

Chapter 6

Request for Comments

6.1.1 Proposed Amendments to National Instrument 45-106 Prospectus Exemptions and Proposed Changes to Companion Policy 45-106CP Prospectus Exemptions Relating to the Offering Memorandum Prospectus Exemption



CSA Notice and Request for Comment

Proposed Amendments to National Instrument 45-106 *Prospectus Exemptions*

and

Proposed Changes to Companion Policy 45-106CP *Prospectus Exemptions*

Relating to the Offering Memorandum Prospectus Exemption

September 17, 2020

Introduction

The Canadian Securities Administrators (the **CSA** or **we**) are publishing for a 90-day comment period proposed amendments (the **Proposed Amendments**) to National Instrument 45-106 *Prospectus Exemptions* (**NI 45-106**).

The Proposed Amendments are set out in Annex A of this notice. Related proposed changes (the **Proposed Changes**) to Companion Policy 45-106CP *Prospectus Exemptions* (**45-106CP**) are set out in Annex B. This notice will be available on the websites of CSA jurisdictions including:

www.bcsc.bc.ca
www.albertasecurities.com
www.fcaa.gov.sk.ca
www.mbsecurities.ca
www.osc.gov.on.ca
www.lautorite.qc.ca
www.fcncb.ca
nssc.novascotia.ca

Substance and Purpose

The Proposed Amendments set out new disclosure requirements for issuers that are engaged in “real estate activities” and those issuers that are “collective investment vehicles”. Both terms are new definitions in NI 45-106. As further discussed below, many issuers utilizing the OM Exemption (as defined below) are issuers that meet these definitions. The new requirements are intended to set out a clear disclosure framework for these issuers, giving them greater certainty as to what they must disclose, and resulting in better information for investors.

In addition, the Proposed Amendments include a number of proposed general amendments (the **General Amendments**), which are meant to clarify or streamline parts of NI 45-106 or improve disclosure for investors.

Where the Proposed Amendments are to a form for an offering memorandum, they are to Form 45-106F2 *Offering Memorandum for Non-Qualifying Issuers* (**Form 45-106F2**).

Background

The offering memorandum prospectus exemption found in section 2.9 of NI 45-106 (the **OM Exemption**) was originally designed as a small business financing tool to help early stage and small businesses raise capital from a large pool of investors without having to comply with the more costly prospectus regime. It was expected to be used by relatively simple issuers for relatively small amounts of capital, prior to issuers becoming reporting issuers.

In practice, the use of the OM Exemption has evolved differently. To a significant extent, larger and more complex issuers than those originally envisioned are using it. In addition, issuers using the OM Exemption are often engaged in specific activities, such as real estate ownership or development, or acting as a type of collective investment vehicle carrying out mortgage lending or making other investments.

Based on an analysis by CSA staff of Canada-wide data from reports of exempt distribution for issuers using the OM Exemption in 2017, approximately 40% of the issuers had total assets of \$100 million or more. In addition, 17% of issuers reported their industry as real estate, and approximately 43% were issuers that might, depending on their purpose and investment objectives, be collective investment vehicles under the Proposed Amendments.

Compliance reviews have also indicated that under the current OM Exemption requirements, it can be unclear to issuers what disclosure is required in order to provide investors with sufficient information. By tailoring the disclosure to the issuer's industry, and clarifying other requirements, issuers should be able to more easily determine what is required to be included in their offering memorandum.

Summary of the Proposed Amendments

Issuers Engaged in Real Estate Activities

The Proposed Amendments include the new defined term "real estate activities". Issuers engaged in real estate activities would be subject to new requirements, including:

- Providing an independent appraisal of an interest in real property to the purchaser if
 - the issuer has acquired or proposes to acquire an interest in real property from a related party (**Related Party**), as that term is defined in NI 45-106,
 - a value for an interest in real property is disclosed in the offering memorandum, or
 - the issuer intends to spend a material amount of the proceeds of the offering on an interest in real property.
- Completing new Schedule 1 *Additional Disclosure Requirements for an Issuer Engaged in Real Estate Activities (Schedule 1)* to Form 45-106F2, which includes:
 - Disclosure relevant to issuers that are developing real property, such as a description of the approvals or permissions required, and milestones of the project.
 - Disclosure relevant to issuers that own and operate developed real property, such as the age, condition and occupancy level of the real property.
 - Disclosure of penalties, sanctions, bankruptcy, insolvency and criminal or quasi-criminal convictions for parties other than the issuer, such as a party acting as developer.
 - Disclosure of any purchase and sale history of the issuer's real property with a Related Party, so investors can better evaluate transactions involving Related Parties.

We note that Schedule 1 would not apply to real property that when taken together would not be significant to a reasonable investor. This exception is intended to ensure that issuers are not subject to an undue disclosure burden.

We think the Proposed Amendments as they relate to issuers engaged in real estate activities are necessary because as noted, research indicates that a significant proportion of issuers utilizing the OM Exemption are engaged in real estate activities. We think more specific disclosure about the real property or development plans for the real property is needed for investors, and we also think that these issuers will benefit from the greater certainty provided by a disclosure framework tailored for them.

Issuers that are Collective Investment Vehicles

The Proposed Amendments also include the new defined term "collective investment vehicle". A collective investment vehicle is defined as an issuer whose primary purpose is to invest money provided by its security holders in a portfolio of securities. This definition would include issuers that hold portfolios of mortgages, other loans, or receivables. To the extent they are permitted to use the OM Exemption, the definition would also include investment funds.

Issuers that are collective investment vehicles would be required to complete new Schedule 2 *Additional Disclosure Requirements for an Issuer That is a Collective Investment Vehicle* to Form 45-106F2, which includes:

- A description of the issuer's investment objectives.

- Disclosure of penalties, sanctions, bankruptcy, insolvency and criminal or quasi- criminal convictions for persons involved in the selection and management of the investments.
- Disclosure of information regarding the portfolio.
- Disclosure regarding the performance of the portfolio.

We think the Proposed Amendments as they relate to issuers that are collective investment vehicles are necessary because as noted, research indicates that a large proportion of issuers utilizing the OM Exemption could under the Proposed Amendments be collective investment vehicles. We think investors need more information, including about the party making the investment decisions, how the investments are chosen and the composition and performance of the portfolio. As with issuers engaged in real estate activities, we think issuers that would be collective investment vehicles will also benefit from the greater certainty provided by a disclosure framework tailored for them.

General Amendments

The General Amendments include:

- Making the provisions in the OM Exemption that deal with the standard of disclosure for an offering memorandum and amending an offering memorandum clearer and more user-friendly for issuers and investors.
- Requiring that the filed copy of an offering memorandum allow for the searching of words electronically. This change is intended to make reading and reviewing offering memorandums more efficient for all recipients.
- With respect to Form 45-106F2:
 - The addition of several more disclosure items to the cover page to highlight those matters for investors.
 - Enhanced disclosure where a material amount of the proceeds of the offering will be transferred to another issuer that is not the issuer's subsidiary, or a material amount of the issuer's business is carried out by another issuer that is not the issuer's subsidiary. This is intended to give investors better disclosure as to arrangements of this nature and the ultimate use of the offering proceeds.
 - Disclosure of any purchase or sale history of any business or asset of the issuer's (excluding real property) with a Related Party, so investors can better evaluate transactions involving Related Parties.
 - The addition of Related Parties that receive compensation to the compensation disclosure and securities ownership table.
 - For item 3.3, adding disclosure of criminal or quasi-criminal convictions. This is consistent with disclosure requirements for more recently developed prospectus exemptions.
 - The addition of disclosure regarding fees or limitations with respect to redemption or retraction rights.
 - Further disclosure regarding redemption or retraction, including requests made to the issuer, requests fulfilled by the issuer including the price paid and the source of the funds, and outstanding requests.
 - A new requirement to disclose the source of funds for dividends or distributions paid that exceeded cash flow from operations.
 - Reference to the requirements of National Instrument 33-105 *Underwriting Conflicts*.
 - New cautionary disclosure for instances where expert reports, statements or opinions are included in an offering memorandum and there is no statutory liability against the expert.
 - A new requirement to amend an offering memorandum to include an interim financial report for the most recently completed 6 month interim period when a distribution of securities under an offering memorandum is ongoing.
- Other amendments intended to clarify or streamline existing provisions or provide improved disclosure.

The General Amendments are closely related to issues that we have seen in our ongoing review and compliance work regarding offering memorandums.

Other matters included in or related to the Proposed Amendments

In addition, the Proposed Amendments also include changes to Form 45-106F4 *Risk Acknowledgement*, which is the required form of risk acknowledgement for investors purchasing a security under the OM Exemption. These changes are to make the form more understandable and useful to investors, and are consistent with recent amendments to risk acknowledgement forms required in connection with other prospectus exemptions.

We note that if the Proposed Amendments are enacted in the future, some of the guidance in Multilateral CSA Staff Notice 45-309 *Guidance for Preparing and Filing an Offering Memorandum under National Instrument 45-106 Prospectus and Registration Exemptions (SN 45-309)* may no longer apply or may need to be revised. Consequently, we expect that if in the future the Proposed Amendments or some version of them is enacted, we would publish a revised SN 45-309 in conjunction with the effective date of those amendments.

Impact on Investors

The Proposed Amendments would give investors enhanced disclosure, and where the issuer is engaged in real estate activities, or is a collective investment vehicle, the investor would receive disclosure that is more tailored to that kind of issuer. We anticipate that this enhanced and tailored disclosure would provide investors with better information, enabling them to make more informed investment decisions.

Local Matters

Annex E is being published in any local jurisdiction that is proposing related changes to local securities laws, including local notices or other policy instruments in that jurisdictions. It may also include additional information that is relevant to that jurisdiction only.

Request for Comments

We welcome your comments on the Proposed Amendments and the Proposed Changes.

Please submit your comments in writing on or before December 16, 2020. If you are not sending your comments by email, please send a CD containing the submissions (in Microsoft Word format).

Address your submission to all of the CSA as follows:

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Office of the Superintendent of Securities, Service NL
Financial and Consumer Services Commission, New Brunswick
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Office of the Yukon Superintendent of Securities
Northwest Territories Office of the Superintendent of Securities
Nunavut Securities Office

Deliver your comments only to the addresses below. Your comments will be distributed to the other CSA jurisdictions.

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Fax : 514 864-8381
consultation-en-cours@lautorite.qc.ca

We cannot keep submissions confidential because securities legislation in certain provinces requires publication of the written comments received during the comment period. All comments received will be posted on the websites of each of the Alberta Securities Commission at www.albertasecurities.com, the Autorité des marchés financiers at www.lautorite.qc.ca and the Ontario Securities Commission at www.osc.gov.on.ca. Therefore, you should not include personal information directly in comments to be published. It is important that you state on whose behalf you are making the submission.

Contents of Annexes

Annex A – Proposed Amendments to NI 45-106

Annex B – Proposed Changes to 45-106CP

Annex C – Main body of NI 45-106 reflecting the Proposed Amendments, compared by way of blackline to that material as currently in-force

Annex D – Form 45-106F2 reflecting the Proposed Amendments, compared by way of blackline to that material as currently in-force

Annex E – Local Matters

Questions

Please refer your questions to any of the following:

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ANNEX A

PROPOSED AMENDMENTS
TO NATIONAL INSTRUMENT 45-106 *PROSPECTUS EXEMPTIONS*

1. **National Instrument 45-106 Prospectus Exemptions is amended by this Instrument.**
2. **Section 1.1 is amended in paragraph (b) of the definition of “eligibility advisor” by replacing “an institute or association of chartered accountants, certified general accountants or certified management accountants in a jurisdiction of Canada” with “the Chartered Professional Accountants of Canada”.**
3. **Section 1.1 is amended by adding the following definitions:**

“collective investment vehicle” means an issuer whose primary purpose is to invest money provided by its security holders in a portfolio of securities;

“material contract” means any contract that an issuer or any of its subsidiaries is a party to, that is material to the issuer;

“net asset value” has the same meaning with respect to a collective investment vehicle as it does with respect to an investment fund in National Instrument 81-106 *Investment Fund Continuous Disclosure*;

“real estate activities” means an undertaking, the purpose of which is primarily to generate for security holders income or gain from the lease, sale or other disposition of real property, but does not include any of the following:

 - (a) activities in respect of a mineral project, as defined in National Instrument 43-101 *Standards of Disclosure for Mineral Projects*;
 - (b) oil and gas activities as defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*;
 - (c) in Québec, in addition to paragraphs (a) and (b), the distribution of either of the following:
 - (i) an investment contract that includes a real right of ownership in an immovable and a rental management agreement;
 - (ii) a security of an issuer that owns an immovable giving the holder a right of exclusive use of a residential unit and a space in such immovable;

“related party” means any of the following:

 - (a) a director, officer, promoter or control person of the issuer;
 - (b) in regard to any individual referred to in paragraph (a), a child, parent, grandparent or sibling, or other relative living in the same residence;
 - (c) in regard to any individual referred to in paragraph (a) or (b), his or her spouse;
 - (d) an insider of the issuer;
 - (e) a person controlled by a person referred to in any of paragraph (a) to (d), or controlled by a person referred to in any of paragraph (a) to (d) acting jointly or in concert with another person;
 - (f) in the case of a person referred to in any of paragraph (a) to (d) that is not an individual, any person that controls that person, or that controls that person by acting jointly or in concert with another person;.
4. **Subparagraphs 2.9(1)(b)(i), (2)(c)(i) and (2.1)(c)(i) are amended by replacing “(13)” with “(14.1)”.**
5. **Paragraph 2.9(2.2)(a) is amended by adding “,” after “non-redeemable investment fund”.**
6. **Subsection 2.9(5.2) is amended by replacing “A” with “In Alberta, New Brunswick, Nova Scotia, Ontario, Québec and Saskatchewan, a”.**
7. **Subsection 2.9(13) is repealed.**

8. Section 2.9 is amended by adding the following subsections:

- (13.1) An offering memorandum must not contain a misrepresentation on the date the certificate under subsection (8) or (14.1) is signed.
- (13.2) If a material change with respect to the issuer occurs after the certificate under subsection (8) or (14.1) is signed, and before the issuer accepts an agreement to purchase the security from the purchaser, the issuer must amend the offering memorandum to reflect the material change, and deliver the amended offering memorandum to the purchaser.
- (13.3) An offering memorandum delivered under this section must provide a reasonable purchaser with sufficient information to make an informed investment decision..

