

SUMMARY OF KEY CAPITAL RAISING PROSPECTUS EXEMPTIONS IN ONTARIO

JANUARY 28, 2016

TABLE OF CONTENTS	
Background and Purpose of Summary	p. 1-2
Table 1: Comparison Table of Key Capital Raising Prospectus Exemptions in Ontario	p. 3
Table 2: Overview of the Accredited Investor Prospectus Exemption in Ontario	p. 4
Table 3: Overview of the Crowdfunding Prospectus Exemption in Ontario	p. 5
Table 4: Overview of the Existing Security Holder Prospectus Exemption in Ontario	p. 6
Table 5: Overview of the Family, Friends and Business Associates Prospectus Exemption in Ontario	p. 7
Table 6: Overview of the Minimum Amount Investment Prospectus Exemption in Ontario	p. 8
Table 7: Overview of the Offering Memorandum Prospectus Exemption in Ontario	p. 9
Table 8: Overview of the Rights Offering Prospectus Exemption in Ontario	p. 11

The information provided in this summary describes each prospectus exemption as it applies in Ontario only. It is provided for general informational purposes only and does not constitute legal or accounting advice. Information has been summarized and paraphrased for publication purposes. Responsibility for making required disclosure and complying with applicable securities legislation remains with the company. Information in this summary reflects securities legislation and other relevant standards that are in effect as of the date of the publication of this summary.

BACKGROUND

This summary provides an overview of key capital raising prospectus exemptions in Ontario that were amended or introduced as a result of the Ontario Securities Commission's (OSC) broad review of the exempt market regulatory regime (the Exempt Market Review) beginning in 2011.

Original scope of the review

The original scope of the Exempt Market Review was on the existing accredited investor and minimum amount investment prospectus exemptions. The original purpose of the review was to assess whether the two exemptions remained appropriate given the investor protection concerns associated with these exemptions that were highlighted during the financial crisis in 2007-2008. The OSC worked with the Canadian Securities Administrators (CSA) to publish final amendments to these two exemptions, which came into force in Ontario on May 5, 2015.

Expanded OSC review

As a result of feedback received during the original Exempt Market Review, in 2012 the OSC decided to expand the focus of the review to consider whether there was potential to facilitate greater access to capital through the exempt market, particularly for start-ups and small and medium-sized enterprises (SMEs), while maintaining an appropriate level of investor protection. On March 20, 2014, the OSC published a proposal to introduce four new capital raising prospectus exemptions in Ontario.

Since that time,

- the existing security holder prospectus exemption came into force in Ontario on February 11, 2015,
- the family, friends and business associates (FFBA) prospectus exemption came into force in Ontario on May 5, 2015,
- the offering memorandum (OM) prospectus exemption came into force in Ontario on January 13, 2016, and
- the crowdfunding prospectus exemption came into force in Ontario on January 25, 2016.

The OSC also worked with other CSA members to see if the existing rights offering prospectus exemption available across Canada could be streamlined to improve its efficiency and effectiveness. Final amendments to the existing rights offering prospectus exemption were published by the CSA on September 24, 2015 and came into force in Ontario on December 8, 2015.

Links to more information

- For further information on the **accredited investor and minimum amount investment prospectus exemptions**, please see the Notice of Amendments published on February 19, 2015: https://www.osc.gov.on.ca/en/SecuritiesLaw_ni_20150219_45-106_amendments.htm
- For further information on the **existing security holder prospectus exemption**, please see the Notice of Amendments published on November 27, 2014: https://www.osc.gov.on.ca/en/SecuritiesLaw_rule_20141127_45-501-amd-prospectus-registration.htm
- For further information on the **FFBA prospectus exemption**, please see the Notice of Amendments published on February 19, 2015: https://www.osc.gov.on.ca/en/SecuritiesLaw_ni_20150219_45-106_amendments.htm
- For further information on the **OM prospectus exemption**, please see the Notice of Amendments published on October 29, 2015: https://www.osc.gov.on.ca/en/SecuritiesLaw_ni_20151029_45-106_amendments.htm
- For further information on the **crowdfunding prospectus exemption**, please see the Notice of Publication published on November 5, 2015: http://www.osc.gov.on.ca/en/SecuritiesLaw_csa_20151105_45-108_multilateral-crowdfunding.htm
- For further information on the **rights offering prospectus exemption**, please see the Notice of Amendments published on September 24, 2015: https://www.osc.gov.on.ca/en/SecuritiesLaw_ni_20150924_45-106_amd-rights-offerings.htm

