

2014 EXEMPT MARKET ACTIVITY IN ONTARIO

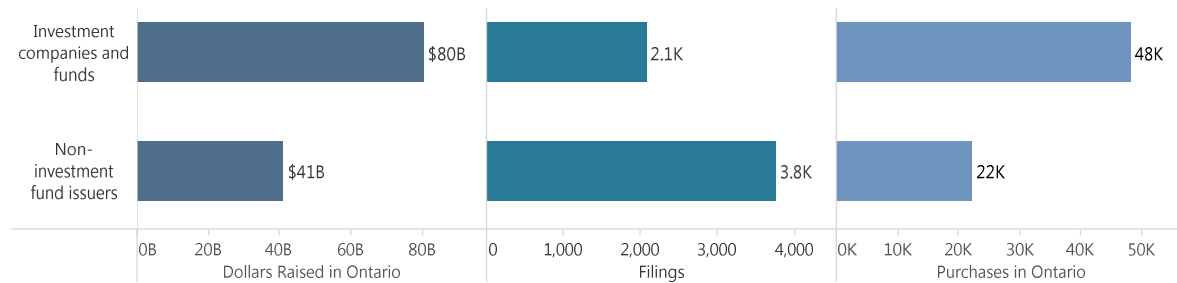
Overview

This document provides a snapshot of 2014 activity in Ontario’s prospectus-exempt market (the exempt market). The data contained in this document is based on information collected from reports filed with the OSC on Form 45-106F1 *Report of Exempt Distributions* (Form 45-106F1),¹ which must be filed by issuers who rely on certain prospectus exemptions to distribute securities and includes information about the issuer and details of the distribution.² Prospectus exemptions are available to a wide range of issuers, including reporting and non-reporting issuers and issuers at varying stages of development, provided they meet the requirements of the exemption they are seeking to rely on.

2014 Exempt Market Activity in Ontario

During 2014, issuers raised a total of \$121 billion through prospectus-exempt distributions in Ontario. Approximately 67% or \$80 billion of this total represented gross flows to investment companies and funds.³ The remaining \$41 billion represented capital raised by non-investment fund issuers over 3,800 filings and involving 22,000 purchases by Ontario investors.⁴

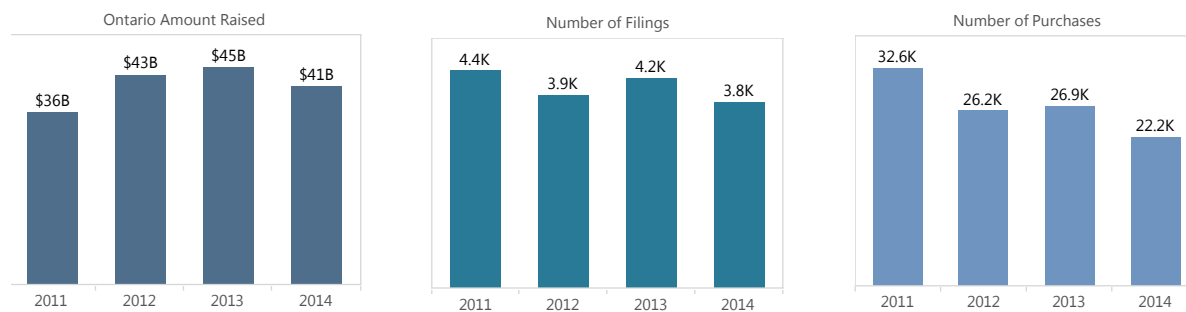
Figure 1



Comparison of Non-Investment Fund Flows with Previous Years

Overall activity for non-investment fund issuers in 2014 dropped slightly compared to the previous two years. We note that comparisons at this aggregate level are challenging given that both exogenous (e.g., local and foreign macro-economic climate) and endogenous (e.g., industry or policy specific) factors influence capital raising activity.

Figure 2



¹ The data only covers reports on Form 45-106F1 that were electronically submitted through the OSC’s e-form from January 1, 2014 to August 31, 2015.

