealer that the investment is suitable, \$100 000,
- (c) at the same time or before the purchaser signs the agreement to purchase the security, the issuer
  - (i) delivers an offering memorandum to the purchaser in compliance with subsections (5) to (13), and

- (ii) obtains a signed risk acknowledgement from the purchaser in compliance with subsection (15), and
- (d) the security distributed by the issuer is not either of the following:
  - (i) a specified derivative;
  - (ii) a structured finance product.

**(2.2)** The prospectus exemption described in subsection (2.1) is not available

- (a) in Alberta, Nova Scotia and Saskatchewan, to an issuer that is an investment fund, unless the issuer is a non-redeemable investment fund or a mutual fund that is a reporting issuer, or
- (b) in New Brunswick, Ontario and Québec, to an issuer that is an investment fund.

**(2.3)** The investment limits described in subparagraphs (2.1)(b)(ii) and (iii) do not apply if the purchaser is

- (a) an accredited investor, or
- (b) a person described in subsection 2.5(1) [*Family, friends and business associates*].

**(3)** In Manitoba, Northwest Territories, Nunavut, Prince Edward Island and Yukon, this section does not apply to a distribution of a security to a person described in paragraph (a) of the definition of "eligible investor" in section 1.1 [*Definitions*] if that person was created, or is used, solely to purchase or hold securities in reliance on the exemption from the prospectus requirement set out in subsection (2).

**(3.0.1)** In Alberta, New Brunswick, Nova Scotia, Ontario, Québec and Saskatchewan, this section does not apply to a distribution of a security to a person that was created, or is used, solely to purchase or hold securities in reliance on the exemption from the prospectus requirement set out in subsection (2.1).

**(3.1)** Subsections (1), (2) and (2.1) do not apply to a distribution of a short-term securitized product.

**(4)** No commission or finder's fee may be paid to any person, other than a registered dealer, in connection with a distribution to a purchaser in the Northwest Territories, Nunavut and Yukon under subsection (2).

**(5)** An offering memorandum delivered under this section must be in the required form.

**(5.1)** In Alberta, New Brunswick, Nova Scotia, Ontario, Québec and Saskatchewan, an offering memorandum delivered under subsection (2.1)

- (a) must incorporate by reference, by way of a statement in the offering memorandum, OM marketing materials related to each distribution under the

offering memorandum and delivered or made reasonably available to a prospective purchaser before the termination of the distribution, and

- (b) is deemed to incorporate by reference OM marketing materials related to each distribution under the offering memorandum and delivered or made reasonably available to a prospective purchaser before the termination of the distribution.

**(5.2)** A portfolio manager, investment dealer or exempt market dealer must not distribute OM marketing materials unless the OM marketing materials have been approved in writing by the issuer.

**(6)** If the securities legislation where the purchaser is resident does not provide a comparable right, an offering memorandum delivered under this section must provide the purchaser with a contractual right to cancel the agreement to purchase the security by delivering a notice to the issuer not later than midnight on the 2<sup>nd</sup> business day after the purchaser signs the agreement to purchase the security.

**(7)** If the securities legislation where the purchaser is resident does not provide statutory rights of action in the event of a misrepresentation in an offering memorandum delivered under this section, the offering memorandum must contain a contractual right of action against the issuer for rescission or damages that

- (a) is available to the purchaser if the offering memorandum, or any information or documents incorporated or deemed to be incorporated by reference into the offering memorandum, contains a misrepresentation, without regard to whether the purchaser relied on the misrepresentation,
- (b) is enforceable by the purchaser delivering a notice to the issuer
  - (i) in the case of an action for rescission, within 180 days after the purchaser signs the agreement to purchase the security, or
  - (ii) in the case of an action for damages, before the earlier of
    - (A) 180 days after the purchaser first has knowledge of the facts giving rise to the cause of action, or
    - (B) 3 years after the date the purchaser signs the agreement to purchase the security,
- (c) is subject to the defence that the purchaser had knowledge of the misrepresentation,
- (d) in the case of an action for damages, provides that the amount recoverable
  - (i) must not exceed the price at which the security was offered, and

(ii) does not include all or any part of the damages that the issuer proves does not represent the depreciation in value of the security resulting from the misrepresentation, and

(e) is in addition to, and does not detract from, any other right of the purchaser.

**(8)** An offering memorandum delivered under this section must contain a certificate that states the following:

“This offering memorandum does not contain a misrepresentation.”

**(9)** If the issuer is a company, a certificate under subsection (8) must be signed

(a) by the issuer’s chief executive officer and chief financial officer or, if the issuer does not have a chief executive officer or chief financial officer, an individual acting in that capacity,

(b) on behalf of the directors of the issuer, by

(i) any 2 directors who are authorized to sign, other than the persons referred to in paragraph (a), or

(ii) all the directors of the issuer, and

(c) by each promoter of the issuer.

**(10)** If the issuer is a trust, a certificate under subsection (8) must be signed by

(a) the individuals who perform functions for the issuer similar to those performed by the chief executive officer and the chief financial officer of a company, and

(b) each trustee and the manager of the issuer.

**(10.1)** If a trustee or the manager that is signing the certificate of the issuer is

(a) an individual, the individual must sign the certificate,

(b) a company, the certificate must be signed

(i) by the chief executive officer and the chief financial officer of the trustee or the manager, and

(ii) on behalf of the board of directors of the trustee or the manager, by

(A) any two directors of the trustee or the manager, other than the persons referred to in subparagraph (i), or

(B) all of the directors of the trustee or the manager,

- (c) a limited partnership, the certificate must be signed by each general partner of the limited partnership as described in subsection (11.1) in relation to an issuer that is a limited partnership, or
- (d) not referred to in paragraphs (a), (b) or (c), the certificate may be signed by any person or company with authority to act on behalf of the trustee or the manager.

**(10.2)** Despite subsections (10) and (10.1), if the issuer is an investment fund and the declaration of trust, trust indenture or trust agreement establishing the investment fund delegates the authority to do so, or otherwise authorizes an individual or company to do so, the certificate may be signed by the individual or company to whom the authority is delegated or that is authorized to sign the certificate.

**(10.3)** Despite subsections (10) and (10.1), if the trustees of an issuer, other than an investment fund, do not perform functions for the issuer similar to those performed by the directors of a company, the trustees are not required to sign the certificate of the issuer if at least two individuals who perform functions for the issuer similar to those performed by the directors of a company sign the certificate.

**(11)** If the issuer is a limited partnership, a certificate under subsection (8) must be signed by

- (a) each individual who performs a function for the issuer similar to any of those performed by the chief executive officer or the chief financial officer of a company, and
- (b) each general partner of the issuer.

**(11.1)** If a general partner of the issuer is

- (a) an individual, the individual must sign the certificate,
- (b) a company, the certificate must be signed
  - (i) by the chief executive officer and the chief financial officer of the general partner, and
  - (ii) on behalf of the board of directors of the general partner, by
    - (A) any two directors of the general partner, other than the persons referred to in subparagraph (i), or
    - (B) all of the directors of the general partner,
- (c) a limited partnership, the certificate must be signed by each general partner of the limited partnership and, for greater certainty, this subsection applies to each general partner required to sign,

- (d) a trust, the certificate must be signed by the trustees of the general partner as described in subsection (10) in relation to an issuer that is a trust, or
- (e) not referred to in paragraphs (a) to (d), the certificate may be signed by any person or company with authority to act on behalf of the general partner.

**(12)** If an issuer is not a company, trust or limited partnership, a certificate under subsection (8) must be signed by the persons that, in relation to the issuer, are in a similar position or perform a similar function to any of the persons referred to in subsections (9), (10), (10.1), (10.2), (10.3), (11) and (11.1).

**(13)** A certificate under subsection (8) must be true

- (a) at the date the certificate is signed, and
- (b) at the date the offering memorandum is delivered to the purchaser.

**(14)** If a certificate under subsection (8) ceases to be true after it is delivered to the purchaser, the issuer cannot accept an agreement to purchase the security from the purchaser unless

- (a) the purchaser receives an update of the offering memorandum,
- (b) the update of the offering memorandum contains a newly dated certificate signed in compliance with subsection (9), (10), (10.1), (10.2), (10.3), (11) or (11.1) and
- (c) the purchaser re-signs the agreement to purchase the security.

**(15)** A risk acknowledgement under subsection (1), (2) or (2.1) must be in the required form and an issuer relying on subsection (1), (2) or (2.1) must retain the signed risk acknowledgment for 8 years after the distribution.

**(16)** The issuer must

- (a) hold in trust all consideration received from the purchaser in connection with a distribution of a security under subsection (1), (2) or (2.1) until midnight on the 2<sup>nd</sup> business day after the purchaser signs the agreement to purchase the security, and
- (b) return all consideration to the purchaser promptly if the purchaser exercises the right to cancel the agreement to purchase the security described under subsection (6).

**(17)** The issuer must file a copy of an offering memorandum delivered under this section and any update of a previously filed offering memorandum with the securities regulatory authority on or before the 10<sup>th</sup> day after the distribution under the offering memorandum or update of the offering memorandum.

**(17.1)** In Alberta, New Brunswick, Nova Scotia, Ontario, Québec and Saskatchewan, the issuer must file with the securities regulatory authority a copy of all OM marketing materials required or deemed to be incorporated by reference into an offering memorandum delivered under this section,

- (a) if the OM marketing materials are prepared on or before the filing of the offering memorandum, concurrently with the filing of the offering memorandum, or
- (b) if the OM marketing materials are prepared after the filing of the offering memorandum, within 10 days of the OM marketing materials being delivered or made reasonably available to a prospective purchaser.

**(17.2)** OM marketing materials filed under subsection (17.1) must include a cover page clearly identifying the offering memorandum to which they relate.

**(17.3)** Subsections (17.4) to (17.21) apply to issuers that rely on subsection (2.1) and that are not reporting issuers in any jurisdiction of Canada.

**(17.4)** In Alberta, an issuer must, within 120 days after the end of each of its financial years, file with the securities regulatory authority annual financial statements and make them reasonably available to each holder of a security acquired under subsection (2.1).

**(17.5)** In New Brunswick, Ontario, Québec and Saskatchewan, an issuer must, within 120 days after the end of each of its financial years, deliver annual financial statements to the securities regulatory authority and make them reasonably available to each holder of a security acquired under subsection (2.1).

**(17.6)** In Nova Scotia, an issuer must, within 120 days after the end of each of its financial years, make reasonably available annual financial statements to each holder of a security acquired under subsection (2.1).

**(17.7)** Despite subsections (17.4), (17.5) and (17.6), as applicable, if an issuer is required to file, deliver or make reasonably available annual financial statements for a financial year that ended before the issuer distributed securities under subsection (2.1) for the first time, those annual financial statements must be filed in Alberta, delivered in New Brunswick, Ontario, Québec and Saskatchewan or made reasonably available in Nova Scotia, as applicable, on or before the later of

- (a) the 60<sup>th</sup> day after the issuer first distributes securities under subsection (2.1), and
- (b) the deadline in subsection (17.4), (17.5) or (17.6), as applicable, to file, deliver or make reasonably available the annual financial statements.

**(17.8)** The annual financial statements of an issuer referred to in subsections (17.4), (17.5) and (17.6) must include

- (a) a statement of comprehensive income, a statement of changes in equity, and a statement of cash flows for



- (i) the most recently completed financial year, and
  - (ii) the financial year immediately preceding the most recently completed financial year, if any,
- (b) a statement of financial position as at the end of each of the periods referred to in paragraph (a),
- (c) in the following circumstances, a statement of financial position as at the beginning of the financial year immediately preceding the most recently completed financial year:
- (i) the issuer discloses in its annual financial statements an unreserved statement of compliance with IFRS, and
  - (ii) the issuer
    - (A) applies an accounting policy retrospectively in its annual financial statements,
    - (B) makes a retrospective restatement of items in its annual financial statements, or
    - (C) reclassifies items in its annual financial statements,
- (d) in the case of the issuer's first IFRS financial statements, the opening IFRS statement of financial position at the date of transition to IFRS, and
- (e) notes to the annual financial statements.

**(17.9)** If the annual financial statements referred to in subsection (17.8) present the components of profit or loss in a separate income statement, the separate income statement must be displayed immediately before the statement of comprehensive income referred to in subsection (17.8).