PURPOSE OF SUMMARY

The purpose of this summary is to highlight features of the key capital raising prospectus exemptions available in Ontario following the Exempt Market Review. Table 1 provides a high-level comparison of these prospectus exemptions. Tables 2 to 8 provide an overview of each of the prospectus exemptions.

Please note that the availability of a prospectus exemption to distribute securities does not mean there is a corresponding registration exemption. An issuer distributing securities under one or more of these prospectus exemptions must consider whether its activities result in it being "in the business" of trading in securities. An issuer that is "in the business" of trading in securities, would generally be subject to the dealer registration requirement. The Companion Policy to National Instrument 31-103 *Registration, Exemptions and Ongoing Registrant Obligations* (NI 31-103) provides a list of factors we consider in determining whether the activity is for a business purpose and, therefore, subject to the dealer registration requirement.

Table 1: Comparison Table of Key Capital Raising Prospectus Exemptions in Ontario

	Accredited Investor	Crowdfunding	Existing Security Holder	FFBA	Minimum Amount Investment	OM	Rights Offering
Who can use the exemption?	All companies ¹ and investment funds	Canadian companies except blind pools	Public companies listed on specified exchanges	All companies	All companies and investment funds	All companies	Public companies ²
Who can buy securities under the exemption?	Accredited investors	Any investor	Existing security holders holding the type of security being offered	Specified principals of the company, specified family members, close personal friends, close business associates	Non-individual investors	Any investor	Rights to purchase a security issued by the company are distributed to each security holder. Rights holders may exercise their right to acquire the security.
Are there limits on how much investors can invest under the exemption?	No	Yes, for retail investors and accredited investors	Yes, unless suitability advice is obtained from an investment dealer	No	No, but the purchase price of the securities must be at least \$150,000	Yes, for individual investors except accredited investors or investors who qualify under the FFBA exemption	No
Is disclosure required to be provided to investors at the point of sale?	No	Yes	No	No	No	Yes	Yes
Do investors have the right to withdraw from the investment after buying the securities?	No	Yes	No	No	No	Yes	No
Are the securities subject to restrictions the first time they are resold?	Yes	Yes	Yes	Yes	Yes	Yes	Generally freely tradeable
Does a report of exempt distribution have to be filed with the OSC?	Yes	Yes	Yes	Yes	Yes	Yes	No

¹ References to companies in this document include corporate and non-corporate entities, but do not include investment funds.

² In general, a public company is a company whose shares are bought and sold by the general public on a stock market or exchange.

Table 2: Overview of the Accredited Investor Prospectus Exemption in Ontario

What is the purpose of the exemption?	Allows companies to cost-effectively raise funds from investors who have certain characteristics, such as the ability to withstand financial loss and the financial resources to obtain expert advice.
Who can use the exemption?	All companies and investment funds.
Who can buy securities under the exemption?	An accredited investor, which includes an individual with income, net assets or financial assets that exceed the amounts set out in the exemption. ³ Accredited investors also include non-individuals, such as Canadian and foreign governments, Canadian financial institutions, pension funds, charities and other entities set out in the exemption.
Are there limits on how much investors can invest under the exemption?	NO
Is a risk acknowledgement form required?	YES. A risk acknowledgement form is required to be completed and signed by individual accredited investors, except those who qualify as permitted clients. ⁴ Investors must indicate in the form how they meet the criteria for an accredited investor. The form also requires identification of any salesperson who meets with or provides information to the investor with respect to the investment.
Is disclosure required to be provided to investors at the point of sale?	NO
Do investors have the right to withdraw from the investment after buying the securities?	NO
Are the securities subject to restrictions the first time they are resold?	YES. Securities of a public company are subject to a 4-month hold period (subject to certain other conditions being met). Securities of a non-public company are subject to an indefinite hold period and can only be resold under another prospectus exemption or under a prospectus.
Does a report of exempt distribution have to be filed with the OSC?	YES. A report of exempt distribution must be filed by a company within 10 days of the distribution and by an investment fund no later than 30 days after the financial year-end of the investment fund.