² As only specified prospectus exemptions trigger a requirement to file a report, the data presented in this document does not capture all exempt market activity. See Part 6 of National Instrument 45-106 *Prospectus Exemptions* for more information on which exemptions must be reported on Form 45-106F1. We also note that this data reflects distributions to both individual and institutional investors under the applicable exemptions.

³ Issuers are only required to report gross inflows/sales and not redemptions. As most investment fund issuers are in continuous distribution and redemption throughout the year, the net flows or net sales for investment fund issuers will be lower than the amount indicated and could be negative if redemptions exceed sales over the same period.

⁴ The aggregated purchases figure only reflects total transactions by Ontario investors and does not represent the total number of unique investors that participated.

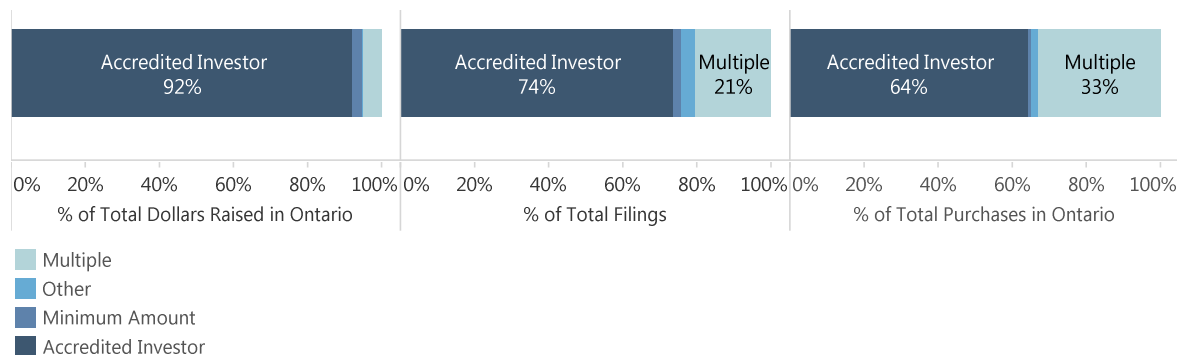
Non-Investment Fund Issuers

The following charts and tables provide a more detailed analysis of exempt market activity in 2014 by non-investment fund issuers.

Use of Exemptions

The accredited investor exemption remained the most relied upon prospectus exemption by capital raised (92%), filings (74%) and purchases (64%) in 2014.⁵ The second most commonly used exemption by number of filings and amount raised was the minimum amount investment exemption. Approximately 21% of filings reported distributions made in reliance on more than one prospectus exemption and the majority (99%) of these filings included the accredited investor exemption in addition to other prospectus exemptions.

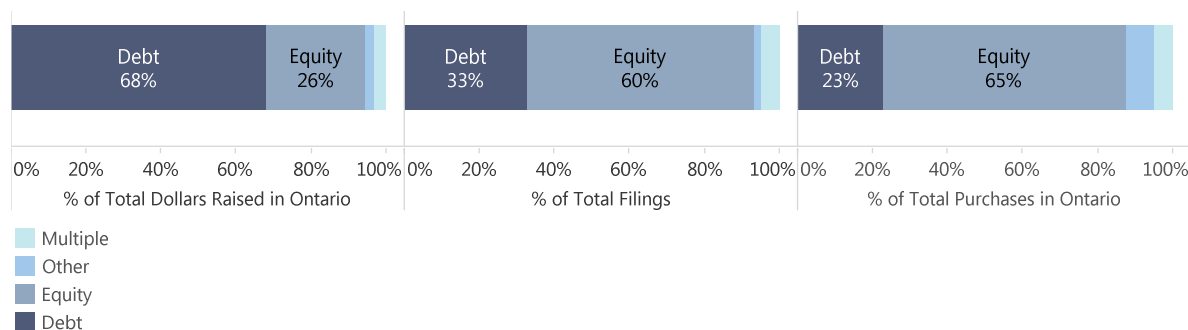
Figure 3



Types of Securities Distributed

Although equity securities represented close to two thirds of all purchases and filings, debt securities raised a larger proportion of capital (approximately 68%). Debt offerings are typically larger in size than equity offerings in both the private and public markets. Less than 5% of filings or amounts raised involved the distribution of warrants, subscription receipts or other types of securities.⁶ Filings which reported the distribution of more than one type of security represented only 5% of filings.