9. Subsection 2.9(14) is repealed.

10. Section 2.9 is amended by adding the following subsection:

- (14.1) An issuer that amends an offering memorandum must replace the certificate in the offering memorandum with a newly dated certificate signed in compliance with subsections (9), (10), (10.1), (10.2), (10.3), (11), (11.1) and (12), as applicable..

11. Subsection 2.9(17) is replaced with the following:

- (17) The issuer must file a copy of an offering memorandum delivered under this section and any amended offering memorandum with the securities regulatory authority on or before the 10th day after the distribution under the offering memorandum or the amended offering memorandum..

12. Section 2.9 is amended by adding the following subsection:

- (17.0.1) Each copy of an offering memorandum that is filed must be in a format that allows for the searching of words electronically using reasonably available technology..

13. Subsection 2.9(19) is amended by replacing "subsections (19.1) and (19.3), a qualified appraiser is independent of an issuer of a syndicated mortgage" with "subsections (19.1), (19.3), (19.6) and (19.7), a qualified appraiser is independent of an issuer".¹

14. Section 2.9 is amended by adding the following after subsection (19.4):

- (19.5) An issuer relying on an exemption set out in subsection (1), (2) or (2.1) that is engaged in real estate activities must comply with subsection (19.6) if any of the following apply:
 - (a) the issuer proposes to acquire, or has acquired, an interest in real property from a related party;
 - (b) except for in its financial statements, the issuer discloses in the offering memorandum a value for an interest in real property;
 - (c) the issuer proposes to use a material amount of the proceeds of the offering to acquire an interest in real property.
- (19.6) An issuer to which any of paragraphs (19.5)(a), (b) or (c) applies must, at the same time or before the issuer delivers an offering memorandum to the purchaser in accordance with subsections (1), (2) or (2.1), deliver to the purchaser an appraisal of the interest in real property referred to in subsection (19.5) that satisfies all of the following:²
 - (a) it is prepared by a qualified appraiser that is independent of the issuer;
 - (b) it 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) it provides the appraised fair market value of the interest in real property, without considering any proposed improvements or proposed development;

¹ Amending instructions 13 and 14 take into account the amendments to this instrument published in Annex B of the CSA Notice dated August 6, 2020 announcing amendments to NI 45-106 Prospectus Exemptions and National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (the **August 6 CSA Notice**).

² The definitions of "qualified appraiser" and "professional association" were published in Annex B of the August 6 CSA Notice.

- (d) it provides the appraised fair market value of the interest in real property as at a date that is within 6 months preceding the date that the appraisal is delivered to the purchaser.

(19.7) If an issuer relying on an exemption set out in subsection (1), (2) or (2.1) is engaged in real estate activities, and discloses in any communication related to the distribution under the exemption a representation of, or opinion as to, a value for an interest in real property referred to in subsection (19.5), other than the appraised fair market value disclosed in the appraisal referred to in subsection (19.6), the issuer must have a reasonable basis for that value, and must disclose all of the following in that communication:

- (a) with equal or greater prominence as the representation or opinion, the appraised fair market value referred to in subsection (19.6);
- (b) the material factors or assumptions used to determine the representation or opinion;
- (c) whether or not the representation or opinion was determined by a qualified appraiser who is independent of the issuer.

(19.8) An issuer must file a copy of any appraisal delivered under subsection (19.6) with the securities regulatory authority concurrently with the filing of the offering memorandum..

15. Section 6.4 is amended by adding the following after subsection (3)³:

- (4)** An issuer preparing an offering memorandum in accordance with Form 45-106F2 that is engaged in real estate activities must supplement the offering memorandum with Schedule 1 of that form.
- (5)** An issuer preparing an offering memorandum in accordance with Form 45-106F2 that is a collective investment vehicle must supplement the offering memorandum with Schedule 2 of that form..

16. Section 8.4 is repealed.

17. Section 8.4.1 is repealed.

18. Section 8.4.2 is repealed.

19. Section 8.4.3 is repealed.

20. Form 45-106F2 Offering Memorandum for Non-Qualifying Issuers is repealed and replaced with the material in Schedule A-1.

21. Form 45-106F4 Risk Acknowledgement is amended

- (a) by repealing and replacing all content prior to Schedule 1 with the material in Schedule A-2,**
- (b) in B. of Schedule 1, by replacing “subsection 7.3(3) of the Securities Act (Ontario)” with “subsection 73.3 of the Securities Act (Ontario)” , and**
- (c) in B. of Schedule 2, by replacing “subsection 7.3(3) of the Securities Act (Ontario)” with “subsection 73.3 of the Securities Act (Ontario)” .**

22. This Instrument comes into force on ●.

³ Amending instruction 15 takes into account the amendments to this instrument published in Annex B of the August 6 CSA Notice.

Schedule A-1
FORM 45-106F2
OFFERING MEMORANDUM FOR NON-QUALIFYING ISSUERS

Date: [Insert the date from the certificate page.]

The Issuer

Name:

Head office: Address:
 Phone #:
 Website address:
 E-mail address:

Currently listed or quoted? [If no, state in bold type: **“These securities do not trade on any exchange or market.”** If yes, identify the exchange or market.]

Reporting issuer? [Yes/No. If yes, state where.]

The Offering

Securities offered:

Price per security:

Minimum/Maximum offering: [If there is no minimum, state in bold type: **“There is no minimum.”** and also state in bold type: **“You may be the only purchaser.”**]

Minimum subscription amount: [State the minimum amount each investor must invest, or state **“There is no minimum subscription amount an investor must invest.”**]

Payment terms:

Proposed closing date(s):

Income tax consequences: There are important tax consequences to these securities. See item 6. [If income tax consequences are not material, delete this item.]

Insufficient Funds

If item 2.6 applies, state in bold type: **“Funds available under the offering may not be sufficient to accomplish the proposed objectives. See item 2.6.”**

Compensation Paid to Sellers and Finders

If item 7 applies, state the following: **“A person has received or will receive compensation for the sale of securities under this offering. See item 7.”**

Underwriter(s)

State the name of any underwriter.

Guidance: The requirements of National Instrument 33-105 *Underwriting Conflicts* may be applicable.

Resale Restrictions

State: **“You will be restricted from selling your securities for [4 months and a day/an indefinite period]. See item 10.”**

Working Capital Deficiency

If the issuer is disclosing a working capital deficiency under item 1.1, state the following, with the bracketed information completed: **“[name of issuer] has a working capital deficiency. See item 1.1.”**

Payments to Related Party

If the issuer is disclosing payment to a related party under item 1.2, state the following, with the bracketed information completed as applicable: **“[All of][Some of] your investment will be paid to a related party of the issuer. See item 1.2.”**

Certain Related Party Transactions

If the issuer is making disclosure under item 2.8(b), or subsection 7(2) of Schedule 1, state the following with the bracketed information completed as applicable: "This offering memorandum contains disclosure with respect to one or more transactions between [name of issuer] and a related party, where [name of issuer] [paid more to a related party than the related party paid for a business, asset or real property] [and] [was paid less by a related party for a business, asset or real property than [name of issuer] paid for it]. See [item 2.8(b)] [and] [subsection 7(2) of Schedule 1]."

Certain Dividends or Distributions

If the issuer is making disclosure under item 5B, state the following with the bracketed information completed: "[name of issuer] has paid dividends or distributions that exceeded cash flow from operations. See item 5B."

Redemption or Retraction Right

If the purchaser will have a right to require the issuer to repurchase its securities and there is any restriction, fee or price associated with this right, state in bold type with the bracketed information completed, as applicable: "**You will have a right to require the issuer to repurchase its securities from you, but this right is qualified by [a specified price] [and] [restrictions] [and] [fees]. As a result, you might not receive the amount of proceeds that you want. See item 5.1.**"

Purchaser's Rights

State: "You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this offering memorandum, you have a right to damages or to cancel the agreement. See item 11."

State in bold type:

"No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment. See item 8."

Instructions

1. Include all of the above information at the beginning of the offering memorandum.
2. After the above information, include a table of contents for the rest of the information in the offering memorandum.

Item 1: Use of Available Funds

1.1 Funds - Using the following table, disclose the funds available as a result of the offering. If the issuer plans to combine additional sources of funding with the available funds from the offering to achieve its principal capital-raising purpose, provide details about each additional source of funding. If there is no minimum offering, state "\$0" as the minimum. Disclose any working capital deficiency of the issuer as at a date not more than 30 days before the date of the offering memorandum. If the working capital deficiency will not be eliminated by the use of available funds, state how the issuer intends to eliminate or manage the deficiency.

		Assuming minimum offering	Assuming maximum offering
A.	Amount to be raised by this offering	\$	\$
B.	Selling commissions and fees	\$	\$
C.	Estimated offering costs (including legal, accounting and audit)	\$	\$
D.	Available funds: $D = A - (B+C)$	\$	\$
E.	Additional sources of funding required	\$	\$
F.	Working capital deficiency	\$	\$
G.	Total: $G = (D+E) - F$	\$	\$

1.2 Use of Available Funds - Using the following table, provide a detailed breakdown of how the issuer will use the available funds. If any of the available funds will be paid to a related party, disclose in a note to the table the name of the related party, the relationship to the issuer, and the amount. If more than 10% of the available funds will be used by the issuer to pay debt and the issuer incurred the debt within the two preceding financial years, describe why the debt was incurred.

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Description of intended use of available funds listed in order of priority	Assuming minimum offering	Assuming maximum offering
	\$	\$
	\$	\$
Total: Equal to G in the Funds table above	\$	\$

1.2.1 Proceeds Transferred to Other Issuers - If a significant amount of the proceeds of the offering will be invested in, loaned to, or otherwise transferred to another issuer that is not a subsidiary controlled by the issuer, or a significant amount of the issuer's business is carried out by another issuer that is not a subsidiary controlled by the issuer, provide the disclosure specified by items 2, 3, 4.1, 4.2, 8 and 12 and, as applicable, Schedule 1 of this form if the other issuer is engaged in real estate activities, and Schedule 2 of this form if the other issuer is a collective investment vehicle, as if each of those other issuers were the issuer preparing the offering memorandum. In addition, describe the relationship between the issuer and each of those other issuers, and supplement the description with a diagram.

1.3 [Repealed]

Item 2: Business of the Issuer and Other Information and Transactions

2.1 Structure - State whether the issuer is a partnership, corporation or trust, or if the issuer is not a corporation, partnership or trust then state what type of business association the issuer is. State any statute under which the issuer is incorporated, continued or organized, and the date of incorporation, continuance or organization.

2.2 The Business - Describe the issuer's business.

- (a) For a non-resource issuer include in the description the following:
 - (i) principal products or services;
 - (ii) operations;
 - (iii) market, marketing plans and strategies;
 - (iv) a discussion of the issuer's current and prospective competitors.
- (b) For a resource issuer include in the description the following:
 - (i) a description of principal properties (including interest held);
 - (ii) a summary of material information including, as applicable, the stage of development, reserves, geology, operations, production and mineral reserves or mineral resources being explored or developed.

Guidance

1. For a resource issuer disclosing scientific or technical information for a mineral project, see General Instruction A.8 of this Form.
2. For a resource issuer disclosing information about its oil and gas activities, see General Instruction A.9 of this Form.

2.3 Development of Business - Describe the general development of the issuer's business over at least its two most recently completed financial years and any subsequent period. Include any major events that have occurred or conditions that have influenced (favourably or unfavourably) the development or financial condition of the issuer.