**(17.10)** The annual financial statements referred to in subsection (17.8) must be audited.

**(17.11)** Despite subsection (17.10), for the first annual financial statements of an issuer referred to in subsections (17.4), (17.5) and (17.6), comparative information relating to the preceding financial year is not required to be audited if it has not been previously audited.

**(17.12)** Any period referred to in subsection (17.8) that has not been audited must be clearly labelled as unaudited.

**(17.13)** In Alberta, New Brunswick, Ontario, Québec and Saskatchewan, if an issuer decides to change its financial year end by more than 14 days, it must deliver to the securities regulatory authority and make reasonably available to each holder of a security acquired under subsection (2.1) a notice containing the information set out in subsection (17.15) as soon as practicable and, in any event, no later than the earlier of

- (a) the deadline, based on the issuer's old financial year end, for the next annual financial statements referred to in subsections (17.4) and (17.5), and
- (b) the deadline, based on the issuer's new financial year end, for the next annual financial statements referred to in subsections (17.4) and (17.5).

**(17.14)** In Nova Scotia, if an issuer decides to change its financial year end by more than 14 days, it must make reasonably available to each holder of a security acquired under subsection (2.1) a notice containing the information set out in subsection (17.15) as soon as practicable and, in any event, no later than the earlier of

- (a) the deadline, based on the issuer's old financial year end, for the next annual financial statements referred to in subsection (17.6), and
- (b) the deadline, based on the issuer's new financial year end, for the next annual financial statements referred to in subsection (17.6).

**(17.15)** The notice referred to in subsections (17.13) and (17.14) must state

- (a) that the issuer has decided to change its financial year end,
- (b) the reason for the change,
- (c) the issuer's old financial year end,
- (d) the issuer's new financial year end,
- (e) the length and ending date of the periods, including the comparative periods, of the annual financial statements referred to in subsections (17.4), (17.5) and (17.6) for the issuer's transition year and its new financial year, and
- (f) the filing deadline for the annual financial statements for the issuer's transition year.

**(17.16)** If a transition year is less than 9 months in length, the issuer must include as comparative financial information to its annual financial statements for its new financial year

- (a) a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows, and notes to the financial statements for its transition year,
- (b) a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows, and notes to the financial statements for its old financial year,
- (c) in the following circumstances, a statement of financial position as at the beginning of the old financial year:

- (i) the issuer discloses in its annual financial statements an unreserved statement of compliance with IFRS, and
- (ii) the issuer
  - (A) applies an accounting policy retrospectively in its annual financial statements,
  - (B) makes a retrospective restatement of items in its annual financial statements, or
  - (C) reclassifies items in its annual financial statements, and
- (d) in the case of the issuer's first IFRS financial statements, the opening IFRS statement of financial position at the date of transition to IFRS.

**(17.17)** A transition year must not exceed 15 months.

**(17.18)** An SEC issuer satisfies subsections (17.13), (17.14) and (17.16) if

- (a) it complies with the requirements of U.S. laws relating to a change of fiscal year, and
- (b) it delivers a copy of all materials required by U.S. laws relating to a change in fiscal year to the securities regulatory authority at the same time as, or as soon as practicable after, they are filed with or furnished to the SEC and, in any event, no later than 120 days after the end of its most recently completed financial year.

**(17.19)** The financial statements of an issuer referred to in subsections (17.4), (17.5) and (17.6) must be accompanied by a notice of the issuer disclosing in reasonable detail the use of the aggregate gross proceeds raised by the issuer under section 2.9 in accordance with Form 45-106F16, unless the issuer has previously disclosed the use of the aggregate gross proceeds in accordance with Form 45-106F16.

**(17.20)** In New Brunswick, Nova Scotia and Ontario, an issuer must make reasonably available to each holder of a security acquired under subsection (2.1) a notice of each of the following events in accordance with Form 45-106F17, within 10 days of the occurrence of the event:

- (a) a discontinuation of the issuer's business;
- (b) a change in the issuer's industry;
- (c) a change of control of the issuer.

**(17.21)** An issuer is required to make the disclosure required respectively by subsections (17.4), (17.5), (17.6), (17.19) and (17.20) until the earliest of

- (a) the date the issuer becomes a reporting issuer in any jurisdiction of Canada, and

- (b) the date the issuer ceases to carry on business.

**(17.22)** In Ontario, an issuer that is not a reporting issuer in Ontario that distributes securities in reliance on the exemption in subsection (2.1) is designated a market participant under the *Securities Act* (Ontario).

**(17.23)** In New Brunswick, an issuer that is not a reporting issuer in New Brunswick that distributes securities in reliance on the exemption in subsection (2.1) is designated a market participant under the *Securities Act* (New Brunswick).

**(18)** [Repealed]

**(19)** For the purposes of subsections (19.1) and (19.3), a qualified appraiser is independent of an issuer of a syndicated mortgage if there is no circumstance that, in the opinion of a reasonable person aware of all the relevant facts, could interfere with the qualified appraiser's judgment regarding the preparation of an appraisal for a property.

**(19.1)** Subsections (1), (2) and (2.1) do not apply to a distribution of a syndicated mortgage by an issuer unless, at the same time or before the issuer delivers an offering memorandum to the purchaser in accordance with subsections (1), (2) or (2.1), the issuer delivers to the purchaser an appraisal of the property subject to the syndicated mortgage that

- (a) is prepared by a qualified appraiser who is independent of the issuer,
- (b) includes a certificate signed by the qualified appraiser stating that the appraisal is prepared in accordance with the standards and the code of ethics established or endorsed by the professional association of which the qualified appraiser is a member,
- (c) provides the appraised fair market value of the property subject to the syndicated mortgage, without considering any proposed improvements or proposed development, and
- (d) provides the appraised fair market value of the property as at a date that is within 6 months preceding the date that the appraisal is delivered to the purchaser.

**(19.2)** An issuer of a syndicated mortgage relying on an exemption set out in subsection (1), (2) or (2.1) must not make a representation of, or give an opinion as to, the value of a property subject to the syndicated mortgage in any communication related to the distribution under the exemption, unless the issuer has a reasonable basis for that value.

**(19.3)** If an issuer of a syndicated mortgage relying on an exemption set out in subsection (1), (2) or (2.1) discloses in any communication related to the distribution under the exemption any representation of, or opinion as to, the value of a property subject to the syndicated mortgage, other than the appraised fair market value disclosed in the appraisal referred to in subsection (19.1), the issuer must also disclose in that communication,

- (a) with equal or greater prominence as the representation or opinion, the appraised fair market value referred to in subsection (19.1),
- (b) the material factors or assumptions used to determine the representation or opinion, and
- (c) whether or not the representation or opinion was determined by a qualified appraiser who is independent of the issuer.

**(19.4)** The issuer must file a copy of an appraisal delivered under subsection (19.1) with the securities regulatory authority concurrently with the filing of the offering memorandum.

### **Minimum amount investment**

**Refer to Appendix D of National Instrument 45-102 *Resale of Securities*. First trades are subject to a restricted period on resale.**

**2.10 (1)** The prospectus requirement does not apply to a distribution of a security to a person if all of the following apply:

- (a) that person is not an individual;
- (b) that person purchases as principal;
- (c) the security has an acquisition cost to that person of not less than \$150 000 paid in cash at the time of the distribution;
- (d) the distribution is of a security of a single issuer.

**(2)** Subsection (1) does not apply to a distribution of a security to a person if the person was created, or is used, solely to purchase or hold securities in reliance on the exemption from the prospectus requirement set out in subsection (1).

## **Division 2: Transaction Exemptions**

### **Business combination and reorganization**

**Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.**

**2.11** The prospectus requirement does not apply to a distribution of a security in connection with

- (a) an amalgamation, merger, reorganization or arrangement that is under a statutory procedure,

- (b) an amalgamation, merger, reorganization or arrangement that
  - (i) is described in an information circular made pursuant to National Instrument 51-102 *Continuous Disclosure Obligations* or in a similar disclosure record and the information circular or similar disclosure record is delivered to each security holder whose approval of the amalgamation, merger, reorganization or arrangement is required before it can proceed, and
  - (ii) is approved by the security holders referred to in subparagraph (i),

or

- (c) a dissolution or winding-up of the issuer.

### **Asset acquisition**

**Refer to Appendix D of National Instrument 45-102 *Resale of Securities*. First trades are subject to a restricted period on resale.**

**2.12** The prospectus requirement does not apply to a distribution by an issuer of a security of its own issue to a person as consideration for the acquisition, directly or indirectly, of the assets of the person, if those assets have a fair value of not less than \$150 000.

### **Petroleum, natural gas and mining properties**

**Refer to Appendix D of National Instrument 45-102 *Resale of Securities*. First trades are subject to a restricted period on resale.**

**2.13** The prospectus requirement does not apply to a distribution by an issuer of a security of its own issue as consideration for the acquisition, directly or indirectly, of petroleum, natural gas or mining properties or any interest in them.

### **Securities for debt**

**Refer to Appendix D of National Instrument 45-102 *Resale of Securities*. First trades are subject to a restricted period on resale.**

**2.14** The prospectus requirement does not apply to a distribution by a reporting issuer of a security of its own issue to a creditor to settle a bona fide debt of that reporting issuer.

### **Issuer acquisition or redemption**

**This provision is not cited in any Appendix of National Instrument 45-102 *Resale of Securities*.**

**2.15** The prospectus requirement does not apply to a distribution of a security to the issuer of the security.

### **Take-over bid and issuer bid**

**Refer to section 2.11 or Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale unless the requirements of section 2.11 of National Instrument 45-102 are met.**

**2.16** The prospectus requirement does not apply to a distribution of a security in connection with a take-over bid in a jurisdiction of Canada or an issuer bid in a jurisdiction of Canada.

### **Offer to acquire to security holder outside local jurisdiction**

**Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.**

**2.17** The prospectus requirement does not apply to a distribution by a security holder outside the local jurisdiction to a person in the local jurisdiction if the distribution would have been in connection with a take-over bid or issuer bid made by that person were it not for the fact that the security holder is outside of the local jurisdiction.

## **Division 3: Investment Fund Exemptions**

### **Investment fund reinvestment**

**Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.**

**2.18 (1)** Subject to subsections (3), (4), (5) and (6), the prospectus requirement does not apply to the following distributions by an investment fund, and the investment fund manager of the fund, to a security holder of the investment fund if the distributions are permitted by a plan of the investment fund:

- (a) a distribution of a security of the investment fund's own issue if a dividend or distribution out of earnings, surplus, capital or other sources payable in respect of the investment fund's securities is applied to the purchase of the security that is of

the same class or series as the securities to which the dividend or distribution out of earnings, surplus, capital or other sources is attributable, and

- (b) subject to subsection (2), a distribution of a security of the investment fund's own issue if the security holder makes an optional cash payment to purchase the security of the investment fund that is of the same class or series of securities described in paragraph (a) that trade on a marketplace.

(2) The aggregate number of securities issued under the optional cash payment referred to in subsection (1) (b) must not exceed, in any financial year of the investment fund during which the distribution takes place, 2% of the issued and outstanding securities of the class to which the plan relates as at the beginning of the financial year.

(3) A plan that permits the distributions described in subsection (1) must be available to every security holder in Canada to which the dividend or distribution out of earnings, surplus, capital or other sources is available.

(4) A person must not charge a fee for a distribution described in subsection (1).

(5) An investment fund that is a reporting issuer and in continuous distribution must set out in its current prospectus:

- (a) details of any deferred or contingent sales charge or redemption fee that is payable at the time of the redemption of the security,
- (b) any right that the security holder has to make an election to receive cash instead of securities on the payment of a dividend or making of a distribution by the investment fund, and
- (c) instructions on how the right referred to in paragraph (b) can be exercised.

(6) An investment fund that is a reporting issuer and is not in continuous distribution must provide the information required by subsection (5) in its prospectus, annual information form or a material change report.