Figure 4



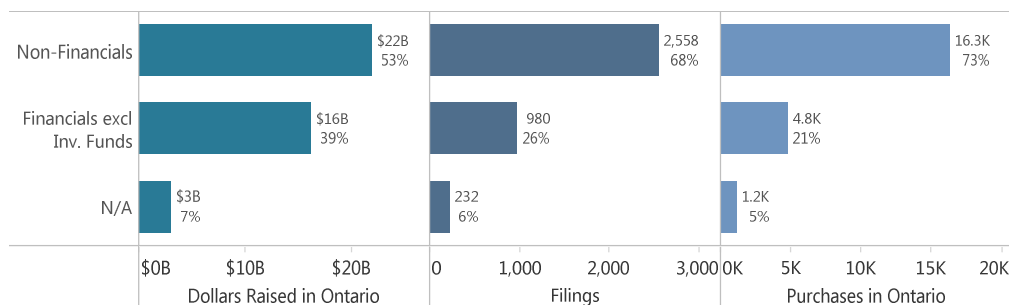
⁵ This number is likely higher given that among filings that indicated the use of multiple exemptions, 99% of them relied on the accredited investor exemption in addition to other exemptions.

⁶ Warrants, options, subscription receipts, other rights and securities that do not represent an equity interest or debt obligation of the issuer are categorized in the "Other" category in Figure 4.

Financial Issuers vs Non-Financial Issuers

In close to 40% of filings, issuers selected “Other” for their industry category and provided a brief description of their business. These descriptions were reviewed to assign issuers across several broad industry categories as indicated in the charts below.⁷ Non-financial issuers represent the bulk of issuers that participate in the exempt market, however, on average financial issuers raised significantly more per offering from a smaller pool of investors than their non-financial peers.

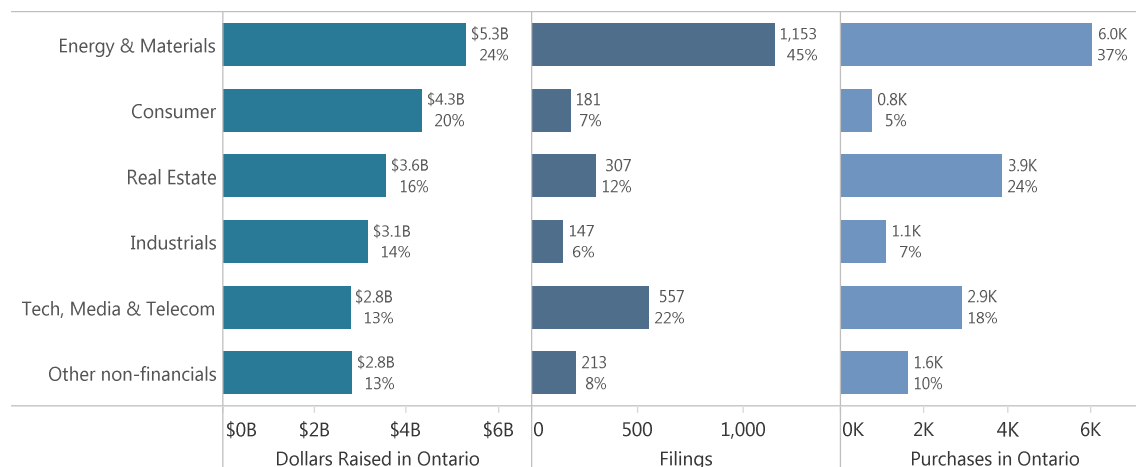
Figure 5



Non-Financial Industry Groups

Among non-financial issuers, issuers in the energy and materials group were the most active by amount raised, filings and number of purchases.