2.4 Long Term Objectives - With respect to the issuer's objectives subsequent to the next 12 months after the date of the offering memorandum, describe each significant event associated with those objectives, state the specific time period in which each event is expected to occur, and the costs related to each event.

2.5 Short Term Objectives

- (a) Disclose the issuer's objectives for the next 12 months after the date of the offering memorandum.
- (b) Using the following table, disclose how the issuer intends to meet those objectives.

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Actions to be taken	Target completion date or, if not known, number of months to complete	Cost to complete
		\$
		\$

2.6 Insufficient Funds

If applicable, disclose that the funds available as a result of the offering either may not or will not be sufficient to accomplish all of the issuer's proposed objectives and there is no assurance that alternative financing will be available. With respect to any alternative financing that has been arranged, disclose the amount, source and all outstanding conditions.

2.6.1: Additional Disclosure for Issuers Without Significant Revenue

- (1) If the issuer has not had significant revenue from operations in either of its two most recently completed financial years, or has not had significant revenue from operations since inception, provide, for each period referred to in subsection (2), a breakdown of the material components of the following:
- (a) exploration and evaluation assets or expenditures and, if the issuer's business primarily involves mining exploration and development, provide the breakdown on a property-by-property basis;
 - (b) expensed research and development costs;
 - (c) intangible assets arising from development;
 - (d) general and administration expenses;
 - (e) any material costs, whether expensed or recognized as assets, not referred to in paragraphs (a) through (d).
- (2) Include the disclosure in subsection (1) with respect to each period for which financial statements are included in the offering memorandum.
- (3) Subsection (1) does not apply to any period for which the information specified under subsection (1) has been disclosed in the financial statements that are included in the offering memorandum.

2.7 Material Contracts - Disclose the key terms of all material contracts to which the issuer is currently a party including, for certainty, the following:

- (a) if the contract is with a related party, the name of the related party and the relationship to the issuer;
- (b) a description of any asset, property or interest acquired, disposed of, leased or under option;
- (c) a description of any service provided;
- (d) purchase price and payment terms (including payment by instalments, cash, securities or work commitments);
- (e) the principal amount of any debenture or loan, the repayment terms, security, due date and interest rate;
- (f) the date of the contract;
- (g) the amount of any finder's fee or commission paid or payable to a related party in connection with the contract;
- (h) any material outstanding obligations under the contract.

2.8 Related Party Transactions

With respect to any purchase and sale transaction between the issuer and a related party that does not relate to real property,

- (a) using the following table and starting with the most recent transaction, provide the specified information, and

Description of business or asset	Date of transfer	Legal name of seller	Legal name of buyer	Amount and form of consideration exchanged in connection with transfer

- (b) explain the reason for any material difference between the amount of consideration paid by the issuer and the amount of consideration paid by a related party for the business or asset.

Item 3: Compensation and Security Holdings of Certain Parties

3.1 Compensation and Securities Held

Using the following table, provide the specified information for the following:

- (a) each director, officer and promoter of the issuer;
- (b) each person that has beneficial ownership of, or direct or indirect control over, or a combination of beneficial ownership and direct or indirect control over, 10% or more of any class of voting securities of the issuer;
- (c) any related party not specified in paragraph (a) or (b) that received compensation in the most recently completed financial year, or is expected by the issuer to receive compensation in the current financial year.

Full legal name and place of residence or, if not an individual, jurisdiction of organization	If paragraph (a) or (b) applies, specify whether the person is a director, officer, promoter or person referred to in paragraph (b); if paragraph (c) applies, specify the person's relationship to the issuer; in all cases, specify the date that the person became a person identified in paragraph (a), (b) or (c)	Compensation paid by issuer or related party in the most recently completed financial year and the compensation expected to be paid in the current financial year	Number, type and percentage of securities of the issuer held after completion of minimum offering	Number, type and percentage of securities of the issuer held after completion of maximum offering

Instructions

1. If the issuer has not completed its first financial year, disclose for the period from the date of the issuer's inception to the date of the offering memorandum.
2. Compensation includes any form of remuneration including, for certainty, cash, shares and options.
3. If a person identified in paragraph (a), (b) or (c) is not an individual, state in a note to the table the full legal name of any person that has beneficial ownership of, or direct or indirect control over, or a combination of beneficial ownership and direct or indirect control over, more than 50% of the voting rights of the person.

3.2 Management Experience - Using the following table, provide the specified information for the directors and executive officers of the issuer for the 5 years preceding the date of the offering memorandum.

Full Legal Name	Principal occupation and description of experience associated with the occupation

3.3 Penalties, Sanctions, Bankruptcy, Insolvency and Criminal or Quasi-Criminal Matters

- (a) If the following have occurred during the 10 years preceding the date of the offering memorandum with respect to a director, executive officer or control person of the issuer, or an issuer of which any of those persons was a director, executive officer or control person at the time, describe the penalty, other sanction or order, including the reason for it and whether it is currently in effect:
 - (i) a penalty or other sanction imposed by a court relating to a contravention of securities legislation;
 - (ii) a penalty or other sanction imposed by a regulatory body relating to a contravention of securities legislation;
 - (iii) an order restricting trading in securities, not including an order that was in effect for less than 30 consecutive days.
- (b) If the following have occurred during the 10 years preceding the date of the offering memorandum with respect to a director, executive officer or control person of the issuer, or an issuer of which any of those persons was a director, executive officer or control person at the time, state that it has occurred:

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- (i) a declaration of bankruptcy;
 - (ii) a voluntary assignment in bankruptcy;
 - (iii) a proposal under bankruptcy or insolvency legislation;
 - (iv) a proceeding, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets.
- (c) Disclose and describe the following, if the issuer or a director, executive officer or control person of the issuer has ever pled guilty to or been found guilty of:
- (i) a summary conviction or indictable offence under the *Criminal Code* (Canada);
 - (ii) a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction;
 - (iii) a misdemeanour or felony under the criminal legislation of the United States of America, or any state or territory of the United States of America;
 - (iv) an offence under the criminal legislation of any other foreign jurisdiction.

3.4 Certain Loans

For any debenture, bond or loan agreement between the issuer and a related party, disclose the following:

- (a) as at a date not more than 30 days before the date of the offering memorandum, the parties to the agreement, including which party is lender and which party is borrower, the principal amount, the repayment terms, any security, due date and interest rate;
- (b) during the two most recently completed financial years and up to a date not more than 30 days before the date of the offering memorandum, any material amendment to the agreement, or any release, cancellation or forgiveness.

Item 4: Capital Structure

4.1 Securities Except for Debt Securities - Using the following table, provide the specified information about outstanding securities of the issuer, not including debt securities. Add notes to the table to describe the material terms of the securities, including, for certainty, voting rights or restrictions on voting, exercise price and date of expiry, rights of redemption or retraction, including redemption or retraction price and any fee or restriction, and any interest rate or dividend or distribution policy.

Description of security	Number authorized to be issued	Price per security	Number outstanding as at a date not more than 30 days before the date of the offering memorandum	Number outstanding after minimum offering	Number outstanding after maximum offering

4.2 Long Term Debt Securities - Using the following table, provide the specified information about outstanding debt of the issuer for which all or a portion is due, or may be outstanding, more than 12 months from the date of the offering memorandum. Add notes to the table to disclose any amounts of the debt that are due within 12 months of the date of the offering memorandum. In addition, add notes to the table to describe any conversion terms. If the securities being offered are debt securities, complete the applicable parts of the table for the debt, and add columns to the table disclosing the amount of the debt that will be outstanding after both the minimum and maximum offering.

Description of debt (including whether secured)	Interest rate	Repayment terms	Amount outstanding at a date not more than 30 days before the date of the offering memorandum
			\$
			\$

4.3 Prior Sales - If the issuer has issued any securities of the class being offered under the offering memorandum (or convertible or exchangeable into the class being offered under the offering memorandum) within the 12 months before the date

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of the offering memorandum, use the following table to provide the information specified. If securities were issued in exchange for assets or services, describe in a note to the table the assets or services that were provided.

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received

Item 5: Securities Offered

5.1 Terms of Securities

- (a) Describe the material terms of the securities being offered, including, for certainty, the following:
 - (i) voting rights or restrictions on voting;
 - (ii) conversion or exercise price and date of expiry;
 - (iii) right of redemption or retraction, including redemption or retraction price and any fee or restriction;
 - (iv) interest rate, and dividend or distribution policy.
- (b) Provide a sample calculation in relation to any redemption or retraction right included in the terms of the securities being offered.

5.2 Subscription Procedure

- (a) Describe how a purchaser can subscribe for the securities and the method of payment.
- (b) State that the consideration will be held in trust and the period that it will be held (refer at least to the mandatory two day period).
- (c) Disclose any conditions to closing, including any receipt of additional funds from other sources. If there is a minimum offering, disclose when consideration will be returned to purchasers if the minimum is not met, and whether the issuer will pay the purchasers interest on consideration.

Item 5A: Redemption and Retraction History

- (1) With respect to any securities of the issuer for which investors have a right of redemption or retraction, disclose the following:
 - (a) for each of the two most recently completed financial years, the information specified by the following table;

Description of security	Date of end of financial year	Number of securities with outstanding redemption or retraction requests on the first day of the year	Number of securities for which investors made redemption or retraction requests during the year	Number of securities redeemed or retracted during the year	Average price paid for the securities redeemed or retracted	Source of funds used to complete the redemptions or retractions	Number of securities with outstanding redemption or retraction requests on the last day of the year

- (b) for the period after the end of the issuer's most recently completed financial year and up to a date not more than 30 days before the date of the offering memorandum, the information specified by the following table;

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Description of security	Date of beginning of period and date of end of period	Number of securities with outstanding redemption or retraction requests on the first day of the period	Number of securities for which investors made redemption or retraction requests during the period	Number of securities redeemed or retracted during the period	Average price paid for the securities redeemed or retracted	Source of funds used to complete the redemptions or retractions	Number of securities with outstanding redemption or retraction requests on the last day of the period

- (c) with respect to the periods specified in (a) and (b), the reason for any non-fulfillment of investor requests for redemption or retraction, unless the non-fulfillment was in accordance with terms governing the redemption or retraction right.

Item 5B: Certain Dividends or Distributions

If in the two most recently completed financial years, or any subsequent interim period, the issuer paid dividends or distributions that exceeded cash flow from operations, disclose the source of those payments.

Item 6: Income Tax Consequences and RRSP Eligibility

6.1 State: "You should consult your own professional advisers to obtain advice on the income tax consequences that apply to you."

6.2 If income tax consequences are a material aspect of the securities being offered, provide

- (a) a summary of the significant income tax consequences to Canadian residents, and
- (b) the name of the person providing the income tax disclosure in (a).

6.3 Provide advice regarding the RRSP eligibility of the securities and the name of the person providing the advice or state "Not all securities are eligible for investment in a registered retirement savings plan (RRSP). You should consult your own professional advisers to obtain advice on the RRSP eligibility of these securities."

Item 7: Compensation Paid to Sellers and Finders

If any person has or will receive any commission, corporate finance fee or finder's fee or any other compensation in connection with the offering, provide the following information:

- (a) a description of each type of compensation and the estimated amount to be paid for each type;
- (b) if a commission is being paid, the percentage that the commission will represent of the gross proceeds of the offering (assuming both the minimum and maximum offering);
- (c) details of any broker's warrants or agent's option (including number of securities under option, exercise price and expiry date);
- (d) if any portion of the compensation will be paid in securities, details of the securities (including number, type and, if options or warrants, the exercise price and expiry date).

Item 8: Risk Factors

Describe in order of importance, starting with the most important, the risk factors material to the issuer that a reasonable investor would consider important in deciding whether to buy the issuer's securities.

Guidance: Risk factors will generally fall into the following three categories:

- (a) Investment Risk - risks that are specific to the securities being offered. Some examples include
 - arbitrary determination of price,
 - no market or an illiquid market for the securities,
 - resale restrictions, and

- subordination of debt securities.
- (b) Issuer Risk - risks that are specific to the issuer. Some examples include
- insufficient funds to accomplish the issuer's business objectives,
 - no history or a limited history of revenue or profits,
 - lack of specific management or technical expertise,
 - management's regulatory and business track record,
 - dependence on key employees, suppliers or agreements,
 - dependence on financial viability of guarantor,
 - pending and outstanding litigation, and
 - political risk factors.
- (c) Industry Risk - risks faced by the issuer because of the industry in which it operates. Some examples include
- environmental and industry regulation,
 - product obsolescence, and
 - competition.

Item 9: Reporting Obligations

9.1 Disclose the documents, including any financial information required by the issuer's corporate legislation, constating documents, or other documents under which the issuer is organized, that will be sent to purchasers on an annual or on-going basis. If the issuer is not required to send any documents to the purchasers on an annual or on-going basis, state in bold type: **"We are not required to send you any documents on an annual or ongoing basis."**

9.2 If corporate or securities information about the issuer is available from a government, securities regulatory authority or regulator, SRO or quotation and trade reporting system, disclose where that information can be located (including website address).