#### **Additional investment in investment funds**

**Refer to Appendix D of National Instrument 45-102 *Resale of Securities*. First trades are subject to a restricted period on resale.**

**2.19** The prospectus requirement does not apply to a distribution by an investment fund, or the investment fund manager of the fund, of a security of the investment fund's own issue to a security holder of the investment fund if

- (a) the security holder initially acquired securities of the investment fund as principal for an acquisition cost of not less than \$150 000 paid in cash at the time of the distribution,



- (b) the distribution is of a security of the same class or series as the securities initially acquired, as described in paragraph (a), and
- (c) the security holder, as at the date of the distribution, holds securities of the investment fund that have
  - (i) an acquisition cost of not less than \$150 000, or
  - (ii) a net asset value of not less than \$150 000.

#### **Private investment club**

**Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.**

**2.20** The prospectus requirement does not apply to a distribution of a security of an investment fund if the investment fund

- (a) has no more than 50 beneficial security holders,
- (b) does not seek and has never sought to borrow money from the public,
- (c) does not and has never distributed its securities to the public,
- (d) does not pay or give any remuneration for investment management or administration advice in respect of trades in securities, except normal brokerage fees, and
- (e) for the purpose of financing the operations of the investment fund, requires security holders to make contributions in proportion to the value of the securities held by them.

#### **Private investment fund - loan and trust pools**

**Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.**

**2.21 (1)** Subject to subsection (2), the prospectus requirement does not apply to a distribution of a security of an investment fund if the investment fund

- (a) is administered by a trust company or trust corporation that is registered or authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada,
- (b) has no promoter or investment fund manager other than the trust company or trust corporation referred to in paragraph (a), and

- (c) co-mingles the money of different estates and trusts for the purpose of facilitating investment.

(2) A trust company or trust corporation registered under the laws of Prince Edward Island that is not registered under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in another jurisdiction of Canada is not a trust company or trust corporation for the purpose of subparagraph (1)(a).

#### **Division 4: Employee, Executive Officer, Director and Consultant Exemptions**

##### **Definitions**

##### **2.22 In this Division**

“**associate**”, when used to indicate a relationship with a person, means

- (a) an issuer of which the person beneficially owns or controls, directly or indirectly, voting securities entitling the person to more than 10% of the voting rights attached to outstanding voting securities of the issuer,
- (b) any partner of the person,
- (c) any trust or estate in which the person has a substantial beneficial interest or in respect of which the person serves as trustee or executor or in a similar capacity, or
- (d) in the case of an individual, a relative of that individual, including
  - (i) a spouse of that individual, or
  - (ii) a relative of that individual’s spouseif the relative has the same home as that individual;

“**associated consultant**” means, for an issuer, a consultant of the issuer or of a related entity of the issuer if

- (a) the consultant is an associate of the issuer or of a related entity of the issuer, or
- (b) the issuer or a related entity of the issuer is an associate of the consultant;

“**compensation**” means an issuance of securities in exchange for services provided or to be provided and includes an issuance of securities for the purpose of providing an incentive;

**“consultant”** means, for an issuer, a person, other than an employee, executive officer, or director of the issuer or of a related entity of the issuer, that

- (a) is engaged to provide services to the issuer or a related entity of the issuer, other than services provided in relation to a distribution,
- (b) provides the services under a written contract with the issuer or a related entity of the issuer, and
- (c) spends or will spend a significant amount of time and attention on the affairs and business of the issuer or a related entity of the issuer

and includes

- (d) for an individual consultant, a corporation of which the individual consultant is an employee or shareholder, and a partnership of which the individual consultant is an employee or partner, and
- (e) for a consultant that is not an individual, an employee, executive officer, or director of the consultant, provided that the individual employee, executive officer, or director spends or will spend a significant amount of time and attention on the affairs and business of the issuer or a related entity of the issuer;

**“holding entity”** means a person that is controlled by an individual;

**“investor relations activities”** means activities or communications, by or on behalf of an issuer or a security holder of the issuer, that promote or could reasonably be expected to promote the purchase or sale of securities of the issuer, but does not include

- (a) the dissemination of information or preparation of records in the ordinary course of the business of the issuer
  - (i) to promote the sale of products or services of the issuer, or
  - (ii) to raise public awareness of the issuer

that cannot reasonably be considered to promote the purchase or sale of securities of the issuer,

- (b) activities or communications necessary to comply with the requirements of
  - (i) securities legislation of any jurisdiction of Canada,
  - (ii) the securities laws of any foreign jurisdiction governing the issuer, or
  - (iii) any exchange or market on which the issuer’s securities trade, or

- (c) activities or communications necessary to follow securities directions of any jurisdiction of Canada;

**“investor relations person”** means a person that is a registrant or that provides services that include investor relations activities;

**“issuer bid requirements”** means the requirements under securities legislation that apply to an issuer bid;

**“listed issuer”** means an issuer, any of the securities of which

- (a) are listed and not suspended, or the equivalent, from trading on
  - (i) TSX Inc.,
  - (ii) TSX Venture Exchange Inc.,
  - (ii.1) Aequitas NEO Exchange Inc.,
  - (iii) NYSE Amex Equities,
  - (iv) The New York Stock Exchange,
  - (v) the London Stock Exchange, or
- (b) are quoted on the Nasdaq Stock Market;

**“permitted assign”** means, for a person that is an employee, executive officer, director or consultant of an issuer or of a related entity of the issuer,

- (a) a trustee, custodian, or administrator acting on behalf of, or for the benefit of the person,
- (b) a holding entity of the person,
- (c) a RRSP, RRIF, or TFSA of the person,
- (d) a spouse of the person,
- (e) a trustee, custodian, or administrator acting on behalf of, or for the benefit of the spouse of the person,
- (f) a holding entity of the spouse of the person, or
- (g) a RRSP, RRIF, or TFSA of the spouse of the person;

**“plan”** means a plan or program established or maintained by an issuer providing for the acquisition of securities of the issuer by persons described in section 2.24(1) [*Employee, executive officer, director and consultant*] as compensation;

**“related entity”** means, for an issuer, a person that controls or is controlled by the issuer or that is controlled by the same person that controls the issuer;

**“related person”** means, for an issuer,

- (a) a director or executive officer of the issuer or of a related entity of the issuer,
- (b) an associate of a director or executive officer of the issuer or of a related entity of the issuer, or
- (c) a permitted assign of a director or executive officer of the issuer or of a related entity of the issuer;

**“security holder approval”** means an approval for the issuance of securities of an issuer as compensation or under a plan

- (a) given by a majority of the votes cast at a meeting of security holders of the issuer other than votes attaching to securities beneficially owned by related persons to whom securities may be issued as compensation or under that plan, or
- (b) evidenced by a resolution signed by all the security holders entitled to vote at a meeting, if the issuer is not required to hold a meeting; and

**“support agreement”** includes an agreement to provide assistance in the maintenance or servicing of indebtedness of the borrower and an agreement to provide consideration for the purpose of maintaining or servicing indebtedness of the borrower.

## **Interpretation**

**2.23 (1)** In this Division, a person (first person) is considered to control another person (second person) if the first person, directly or indirectly, has the power to direct the management and policies of the second person by virtue of

- (a) ownership of or direction over voting securities in the second person,
- (b) a written agreement or indenture,
- (c) being the general partner or controlling the general partner of the second person, or
- (d) being a trustee of the second person.

(2) In this Division, participation in a distribution is considered voluntary if

- (a) in the case of an employee or the employee's permitted assign, the employee or the employee's permitted assign is not induced to participate in the distribution by expectation of employment or continued employment of the employee with the issuer or a related entity of the issuer,
- (b) in the case of an executive officer or the executive officer's permitted assign, the executive officer or the executive officer's permitted assign is not induced to participate in the distribution by expectation of appointment, employment, continued appointment or continued employment of the executive officer with the issuer or a related entity of the issuer,
- (c) in the case of a consultant or the consultant's permitted assign, the consultant or the consultant's permitted assign is not induced to participate in the distribution by expectation of engagement of the consultant to provide services or continued engagement of the consultant to provide services to the issuer or a related entity of the issuer, and
- (d) in the case of an employee of a consultant, the individual is not induced by the issuer, a related entity of the issuer, or the consultant to participate in the distribution by expectation of employment or continued employment with the consultant.

**Employee, executive officer, director and consultant**

**Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.**

2.24 (1) Subject to section 2.25 [*Unlisted reporting issuer exception*], the prospectus requirement does not apply to a distribution

- (a) by an issuer in a security of its own issue, or
- (b) by a control person of an issuer of a security of the issuer or of an option to acquire a security of the issuer,

with

- (c) an employee, executive officer, director or consultant of the issuer,
- (d) an employee, executive officer, director or consultant of a related entity of the issuer, or
- (e) a permitted assign of a person referred to in paragraphs (c) or (d)

if participation in the distribution is voluntary.

(2) For the purposes of subsection (1), a person referred to in paragraph (c), (d) or (e) includes a trustee, custodian or administrator acting as agent for that person for the purpose of facilitating a trade.

### **Unlisted reporting issuer exception**

**2.25 (1)** For the purpose of this section, “**unlisted reporting issuer**” means a reporting issuer in a jurisdiction of Canada that is not a listed issuer.

(2) Subject to subsection (3), section 2.24 [*Employee, executive officer, director and consultant*] does not apply to a distribution to an employee or consultant of the unlisted reporting issuer who is an investor relations person of the issuer, an associated consultant of the issuer, an executive officer of the issuer, a director of the issuer, or a permitted assign of those persons if, after the distribution,

- (a) the number of securities, calculated on a fully diluted basis, reserved for issuance under options granted to
  - (i) related persons, exceeds 10% of the outstanding securities of the issuer, or
  - (ii) a related person, exceeds 5% of the outstanding securities of the issuer, or
- (b) the number of securities, calculated on a fully diluted basis, issued within 12 months to
  - (i) related persons, exceeds 10% of the outstanding securities of the issuer, or
  - (ii) a related person and the associates of the related person, exceeds 5% of the outstanding securities of the issuer.

(3) Subsection (2) does not apply to a distribution if the unlisted reporting issuer

- (a) obtains security holder approval, and
- (b) before obtaining security holder approval, provides security holders with the following information in sufficient detail to permit security holders to form a reasoned judgment concerning the matter:
  - (i) the eligibility of employees, executive officers, directors, and consultants to be issued or granted securities as compensation or under a plan;
  - (ii) the maximum number of securities that may be issued, or in the case of options, the number of securities that may be issued on exercise of the options, as compensation or under a plan;
  - (iii) particulars relating to any financial assistance or support agreement to be provided to participants by the issuer or any related entity of the issuer to

facilitate the purchase of securities as compensation or under a plan, including whether the assistance or support is to be provided on a full-, part-, or non-recourse basis;

- (iv) in the case of options, the maximum term and the basis for the determination of the exercise price;
- (v) particulars relating to the options or other entitlements to be granted as compensation or under a plan, including transferability; and
- (vi) the number of votes attaching to securities that, to the issuer's knowledge at the time the information is provided, will not be included for the purpose of determining whether security holder approval has been obtained.

**Distributions among current or former employees, executive officers, directors, or consultants of non-reporting issuer**

**Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.**

**2.26 (1)** Subject to subsection (2), the prospectus requirement does not apply to a distribution of a security of an issuer by

- (a) a current or former employee, executive officer, director, or consultant of the issuer or related entity of the issuer, or
- (b) a permitted assign of a person referred to in paragraph (a),

to

- (c) an employee, executive officer, director, or consultant of the issuer or a related entity of the issuer, or
- (d) a permitted assign of the employee, executive officer, director, or consultant.

**(2)** The exemption in subsection (1) is only available if

- (a) participation in the distribution is voluntary,
- (b) the issuer of the security is not a reporting issuer in any jurisdiction of Canada, and
- (c) the price of the security being distributed is established by a generally applicable formula contained in a written agreement among some or all of the security holders of the issuer to which the transferee is or will become a party.



## Permitted transferees

**Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.**

**2.27 (1)** Subject to section 2.28, the prospectus requirement does not apply to a distribution of a security of an issuer acquired by a person described in section 2.24(1)[*Employee, executive officer, director and consultant*] under a plan of the issuer if the distribution

- (a) is between
  - (i) a person who is an employee, executive officer, director or consultant of the issuer or a related entity of the issuer, and
  - (ii) the permitted assign of that person,
- or
- (b) is between permitted assigns of that person.