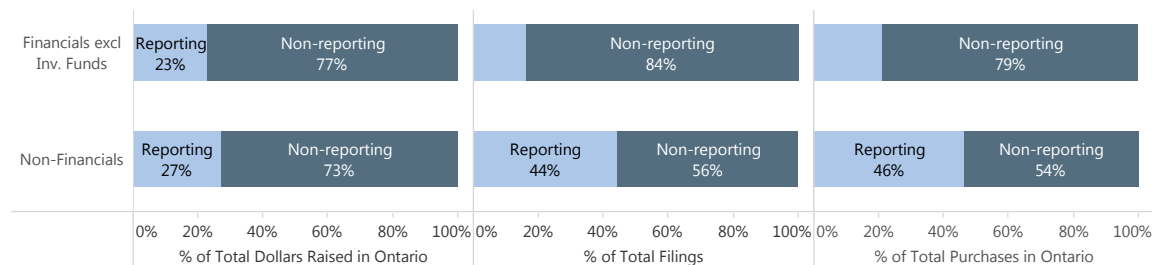
Figure 6



Reporting Issuer Status

Only about one quarter of capital raised by non-investment fund issuers in 2014 was raised by reporting issuers. Non-reporting issuers represented the majority of issuers filing reports of exempt distribution with the OSC but this was more prominent among financial issuers (84%) than non-financial issuers (56%). Over half of the filings from non-financial reporting issuers involved issuers that were listed on the TSX Venture Exchange.

Figure 7

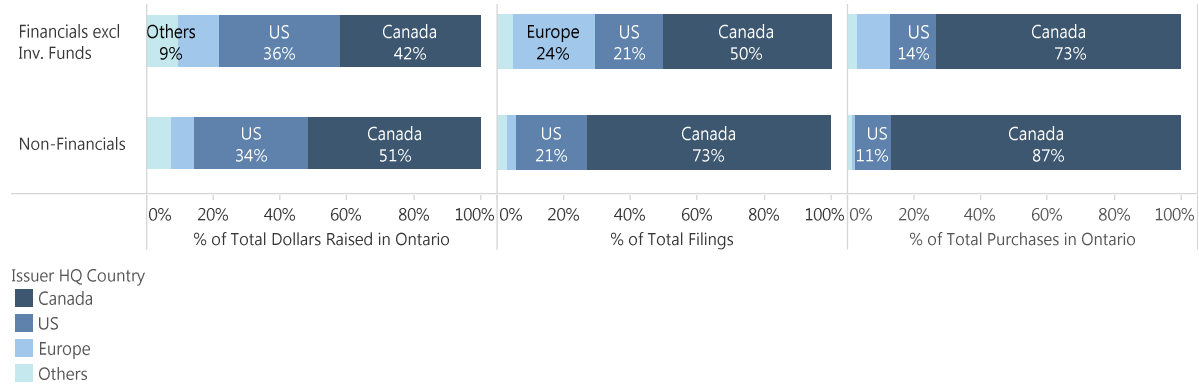


⁷ For the purposes of this analysis, OSC staff made a best efforts attempt to assign appropriate industry groupings to issuers that selected “Other”. It should be noted that the groupings were not confirmed by issuers.

Issuer Country

Issuers headquartered outside of Canada represented 50% of filings by financial issuers in 2014. The majority of these foreign issuers are US-based. In 2014, US-based issuers accounted for just over 20% of filings and more than one third of the capital raised in Ontario.

Figure 8



Amount Raised Per Filing

A large proportion of exempt market activity involved issuers that raised under \$1.5 million. Distributions of under \$1.5 million per filing represented over 60% of filings and close to 40% of purchases by Ontario investors in 2014. However, they only accounted for less than 2% of the total capital raised in 2014. Larger distributions (>\$100 million per filing) represented over 50% of the total capital raised but included less than 3% of filings and involved under 10% of purchases in 2014.

Figure 9