Item 10: Resale Restrictions

10.1 [Repealed]

10.2 Restricted Period - For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, Québec, Saskatchewan and Yukon state one of the following, as applicable:

- (a) If the issuer is not a reporting issuer in a jurisdiction at the distribution date state:
- "Unless permitted under securities legislation, you cannot trade the securities before the date that is 4 months and a day after the date [insert name of issuer] became a reporting issuer in any province or territory of Canada."
- (b) If the issuer is a reporting issuer in a jurisdiction at the distribution date state:
- "Unless permitted under securities legislation, you cannot trade the securities, before the date that is 4 months and a day after the distribution date."

10.3 Manitoba Resale Restrictions - For trades in Manitoba, if the issuer will not be a reporting issuer in a jurisdiction at the time the security is acquired by the purchaser state:

"Unless permitted under securities legislation, you must not trade the securities without the prior written consent of the regulator in Manitoba unless

- (a) [name of issuer] has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus, or
- (b) you have held the securities for at least 12 months.

The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.”

Item 11: Purchasers' Rights

11.1 Statements Regarding Purchasers' Rights - State the following:

“If you purchase these securities you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

- (1) Two Day Cancellation Right - You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the agreement to buy the securities.
- (2) Statutory Rights of Action in the Event of a Misrepresentation [Insert this section only if the securities legislation of the jurisdiction in which the trade occurs provides purchasers with statutory rights in the event of a misrepresentation in an offering memorandum. Modify the language, if necessary, to conform to the statutory rights.] If there is a misrepresentation in this offering memorandum, you have a statutory right to sue:
 - (a) [name of issuer] to cancel your agreement to buy these securities, or
 - (b) for damages against [state the name of issuer and the title of any other person against whom the rights are available].

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within [state time period provided by the securities legislation]. You must commence your action for damages within [state time period provided by the securities legislation].

- (3) Contractual Rights of Action in the Event of a Misrepresentation - [Insert this section only if the securities legislation of the jurisdiction in which the purchaser is resident does not provide purchasers with statutory rights in the event of a misrepresentation in an offering memorandum.] If there is a misrepresentation in this offering memorandum, you have a contractual right to sue [name of issuer]:
 - (a) to cancel your agreement to buy these securities, or
 - (b) for damages.

This contractual right to sue is available to you whether or not you relied on the misrepresentation. However, in an action for damages, the amount you may recover will not exceed the price that you paid for your securities and will not include any part of the damages that [name of issuer] proves does not represent the depreciation in value of the securities resulting from the misrepresentation. [Name of issuer] has a defence if it proves that you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and 3 years after you signed the agreement to purchase the securities.”

11.2 Cautionary Statement Regarding Report, Statement or Opinion by Expert - If a report, statement or opinion by a solicitor, auditor, accountant, engineer, appraiser, notary in Québec or other person or company whose profession or business could, to a reasonable person, be viewed as giving authority to a statement made by that person or company, is included or referenced in the offering memorandum, and purchasers do not have a statutory right of action in the local jurisdiction against that person or company for a misrepresentation in the offering memorandum, state the following, with the bracketed information completed, as applicable:

“This offering memorandum [includes][references] [describe any report, statement or opinion, the party that gave it, and the effective date of the document]. You do not have a statutory right of action against [this party][these parties] for a misrepresentation in the offering memorandum. You should consult with a legal adviser for further information.”

Item 12: Financial Statements

Include in the offering memorandum immediately before the certificate page of the offering memorandum all financial statements specified in the Instructions.

Item 13: Date and Certificate

State the following on the certificate page of the offering memorandum:

“Dated [insert the date the certificate page of the offering memorandum is signed].

This offering memorandum does not contain a misrepresentation.”

Instructions for Completing
Form 45-106F2
Offering Memorandum for Non-Qualifying Issuers

A. General Instructions

- 0.1 Refer to subsections 2.9(13.1) and (13.3) of the Instrument, which set out the standard of disclosure for an offering memorandum.
1. Draft the offering memorandum so that it is easy to read and understand. Be concise and use clear, plain language. Avoid technical terms. If technical terms are necessary, provide definitions.
 2. Address the items required by the form in the order set out in the form. However, it is not necessary to provide disclosure in response to a requirement or part of a requirement that does not apply.
 3. The issuer may include additional information in the offering memorandum other than that specifically required by the form.
 4. The issuer may wrap the offering memorandum around a prospectus or similar document. However, all matters required to be disclosed by the offering memorandum must be addressed and the offering memorandum must provide a cross-reference to the page number or heading in the wrapped document where the relevant information is contained. The certificate to the offering memorandum must be modified to indicate that the offering memorandum, including the document around which it is wrapped, does not contain a misrepresentation.
 5. It is an offence to make a misrepresentation in the offering memorandum. This applies to both information that is required by the form and additional information that is provided. Include particulars of any material facts, which have not been disclosed under any of the Item numbers and for which failure to disclose would constitute a misrepresentation in the offering memorandum. Refer also to section 3.8(3) of Companion Policy 45-106CP for additional information.
- 5.1 Do not disclose a maximum offering amount unless the issuer reasonably expects, as at the date of the offering memorandum, to distribute that amount under the offering memorandum.
6. [Repealed]
7. [Repealed]
8. Refer to National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (NI 43-101) when disclosing scientific or technical information for a mineral project of the issuer.
9. If an oil and gas issuer is disclosing information about its oil and gas activities, it must ensure that the information is disclosed in accordance with Part 4 and Part 5 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (NI 51-101). Under section 5.3 of NI 51-101, disclosure of reserves or resources must be consistent with the reserves and resources terminology and categories set out in the Canadian Oil and Gas Evaluation Handbook. For the purposes of this instruction, references to reporting issuer in Part 4 and Part 5 of NI 51-101 will be deemed to include all issuers.
10. Securities legislation restricts what can be told to investors about the issuer's intent to list or quote securities on an exchange or market. Refer to applicable securities legislation before making any such statements.
11. If an issuer uses this form in connection with a distribution under an exemption other than section 2.9 (*offering memorandum*) of the Instrument, the issuer must modify the disclosure in item 11 to correctly describe the purchaser's rights. If a purchaser does not have statutory or contractual rights of action in the event of a misrepresentation in the offering memorandum, that fact must be stated in bold on the face page.
12. During the course of a distribution of securities, any material forward-looking information disseminated must only be that which is set out in the offering memorandum. If an extract of FOFI, as defined in National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102), is disseminated, the extract or summary must be reasonably balanced and have a cautionary note in boldface stating that the information presented is not complete and that complete FOFI is included in the offering memorandum.
13. The term quasi-criminal offence includes offences under tax, immigration or money laundering legislation.

B. Financial Statements - General

1. All financial statements, operating statements for an oil and gas property that is an acquired business or a business to be acquired, and summarized financial information as to the aggregated amounts of assets, liabilities, revenue and

profit or loss of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method included in the offering memorandum must comply with National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*, regardless of whether the issuer is a reporting issuer or not.

Under National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*, financial statements are generally required to be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises. An issuer using this form cannot use Canadian GAAP applicable to private enterprises, except, subject to the requirements of NI 52-107, certain issuers may use Canadian GAAP applicable to private enterprises for financial statements for a business referred to in C.1. An issuer that is not a reporting issuer may prepare acquisition statements in accordance with the requirements of NI 52-107 as if the issuer were a venture issuer as defined in NI 51-102. For the purposes of Form 45-106F2, the “applicable time” in the definition of a venture issuer is the acquisition date.

2. Include all financial statements required by these instructions in the offering memorandum immediately before the certificate page of the offering memorandum.
3. If the issuer has not completed one financial year or its first financial year end is less than 120 days from the date of the offering memorandum, include in the offering memorandum financial statements of the issuer consisting of:
 - (a) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the period from inception to a date not more than 90 days before the date of the offering memorandum,
 - (b) a statement of financial position as at the end of the period referred to in paragraph (a), and
 - (c) notes to the financial statements.
4. If the issuer has completed one or more financial years, include in the offering memorandum annual financial statements of the issuer consisting of:
 - (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 that ended more than 120 days before the date of the offering memorandum, and
 - (ii) the financial year immediately preceding the financial year in clause (i), if any,
 - (b) a statement of financial position as at the end of each of the periods referred to in paragraph (a),
 - (c) a statement of financial position as at the beginning of the earliest comparative period for which financial statements that are included in the offering memorandum comply with IFRS in the case of an issuer that
 - (i) discloses in its annual financial statements an unreserved statement of compliance with IFRS, and
 - (ii) does any of the following:
 - (A) applies an accounting policy retrospectively in its annual financial statements;
 - (B) makes a retrospective restatement of items in its annual financial statements;
 - (C) reclassifies items in its annual financial statements,
 - (d) in the case of an issuer’s first IFRS financial statements as defined in NI 51-102, the opening IFRS statement of financial position at the date of transition to IFRS as defined in NI 51-102, and
 - (e) notes to the financial statements.
- 4.1 If an issuer presents 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 filed under Item 4 above.
5. If the issuer has completed one or more financial years, include in the offering memorandum an interim financial report of the issuer comprised of:
 - (a) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the most recently completed interim period that ended
 - (i) more than 60 days before the date of the offering memorandum, and
 - (ii) after the year-end date of the financial statements required under B.4(a)(i),
 - (b) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the

- corresponding period in the immediately preceding financial year, if any,
- (c) a statement of financial position as at the end of the period required by paragraph (a) and the end of the immediately preceding financial year,
 - (d) a statement of financial position as at the beginning of the earliest comparative period for which financial statements that are included in the offering memorandum comply with IFRS in the case of an issuer that
 - (i) discloses in its interim financial report an unreserved statement of compliance with International Accounting Standard 34 *Interim Financial Reporting*, and
 - (ii) does any of the following:
 - (A) applies an accounting policy retrospectively in its interim financial report;
 - (B) makes a retrospective restatement of items in its interim financial report;
 - (C) reclassifies items in its interim financial report,
 - (e) in the case of the first interim financial report in the year of adopting IFRS, the opening IFRS statement of financial position at the date of transition to IFRS,
 - (f) for an issuer that is not a reporting issuer in at least one jurisdiction of Canada immediately before filing the offering memorandum, if the issuer is including an interim financial report of the issuer for the second or third interim period in the year of adopting IFRS include
 - (i) the issuer's first interim financial report in the year of adopting IFRS, or
 - (ii) both
 - (A) the opening IFRS statement of financial position at the date of transition to IFRS, and
 - (B) the annual and date of transition to IFRS reconciliations required by IFRS 1 *First-time Adoption of International Financial Reporting Standards* to explain how the transition from previous GAAP to IFRS affected the issuer's reported financial position, financial performance and cash flows, and
 - (g) notes to the financial statements.
- 5.1 If an issuer presents 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 filed under item 5 above.
6. An issuer is not required to include the comparative financial information for the period in B.4.(a)(ii) in an offering memorandum if the issuer includes financial statements for a financial year ended less than 120 days before the date of the offering memorandum.
7. For an issuer that is not an investment fund, the term "interim period" has the meaning set out in NI 51-102. In most cases, an interim period is a period ending 9, 6, or 3 months before the end of a financial year. For an issuer that is an investment fund, the term "interim period" has the meaning set out in National Instrument 81-106 *Investment Fund Continuous Disclosure* (NI 81-106).
8. The comparative financial information required under B.5(b) and (c) may be omitted if the issuer has not previously prepared financial statements in accordance with its current or, if applicable, its previous GAAP.
9. The financial statements required by B.3, B.4 and B.12.1(a) must be audited. The financial statements required by B.5, B.6, B.12.1(b) and the comparative financial information required by B.4 may be unaudited; however, if any of those financial statements have been audited, the auditor's report must be included in the offering memorandum.
10. Refer to National Instrument 52-108 *Auditor Oversight* for requirements relating to reporting issuers and public accounting firms.
11. All unaudited financial statements and unaudited comparatives must be clearly labelled as unaudited.
12. [Repealed]
- 12.1 If the distribution is ongoing, the issuer must do the following:
 - (a) if the offering memorandum does not contain audited annual financial statements for the issuer's most recently completed financial year, the issuer must do the following:

- (i) amend the offering memorandum to include the audited annual financial statements and the accompanying auditor's report as soon as the issuer has approved the audited financial statements, but in any event no later than the 120th day following the financial year end;
 - (ii) present the offering memorandum and the audited annual financial statements in accordance with the instructions in A, B and C and, for that purpose, the reference to the financial year in B.4(a)(i) shall mean the issuer's most recently completed financial year;
- (b) if the offering memorandum does not contain an interim financial report for the issuer's most recently completed 6-month period, the issuer must do the following:
- (i) amend the offering memorandum to include the interim financial report no later than the 60th day following the end of the period;
 - (ii) present the offering memorandum and the interim financial report in accordance with the instructions in A, B and C and, for that purpose, the reference to the interim period in B.5(a) shall mean the issuer's most recently completed 6-month period.
- 12.2 If the issuer has included in its offering memorandum an interim financial report for its most recently completed 9-month period, B. 12.1(b) does not apply.
13. [Repealed]
14. Forward looking information, as defined in NI 51-102, included in an offering memorandum must comply with section 4A.2 of NI 51-102 and must include the disclosure described in section 4A.3 of NI 51-102. In addition to the foregoing, FOFI or a financial outlook, each as defined in NI 51-102, included in an offering memorandum must comply with Part 4B of NI 51-102. For an issuer that is not a reporting issuer, references to "reporting issuer" in section 4A.2, section 4A.3 and Part 4B of NI 51-102 must be read as references to an "issuer". Additional guidance may be found in the companion policy to NI 51-102.