**(2)** Subject to section 2.28, the prospectus requirement does not apply to a distribution of a security of an issuer by a trustee, custodian or administrator acting on behalf, or for the benefit, of employees, executive officers, directors or consultants of the issuer or a related entity of the issuer, to

- (a) an employee, executive officer, director or consultant of the issuer or a related entity of the issuer, or
- (b) a permitted assign of a person referred to in paragraph (a),

if the security was acquired from

- (c) an employee, executive officer, director or consultant of the issuer or a related entity of the issuer, or
- (d) the permitted assign of a person referred to in paragraph (c).

**(3)** For the purposes of the exemptions in subsection (1) and paragraphs (2) (c) and (d), all references to employee, executive officer, director, or consultant include a former employee, executive officer, director, or consultant.

## Limitation re: permitted transferees

**2.28** The exemption from the prospectus requirement under subsection 2.27(1) or (2) is only available if the security was acquired

- (a) by a person described in section 2.24(1) [*Employee, executive officer, director, and consultant*] under any exemption that makes the resale of the security subject to section 2.6 of National Instrument 45-102 *Resale of Securities*, or
- (b) in Manitoba, by a person described in section 2.24(1) [*Employee, executive officer, director, and consultant*].

### **Issuer bid**

**2.29** The issuer bid requirements do not apply to the acquisition by an issuer of a security of its own issue that was acquired by a person described in section 2.24(1) [*Employee, executive officer, director, and consultant*] if

- (a) the purpose of the acquisition by the issuer is to
  - (i) fulfill withholding tax obligations, or
  - (ii) provide payment of the exercise price of a stock option,
- (b) the acquisition by the issuer is made in accordance with the terms of a plan that specifies how the value of the securities acquired by the issuer is determined,
- (c) in the case of securities acquired as payment of the exercise price of a stock option, the date of exercise of the option is chosen by the option holder, and
- (d) the aggregate number of securities acquired by the issuer within a 12 month period under this section does not exceed 5% of the outstanding securities of the class or series at the beginning of the period.

### **Division 5: Miscellaneous Exemptions**

#### **Isolated distribution by issuer**

**Refer to Appendix D of National Instrument 45-102 *Resale of Securities*. First trades are subject to a restricted period.**

**2.30** The prospectus requirement does not apply to a distribution by an issuer of a security of its own issue if the distribution is an isolated distribution and is not made

- (a) in the course of continued and successive transactions of a like nature, and
- (b) by a person whose usual business is trading in securities.

## Dividends and distributions

**Subsection (1) is cited in Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.**

**Subsection (2) is cited in Appendix D and Appendix E of National Instrument 45-102. Resale restriction is determined by the exemption under which the previously issued security was first acquired**

**2.31 (1)** The prospectus requirement does not apply to a distribution by an issuer of a security of its own issue to a security holder of the issuer as a dividend or distribution out of earnings, surplus, capital or other sources.

**(2)** The prospectus requirement does not apply to a distribution by an issuer to a security holder of the issuer of a security of a reporting issuer as an in specie dividend or distribution out of earnings or surplus.

## Distribution to lender by control person for collateral

**The provision is not cited in any Appendix of National Instrument 45-102 *Resale of Securities*. Trades by a lender, pledgee, mortgagee or other encumbrancer to realize on a debt are regulated by section 2.8 of National Instrument 45-102**

**2.32** The prospectus requirement does not apply to a distribution of a security of an issuer to a lender, pledgee, mortgagee or other encumbrancer from the holdings of a control person of the issuer for the purpose of giving collateral for a bona fide debt of the control person.

## Acting as underwriter

**Refer to Appendix F of National Instrument 45-102 *Resale of Securities*. First trades are a distribution.**

**2.33** The prospectus requirement does not apply to a distribution of a security between a person and a purchaser acting as an underwriter or between or among persons acting as underwriters.

## Specified debt

**This provision is not cited in any Appendix of National Instrument 45-102 *Resale of Securities*. These securities are free trading.**

**2.34 (1)** In this section, “**permitted supranational agency**” means

- (a) the African Development Bank, established by the Agreement Establishing the African Development Bank which came into force on September 10, 1964, that Canada became a member of on December 30, 1982;
- (b) the Asian Development Bank, established under a resolution adopted by the United Nations Economic and Social Commission for Asia and the Pacific in 1965;
- (c) the Caribbean Development Bank, established by the Agreement Establishing the Caribbean Development Bank which came into force on January 26, 1970, as amended, that Canada is a founding member of;
- (d) the European Bank for Reconstruction and Development, established by the Agreement Establishing the European Bank for Reconstruction and Development and approved by the *European Bank for Reconstruction and Development Agreement Act* (Canada), that Canada is a founding member of;
- (e) the Inter-American Development Bank, established by the Agreement establishing the Inter-American Development Bank which became effective December 30, 1959, as amended from time to time, that Canada is a member of;
- (f) the International Bank for Reconstruction and Development, established by the Agreement for an International Bank for Reconstruction and Development approved by the *Bretton Woods and Related Agreements Act* (Canada); and
- (g) the International Finance Corporation, established by Articles of Agreement approved by the *Bretton Woods and Related Agreements Act* (Canada).

**(2)** The prospectus requirement does not apply to a distribution of

- (a) a debt security issued by or guaranteed by the Government of Canada or the government of a jurisdiction of Canada,
- (b) a debt security issued by or guaranteed by a government of a foreign jurisdiction if the debt security has a designated rating from a designated rating organization or its DRO affiliate,
- (c) a debt security issued by or guaranteed by a municipal corporation in Canada, or secured by or payable out of rates or taxes levied under the law of a jurisdiction of Canada on property in the jurisdiction and collectable by or through the municipality in which the property is situated,
- (d) a debt security issued by or guaranteed by a Canadian financial institution or a Schedule III bank, other than debt securities that are subordinate in right of payment to deposits held by the issuer or guarantor of those debt securities,

- (d.1) in Ontario, a debt security issued by or guaranteed by a loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of a jurisdiction of Canada other than Ontario to carry on business in a jurisdiction of Canada, other than debt securities that are subordinate in right of payment to deposits held by the issuer or guarantor of those debt securities,
- (e) a debt security issued by the Comité de gestion de la taxe scolaire de l'île de Montréal, or
- (f) a debt security issued by or guaranteed by a permitted supranational agency if the debt securities are payable in the currency of Canada or the United States of America.

(3) Paragraphs (2)(a), (c) and (d) do not apply in Ontario.

**In Ontario, subsections 73(1) and (2) of the *Securities Act* (Ontario) provide similar exemptions to the exemptions in paragraphs (2)(a) and (c) of this Instrument.**

**In Ontario, subsections 73.1(1) and (2) of the *Securities Act* (Ontario), read together, provide a similar exemption to the exemptions in paragraph (2)(d) of this Instrument.**

#### Short-term debt

**This provision is not cited in any Appendix of National Instrument 45-102 *Resale of Securities*. These securities are free trading.**

**2.35 (1)** The prospectus requirement does not apply to a distribution of a negotiable promissory note or commercial paper if all of the following apply:

- (a) the note or commercial paper matures not more than one year from the date of issue;
- (b) the note or commercial paper has a credit rating from a designated rating organization listed below, from a DRO affiliate of an organization listed below, from a designated rating organization that is a successor credit rating organization of an organization listed below or from a DRO affiliate of such successor credit rating organization, that is at or above one of the following corresponding rating categories or that is at or above a category that replaces one of the following corresponding rating categories:
  - (i) R-1(low) - DBRS Limited;
  - (ii) F1 - Fitch Ratings, Inc.;

- (iii) P-1 - Moody's Canada Inc.;
- (iv) A-1(Low) (Canada national scale) – S&P Global Ratings Canada;
- (c) the note or commercial paper has no credit rating from a designated rating organization listed below, from a DRO affiliate of an organization listed below, from a designated rating organization that is a successor credit rating organization of an organization listed below or from a DRO affiliate of such successor credit rating organization, that is below one of the following corresponding rating categories or that is below a category that replaces one of the following corresponding rating categories:
  - (i) R-1(low) - DBRS Limited;
  - (ii) F2 - Fitch Ratings, Inc.;
  - (iii) P-2 - Moody's Canada Inc.;
  - (iv) A-1(Low) (Canada national scale) or A-2 (global scale) - S&P Global Ratings Canada.

(2) Subsection (1) does not apply to a distribution of a negotiable promissory note or commercial paper if either of the following applies:

- (a) the note or commercial paper is a securitized product;
- (b) the note or commercial paper is convertible or exchangeable into or accompanied by a right to purchase another security other than a security described in subsection (1).

### **Short-term securitized products**

**2.35.1** The prospectus requirement does not apply to a distribution of a short-term securitized product if all of the following apply:

- (a) the short-term securitized product is a security described in section 2.35.2;
- (b) the conduit issuing the short-term securitized product complies with section 2.35.4;
- (c) the short-term securitized product is not convertible or exchangeable into or accompanied by a right to purchase another security other than a security described in paragraph (a) and for which disclosure is provided pursuant to paragraph (b).

## **Definition applicable to section 2.35.2**

**2.35.1.1** For the purposes of paragraph 2.35.2(a), a reference to “designated rating organization” includes the DRO affiliates of the organization, a designated rating organization that is a successor credit rating organization of the designated rating organization and the DRO affiliates of such successor credit rating organization.

## **Limitations on short-term securitized product exemption**

**2.35.2** All of the following must apply to a short-term securitized product distributed under section 2.35.1:

- (a) it has short-term securitized product is of a series or class of securitized product to which all of the following apply:
  - (i) it has a credit rating from not less than two designated rating organizations listed below and at least one of the credit ratings is at or above one of the following corresponding rating categories or is at or above a category that replaces one of the following corresponding rating categories:
    - (A) R-1(high)(sf) - DBRS Limited;
    - (B) F1+sf - Fitch Ratings, Inc.;
    - (C) P-1(sf) - Moody’s Canada Inc.;
    - (D) A-1(High)(sf) (Canada national scale) or A-1+(sf) (global scale) - S&P Global Ratings Canada;
  - (ii) it has no credit rating from a designated rating organization listed below that is below one of the following corresponding rating categories or that is below a category that replaces one of the following corresponding rating categories:
    - (A) R-1(low)(sf) - DBRS Limited;
    - (B) F2sf - Fitch Ratings, Inc.;
    - (C) P-2(sf) - Moody’s Canada Inc.;
    - (D) A-1(Low)(sf) (Canada national scale) or A-2(sf) (global scale) - S&P Global Ratings Canada;
  - (iii) the conduit has entered into one or more agreements that, subject to section 2.35.3, obligate one or more liquidity providers to provide funds to the conduit to enable the conduit to satisfy all of its obligations to pay principal or interest as that series or class of short-term securitized product matures;

- (iv) all of the following apply to each liquidity provider:
  - (A) the liquidity provider is a deposit-taking institution;
  - (B) the liquidity provider is regulated or approved to carry on business in Canada by one or both of the following:
    - 1. the Office of the Superintendent of Financial Institutions (Canada);
    - 2. a government department or regulatory authority of Canada, or of a jurisdiction of Canada responsible for regulating deposit-taking institutions;
  - (C) the liquidity provider has a credit rating from each of the designated rating organizations providing a credit rating on the short-term securitized product referred to in subparagraph 2.35.2(a)(i), for its senior, unsecured short-term debt, none of which is dependent upon a guarantee by a third party, and each credit rating from those designated rating organizations is at or above the following corresponding rating categories or is at or above a category that replaces one of the following corresponding rating categories:
    - 1. R-1(low) - DBRS Limited;
    - 2. F2 - Fitch Ratings, Inc.;
    - 3. P-2 - Moody's Canada Inc.;
    - 4. A-1(Low) (Canada national scale) or A-2 (global scale) - S&P Global Ratings Canada;
- (b) if the conduit has issued more than one series or class of short-term securitized product, the short-term securitized product to be distributed under section 2.35.1, when issued, will not in the event of bankruptcy, insolvency or winding-up of the conduit be subordinate in priority of claim to any other outstanding series or class of short-term securitized product issued by the conduit in respect of any asset pool backing the short-term securitized product to be distributed under section 2.35.1;
- (c) the conduit has provided an undertaking to or has agreed in writing with the purchaser of the short-term securitized product or an agent, custodian or trustee appointed to act on behalf of purchasers of that series or class of short-term securitized product, that any asset pool of the conduit will consist only of one or more of the following:
  - (i) a bond;



- (ii) a mortgage;
- (iii) a lease;
- (iv) a loan;
- (v) a receivable;
- (vi) a royalty;
- (vii) any real or personal property securing or forming part of that asset pool.