³ Under National Instrument 45-106 *Prospectus Exemptions*, an accredited investor means an individual with:

- Net income before taxes was more than \$200,000 in each of the two most recent calendar years and is expected to be more than \$200,000 in the current calendar year
- Net income before taxes combined with a spouse was more than \$300,000 in each of the two most recent calendar years and their combined net income is expected to be more than \$300,000 in the current calendar year
- Financial assets, alone or with a spouse, of more than \$1 million before taxes but net of related liabilities
- Net assets, alone or with a spouse, worth more than \$5 million

⁴ A permitted client is defined under NI 31-103.

Table 3: Overview of the Crowdfunding Prospectus Exemption in Ontario

What is the purpose of the exemption?	Allows Canadian companies, particularly start-ups and SMEs, in their early stages of development, to raise funds online from the public through a single funding portal registered with securities regulators.
Who can use the exemption?	All companies incorporated or organized in Canada, with their head office in Canada, a majority of their directors resident in Canada, and their principal operating subsidiary (if any) incorporated or organized in Canada or the USA. Blind pools and investment funds cannot use the exemption.
Who can buy securities under the exemption?	Any investor.
Are there limits on how much investors can invest under the exemption?	<p>YES</p> <ul style="list-style-type: none"> • A retail investor cannot invest more than \$2,500 per investment, and cannot invest more than \$10,000 in total in the same calendar year. • An accredited investor (other than a permitted client) cannot invest more than \$25,000 per investment, and cannot invest more than \$50,000 in total in the same calendar year. <p>There are no investment limits for permitted clients.</p>
Is a risk acknowledgement form required?	YES. Investors must complete and sign a risk acknowledgment form requiring them to positively confirm having read and understood the risk warnings and information in the crowdfunding offering document. An investor must also complete a form confirming that the investor is within the investment limits, where applicable.
Is disclosure required to be provided to investors at the point of sale?	YES. A crowdfunding offering document must be provided to investors. An issuer may also provide purchasers with a term sheet, a video or other materials summarizing the information in the crowdfunding offering document.
Do investors have the right to withdraw from the investment after buying the securities?	YES. Investors have the right to withdraw from an agreement to buy the securities within 48 hours.
Are the securities subject to restrictions the first time they are resold?	YES. Securities of a public company are subject to a 4-month hold period (subject to certain other conditions being met). Securities of a non-public company are subject to an indefinite hold period and can only be resold under another prospectus exemption or under a prospectus.
Does a report of exempt distribution have to be filed with the OSC?	YES. A report of exempt distribution must be filed within 10 days of the distribution.

Table 4: Overview of the Existing Security Holder Prospectus Exemption in Ontario

What is the purpose of the exemption?	Allows public companies listed on specified exchanges (listed below) to cost-effectively raise funds from existing security holders holding securities.
Who can use the exemption?	Public companies listed on the Toronto Stock Exchange, TSX Venture Exchange, Canadian Securities Exchange or Aequitas NEO Exchange. Investment funds cannot use the exemption.
Who can buy securities under the exemption?	Existing security holders that hold the type of listed security of the company being offered. The offer must be made to all security holders.
Are there limits on how much investors can invest under the exemption?	YES. There is an investment limit of \$15,000 per investor in any 12 month period, which can be exceeded if the investor has obtained advice regarding the suitability of the investment from an investment dealer.
Is a risk acknowledgement form required?	NO
Is disclosure required to be provided to investors at the point of sale?	NO. However, the company is required to issue a news release about the proposed sale of the securities and file any offering materials (other than the subscription agreement) with securities regulators on the same day it provides materials to investors.
Do investors have the right to withdraw from the investment after buying the securities?	NO
Are the securities subject to restrictions the first time they are resold?	YES. Securities of a public company are subject to a 4-month hold period (subject to certain other conditions being met).
Does a report of exempt distribution have to be filed with the OSC?	YES. A report of exempt distribution must be filed within 10 days of the distribution.