15. [Repealed]

16. [Repealed]

C. Financial Statements - Business Acquisitions

1. If the issuer

- (a) has acquired a business during the past two years and the audited financial statements of the issuer included in the offering memorandum do not include the results of the acquired business for 9 consecutive months, or
- (b) is proposing to acquire a business and the acquisition has progressed to a state where a reasonable person would believe that the likelihood of the acquisition being completed is high,

include the financial statements specified in C.4 for the business if either of the tests in C.2 is met, irrespective of how the issuer accounts, or will account, for the acquisition.

2. Include the financial statements specified in C.4 for a business referred to in C.1 if either:

- (a) the issuer's proportionate share of the consolidated assets of the business exceeds 100% of the consolidated assets of the issuer calculated using the annual financial statements of each of the issuer and the business for the most recently completed financial year of each that ended before the acquisition date or, for a proposed acquisition, the date of the offering memorandum or
- (b) the issuer's consolidated investments in and advances to the business as at the acquisition date or the proposed date of acquisition exceeds 100% of the consolidated assets of the issuer, excluding any investments in or advances to the business, as at the last day of the issuer's most recently completed financial year that ended before the date of acquisition or the date of the offering memorandum for a proposed acquisition. For information about how to perform the investment test in this paragraph, please refer to subsections 8.3(4.1) and (4.2) of NI 51-102. Additional guidance may be found in the companion policy to NI 51-102.

2.1 [Repealed]

3. If an issuer or a business has not yet completed a financial year, or its first financial year ended within 120 days of the offering memorandum date, use the financial statements referred to in B.3 to make the calculations in C.2.

4. If under C.2 you must include in an offering memorandum financial statements for a business, the financial statements must include:
- (a) If the business has not completed one financial year or its first financial year end is less than 120 days from the date of the offering memorandum
 - (i) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows
 - (A) for the period from inception to a date not more than 90 days before the date of the offering memorandum, or
 - (B) if the date of acquisition precedes the ending date of the period referred to in (A), for the period from inception to the acquisition date or a date not more than 45 days before the acquisition date,
 - (ii) a statement of financial position dated as at the end of the period referred to in clause (i), and
 - (iii) notes to the financial statements.
 - (b) If the business has completed one or more financial years include
 - (i) annual financial statements comprised of:
 - (A) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the following annual periods:
 - i. the most recently completed financial year that ended before the acquisition date and more than 120 days before the date of the offering memorandum, and
 - ii. the financial year immediately preceding the most recently completed financial year specified in clause i, if any,
 - (B) a statement of financial position as at the end of each of the periods specified in (A),
 - (C) notes to the financial statements, and
 - (ii) an interim financial report comprised of
 - (A) either
 - i. a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the most recently completed year-to-date interim period ending on the last date of the interim period that ended before the acquisition date and more than 60 days before the date of the offering memorandum and ended after the date of the financial statements required under subclause (b)(i)(A)(i), and a statement of comprehensive income and a statement of changes in equity for the 3-month period ending on the last date of the interim period that ended before the acquisition date and more than 60 days before the date of the offering memorandum and ended after the date of the financial statements required under subclause (b)(i)(A)(i), or
 - ii. a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the period from the first day after the financial year referred to in subparagraph (b)(i) to a date before the acquisition date and after the period end in subclause (b)(ii)(A)(i),
 - (B) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the corresponding period in the immediately preceding financial year, if any,
 - (C) a statement of financial position as at the end of the period required by clause (A) and the end of the immediately preceding financial year, and
 - (D) notes to the financial statements.

Refer to Instruction B.7 for the meaning of “interim period”.

5. The information for the most recently completed financial period referred to in C.4(b)(i) must be audited and accompanied by an auditor's report. The financial statements required under C.4(a), C.4(b)(ii) and the comparative financial information required by C.4(b)(i) may be unaudited; however, if those financial statements or comparative financial information have been audited, the auditor's report must be included in the offering memorandum.
6. If the offering memorandum does not contain audited financial statements for a business referred to in C.1 for the business's most recently completed financial year that ended before the acquisition date and the distribution is ongoing, update the offering memorandum to include those financial statements accompanied by an auditor's report when they are available, but in any event no later than the date 120 days following the year-end.
7. The term "business" should be evaluated in light of the facts and circumstances involved. Generally, a separate entity or a subsidiary or division of an entity is a business and, in certain circumstances, a lesser component of an entity may also constitute a business, whether or not the subject of the acquisition previously prepared financial statements. The subject of an acquisition should be considered a business where there is, or the issuer expects there will be, continuity of operations. The issuer should consider:
 - (a) whether the nature of the revenue producing activity or potential revenue producing activity will remain generally the same after the acquisition, and
 - (b) whether any of the physical facilities, employees, marketing systems, sales forces, customers, operating rights, production techniques or trade names are acquired by the issuer instead of remaining with the vendor after the acquisition.
8. If a transaction or a proposed transaction for which the likelihood of the transaction being completed is high has been or will be a reverse take-over as defined in NI 51-102, include financial statements for the legal subsidiary in the offering memorandum in accordance with Part A. The legal parent is considered to be the business acquired. C.1 may also require financial statements of the legal parent.
9. An issuer satisfies the requirements in C.4 if the issuer includes in the offering memorandum the financial statements required in a business acquisition report under NI 51-102.

D. Financial Statement - Exemptions

1. [Repealed]
2. Notwithstanding the requirements in section 3.3(1)(a)(i) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*, an auditor's report that accompanies financial statements of an issuer or a business contained in an offering memorandum of a non-reporting issuer may express a qualification of opinion relating to inventory if
 - (a) the issuer includes in the offering memorandum a statement of financial position that is for a date that is after the date to which the qualification relates,
 - (b) the statement of financial position referred to in paragraph (a) is accompanied by an auditor's report that does not express a qualification of opinion relating to closing inventory, and
 - (c) the issuer has not previously filed financial statements for the same entity accompanied by an auditor's report for a prior year that expressed a qualification of opinion relating to inventory.
3. If an issuer has, or will account for a business referred to in C.1 using the equity method, then financial statements for a business required by Part C are not required to be included if:
 - (a) the offering memorandum includes disclosure for the periods for which financial statements are otherwise required under Part C that:
 - (i) summarizes information as to the aggregated amounts of assets, liabilities, revenue and profit or loss of the business, and
 - (ii) describes the issuer's proportionate interest in the business and any contingent issuance of securities by the business that might significantly affect the issuer's share of profit or loss;
 - (b) the financial information provided under D.3(a) for the most recently completed financial year has been audited, or has been derived from audited financial statements of the business; and
 - (c) the offering memorandum discloses that:

- (i) the financial information provided under D.3(a) for any completed financial year has been audited, or identifies the audited financial statements from which the financial information provided under D.3(a) has been derived; and
 - (ii) the audit opinion with respect to the financial information or financial statements referred to in D.3(c)(i) was an unmodified opinion.
- 4. Financial statements relating to the acquisition or proposed acquisition of a business that is an interest in an oil and gas property are not required to be included in an offering memorandum if either of the following apply:
 - (a) the acquisition is significant based only on the asset test;
 - (b) the issuer is unable to provide the financial statements in respect of the significant acquisition otherwise required because those financial statements do not exist or the issuer does not have access to those financial statements, and the following apply:
 - (i) the acquisition was not or will not be a reverse take-over, as defined in NI 51-102;
 - (ii) the following apply:
 - (A) the offering memorandum includes an operating statement for the business or related businesses for each of the financial periods for which financial statements would, but for this section, be required under C.4 prepared in accordance with subsection 3.11(5) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;
 - (B) the operating statement for the most recently completed financial period referred to in C.4(b)(i) is audited;
 - (C) the offering memorandum includes a description of the property or properties and the interest acquired by the issuer;
 - (D) the offering memorandum includes information with respect to the estimated reserves and related future net revenue attributable to the business, the material assumptions used in preparing the estimates and the identity and relationship to the issuer or to the seller of the person who prepared the estimates;
 - (E) the offering memorandum includes actual production volumes of the property for the most recently completed year;
 - (F) the offering memorandum includes estimated production volumes of the property for the first year reflected in the estimate disclosed under D.4(d)(iv).
- 5. Financial statements for a business that is an interest in an oil and gas property, or for the acquisition or proposed acquisition by an issuer of an oil and gas property, are not required to be audited if, during the 12 months preceding the acquisition date or the proposed acquisition date, the average daily production of the property is less than 20% of the average daily production of the seller for the same or similar periods and:
 - (i) despite reasonable efforts during the purchase negotiations, the issuer was prohibited from including in the purchase agreement the rights to obtain an audited operating statement of the property,
 - (ii) the purchase agreement includes representations and warranties by the seller that the amounts presented in the operating statement agree to the seller's books and records, and
 - (iii) the offering memorandum discloses
 - 1. that the issuer was unable to obtain an audited operating statement,
 - 2. the reasons for that inability,
 - 3. the fact that the purchase agreement includes the representations and warranties referred to in D.5(ii), and
 - 4. that the results presented in the operating statements may have been materially different if the statements had been audited.

Schedule 1- Additional Disclosure Requirements for an Issuer Engaged in Real Estate Activities

Guidance

For an issuer engaged in real estate activities, see subsection 6.4(4) of the Instrument with respect to the completion of this schedule.

General Instructions

1. Despite General Instruction A. 2, an issuer may choose where to integrate the disclosure specified by this schedule within the offering memorandum.
2. Information specified by this schedule that is disclosed in the offering memorandum in response to another provision of this form need not be repeated.

1. Definitions

In this schedule

“rental management agreement” means an agreement, other than a rental pool agreement, under which a person manages the generation of revenue from real property for another person;

“rental pool agreement” means an agreement creating a rental pool;

“rental pool” means an arrangement under which revenues derived from, or expenses relating to, two or more properties are pooled and shared among the owners of the properties in accordance with their proportionate interests in the pool.

2. Application

- (1) This schedule applies to the following:
 - (a) each interest in real property held by the issuer;
 - (b) each interest in real property proposed to be acquired by the issuer, if the proposed acquisition has progressed to a state where a reasonable person would believe that the likelihood of the issuer completing the acquisition is high.
- (2) Despite subsection (1), and except in the circumstances described in section 4, 5, 10 and 11, this schedule does not apply in respect of an interest in real property, or more than one interest in real property taken together, that when considered in relation to all interests in real property held by the issuer, is not significant enough to influence a decision by a reasonable investor to buy, hold or sell a security of the issuer.

3. Description of Real Property

- (1) Describe the following with respect to each interest in real property:
 - (a) the real property’s location, both legal and descriptive;
 - (b) the nature of the interest;
 - (c) any encumbrances;
 - (d) any restriction on sale or disposition;
 - (e) any environmental liabilities, hazards or contamination;
 - (f) any tax arrears;
 - (g) who provides any utilities and other services or, if utilities and other services are not currently being provided, describe how they will be provided and who will provide them;
 - (h) the current use;
 - (i) the proposed use and why the issuer considers the real property to be suitable for its plans;
 - (j) with respect to any buildings affixed to the real property, the type of construction, age and condition, and a description of any units for sale or rental;

- (k) for real property that the issuer leases to others, the occupancy level as at a date not more than 60 days before the date of the offering memorandum.
- (2) If the issuer is providing disclosure on 20 or more interests in real property, it may for the purposes of subsection (1) disclose the information on a summarized basis with respect to either of the following:
 - (a) the portfolio of real property interests as a whole;
 - (b) the portfolio of real property interests broken into subgroups.
- (3) Describe any current legal proceedings, or legal proceedings that the issuer knows to be contemplated, relating to each interest in real property, including, for each proceeding, the name of the court, the date instituted, the parties to the proceeding, the nature of the claim, any amount claimed, whether the proceeding is being contested, and the present status of the proceeding.

Instruction to Section 3

With respect to a proposed acquisition of one or more interests in real property, disclose the issuer's expectations regarding the matters set out in paragraphs (1)(b), (c) and (d) for the event that the acquisition is completed.

4. Appraisal

- (1) If subsection 2.9(19.6) of the Instrument applies, disclose the following for any appraisal:
 - (a) the appraised fair market value of the interest in real property that is the subject of the appraisal;
 - (b) the effective date of the appraisal;
 - (c) that the appraisal is required to be delivered to the purchaser at the same time or before the offering memorandum is delivered to the purchaser.
- (2) For each interest in real property to which subsection (1) applies, provide the most recent assessment by any assessing authority.