### **Exceptions relating to liquidity agreements**

**2.35.3 (1)** Despite subparagraph 2.35.2(a)(iii), an agreement with a liquidity provider may provide that a liquidity provider is not obligated to advance funds in respect of a series or class of short-term securitized product distributed under section 2.35.1 if the conduit is subject to any of the following:

- (a) bankruptcy, or insolvency proceedings under the *Bankruptcy and Insolvency Act* (Canada);
- (b) an arrangement under the *Companies Creditors' Arrangement Act* (Canada);
- (c) proceedings similar to those referred to in paragraph (a) or (b) under the laws of Canada or a jurisdiction of Canada or a foreign jurisdiction.

**(2)** Despite subparagraph 2.35.2(a)(iii), an agreement with a liquidity provider may provide that a liquidity provider is not obligated to advance funds in respect of a series or class of short-term securitized product distributed under section 2.35.1 that exceed the sum of the following:

- (a) the aggregate value of the non-defaulted assets in the asset pool to which the agreement relates;
- (b) the amount of credit enhancement applicable to the asset pool to which the agreement relates.

### **Disclosure requirements**

**2.35.4 (1)** A conduit that distributes a short-term securitized product under section 2.35.1 must, on or before the date a purchaser purchases the short-term securitized product, do all of the following:

- (a) provide to or make reasonably available to the purchaser an information memorandum prepared in accordance with Form 45-106F7 *Information Memorandum for Short-term Securitized Products Distributed under Section 2.35.1*;

- (b) provide an undertaking to or agree in writing with the purchaser, or with an agent, custodian or trustee appointed to act on behalf of purchasers of that series or class of securitized product, to
  - (i) for so long as a short-term securitized product of that class remains outstanding, prepare the documents specified in subsections (5) and (6) within the time periods specified in those subsections, and
  - (ii) provide to or make reasonably available to each holder of a short-term securitized product of that series or class, the documents specified in subsections (5) and (6).

**(2)** Subsection (1) does not apply to a conduit distributing a short-term securitized product under section 2.35.1 if

- (a) the conduit has previously distributed a short-term securitized product of the same series or class as the short-term securitized product to be distributed,
- (b) in connection with that previous distribution the conduit prepared an information memorandum that complied with paragraph (1)(a), and
- (c) the conduit, on or before the time each purchaser in the current distribution purchases a short-term securitized product, does each of the following:
  - (i) provides to or makes reasonably available to the purchaser the information memorandum prepared in connection with the previous distribution;
  - (ii) provides to or makes reasonably available to the purchaser all documents specified in subsections (5) and (6) that have been prepared in respect of that series or class of short-term securitized product.

**(3)** A conduit must, on or before the 10<sup>th</sup> day following a distribution of a short-term securitized product under section 2.35.1, do each of the following:

- (a) provide to or make reasonably available to the securities regulator either of the following:
  - (i) the information memorandum required under paragraph (1)(a);
  - (ii) if the conduit is relying on subsection (2), the documents referred to in paragraph (c) of subsection (2);
- (b) subject to subsection (4), deliver to the securities regulator an undertaking that it will, in respect of that series or class of short-term securitized product,
  - (i) provide to or make reasonably available to the securities regulator the documents specified in subsections (5) and (6), and

- (ii) promptly deliver to the securities regulator each document specified in subsections (5) and (6) that is requested by the securities regulator.

**(4)** Paragraph (3)(b) does not apply if

- (a) the conduit has delivered an undertaking to the securities regulator under paragraph (3)(b) in respect of a previous distribution of a securitized product that is of the same series or class as the short-term securitized product currently being distributed, and
- (b) the undertaking referred to in paragraph (a) applies in respect of the current distribution.

**(5)** For the purpose of subsection 2.35.4(1), the undertaking or agreement must require the conduit to prepare a monthly disclosure report relating to the series or class of short-term securitized product that is

- (a) prepared in accordance with Form 45-106F8 *Monthly Disclosure Report for Short-term Securitized Products Distributed under Section 2.35.1*,
- (b) current as at the last business day of each month, and
- (c) no later than 50 days from the end of the most recent month to which it relates, made reasonably available to each holder of that series or class of the conduit's short-term securitized product.

**(6)** For the purpose of subsection 2.35.4(1), the undertaking or agreement must require the conduit to prepare a timely disclosure report, providing the information specified in subsection (7), in each of the following circumstances:

- (a) a downgrade in one or more of the conduit's credit ratings;
- (b) failure by the conduit to make any required payment of principal or interest on the series or class of short-term securitized product;
- (c) the occurrence of a change or event that the conduit would reasonably expect to have a significant adverse effect on the payment of principal or interest on the series or class of short-term securitized product.

**(7)** The timely disclosure report referred to in subsection (6) must

- (a) describe the nature and substance of the change or event and the actual or potential effect on any payment of principal or interest to a holder of that series or class of short-term securitized product, and

- (b) be provided to or made reasonably available to holders of that series or class of short-term securitized product no later than the second business day after the conduit becomes aware of the change or event.

## Mortgages

**This provision is not cited in any Appendix of National Instrument 45-102 *Resale of Securities*. These securities are free trading.**

### 2.36 (1) [Repealed]

(2) Subject to subsection (3), the prospectus requirement does not apply to a distribution of a mortgage on real property in a jurisdiction of Canada by a person who is registered or licensed, or exempted from registration or licensing, under mortgage brokerage or mortgage dealer legislation of that jurisdiction.

(3) Subsection (2) does not apply to the distribution of a syndicated mortgage.

**In Ontario, subsection 73.2(3) of the *Securities Act (Ontario)* provides a similar exemption to the exemption in subsection (2).**

## Personal property security legislation

**This provision is not cited in any Appendix of National Instrument 45-102 *Resale of Securities*. These securities are free trading.**

2.37 Except in Ontario, the prospectus requirement does not apply to a distribution to a person, other than an individual, in a security evidencing indebtedness secured by or under a security agreement, secured in accordance with personal property security legislation of a jurisdiction of Canada that provides for the granting of security in personal property.

**In Ontario, subsection 73.2(1)(a) of the *Securities Act (Ontario)* provides a similar exemption to the exemption in section 2.37.**

### Not for profit issuer

**This provision is not cited in any Appendix of National Instrument 45-102 Resale of Securities. These securities are free trading.**

**2.38** The prospectus requirement does not apply to a distribution by an issuer that is organized exclusively for educational, benevolent, fraternal, charitable, religious or recreational purposes and not for profit in a security of its own issue if

- (a) no part of the net earnings benefit any security holder of the issuer, and
- (b) no commission or other remuneration is paid in connection with the sale of the security.

### Variable insurance contract

**This provision is not cited in any Appendix of National Instrument 45-102 Resale of Securities. These securities are free trading.**

**2.39 (1)** In this section,

- (a) “**contract**” “**group insurance**”, “**insurance company**”, “**life insurance**” and “**policy**” have the respective meanings assigned to them in the legislation for a jurisdiction referenced in Appendix A.
- (b) “**variable insurance contract**” means a contract of life insurance under which the interest of the purchaser is valued for purposes of conversion or surrender by reference to the value of a proportionate interest in a specified portfolio of assets.

**(2)** The prospectus requirement does not apply to a distribution of a variable insurance contract by an insurance company if the variable insurance contract is

- (a) a contract of group insurance,
- (b) a whole life insurance contract providing for the payment at maturity of an amount not less than 75% of the premium paid up to age 75 years for a benefit payable at maturity,
- (c) an arrangement for the investment of policy dividends and policy proceeds in a separate and distinct fund to which contributions are made only from policy dividends and policy proceeds, or
- (d) a variable life annuity.

## RRSP/RRIF/TFSA

**Refer to Appendix D and Appendix E of National Instrument 45-102 *Resale of Securities*. The resale restriction is determined by the exemption under which the security was first acquired.**

**2.40** The prospectus requirement does not apply to a distribution of a security between

- (a) an individual or an associate of the individual, and
- (b) a RRSP, RRIF, or TFSA
  - (i) established for or by the individual, or
  - (ii) under which the individual is a beneficiary.

### **Schedule III banks and cooperative associations - evidence of deposit**

**This provision is not cited in any Appendix of National Instrument 45-102 *Resale of Securities*. These securities are free trading.**

**2.41** Except in Ontario, the prospectus requirement does not apply to a distribution of an evidence of deposit issued by a Schedule III bank or an association governed by the *Cooperative Credit Associations Act* (Canada).

**In Ontario, clause (e) of the definition of “security” in subsection 1(1) of the *Securities Act* (Ontario) excludes these evidences of deposit from the definition of “security”.**

### **Conversion, exchange, or exercise**

**Subsection (1)(a) is cited in Appendix D and Appendix E of National Instrument 45-102 *Resale of Securities*. Resale restriction is determined by the exemption under which the previously issued security was first acquired.**

**Subsection (1)(b) is cited in Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale, unless the requirements of section 2.10 of NI 45-102 are met.**

**2.42 (1)** The prospectus requirement does not apply to a distribution by an issuer if

- (a) the issuer distributes a security of its own issue to a security holder of the issuer in accordance with the terms and conditions of a security previously issued by that issuer, or

- (b) subject to subsection (2), the issuer distributes a security of a reporting issuer held by it to a security holder of the issuer in accordance with the terms and conditions of a security previously issued by that issuer.

**(2) Subsection (1)(b) does not apply unless**

- (a) the issuer has given the regulator or, in Québec, the securities regulatory authority, prior written notice stating the date, amount, nature and conditions of the distribution, and
- (b) the regulator or, in Québec, the securities regulatory authority, has not objected in writing to the distribution within 10 days of receipt of the notice referred to in paragraph (a) or, if the regulator or securities regulatory authority objects to the distribution, the issuer must deliver to the regulator or securities regulatory authority information relating to the securities that is satisfactory to and accepted by the regulator or securities regulatory authority.

**Self-directed registered educational savings plans**

**This provision is not cited in any Appendix of National Instrument 45-102 *Resale of Securities*. These securities are free trading.**

**2.43** The prospectus requirement does not apply to a distribution of a self-directed RESP to a subscriber if

- (a) the distribution is conducted by
  - (i) a dealing representative of a mutual fund dealer who is acting on behalf of the mutual fund dealer,
  - (ii) a Canadian financial institution, or,
  - (iii) in Ontario, a financial intermediary, and
- (b) the self-directed RESP restricts its investments in securities to securities in which the person who distributes the self-directed RESP is permitted to distribute.

**PART 3 [REPEALED]**

**PART 4 CONTROL BLOCK DISTRIBUTIONS**

**Control block distributions**

**4.1 (1)** In this Part,

**“control block distribution”** means a trade to which the provisions of securities legislation listed in Appendix B apply.

(2) Terms defined or interpreted in National Instrument 62-103 *The Early Warning System and Related Take-over Bid and Insider Reporting Issues* and used in this Part have the same meaning as is assigned to them in that Instrument.

(3) The prospectus requirement does not apply to a control block distribution by an eligible institutional investor of a reporting issuer’s securities if

- (a) the eligible institutional investor
  - (i) has filed the reports required under the early warning requirements or files the reports required under Part 4 of National Instrument 62-103 *The Early Warning System and Related Take-over Bid and Insider Reporting Issues*,
  - (ii) does not have knowledge of any material fact or material change with respect to the reporting issuer that has not been generally disclosed,
  - (iii) does not receive in the ordinary course of its business and investment activities knowledge of any material fact or material change with respect to the reporting issuer that has not been generally disclosed, and
  - (iv) either alone or together with any joint actors, does not possess effective control of the reporting issuer,
- (b) there are no directors or officers of the reporting issuer who were, or could reasonably be seen to have been, selected, nominated or designated by the eligible institutional investor or any joint actor,
- (c) the control block distribution is made in the ordinary course of business or investment activity of the eligible institutional investor,
- (d) securities legislation would not require the securities to be held for a specified period of time if the trade were not a control block distribution,
- (e) no unusual effort is made to prepare the market or to create a demand for the securities, and
- (f) no extraordinary commission or consideration is paid in respect of the control block distribution.