Table 5: Overview of the FFBA Prospectus Exemption in Ontario

What is the purpose of the exemption?	Allows early stage companies to raise capital from investors who are principals of the business or within the personal networks of the principals of the business.
Who can use the exemption?	All companies. Investment funds cannot use the exemption.
Who can buy securities under the exemption?	<ul style="list-style-type: none"> • Director, executive officer, control person or founder of the company, or • Specified family member, close personal friend or close business associate of a director, executive officer, control person or founder of the company.
Are there limits on how much investors can invest under the exemption?	NO
Is a risk acknowledgement form required?	<p>YES</p> <p>A risk acknowledgment form must be completed and signed by:</p> <ul style="list-style-type: none"> • the investor, • the director, executive officer, control person or founder of the issuer with whom the investor has asserted the relationship, if applicable, and • the issuer. <p>The investor must disclose, if applicable:</p> <ul style="list-style-type: none"> • the identity of the director, executive officer, control person or found of the issuer with whom they assert a relationship, • that person’s position at or relationship with the issuer, • the category of the relationship asserted by the investor, and • how long the investor has known that person.
Is disclosure required to be provided to investors at the point of sale?	NO
Do investors have the right to withdraw from the investment after buying the securities?	NO
Are the securities subject to restrictions the first time they are resold?	YES. Securities of a public company are subject to a 4-month hold period (subject to certain other conditions being met). Securities of a non-public company are subject to an indefinite hold period and can only be resold under another prospectus exemption or under a prospectus.
Does a report of exempt distribution have to be filed with the OSC?	YES. A report of exempt distribution must be filed within 10 days of the distribution.

Table 6: Overview of the Minimum Amount Investment Prospectus Exemption in Ontario

What is the purpose of the exemption?	Allows companies to cost-effectively raise funds from investors (who are not individuals) that have the ability to withstand financial loss and the financial resources to obtain expert advice.
Who can use the exemption?	All companies and investment funds.
Who can buy securities under the exemption?	Any investor that is not an individual.
Are there limits on how much investors can invest under the exemption?	NO. However, the purchase price of the securities purchased by the investor must be at least \$150,000, which must be paid in cash at the time of distribution.
Is a risk acknowledgement form required?	NO
Is disclosure required to be provided to investors at the point of sale?	NO
Do investors have the right to withdraw from the investment after buying the securities?	NO
Are the securities subject to restrictions the first time they are resold?	YES. Securities of a public company are subject to a 4-month hold period (subject to certain other conditions being met). Securities of a non-public company are subject to an indefinite hold period and can only be resold under another prospectus exemption or under a prospectus.
Does a report of exempt distribution have to be filed with the OSC?	YES. A report of exempt distribution must be filed by a company within 10 days of the distribution and by an investment fund no later than 30 days after the financial year-end of the investment fund.