5. Purchaser's Interest in Real Property

If the purchaser will acquire an interest in real property, disclose the following:

- (a) a description of the interest;
- (b) how the interest will be evidenced in a public registry;
- (c) any existing or anticipated encumbrances on the interest.

6. Developer, or Manager under a Rental Pool Agreement or Rental Management Agreement, Organization, Occupation and Experience, and Penalties, Sanctions, Bankruptcy, Insolvency and Criminal or Quasi-Criminal Matters

- (1) Subsection (2) applies for the following persons:
 - (a) a person other than the issuer that is or will be acting in the role of developer in respect of an interest in real property;
 - (b) in respect of real property in which the purchaser will acquire an interest, a person other than the issuer that will be acting in the role of manager under a rental management agreement, or manager for a rental pool.
- (2) For each person described in subsection (1),
 - (a) state the legal name of the person, describe the business of the person and any experience that the person has in similar projects or a similar business, and, if the person is not an individual, the laws under which the person is organized or incorporated and the date that the person was organized or incorporated,
 - (b) if the person is not an individual, in the form of the following table, provide the specified information for any directors and executive officers of the person for the 5 years preceding the date of the offering memorandum,

Full legal name	Principal occupation and description of experience associated with the occupation

- (c) if the following have occurred during the 10 years preceding the date of the offering memorandum with respect to the person, a director, executive officer or control person of the person, or an issuer of which any of those persons was a director, executive officer or control person at the time, describe the penalty, sanction or order, including the reason for it and whether it is currently in effect:
 - (i) a penalty or other sanction imposed by a court relating to a contravention of securities legislation;
 - (ii) a penalty or other sanction imposed by a regulatory body relating to a contravention of securities legislation;
 - (iii) an order restricting trading in securities, not including an order that was in effect for less than 30 consecutive days,
- (d) if the following have occurred during the 10 years preceding the date of the offering memorandum with respect to the person, a director, executive officer or control person of the person, or an issuer of which any of those persons was a director, executive officer or control person at the time, state that it has occurred:
 - (i) a declaration of bankruptcy;
 - (ii) a voluntary assignment in bankruptcy;
 - (iii) a proposal under bankruptcy or insolvency legislation;
 - (iv) a proceeding, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, and
- (e) disclose and describe the following, if the person, or a director, executive officer or control person of the person has ever pled guilty to or been found guilty of:
 - (i) a summary conviction or indictable offence under the *Criminal Code* (Canada);
 - (ii) a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction;
 - (iii) a misdemeanour or felony under the criminal legislation of the United States of America, or any state or territory of the United States of America;
 - (iv) an offence under the criminal legislation of any other foreign jurisdiction.

7. Transfers

- (1) For each interest in real property, for any transaction that a related party was party to, using the following table, starting with the most recent transaction and specifying which party was the related party, disclose the following.

Date of transfer	Legal name of seller	Legal name of buyer	Amount and form of consideration

- (2) Explain the reason for any material difference between the amount of consideration paid by the issuer and the amount of consideration paid by a related party for the interest in real property.

8. Approvals

For each interest in real property, if that real property is being developed, disclose the following:

- (a) any approval required from a regulatory body or any level of government;
- (b) the anticipated cost and timing of the approval;

- (c) any reports required as part of the approval process, including the anticipated cost and timing of producing or procuring those reports;
- (d) what will happen if the approvals are not obtained, including the effect on the following:
 - (i) the project;
 - (i) the purchaser's investment;
 - (ii) if applicable, the purchaser's interest in the real property.

9. Costs and Objectives

For each interest in real property, if that real property is being developed, disclose the following:

- (a) estimated costs to complete the development;
- (b) any significant assumptions that underlie the cost estimates;
- (c) when significant costs will be incurred;
- (d) the objectives of the project that are expected to be met within the 24 months following the date of the offering memorandum, including the following:
 - (i) the expected timeline for meeting the objectives;
 - (ii) how the issuer will meet the objectives;
 - (iii) the estimated costs of meeting each objective;
 - (iv) how the issuer will fund the cost of meeting each objective;
- (e) the objectives for the project that are expected to be met after the 24-month period following the date of the offering memorandum, including the following:
 - (i) the expected timeline for meeting the objectives;
 - (ii) how the issuer will meet the objectives;
 - (iii) if the objectives are to be completed in phases, details about each phase;
 - (iv) the estimated cost of meeting each objective;
 - (v) how the issuer will fund the cost of meeting each objective;
- (f) what reasonably might happen if any of the stated objectives are not met, including the effect of not meeting on objective on the following:
 - (i) the project;
 - (ii) the purchaser's investment;
 - (iii) if applicable, the purchaser's interest in the real property.

10. Future Cash Calls

If the purchaser is required to contribute additional funds in the future, disclose the following:

- (a) the amount the purchaser is required to contribute;
- (b) when the purchaser will be required to contribute;
- (c) the effect on the purchaser's investment and, if applicable, the purchaser's interest in the real property, if the purchaser fails to contribute;
- (d) the effect on the purchaser's investment and, if applicable, the purchaser's interest in the real property, if the purchaser contributes, but other purchasers fail to contribute.

11. Rental Pool Agreement or Rental Management Agreement

If the purchaser will acquire an interest in real property, and that interest will be or could be subject to a rental pool agreement or a rental management agreement, disclose the following:

- (a) the key terms of the agreement, including, for certainty, those provisions dealing with whether the agreement is mandatory or optional, the duration of the agreement, opting out of the agreement, termination of the agreement, the sharing of revenues and losses, the payment of expenses, and any fees payable under the agreement;
- (b) whether financial or other information about the rental pool or the results arising from the rental management agreement will be made available to purchasers, and if so, include the following:
 - (i) a description of the information;
 - (ii) if the information will include financial information, whether that financial information will be audited or subject to an independent review;
 - (iii) the frequency with which the information will be made available;
 - (iv) whether the information will be delivered to purchasers or whether access will be provided to it;
 - (v) if purchasers are to be provided access to the information, a description of the means of gaining access to it;
- (c) the following statement, with the bracketed information completed as applicable:

“The success or failure of the [rental pool][arrangement resulting from the rental management agreement] will depend in part on the abilities of the manager”;
- (d) if the purchaser will be responsible for paying any loss arising pursuant to the rental pool agreement or rental management agreement, the following statement, with the bracketed information completed as applicable:

“If the [rental pool][rental management agreement] generates a loss, the purchaser must contribute further funds in addition to the purchaser’s initial investment.”.

12. Information Statements

If the purchaser will acquire an interest in real property, state the following in bold type:

“Your rights relating to your interest in real property will be those provided under the laws of the jurisdiction in which the real property is located. Therefore, it is prudent to consult a lawyer who is familiar with the laws of that jurisdiction before making an investment.

All real estate investments are subject to significant risk arising from changing market conditions.”.

13. Risk Factors Relating to Real Property

With respect to the issuer’s interests in real property, and any interest in real property to be acquired by the purchaser, describe the risk factors that would influence a reasonable investor’s decision whether to invest, including, if applicable:

- (a) risks associated with the following:
 - (i) the development of undivided real property into subdivisions;
 - (ii) the leasing of real property;
 - (iii) the holding of real property for sale or development;
- (b) risks associated with encumbrances, conditions, or covenants on the real property that could affect the following:
 - (i) the purchaser’s interest in the real property, if applicable;
 - (ii) the completion of the development of real property;

- (c) risks pertaining to the development of real property, including the following:
 - (i) a right or lack of right of the purchaser with respect to the management and control of the real property;
 - (ii) a right or lack of right of the purchaser to change the developer of the property;
- (d) risks pertaining to potential liability for the following:
 - (i) environmental damage;
 - (ii) unpaid obligations to builders, contractors and tradespersons;
- (e) risks associated with litigation that relates to the real property.

Schedule 2 – Additional Disclosure Requirements for an Issuer That is a Collective Investment Vehicle

Guidance

For an issuer that is a collective investment vehicle, see subsection 6.4(5) of the Instrument with respect to the completion of this schedule.

General Instructions

1. Despite General Instruction A. 2, an issuer may choose where to integrate the disclosure specified by this schedule within the offering memorandum.
2. Information specified by this schedule that is disclosed in the offering memorandum in response to another provision of this form need not be repeated.

1. Investment Objectives and Strategy

- (1) Except with respect to mortgage lending, describe the following:
 - (a) the issuer's investment objectives, investment strategy and investment criteria;
 - (b) any limitations or restrictions on investments, including concentration limits and use of leverage;
 - (c) how securities are identified, selected and approved for purchase or sale.
- (2) For any mortgage lending by the issuer, describe the following:
 - (a) the issuer's investment objectives with respect to the following:
 - (i) the type of properties for which the issuer lends money;
 - (ii) the issuer's geographical focus;
 - (iii) the material mortgage terms, including range of interest rates and length of term;
 - (iv) the priority ranking of mortgages, in terms of first priority, second priority and third or lower priority;
 - (b) any policies or practices of the issuer with respect to the following:
 - (i) after initial funding of a mortgage, conducting any subsequent valuation of a property;
 - (ii) loaning money to a related party;
 - (iii) renewals;
 - (iv) concentrating funds in a single mortgage or lending funds to a single borrower or group of affiliated borrowers;
 - (v) determining that a borrower has the ability to repay a mortgage.

2. Portfolio Management and Penalties, Sanctions, Bankruptcy, Insolvency and Criminal or Quasi-Criminal Matters

- (1) Identify the person responsible for the following:
 - (a) establishing and implementing the issuer's investment objectives and investment strategy;
 - (b) setting any limitations or restrictions on investments;
 - (c) monitoring the performance of the portfolio;
 - (d) making any adjustments to the issuer's portfolio.
- (2) For each person described in subsection (1) that is not registered under the securities legislation of a jurisdiction of Canada,
 - (a) in the form of the following table, provide the specified information for the person and any directors and executive officers of the person for the 5 years preceding the date of the offering memorandum,

Full legal name	Principal occupation and description of experience associated with the occupation

- (b) if the following have occurred during the 10 years preceding the date of the offering memorandum with respect to the person, or an issuer of which the person was a director, executive officer or control person at the time, describe the penalty, sanction or order, including the reason for it and whether it is currently in effect:
- (i) a penalty or other sanction imposed by a court relating to a contravention of securities legislation;
 - (ii) a penalty or other sanction imposed by a regulatory body relating to a contravention of securities legislation;
 - (iii) an order restricting trading in securities, not including an order that was in effect for less than 30 consecutive days,
- (c) if the following have occurred during the 10 years preceding the date of the offering memorandum with respect to the person, or an issuer of which the person was a director, executive officer or control person at the time, state that is has occurred:
- (i) a declaration of bankruptcy;
 - (ii) a voluntary assignment in bankruptcy;
 - (iii) a proposal under bankruptcy or insolvency legislation;
 - (iv) a proceeding, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets,
- (d) disclose and describe the following, if the person has ever pled guilty to or been found guilty of:
- (i) a summary conviction or indictable offence under the *Criminal Code* (Canada);
 - (ii) a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction;
 - (iii) a misdemeanour or felony under the criminal legislation of the United States of America, or any state or territory of the United States of America;
 - (iv) an offence under the criminal legislation of any other foreign jurisdiction, and
- (e) disclose any exemption relied on by the person from the requirement to be registered under the securities legislation of a jurisdiction of Canada.
- (3) For any person identified in subsection (1) that is not an employee of the issuer, disclose any remuneration paid to the person, and how the remuneration is calculated.
- (4) Identify any person that is not an employee of the issuer, other than a person identified under subsection (1), that performs a significant role or provides a significant service for the issuer with respect to the securities in the issuer's portfolio, and describe the following:
- (a) the role performed or service provided;
 - (b) the remuneration paid to the person and how that remuneration is calculated.

3. Portfolio Summary

- (1) Except with respect to mortgage lending, as at a date not more than 60 days before the date of the offering memorandum, disclose the following:
- (a) a description of the portfolio, or a description of the portfolio divided into subgroups including the percentage of the net asset value in each subgroup;
 - (b) the percentage of the net asset value that is impaired;
 - (c) the total number of positions held in securities.

- (2) Except with respect to mortgage lending, if a security comprises 10% or more of the issuer's net asset value, disclose the following with respect to the security:
 - (a) the percentage of net asset value represented;
 - (b) a description of the security;
 - (c) any security interest held against the security;
 - (d) the amount of any impairment assigned to the security.