(4) An eligible institutional investor that makes a distribution in reliance on subsection (3) must file a letter within 10 days after the distribution that describes the date and size of the distribution, the market on which it was made and the price at which the securities being distributed were sold.



## **Distributions by a control person after a take-over bid**

**4.2 (1)** Subject to subsection (2), the prospectus requirement does not apply to a distribution in a security from the holdings of a control person acquired under a take-over bid for which a take-over bid circular was issued and filed if

- (a) the issuer whose securities are being acquired under the take-over bid has been a reporting issuer for at least 4 months at the date of the take-over bid,
- (b) the intention to make the distribution is disclosed in the take-over bid circular issued in respect of the take-over bid,
- (c) the distribution is made within the period beginning on the date of the expiry of the bid and ending 20 days after that date,
- (d) a notice of intention to distribute securities in Form 45-102F1 *Notice of Intention to Distribute Securities under Section 2.8 of NI 45-102 Resale of Securities* under National Instrument 45-102 *Resale of Securities* is filed before the distribution,
- (e) an insider report of the distribution in Form 55-102F2 *Insider Report* or Form 55-102F6 *Insider Report*, as applicable, under National Instrument 55-102 *System for Electronic Disclosure by Insiders (SEDI)* is filed within 3 days after the completion of the distribution,
- (f) no unusual effort is made to prepare the market or to create a demand for the security, and
- (g) no extraordinary commission or consideration is paid in respect of the distribution.

**(2)** A control person referred to in subsection (1) is not required to comply with subsection (1)(b) if

- (a) another person makes a competing take-over bid for securities of the issuer for which the take-over bid circular is issued, and
- (b) the control person sells those securities to that other person for a consideration that is not greater than the consideration offered by that other person under its take-over bid.

## **PART 5 OFFERINGS BY TSX VENTURE EXCHANGE OFFERING DOCUMENT**

### **Application and interpretation**

**5.1 (1)** This Part does not apply in Ontario.

**(2)** In this Part

**“exchange policy”** means Exchange Policy 4.6 - *Public Offering by Short Form Offering Document* and Exchange Form 4H - *Short Form Offering Document*, of the TSX Venture Exchange as amended from time to time;

**“gross proceeds”** means the gross proceeds that are required to be paid to the issuer for listed securities distributed under a TSX Venture exchange offering document;

**“listed security”** means a security of a class listed on the TSX Venture Exchange;

**“prior exchange offering”** means a distribution of securities by an issuer under a TSX Venture exchange offering document that was completed during the 12-month period immediately preceding the date of the TSX Venture exchange offering document;

**“subsequently triggered report”** means a material change report that must be filed no later than 10 days after a material change under securities legislation as a result of a material change that occurs after the date the TSX Venture exchange offering document is certified but before a purchaser enters into an agreement of purchase and sale;

**“TSX Venture Exchange”** means the TSX Venture Exchange Inc.;

**“TSX Venture exchange offering document”** means an offering document that complies with the exchange policy;

**“warrant”** means a warrant of an issuer distributed under a TSX Venture exchange offering document that entitles the holder to acquire a listed security or a portion of a listed security of the same issuer.

### **TSX Venture Exchange offering**

**Refer to Appendix D of National Instrument 45-102 *Resale of Securities*. These securities are free trading unless the security is acquired by**

- (i) a purchaser that, at the time the security was acquired, was an insider or promoter of the issuer of the security, an underwriter of the issuer, or a member of the underwriter’s professional group, or**
- (ii) any other purchaser in excess of \$40 000 for the portion of the securities in excess of \$40 000.**

**The first trade by purchasers under (i) and (ii) are subject to a restricted period.**

**5.2** The prospectus requirement does not apply to a distribution by an issuer in a security of its own issue if

- (a) the issuer has filed an AIF in a jurisdiction of Canada,
- (b) the issuer is a SEDAR filer,
- (c) the issuer is a reporting issuer in a jurisdiction of Canada and has filed in a jurisdiction of Canada
  - (i) a TSX Venture exchange offering document,
  - (ii) all documents required to be filed under the securities legislation of that jurisdiction, and
  - (iii) any subsequently triggered report,
- (d) the distribution is of listed securities or units consisting of listed securities and warrants,
- (e) the issuer has filed with the TSX Venture Exchange a TSX Venture exchange offering document in respect of the distribution, that
  - (i) incorporates by reference the following documents of the issuer filed with the securities regulatory authority in any jurisdiction of Canada:
    - (A) the AIF,
    - (B) the most recent annual financial statements and the MD&A relating to those financial statements,
    - (C) all unaudited interim financial reports and the MD&A relating to those financial reports, filed after the date of the AIF but before or on the date of the TSX Venture exchange offering document,
    - (D) all material change reports filed after the date of the AIF but before or on the date of the TSX Venture exchange offering document, and
    - (E) all documents required under National Instrument 43-101 *Standards of Disclosure for Mineral Projects* and National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* filed on or after the date of the AIF but before or on the date of the TSX Venture exchange offering document,
  - (ii) deems any subsequently triggered report required to be delivered to a purchaser under this Part to be incorporated by reference,

- (iii) grants to purchasers contractual rights of action in the event of a misrepresentation, as required by the exchange policy,
- (iv) grants to purchasers contractual rights of withdrawal, as required by the exchange policy, and
- (v) contains all the certificates required by the exchange policy,
- (f) the distribution is conducted in accordance with the exchange policy,
- (g) the issuer or the underwriter delivers the TSX Venture exchange offering document and any subsequently triggered report to each purchaser
  - (i) before the issuer or the underwriter enters into the written confirmation of purchase and sale resulting from an order or subscription for securities being distributed under the TSX Venture exchange offering document, or
  - (ii) not later than midnight on the 2nd business day after the agreement of purchase and sale is entered into,
- (h) the listed securities issued under the TSX Venture exchange offering document, when added to the listed securities of the same class issued under prior exchange offerings, do not exceed
  - (i) the number of securities of the same class outstanding immediately before the issuer distributes securities of the same class under the TSX Venture exchange offering document, or
  - (ii) the number of securities of the same class outstanding immediately before a prior exchange offering,
- (i) the gross proceeds under the TSX Venture exchange offering document, when added to the gross proceeds from prior exchange offerings do not exceed \$2 million,
- (j) no purchaser acquires more than 20% of the securities distributed under the TSX Venture exchange offering document, and
- (k) no more than 50% of the securities distributed under the TSX Venture exchange offering document are subject to section 2.5 of National Instrument 45-102 *Resale of Securities*.

### **Underwriter obligations**

**5.3** An underwriter that qualifies as a “sponsor” under TSX Venture Exchange Policy 2.2 - *Sponsorship and Sponsorship Requirements* as amended from time to time must sign the TSX Venture exchange offering document and comply with TSX Venture Exchange Appendix 4A - *Due Diligence Report* in connection with the distribution.

## PART 5A: LISTED ISSUER FINANCING EXEMPTION

### Interpretation

**5A.1 (1)** In this Part,

“**listed equity security**” means a security of a class of equity securities of an issuer listed for trading on an exchange recognized by a securities regulatory authority in a jurisdiction of Canada;

“**restructuring transaction**” has the same meaning as in National Instrument 51-102 *Continuous Disclosure Obligations*;

“**secondary market liability provisions**” means the provisions of securities legislation set out in Appendix D opposite the name of the local jurisdiction.

**(2)** For the purpose of this Part, the aggregate market value of an issuer’s listed equity securities is calculated by multiplying the total number of listed equity securities outstanding, by the market price.

**(3)** For the purpose of this Part, “**cash equivalents**” has the same meaning as in the Handbook.

### Listed issuer financing exemption

**Refer to Appendix E of National Instrument 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.**

**5A.2** The prospectus requirement does not apply to a distribution by an issuer of a security of the issuer’s own issue if all of the following apply:

- (a) the issuer is a reporting issuer and has been a reporting issuer in at least one jurisdiction of Canada for the 12 months immediately before the date that the issuer files the news release referred to in paragraph (k);
- (b) the issuer has listed equity securities;
- (c) the issuer is not, or during the 12 months immediately before the date the issuer files the news release referred to in paragraph (k) the issuer or any person or company with whom the issuer completed a restructuring transaction was not, either of the following:
  - (i) an issuer whose operations have ceased;
  - (ii) an issuer whose principal asset is cash, cash equivalents, or its exchange listing, including, for greater certainty, a capital pool company, a special purpose acquisition company, a growth acquisition corporation or any similar person or company;

- (d) the issuer is not an investment fund;
- (e) the issuer has filed all periodic and timely disclosure documents that it is required to have filed under each of the following:
  - (i) applicable securities legislation;
  - (ii) an order issued by the regulator or securities regulatory authority;
  - (iii) an undertaking to the regulator or securities regulatory authority;
- (f) the issuer does not allocate the available funds as disclosed in item 9 of the completed form referred to in paragraph (k) to the following:
  - (i) an acquisition that is a significant acquisition under Part 8 of National Instrument 51-102 *Continuous Disclosure Obligations*;
  - (ii) a restructuring transaction;
  - (iii) any other transaction for which the issuer seeks approval of any security holder;
- (g) on the date of the issuance of the news release referred to in paragraph (k), the total dollar amount of the distribution, combined with the dollar amount of all other distributions made by the issuer under this section during the 12 months immediately before the date of the news release, will not, assuming completion of the distribution, exceed the greater of the following:
  - (i) \$5 000 000;
  - (ii) 10% of the aggregate market value of the issuer's listed securities, on the date the issuer issues the news release announcing the offering, to a maximum of \$10 000 000;
- (h) the distribution, combined with all other distributions made by the issuer under this section during the 12 months immediately before the date of the issuance of the news release referred to in paragraph (k), will not result in an increase of more than 50% in the issuer's outstanding listed equity securities, as of the date that is 12 months before the date of the news release;
- (i) at the time of the distribution, the issuer reasonably expects that the issuer will have available funds to meet its business objectives and liquidity requirements for a period of 12 months following the distribution;
- (j) the security being distributed is either of the following:
  - (i) a listed equity security;

- (ii) a unit consisting of a listed equity security and a warrant convertible into a listed equity security;
- (k) before soliciting an offer to purchase, the issuer
  - (i) issues and files a news release that
    - (A) announces the offering, and
    - (B) includes the following statement: “There is an offering document related to this offering that can be accessed under the issuer’s profile at [www.sedar.com](http://www.sedar.com) and at [*include website address and provide link, if the issuer has a website*]. Prospective investors should read this offering document before making an investment decision.”;
  - (ii) files a completed Form 45-106F19 *Listed Issuer Financing Document*;
  - (iii) if the issuer has a website, posts the completed form referred to in subparagraph (ii) on its website;
- (l) the completed form referred to in paragraph (k) is filed before soliciting an offer to purchase and no later than 3 business days after the date of the form;
- (m) the completed form referred to in paragraph (k), together with any document filed under securities legislation in a jurisdiction of Canada on or after the earlier of the date that is 12 months before the date of the document and the date that the issuer’s most recent audited annual financial statements were filed, contains disclosure of all material facts relating to the securities being distributed under this section and does not contain a misrepresentation;
- (n) in Québec, the completed form referred to in paragraph (k) is prepared in French or French and English.

### **Material changes during distribution**

**5A.3** If an issuer issues a news release announcing its intention to make a distribution under section 5A.2 and a material change occurs in respect of the issuer before the completion of the distribution, the issuer must cease the distribution until the issuer

- (a) complies with National Instrument 51-102 *Continuous Disclosure Obligations* in connection with the material change,
- (b) files an amendment to the completed form filed under paragraph 5A.2(k), and
- (c) issues and files a news release that states that an amendment to the completed form referred to in paragraph 5A.2(k) addressing the material change has been filed.