Table 7: Overview of the OM Prospectus Exemption in Ontario

What is the purpose of the exemption?	Allows companies at different stages of development, including SMEs, to raise funds from a wide range of investors based on an OM being made available to investors.
Who can use the exemption?	All companies. Investment funds cannot use the exemption.
Who can buy securities under the exemption?	Any investor.
Are there limits on how much investors can invest under the exemption?	<p>YES. Investment limits apply depending on whether the investor is an individual or not, and whether the investor is an eligible investor or non-eligible investor:</p> <ul style="list-style-type: none"> • An eligible investor is a person with net income or net assets that exceed the amounts set out in the exemption.⁵ An eligible investor also includes an accredited investor, an investor that qualifies under the FFBA exemption and a number of other listed entities set out in the OM exemption. • A non-eligible investor can also buy securities under the exemption. However, non-eligible investors are subject to more restrictive investment limits than eligible investors. <p>The following investment limits apply:</p> <ul style="list-style-type: none"> • For a non-eligible investor that is an individual, the purchase price for all securities purchased under the exemption in the preceding 12 months cannot be more than \$10,000. • For an eligible investor that is an individual, the purchase price for all securities purchased under the exemption in the preceding 12 months cannot be more than \$30,000. • For an eligible investor that is an individual that receives advice from a portfolio manager, investment dealer or exempt market dealer that an investment above \$30,000 is suitable, the price for all the securities purchased by the investor under the exemption in the preceding 12 months cannot be more than \$100,000. <p>There are no investment limits for individual investors that are accredited investors or qualify under the FFBA exemption. There are also no investment limits for investors that are not individuals, such as companies.</p>

⁵ Under the OM exemption, an investor can qualify as an eligible investor under certain income and asset tests. For example, an eligible investor includes a person whose:

- Net assets, alone or with a spouse, in the case of an individual, exceeds \$400,000
- Net income before taxes exceeded \$75,000 in each of the two most recent calendar years and who reasonably expects to exceed that level in the current calendar year
- Net income before taxes, alone or with a spouse, in the case of an individual, exceeded \$125,000 in each of the two most recent calendar years and who reasonably expects to exceed that income level in the current calendar year.

Table 7: Overview of the OM Prospectus Exemption in Ontario

<p>Is a risk acknowledgement form required?</p>	<p>YES. All investors must complete and sign a risk acknowledgment form. In addition, individual investors must complete two schedules in conjunction with the form:</p> <ul style="list-style-type: none"> • One schedule asks investors to confirm their status, as an eligible investor, non-eligible investor, accredited investor or an investor who would qualify under the FFBA exemption. • The other schedule requires confirmation that that the investor is within the investment limits, where applicable.
<p>Is disclosure required to be provided to investors at the point of sale?</p>	<p>YES. An OM in the required form must be provided to investors. Any marketing materials used by the company must also be incorporated by reference in the OM.</p>
<p>Do investors have the right to withdraw from the investment after buying the securities?</p>	<p>YES. Investors have the right to withdraw from an agreement to buy the securities within two business days.</p>
<p>Are the securities subject to restrictions the first time they are resold?</p>	<p>YES. Securities of a public company are subject to a 4-month hold period (subject to certain other conditions being met). Securities of a non-public company are subject to an indefinite hold period and can only be resold under another prospectus exemption or under a prospectus.</p>
<p>Does a report of exempt distribution have to be filed with the OSC?</p>	<p>YES. A report of exempt distribution must be filed within 10 days of the distribution.</p>

Table 8: Overview of the Rights Offering Prospectus Exemption in Ontario

What is the purpose of the exemption?	Allows public companies to quickly and cost-effectively raise funds from existing security holders holding securities of the company.
Who can use the exemption?	Public companies. Investment funds subject to National Instrument 81-102 <i>Investment Funds</i> cannot use the exemption.
Who can buy securities under the exemption?	Rights to purchase a security issued by the company are distributed to each security holder on a pro rata basis. ⁶ Rights holders may exercise their right to acquire the security.
Are there limits on how much investors can invest under the exemption?	NO
Is a risk acknowledgment form required?	NO
Is disclosure required to be provided to investors at the point of sale?	YES. A rights offering circular in a question and answer format must be filed on SEDAR and a rights offering notice must be sent to investors and filed on SEDAR informing them about how to access the rights offering circular electronically.
Do investors have the right to withdraw from the investment after buying the securities?	NO
Are the securities subject to restrictions the first time they are resold?	Securities are only subject to a seasoning period on resale and are therefore generally freely tradeable.
Does a report of exempt distribution have to be filed with the OSC?	NO

⁶ This means that the company must offer the rights to all security holders holding securities of that class.