- (3) For any mortgage lending by the issuer, disclose the following:
 - (a) the average of the interest rates payable under the mortgages, weighted by the principal amount of the mortgages;
 - (b) the average of the terms to maturity of the mortgages, weighted by the principal amount of the mortgages;
 - (c) the average loan-to-value ratio of the mortgages, calculated for each mortgage by dividing the total principal amount of the issuer's mortgage and all other loans ranking in equal or greater priority to the issuer's mortgage by the fair market value of the property, weighted by the principal amount of each mortgage;
 - (d) the principal amount, and the percentage of the total principal amount of the mortgages, that rank in the following:
 - (i) first priority;
 - (ii) second priority;
 - (iii) third or lower priority;
 - (e) the principal amount, and the percentage of the total principal amount of the mortgages, that is attributable to each jurisdiction of Canada, each state or territory of the United States of America and each other foreign jurisdiction;
 - (f) a breakdown by property type, and the principal amount, and the percentage of the total principal amount of the mortgages, that is attributable to each property type;
 - (g) with respect to mortgages that will mature in less than one year of the date of the summary provided in subsection (1), the percentage that those mortgages represent of the total principal amount of the mortgages;
 - (h) with respect to mortgages with payments more than 90 days overdue, the number of those mortgages, the principal amount of those mortgages, and the percentage that those mortgages represent of the total principal amount of the mortgages;
 - (i) with respect to mortgages that have an impaired value, the principal amount, and the percentage that those mortgages represent of the total principal amount of the mortgages;
 - (j) if known by the issuer, or if reasonably available to the issuer, the average credit score of the borrowers, weighted by the principal amount of the mortgages;
 - (k) if a mortgage comprises 10% or more of the total principal amount of the mortgages, disclose the following with respect to the mortgage:
 - (i) the principal amount, and the percentage of the total principal amount of the mortgages;
 - (ii) the interest rate payable;
 - (iii) the term to maturity;
 - (iv) the loan-to-value ratio, calculated by dividing the total principal amount of the issuer's mortgage and all other loans ranking in equal or greater priority to the issuer's mortgage by the fair market value of the property;
 - (v) whether the mortgage ranks in first, second, or third or lower priority;

- (vi) the property type;
 - (vii) where the property is located;
 - (viii) any payment that is more than 90 days overdue;
 - (ix) any impairment of the mortgage;
 - (x) if known by the issuer, or if reasonably available to the issuer, the credit score of each borrower.
- (4) If the issuer's portfolio includes self-liquidating financial assets other than mortgages, with respect to those assets, and for any subgroups identified in paragraph (1)(a), disclose the following:
- (a) the collection rate for each of the issuer's two most recently completed financial years that ended more than 120 days before the date of the offering memorandum;
 - (b) the issuer's reasonably anticipated loss and collection rate for the current financial year.

Instruction to Section 3

Calculate impairment in accordance with the accounting standards applicable to the issuer, and in a manner that is consistent with the disclosure in the issuer's financial statements.

4. Portfolio Performance

- (1) For the 10 most recently completed financial years of the issuer ended more than 120 days before the date of the offering memorandum, provide performance data for the issuer's portfolio.
- (2) Describe the methodology used with respect to the following:
 - (a) determining the value of the securities in the portfolio for the purposes of calculating the performance data;
 - (b) calculating the performance data of the portfolio.

Instruction to Section 4

The methodology described in paragraph (2)(a) must be the same as the methodology used in the issuer's financial statements.

5. Ongoing Disclosure

Describe any information that purchasers will receive on an ongoing basis about the issuer's portfolio. If none, state that fact.

6. Conflicts of Interest

Describe any conflicts of interest, including, for certainty, with respect to related parties, that a reasonable purchaser would need to be made aware of to make an informed investment decision.

Schedule A-2
FORM 45-106F4
Risk Acknowledgement

WARNING!**This investment is risky. Don't invest unless you can afford to lose all the money you pay for this investment.**

1. Risks and other information	Your Initials
The issuer must delete any rows required to be deleted	
The purchaser must initial each statement to confirm understanding	
Risk of loss – You could lose your entire investment of \$ _____. <i>[Instruction: Insert the total dollar amount of the investment.]</i>	
No approval – No securities regulatory authority or regulator has evaluated or approved the merits of these securities or the disclosure in the offering memorandum.	
No registration – The person selling me these securities is not registered with a securities regulatory authority or regulator and has no duty to tell you whether this investment is suitable for you. <i>[Instruction: Delete if sold by registrant]</i>	
Liquidity risk – You will not be able to sell these securities except in very limited circumstances. You may never be able to sell these securities. <i>[Instruction: Delete if issuer is reporting]</i>	
Redemption – The securities are redeemable, but you may only be able to redeem them in limited circumstances. <i>[Instruction: Delete if securities are not redeemable]</i>	
Four month hold – You will not be able to sell these securities for 4 months. <i>[Instruction: Delete if issuer is not reporting or if the purchaser is a Manitoba resident]</i>	
You will not receive advice – <i>[Instruction: Delete if sold by registrant]</i> You will not get professional advice about whether the investment is suitable for you. But you can still seek that advice from a registered adviser or registered dealer. In Manitoba, Northwest Territories, Nunavut, Prince Edward Island and Yukon to qualify as an eligible investor, you may be required to obtain that advice.	
The securities you are buying are not listed <i>[Instruction: Delete if securities are listed or quoted]</i> The securities you are buying are not listed on any stock exchange, and they may never be listed.	
The issuer of your securities is a non-reporting issuer <i>[Instruction: Delete if issuer is reporting]</i> <i>A non-reporting issuer</i> does not have to publish financial information or notify the public of changes in its business. You may not receive ongoing information about this issuer. For more information on the exempt market, contact your local securities regulator. You can find contact information at www.securities-administrators.ca .	

Request for Comments

Total investment – You are investing \$ _____ [Instruction: total consideration] in total; this includes any amount you are obliged to pay in future. _____ [Instruction: name of issuer] will pay \$ _____ [Instruction: amount of fee or commission] of this to _____ [Instruction: name of person selling the securities] as a fee or commission.	
Your name and signature	
By signing this form, you confirm that you have read this form and you understand the risks of making this investment as identified in this form.	
First and last name (print):	
Signature:	Date:
<i>[Instruction: Sign 2 copies of this document. Keep one copy for your records.]</i>	

2. Salesperson information

Below information must be completed by the salesperson

[Instruction: The salesperson is the person who meets with, or provides information to, the purchaser with respect to making this investment. That could include a representative of the issuer, a registrant or a person who is exempt from the registration requirement.]

First and last name of salesperson (print):

Telephone:

Email:

Name of firm:

3. Additional information

The issuer must complete the required information in this section before giving the form to the purchaser

You have 2 business days to cancel your purchase

To do so, send a notice to [name of issuer] stating that you want to cancel your purchase. You must send the notice before midnight on the 2nd business day after you sign the agreement to purchase the securities. You can send the notice by fax or email or deliver it in person to [name of issuer] at its business address. Keep a copy of the notice for your records.

Issuer Name and Address:

Fax:

E-mail:

You will receive an offering memorandum

Read the offering memorandum carefully because it has important information about the issuer and its securities. Keep the offering memorandum because you have rights based on it. Talk to a lawyer for details about these rights.

ANNEX B

PROPOSED CHANGES TO
COMPANION POLICY 45-106CP PROSPECTUS EXEMPTIONS

1. *Companion Policy 45-106CP Prospectus Exemptions is changed by this Document.*

2. *The following sections are added after section 2.9:*

2.10 Real estate activities

We consider the following non-exhaustive list to be examples of instances in which an issuer is engaged in “real estate activities” as defined in section 1.1 of NI 45-106:

- An issuer that is developing or redeveloping real property for sale as commercial or industrial space, residential building lots or homes, or condominiums;
- An issuer that is developing or redeveloping real property for lease;
- An issuer that owns real property for lease;
- An issuer that buys, holds or sells real property, with a view to making a gain or income;
- An issuer of an interest in real property that is a security.

If an issuer (the first issuer) is engaged in real estate activities through one or more of its subsidiaries, we consider the first issuer to be engaged in real estate activities.

2.11 Collective investment vehicle

We view investment funds, in the jurisdictions in which they are permitted to use the offering memorandum exemption, as being included in the definition of “collective investment vehicle”. We are also of the view that the definition applies to mortgage investment entities, issuers that act as lender for a portfolio of non-mortgage loans, and in certain circumstances, issuers that invest in receivables.

If an issuer (the first issuer) satisfies the definition of “collective investment vehicle” through the actions of one or more its subsidiaries, we consider the first issuer to be a collective investment vehicle..

3. *Subsection 3.8(3) is replaced with the following:*

(3) Standard of disclosure for an offering memorandum, amending an offering memorandum and related matters

(a) Standard of disclosure for an offering memorandum

There are two standards that make up the standard of disclosure for an offering memorandum. First, under subsection 2.9(13.1) of the Instrument, an offering memorandum must not contain a misrepresentation on the date its certificate is signed. Second, under subsection 2.9(13.3) of the Instrument, an offering memorandum delivered under the section must provide a reasonable purchaser with sufficient information to make an informed investment decision.

(b) Amending an offering memorandum

The requirements of Instruction B.12.1 of Form 45-106F2 include that if a distribution is ongoing, an issuer must, after a certain period, amend its offering memorandum to include financial statements for its most recently completed financial year, or an interim financial report for its most recently completed 6 month interim period, as the case may be.

There are a number of requirements in Form 45-106F2 that refer to a completed financial year or years, or a completed interim period. As a result, each time an issuer includes in its offering memorandum financial statements for a financial year or an interim financial report for an interim period, it is required to ensure that any disclosure that is in response to a requirement that references a financial year or interim period is amended if necessary.

It is not necessary for an offering memorandum to contain annual financial statements or an interim financial report for more financial years or interim periods than are required by B. of the instructions to Form 45-106F2. Accordingly, an issuer amending its offering memorandum to include more recent annual financial statements or a more recent interim financial report may exclude, in its amended offering memorandum, any annual financial statements or interim financial report for a financial year

or interim period that is no longer required.

An issuer is also required to amend its offering memorandum if a material change occurs after the certificate is signed, and before the issuer accepts an agreement to purchase the security from the purchaser. See subsection 2.9(13.2) of the Instrument. Material change is defined in provincial and territorial securities legislation.

In addition, if a distribution is ongoing and an issuer becomes subject to instruction C.1 of Form 45-106F2 with respect to the acquisition or proposed acquisition of a business, and the financial statements required by that instruction are not contained in the offering memorandum, the issuer must amend its offering memorandum to include them.

We also note that an issuer may voluntarily amend its offering memorandum.

(c) New certificate

Each time an issuer amends its offering memorandum, it is required under subsection 2.9(14.1) of the Instrument to replace the certificate in the offering memorandum with a new certificate. We also note that Form 45-106F2 provides that the date of the offering memorandum is the date of the certificate.

There are certain requirements in Form 45-106F2 that refer to the date of the offering memorandum. As a result, each time an issuer includes a new certificate in its offering memorandum, it is required to ensure that any disclosure in response to a requirement that references the date of the offering memorandum is amended if necessary..

4. Section 3.8 is changed by adding the following after subsection 3.8(3):

(3.1) Certificate of promoter

“Promoter” is defined differently in provincial and territorial securities legislation across CSA jurisdictions. It is generally defined as meaning a person who has taken the initiative in founding, organizing or substantially reorganizing the business of the issuer or who has received consideration over a prescribed amount for services or property or both in connection with founding, organizing or substantially reorganizing the issuer. “Promoter” has not been defined in the *Securities Act* (Québec) and a broad interpretation is taken in Québec in determining who would be considered a promoter.

Under securities legislation, persons who receive consideration solely as underwriting commissions or in consideration of property and who do not otherwise take part in the founding, organizing or substantially reorganizing the issuer are not promoters. Simply selling securities, or in some way facilitating sales in securities, does not make a person a promoter under the offering memorandum exemption..

5. Subsection 3.8(13) is changed¹

- (a) **by deleting** “for syndicated mortgages”, **and**
- (b) **by replacing** “the issuer of a syndicated mortgage” **with** “an issuer”.

6. Subsection 3.8(14) is changed by adding “of property subject to a syndicated mortgage” **after** “Appraisals”.

7. Section 3.8 is changed by adding the following after subsection 3.8(14):

(15) Collective investment vehicles - disclosure

An issuer that is a collective investment vehicle should consider the complexity of its offering and determine whether appropriate and sufficient information can be provided under its offering memorandum, as these distributions can be made to less sophisticated investors. Disclosure should be clear and described in plain language, avoiding technical terms as much as possible. If the disclosure will be complex or contains technical terms that are difficult to easily describe, the issuer should consider whether a distribution under the offering memorandum exemption is appropriate..

8. Section 5.3 is deleted.

9. These changes become effective on ●.

¹ Instructions 5, 6 and 7 take into account the changes to this policy published in Annex C of the August 6 CSA Notice.