## **Additional requirements**

### **5A.4 (1)** An issuer must

- (a) take reasonable steps to ensure that a prospective purchaser is aware of the means of accessing the completed form referred to in paragraph 5A.2(k), and
- (b) include the statement referred to in clause 5A.2(k)(i)(B) in any initial written communication with a prospective purchaser.

(2) An issuer must close the distribution referred to in section 5A.2 no later than the 45th day after the date the issuer issues and files the news release referred to in paragraph 5A.2(k).

## **Special application – Alberta, British Columbia, New Brunswick and Québec**

**5A.5 (1)** In Alberta, a document that purports or appears to be completed in accordance with Form 45-106F19 *Listed Issuer Financing Document* and is filed with respect to a distribution referred to in section 5A.2 is a prescribed offering document for purposes of section 204 of the *Securities Act* (Alberta).

(2) In British Columbia, a document that purports or appears to be completed in accordance with Form 45-106F19 *Listed Issuer Financing Document* and is filed with respect to a distribution referred to in section 5A.2 is a prescribed disclosure document for purposes of section 132.1 of the *Securities Act* (British Columbia).

(3) In New Brunswick, a document that purports or appears to be completed in accordance with Form 45-106F19 *Listed Issuer Financing Document* and is filed with respect to a distribution referred to in section 5A.2 is an offering memorandum for purposes of section 150 of the *Securities Act* (New Brunswick).

(4) In Québec, a document that purports or appears to be completed in accordance with Form 45-106F19 *Listed Issuer Financing Document* and is filed with respect to a distribution referred to in section 5A.2 is a document authorized by the Autorité des marchés financiers for use in lieu of a prospectus.

## **Core document**

**5A.6 (1)** A document that purports or appears to be completed in accordance with Form 45-106F19 *Listed Issuer Financing Document* and is filed with respect to a distribution referred to in section 5A.2 is a “core document” pursuant to the secondary market liability provisions.

(2) For greater certainty, in British Columbia, documents that purport or appear to be completed in accordance with Form 45-106F19 *Listed Issuer Financing Document* and are filed with respect to a distribution referred to in section 5A.2 are a prescribed class of documents for the purpose of the definition of “core document” under section 140.1 of the *Securities Act* (British Columbia).



## PART 6 REPORTING REQUIREMENTS

### Report of exempt distribution

**6.1 (1)** Subject to subsection (2) and section 6.2 [*When report not required*], issuers that distribute their own securities and underwriters that distribute securities they acquired under section 2.33 must file a completed report if they make the distribution under one or more of the following exemptions:

- (a) section 2.3 [*Accredited investor*] or, in Ontario, section 73.3 of the *Securities Act* (Ontario) [*Accredited investor*];
- (b) section 2.5 [*Family, friends and business associates*];
- (c) subsection 2.9 (1), (2) or (2.1) [*Offering memorandum*];
- (d) section 2.10 [*Minimum amount investment*];
- (e) section 2.12 [*Asset acquisition*];
- (f) section 2.13 [*Petroleum, natural gas and mining properties*];
- (g) section 2.14 [*Securities for debt*];
- (h) section 2.19 [*Additional investment in investment funds*];
- (i) section 2.30 [*Isolated distribution by issuer*];
- (j) section 5.2 [*TSX Venture Exchange offering*],
- (k) section 5A.2 [*Listed issuer financing exemption*].

**(2)** The issuer or underwriter must file the report in the jurisdiction where the distribution takes place no later than 10 days after the distribution.

### When report not required

**6.2 (1)** An issuer is not required to file a report under section 6.1(1)(a) [*Report of exempt distribution*] for a distribution of a debt security of its own issue or, concurrently with the distribution of the debt security, an equity security of its own issue, to a Canadian financial institution or a Schedule III bank.

**(2)** An investment fund is not required to file a report under section 6.1 [*Report of exempt distribution*] for a distribution under section 2.3 [*Accredited investor*], section 2.10 [*Minimum amount investment*] or section 2.19 [*Additional investment in investment funds*], or section 73.3 of the *Securities Act* (Ontario) [*Accredited investor*], if the investment fund files the report not later than 30 days after the end of the calendar year.

(3) An issuer or underwriter is not required to file a report under section 6.1 for a distribution of a security if a report has been filed by another issuer or underwriter for the distribution of the same security.

### **Required form of report of exempt distribution**

**6.3 (1)** The required form of report under section 6.1 [*Report of exempt distribution*] is Form 45-106F1.

(2) Except in Manitoba, an issuer that makes a distribution under an exemption from a prospectus requirement not provided for in this Instrument is exempt from the requirements in securities legislation to file a report of exempt trade or exempt distribution in the required form if the issuer files a report of exempt distribution in accordance with Form 45-106F1.

### **Required form of offering memorandum**

**6.4 (1)** The required form of offering memorandum under section 2.9 [*Offering memorandum*] is Form 45-106F2.

(2) Despite subsection (1), a qualifying issuer may prepare an offering memorandum in accordance with Form 45-106F3.

(3) Despite subsections (1) and (2), an offering memorandum for the distribution of a syndicated mortgage under section 2.9 [*Offering memorandum*] must be prepared in accordance with Form 45-106F2 and Form 45-106F18.

### **Required form of risk acknowledgement**

**6.5 (0.1)** The required form of risk acknowledgement under subsection 2.3(6) [*Accredited investor*] is Form 45-106F9.

(1) The required form of risk acknowledgement under subsection 2.9(15) [*Offering memorandum*] is Form 45-106F4.

(1.1) In Alberta, New Brunswick, Nova Scotia, Ontario, Québec and Saskatchewan, the required form of risk acknowledgement for individual investors includes Schedule 1 *Classification of Investors Under the Offering Memorandum Exemption* and Schedule 2 *Investment Limits for Investors Under the Offering Memorandum Exemption* to Form 45-106F4.

(2) In Saskatchewan, the required form of risk acknowledgement under section 2.6 [*Family, friends and business associates – Saskatchewan*] is Form 45-106F5.

(3) In Ontario, the required form of risk acknowledgement under section 2.6.1 [*Family, friends and business associates – Ontario*] is Form 45-106F12.

## PART 7 EXEMPTION

### Exemption

**7.1 (1)** Subject to subsection (2), the regulator or the securities regulatory authority may grant an exemption to this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

**(2)** In Ontario, only the regulator may grant an exemption and only from Part 6, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

**(3)** Except in Alberta and Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction.

## PART 8 TRANSITIONAL, COMING INTO FORCE

### Additional investment - investment funds – exemption from prospectus requirement

**8.1** The prospectus requirement does not apply to a distribution by an investment fund in a security of its own issue to a purchaser that initially acquired the security as principal before this Instrument came into force if

- (a) the security was initially acquired under any of the following provisions:
  - (i) in Alberta, sections 86(e) and 131(1)(d) of the *Securities Act* (Alberta) as they existed prior to their repeal by sections 9(a) and 13 of the *Securities Amendment Act* (Alberta), 2003 SA c.32 and sections 66.2 and 122.2 of the *Alberta Securities Commission Rules (General)*;
  - (ii) in British Columbia, sections 45(2) (5) and (22), and 74(2) (4) and (19) of the *Securities Act* (British Columbia),
  - (iii) in Manitoba, sections 19(3) and 58(1)(a) of the *Securities Act* (Manitoba) and section 90 of the *Securities Regulation MR 491/88R*;
  - (iv) in New Brunswick, section 2.8 of Local Rule 45-501 *Prospectus and Registration Exemptions*;
  - (v) in Newfoundland and Labrador, sections 36(1)(e) and 73(1)(d) of the *Securities Act* (Newfoundland and Labrador);
  - (vi) in Nova Scotia, sections 41(1)(e) and 77(1)(d) of the *Securities Act* (Nova Scotia);
  - (vii) in Northwest Territories, section 3(c) and (z) of Blanket Order No. 1;

- (viii) in Nunavut, section 3(c) and (z) of Blanket Order No. 1;
  - (ix) in Ontario, sections 35(1)5 and 72(1)(d) of the Securities Act (Ontario) and section 2.12 of Ontario Securities Commission Rule 45-501 Exempt Distributions that came into force on January 12, 2004;
  - (x) in Prince Edward Island, section 2(3)(d) of the *Securities Act* (Prince Edward Island) and Prince Edward Island Local Rule 45-512 -Exempt Distributions - Exemption for Purchase of Mutual Fund Securities;
  - (xi) in Québec, section 51 and 155.1(2) of the *Securities Act* (Québec);
  - (xii) in Saskatchewan, sections 39(1)(e) and 81(1)(d) of the *The Securities Act, 1988* (Saskatchewan).
- (b) the distribution is of a security of the same class or series as the initial distribution, and
  - (c) the security holder, as at the date of the distribution, holds securities of the investment fund that have
    - (i) an acquisition cost of not less than the minimum amount prescribed by securities legislation referred to in paragraph (a) under which the initial distribution was conducted, or
    - (ii) a net asset value of not less than the minimum amount prescribed by securities legislation referred to in paragraph (a) under which the initial distribution was conducted.

### 8.1.1 [Repealed]

### Definition of “accredited investor” - investment fund

**8.2** An investment fund that distributed its securities to persons pursuant to any of the following provisions is an investment fund under paragraph (n)(ii) of the definition of “accredited investor”:

- (a) in Alberta, sections 86(e) and 131(1)(d) of the *Securities Act* (Alberta) as they existed prior to their repeal by sections 9(a) and 13 of the *Securities Amendment Act* (Alberta), 2003 SA c.32 and sections 66.2 and 122.2 of the *Alberta Securities Commission Rules (General)*;
- (b) in British Columbia, sections 45(2) (5) and (22), and 74(2) (4) and (19) of the *Securities Act* (British Columbia),

- (c) in Manitoba, sections 19(3) and 58(1)(a) of the *Securities Act* (Manitoba) and section 90 of the *Securities Regulation* MR 491/88R;
- (d) in New Brunswick, section 2.8 of Local Rule 45-501 *Prospectus and Registration Exemptions*;
- (e) in Newfoundland and Labrador, sections 36(1)(e) and 73(1)(d) of the *Securities Act* (Newfoundland and Labrador);
- (f) in Nova Scotia, sections 41(1)(e) and 77(1)(d) of the *Securities Act* (Nova Scotia);
- (g) in Northwest Territories, section 3(c) and (z) of Blanket Order No. 2;
- (h) in Nunavut, section 3(c) and (z) of Blanket Order No. 3;
- (i) in Ontario, sections 35(1)5 and 72(1)(d) of the *Securities Act* (Ontario) and section 2.12 of Ontario Securities Commission Rule 45-501 *Exempt Distributions* that came into force on January 12, 2004 ;
- (j) in Prince Edward Island, section 2(3)(d) of the *Securities Act* (Prince Edward Island) and Prince Edward Island Local Rule 45-512 *-Exempt Distributions - Exemption for Purchase of Mutual Fund Securities*;
- (k) in Québec, section 51 and 155.1(2) of the *Securities Act* (Québec);
- (l) in Saskatchewan, sections 39(1)(e) and 81(1)(d) of the *The Securities Act, 1988* (Saskatchewan).

### **Transition – Closely-held issuer – exemption from prospectus requirement**

**8.3 (1)** In this section,

“**2001 OSC Rule 45-501**” means the Ontario Securities Commission Rule 45-501 *Exempt Distributions* that came into force on November 30, 2001;

“**2004 OSC Rule 45-501**” means the Ontario Securities Commission Rule 45-501 *Exempt Distributions* that came into force on January 12, 2004;

“**closely-held issuer**” has the same meaning as in 2004 OSC Rule 45-501;

**(2)** The prospectus requirement does not apply to a distribution of a security that was previously distributed by a closely-held issuer under section 2.1 of 2001 OSC Rule 45-501, or under section 2.1 of 2004 OSC Rule 45-501, to a person who purchases the security as principal and is

- (a) a director, officer, employee, founder or control person of the issuer,
- (b) a spouse, parent, grandparent, brother, sister or child of a director, executive officer, founder or control person of the issuer,

- (c) a parent, grandparent, brother, sister or child of the spouse of a director, executive officer, founder or control person of the issuer,
- (d) a close personal friend of a director, executive officer, founder or control person of the issuer,
- (e) a close business associate of a director, executive officer, founder or control person of the issuer,
- (f) a spouse, parent, grandparent, brother, sister or child of the selling security holder or of the selling security holder's spouse,
- (g) a security holder of the issuer,
- (h) an accredited investor,
- (i) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons described in paragraphs (a) to (h),
- (j) a trust or estate of which all of the beneficiaries or a majority of the trustees or executors are persons described in paragraphs (a) to (h), or
- (k) a person that is not the public.

### **8.3.1 [Repealed]**

### **Transition – reinvestment plan**

**8.4** Despite subsection 2.2(5), if an issuer's reinvestment plan was established before September 28, 2009, and provides for the distribution of a security that is of a different class or series than the class or series of the security to which the dividend or distribution is attributable, the issuer or the trustee, custodian or administrator of the plan must provide to each person who is already a participant the description of the material attributes and characteristics of the securities traded under the plan or notice of a source from which the participant can obtain the information not later than 140 days after the next financial year end of the issuer ending on or after September 28, 2009.

### **Transition – offering memorandum exemption – update of offering memorandum**

**8.4.1** Despite subsection 2.9(5.1), in Alberta, New Brunswick, Nova Scotia, Québec and Saskatchewan, an issuer is not required to update an offering memorandum that was filed in the local jurisdiction before April 30, 2016, solely to incorporate the statement required under paragraph 2.9(5.1)(a), unless the offering memorandum would otherwise be required to be updated pursuant to subsection 2.9(14) or Instruction B.12 of Form 45-106F2 *Offering Memorandum for Non-Qualifying Issuers*.

### **Transition – offering memorandum exemption – marketing materials**

**8.4.2** Despite paragraph 2.9(17.1)(a), in Alberta, New Brunswick, Nova Scotia, Québec and Saskatchewan, OM marketing materials that relate to an offering memorandum that was filed in the local jurisdiction before April 30, 2016 and that are delivered or made reasonably available after April 30, 2016 must be filed within 10 days from the earlier of delivery to, or being made reasonably available to, a prospective purchaser.

### **Transition – investment funds – required form of report**

**8.4.3** Despite section 6.3, an investment fund that files a report on or before the date required by subsection 6.2(2) for a distribution that occurred before January 1, 2017 may file a report prepared in accordance with the version of Form 45-106F1 in force on June 29, 2016.

**8.5** [Repealed]

### **Repeal of former instrument**

**8.6** National Instrument 45-106 *Prospectus and Registration Exemptions* which came into force on September 14, 2005 is repealed on September 28, 2009.

### **Effective date**

**8.7 (1)** Except in Ontario, this Instrument comes into force on September 28, 2009.

**(2)** In Ontario, this Instrument comes into force on the later of the following:

- (a) September 28, 2009;
- (b) the day on which sections 5 and 11, subsection 12(1) and section 13 of Schedule 26 of the *Budget Measures Act, 2009* are proclaimed in force.

*[as amended on January 1, 2011, June 30, 2011, May 31, 2013, September 22, 2014, May 5, 2015, November 17, 2015, December 8, 2015, April 30, 2016, June 30, 2016, June 12, 2018, March 1, 2021, January 5, 2022, November 21, 2022, local amendments in Ontario as described in CSA Notice 11-330, October 5, 2018, local amendments in New Brunswick as described in CSA Notice 11-334 and local amendments in Nunavut and New Brunswick as described in CSA Staff Notice 11-335]*

**Appendix A**  
to  
**National Instrument 45-106 *Prospectus Exemptions***  
**Variable insurance contract exemption**  
**(section 2.39)**

**JURISDICTION**

**LEGISLATION REFERENCE**

ALBERTA

“contract of insurance”, “group insurance”, “life insurance”, and “policy” have the respective meanings assigned to them under the *Insurance Act* (Alberta) and the regulations under that Act.

“insurance company” means an insurer as defined in the *Insurance Act* (Alberta) that is licensed under that Act.

BRITISH COLUMBIA

“contract”, “group insurance”, and “policy” have the respective meanings assigned to them under the *Insurance Act* (British Columbia) and the regulations under that Act.

“life insurance” has the respective meaning assigned to it under the *Financial Institutions Act* (British Columbia) and the regulations under that Act.

“insurance company” means an insurance company, or an extraprovincial insurance corporation, authorized to carry on insurance business under the *Financial Institutions Act* (British Columbia).

MANITOBA

“contract of insurance”, “group insurance”, “life insurance”, and “policy” have the respective meanings assigned to them under the *Insurance Act* (Manitoba) and the regulations under that Act.

“insurance company” means an insurer as defined in the *Insurance Act* (Manitoba) that is licensed under that Act.

NEW BRUNSWICK

“contract of insurance”, “group insurance”, “life insurance”, and “policy” have the respective meanings assigned to them under the *Insurance Act* (New Brunswick) and the regulations under that Act.

“insurance company” means an insurer as defined in the *Insurance Act* (New Brunswick) that is licensed under that Act.



NORTHWEST  
TERRITORIES

“contract”, “group insurance”, “life insurance”, and “policy” have the respective meanings assigned to them under the *Insurance Act* (Northwest Territories). “insurance company” means an insurer as defined in the *Insurance Act* (Northwest Territories) that is licensed under that Act.

NOVA SCOTIA

“contract”, “group insurance”, “life insurance”, and “policy” have the respective meanings assigned to them under the *Insurance Act* (Nova Scotia) and the regulations under that Act.

“insurance company” has the same meaning as in section 3(1)(a) of the *General Securities Rules* (Nova Scotia).

NUNAVUT

“contract”, “group”, “life insurance” and “policy” have the respective meanings assigned to them under the *Insurance Act* (Nunavut).

“insurance company” means an insurer as defined in the *Insurance Act* (Nunavut) that is licensed under that Act.

ONTARIO

“contract”, “group insurance”, and “policy” have the respective meanings assigned to them in section 1 and 171 of the *Insurance Act* (Ontario).

“life insurance” has the respective meaning assigned to it in Schedule 1 by Order of the Superintendent of Financial Services.

“insurance company” has the same meaning as in section 1(2) of the *General Regulation* (Ont. Reg. 1015).

QUÉBEC

“contract of insurance”, “group insurance”, “life insurance”, and “policy” have the respective meanings assigned to them under the Civil Code of Québec.

“insurance company” means an insurer holding a license under the Act respecting insurance (R.S.Q., c. A-32).

PRINCE EDWARD ISLAND “contract”, “group insurance”, “insurer”, “life insurance and “policy” have the respective meanings assigned to them in sections 1 and 174 of the *Insurance Act* (Prince Edward Island).

“insurance company” means an insurance company licensed under the *Insurance Act* (R.S.P.E.I. 1988, Cap. I-4),

SASKATCHEWAN “contract”, “life insurance” and “policy” have the respective meanings assigned to them in section 2 of *The Saskatchewan Insurance Act* (Saskatchewan).

“group insurance” has the respective meaning assigned to it in section 133 of *The Saskatchewan Insurance Act* (Saskatchewan).

“insurance company” means an issuer licensed under *The Saskatchewan Insurance Act* (Saskatchewan).

YUKON “contract”, “group”, “life insurance” and “policy” have the respective meanings assigned to them under the *Insurance Act* (Yukon) and the regulations made under that Act.

“insurance company” means an insurer as defined in the *Insurance Act* (Yukon) that is licensed under that Act.

**Appendix B**  
**to**  
**National Instrument 45-106 *Prospectus Exemptions***  
**Control Block Distributions**  
**(PART 4)**

<b>JURISDICTION</b>	<b>SECURITIES LEGISLATION REFERENCE</b>
ALBERTA	Section 1(p)(iii) of the <i>Securities Act</i> (Alberta)
BRITISH COLUMBIA	Paragraph (c) of the definition of “distribution” contained in section 1 of the <i>Securities Act</i> (British Columbia)
MANITOBA	Section 1(b) of the definition of “primary distribution to the public” contained in subsection 1(1) of the <i>Securities Act</i> (Manitoba)
NEW BRUNSWICK	Paragraph (c) of the definition of “distribution” contained in section 1(1) of the <i>Securities Act</i> (New Brunswick)
NEWFOUNDLAND AND LABRADOR	Section 2(1)(1)(iii) of the <i>Securities Act</i> (Newfoundland and Labrador)
NORTHWEST TERRITORIES	Paragraph (c) of the definition of “distribution” in subsection 1(1) of the <i>Securities Act</i> (Northwest Territories)
NOVA SCOTIA	Section 2(1)(1)(iii) of the <i>Securities Act</i> (Nova Scotia)
NUNAVUT	Paragraph (c) of the definition of “distribution” in subsection 1(1) of the <i>Securities Act</i> (Nunavut).
ONTARIO	Paragraph (c) of the definition of “distribution” contained in subsection 1(1) of the <i>Securities Act</i> (Ontario)
PRINCE EDWARD ISLAND	Section 1(f)(iii) of the <i>Securities Act</i> (Prince Edward Island)
QUÉBEC	Paragraph 9 of the definition of “distribution” contained section 5 of the <i>Securities Act</i> (Québec)
SASKATCHEWAN	Section 2(1)(r)(iii) of <i>The Securities Act, 1988</i> (Saskatchewan)
YUKON	Paragraph (c) of the definition of “distribution” in subsection 1(1) of the <i>Securities Act</i> (Yukon)

**Appendix C**  
**to**  
**National Instrument 45-106 *Prospectus Exemptions***  
**Listing Representation Prohibitions**

<b>JURISDICTION</b>	<b>SECURITIES LEGISLATION REFERENCE</b>
ALBERTA	Subsection 92(3) of the <i>Securities Act</i> (Alberta)
MANITOBA	Subsection 69(3) of <i>The Securities Act</i> (Manitoba)
NEW BRUNSWICK	Subsection 58(3) of the <i>Securities Act</i> (New Brunswick)
NEWFOUNDLAND AND LABRADOR	Subsection 39(3) of the <i>Securities Act</i> (Newfoundland and Labrador)
NORTHWEST TERRITORIES	Subsection 147(1) of the <i>Securities Act</i> (Northwest Territories)
NOVA SCOTIA	Subsection 44(3) of the <i>Securities Act</i> (Nova Scotia)
NUNAVUT	Subsection 147(1) of the <i>Securities Act</i> (Nunavut)
ONTARIO	Subsection 38(3) of the <i>Securities Act</i> (Ontario)
PRINCE EDWARD ISLAND	Subsection 147(1) of the <i>Securities Act</i> (Prince Edward Island)
QUÉBEC	Subsection 199(4) of the <i>Securities Act</i> (Québec)
SASKATCHEWAN	Subsection 44(3) of <i>The Securities Act, 1988</i> (Saskatchewan)
YUKON	Subsection 147(1) of the <i>Securities Act</i> (Yukon)

**Appendix D**  
**to**  
**National Instrument 45-106 *Prospectus Exemptions***  
**Secondary Market Liability Provisions**

<b>JURISDICTION</b>	<b>SECURITIES LEGISLATION REFERENCE</b>
ALBERTA	Part 17.01 of the <i>Securities Act</i> (Alberta)
BRITISH COLUMBIA	Part 16.1 of the <i>Securities Act</i> (British Columbia)
MANITOBA	Part XVIII of <i>The Securities Act</i> (Manitoba)
NEW BRUNSWICK	Part 11.1 of the <i>Securities Act</i> (New Brunswick)
NEWFOUNDLAND AND LABRADOR	Part XXII.1 of the <i>Securities Act</i> (Newfoundland and Labrador)
NORTHWEST TERRITORIES	Part 14 of the <i>Securities Act</i> (Northwest Territories)
NOVA SCOTIA	Sections 146A to 146N of the <i>Securities Act</i> (Nova Scotia)
NUNAVUT	Part 14 of the <i>Securities Act</i> (Nunavut)
ONTARIO	Part XXIII.1 of the <i>Securities Act</i> (Ontario)
PRINCE EDWARD ISLAND	Part 14 of the <i>Securities Act</i> (Prince Edward Island)
QUÉBEC	Division II of Chapter II of Title VIII of the <i>Securities Act</i> (Québec)
SASKATCHEWAN	Part XVIII.1 of <i>The Securities Act, 1988</i> (Saskatchewan)
YUKON	Part 14 of the <i>Securities Act</i> (Yukon)