ANNEX C

Blackline

Main body of NI 45-106 reflecting the Proposed Amendments, compared by way of blackline to that material as currently in-force

**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;

[“collective investment vehicle” means an issuer whose primary purpose is to invest money provided by its security holders in a portfolio of securities;](#)

“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 paragraph (b) of the definition of “designated rating” 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~~ the Chartered Professional Accountants 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*;

“**material contract**” means any contract that an issuer or any of its subsidiaries is a party to, that is material to the issuer;

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

“**net asset value**” has the same meaning with respect to a collective investment vehicle as it does with respect to an investment fund in National Instrument 81-106 *Investment Fund Continuous Disclosure*;

“**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*;

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

“**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;

“**real estate activities**” means an undertaking, the purpose of which is primarily to generate for security holders income or gain from the lease, sale or other disposition of real property, but does not include any of the following:

- (a) activities in respect of a mineral project, as defined in National Instrument 43-101 *Standards of Disclosure for Mineral Projects*;
- (b) oil and gas activities as defined in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*;
- (c) in Québec, in addition to paragraphs (a) and (b), the distribution of either of the following:
 - (i) an investment contract that includes a real right of ownership in an immovable and a rental management agreement;
 - (ii) a security of an issuer that owns an immovable giving the holder a right of exclusive use of a residential unit and a space in such immovable;

“**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;

“related party” means any of the following:

- (a) [a director, officer, promoter or control person of the issuer;](#)
- (b) [in regard to any individual referred to in paragraph \(a\), a child, parent, grandparent or sibling, or other relative living in the same residence;](#)
- (c) [in regard to any individual referred to in paragraph \(a\) or \(b\), his or her spouse;](#)
- (d) [an insider of the issuer;](#)
- (e) [a person controlled by a person referred to in any of paragraph \(a\) to \(d\), or controlled by a person referred to in any of paragraph \(a\) to \(d\) acting jointly or in concert with another person;](#)
- (f) [in the case of a person referred to in any of paragraph \(a\) to \(d\) that is not an individual, any person that controls that person, or that controls that person by acting jointly or in concert with another person;](#)

“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.

PART 2 PROSPECTUS EXEMPTIONS

Division 1: Capital Raising Exemptions

Rights offering – reporting issuer

<p>Refer to Appendix E of National Instrument 45-102 <i>Resale of Securities</i>. First trades are subject to a seasoning period on resale.</p>

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;

“**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 closing price, the simple average of the closing price of securities of that class on the published market for each of the trading days on which there was a 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 closing price, but provides only the highest and lowest prices of securities of the class traded, the average of the simple averages of the highest and lowest prices of securities of the class on the published market for each of the trading days on which there were highest and lowest 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 the class 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 for each day that there was trading;

“**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;

“**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) 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 is 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 date 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 date as of which the market price is being determined.

(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, in Québec, the securities regulatory authority;
 - (iii) an undertaking to the regulator or, in Québec, 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

<p>Refer to Appendix E of National Instrument 45-102 <i>Resale of Securities</i>. First trades are subject to a seasoning period on resale.</p>

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), or
- (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,

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- (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.

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

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

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

<p>Refer to Appendix D of National Instrument 45-102 <i>Resale of Securities</i>. First trades are subject to a restricted period on resale.</p>

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) **(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 (4314.1), 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 (4314.1), 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 (4314.1), 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 fund₂ 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) [In Alberta, New Brunswick, Nova Scotia, Ontario, Québec and Saskatchewan](#), 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 2nd 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) ~~[Repealed]~~

(13.1) ~~(13)~~ An offering memorandum must not contain a misrepresentation on the date the certificate under subsection (8) ~~must be true~~

- ~~(a) — at the date the certificate or (14.1) is signed, and (b) — at the date the offering memorandum is delivered to the purchaser.~~

(13.2) ~~(14)~~ If a material change with respect to the issuer occurs after the certificate under subsection (8) ~~ceases to be true after it is delivered to the purchaser, the issuer cannot accept or (14.1) is signed, and before the issuer accepts~~ an agreement to purchase the security from the purchaser ~~unless (a) — the purchaser receives an update of, the issuer must amend~~ the offering memorandum, to reflect the material change, and deliver the amended offering memorandum to the purchaser.

(13.3) An offering memorandum delivered under this section must provide a reasonable purchaser with sufficient information to make an informed investment decision.

(14) ~~[Repealed]~~

(14.1) ~~(b) the update of the~~ An issuer that amends an offering memorandum ~~contains~~ must replace the certificate in the offering memorandum with a newly dated certificate signed in compliance with ~~subsection~~ subsections (9), (10), (10.1), (10.2), (10.3), (11) ~~or~~ (11.1) and ~~(c) — the purchaser re-signs the agreement to purchase the security (12), as applicable.~~

(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 2nd 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~~ amended offering memorandum with the securities regulatory authority on or before the 10th day after the distribution under the offering memorandum or ~~update of the~~ amended offering memorandum.

(17.0.1) Each copy of an offering memorandum that is filed must be in a format that allows for the searching of words electronically using reasonably available technology.

(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 60th 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]

[\(19\) Explanatory note: with respect to this subsection, the proposed amendments of this project shown in Annex A, would amend the amendments published in Annex B of the CSA Notice dated August 6, 2020 announcing amendments to NI 45-106](#)

Request for Comments

Prospectus Exemptions and National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations (the August 6 CSA Notice) that are not in force yet. See Annex B of the August 6 CSA Notice, and Annex A of this notice, to assess the combined effect of both amendments to this subsection.

(19.5) ¹An issuer relying on an exemption set out in subsection (1), (2) or (2.1) that is engaged in real estate activities must comply with subsection (19.6) if any of the following apply:

- (a) the issuer proposes to acquire, or has acquired, an interest in real property from a related party;
- (b) except for in its financial statements, the issuer discloses in the offering memorandum a value for an interest in real property;
- (c) the issuer proposes to use a material amount of the proceeds of the offering to acquire an interest in real property.

(19.6) An issuer to which any of paragraphs (19.5)(a), (b) or (c) applies must, at the same time or before the issuer delivers an offering memorandum to the purchaser in accordance with subsections (1), (2) or (2.1), deliver to the purchaser an appraisal of the interest in real property referred to in subsection (19.5) that satisfies all of the following:

- (a) it is prepared by a qualified appraiser that is independent of the issuer;
- (b) it 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) it provides the appraised fair market value of the interest in real property, without considering any proposed improvements or proposed development;
- (d) it provides the appraised fair market value of the interest in real property as at a date that is within 6 months preceding the date that the appraisal is delivered to the purchaser.

(19.7) If an issuer relying on an exemption set out in subsection (1), (2) or (2.1) is engaged in real estate activities, and discloses in any communication related to the distribution under the exemption a representation of, or opinion as to, a value for an interest in real property referred to in subsection (19.5), other than the appraised fair market value disclosed in the appraisal referred to in subsection (19.6), the issuer must have a reasonable basis for that value, and must disclose all of the following in that communication:

- (a) with equal or greater prominence as the representation or opinion, the appraised fair market value referred to in subsection (19.6);
- (b) the material factors or assumptions used to determine the representation or opinion;
- (c) whether or not the representation or opinion was determined by a qualified appraiser who is independent of the issuer.

(19.8) An issuer must file a copy of any appraisal delivered under subsection (19.6) 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.

¹ The numbering of subsections (19.5) to (19.8) takes into account the amendments to this section published in Annex B of the August 6 CSA Notice.

(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

- (a) 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
- (b) 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 issuerthat 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 <i>Resale of Securities</i>. 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

<p>Refer to Appendix E of National Instrument 45-102 <i>Resale of Securities</i>. First trades are subject to a seasoning period on resale.</p>

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 10th 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) In this section, “**syndicated mortgage**” means a mortgage in which 2 or more persons participate, directly or indirectly, as a lender in a debt obligation that is secured by the mortgage.

(2) Except in Ontario, and 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) In Alberta, British Columbia, Manitoba, New Brunswick, Québec and Saskatchewan, subsection (2) does not apply to a 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 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*].

(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.

[\(4\) ²An issuer preparing an offering memorandum in accordance with Form 45-106F2 that is engaged in real estate activities must supplement the offering memorandum with Schedule 1 of that form.](#)

[\(5\) An issuer preparing an offering memorandum in accordance with Form 45-106F2 that is a collective investment vehicle must supplement the offering memorandum with Schedule 2 of that form.](#)

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.

² [The numbering of subsections \(4\) and \(5\) take into account the amendments to this section published in Annex B of the August 6 CSA Notice.](#)

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.~~[\[Repealed\]](#)

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*.~~[\[Repealed\]](#)

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.~~[\[Repealed\]](#)

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.~~[\[Repealed\]](#)

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, 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	<p>“contract of insurance”, “group insurance”, “life insurance”, and “policy” have the respective meanings assigned to them under the <i>Insurance Act</i> (Alberta) and the regulations under that Act.</p> <p>“insurance company” means an insurer as defined in the <i>Insurance Act</i> (Alberta) that is licensed under that Act.</p>
BRITISH COLUMBIA	<p>“contract”, “group insurance”, and “policy” have the respective meanings assigned to them under the <i>Insurance Act</i> (British Columbia) and the regulations under that Act.</p> <p>“life insurance” has the respective meaning assigned to it under the <i>Financial Institutions Act</i> (British Columbia) and the regulations under that Act.</p> <p>“insurance company” means an insurance company, or an extraprovincial insurance corporation, authorized to carry on insurance business under the <i>Financial Institutions Act</i> (British Columbia).</p>
MANITOBA	<p>“contract of insurance”, “group insurance”, “life insurance”, and “policy” have the respective meanings assigned to them under the <i>Insurance Act</i> (Manitoba) and the regulations under that Act.</p> <p>“insurance company” means an insurer as defined in the <i>Insurance Act</i> (Manitoba) that is licensed under that Act.</p>
NEW BRUNSWICK	<p>“contract of insurance”, “group insurance”, “life insurance”, and “policy” have the respective meanings assigned to them under the <i>Insurance Act</i> (New Brunswick) and the regulations under that Act.</p> <p>“insurance company” means an insurer as defined in the <i>Insurance Act</i> (New Brunswick) that is licensed under that Act.</p>
NORTHWEST TERRITORIES	<p>“contract”, “group insurance”, “life insurance”, and “policy” have the respective meanings assigned to them under the <i>Insurance Act</i> (Northwest Territories).</p> <p>“insurance company” means an insurer as defined in the <i>Insurance Act</i> (Northwest Territories) that is licensed under that Act.</p>
NOVA SCOTIA	<p>“contract”, “group insurance”, “life insurance”, and “policy” have the respective meanings assigned to them under the <i>Insurance Act</i> (Nova Scotia) and the regulations under that Act.</p> <p>“insurance company” has the same meaning as in section 3(1)(a) of the <i>General Securities Rules</i> (Nova Scotia).</p>
NUNAVUT	<p>“contract”, “group”, “life insurance” and “policy” have the respective meanings assigned to them under the <i>Insurance Act</i> (Nunavut).</p> <p>“insurance company” means an insurer as defined in the <i>Insurance Act</i> (Nunavut) that is licensed under that Act.</p>
ONTARIO	<p>“contract”, “group insurance”, and “policy” have the respective meanings assigned to them in section 1 and 171 of the <i>Insurance Act</i> (Ontario).</p> <p>“life insurance” has the respective meaning assigned to it in Schedule 1 by Order of the Superintendent of Financial Services.</p> <p>“insurance company” has the same meaning as in section 1(2) of the <i>General Regulation</i> (Ont. Reg. 1015).</p>
QUÉBEC	<p>“contract of insurance”, “group insurance”, “life insurance”, and “policy” have the respective meanings assigned to them under the Civil Code of Québec.</p>

	<p>“insurance company” means an insurer holding a license under the Act respecting insurance (R.S.Q., c. A-32).</p>
PRINCE EDWARD ISLAND	<p>“contract”, “group insurance”, “insurer”, “life insurance” and “policy” have the respective meanings assigned to them in sections 1 and 174 of the <i>Insurance Act</i> (Prince Edward Island).</p>
	<p>“insurance company” means an insurance company licensed under the <i>Insurance Act</i> (R.S.P.E.I. 1988, Cap. I-4),</p>
SASKATCHEWAN	<p>“contract”, “life insurance” and “policy” have the respective meanings assigned to them in section 2 of <i>The Saskatchewan Insurance Act</i> (Saskatchewan).</p> <p>“group insurance” has the respective meaning assigned to it in section 133 of <i>The Saskatchewan Insurance Act</i> (Saskatchewan).</p> <p>“insurance company” means an issuer licensed under <i>The Saskatchewan Insurance Act</i> (Saskatchewan).</p>
YUKON	<p>“contract”, “group”, “life insurance” and “policy” have the respective meanings assigned to them under the <i>Insurance Act</i> (Yukon) and the regulations made under that Act.</p> <p>“insurance company” means an insurer as defined in the <i>Insurance Act</i> (Yukon) that is licensed under that Act.</p>

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

JURISDICTION	SECURITIES LEGISLATION REFERENCE
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

JURISDICTION	SECURITIES LEGISLATION REFERENCE
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

JURISDICTION	SECURITIES LEGISLATION REFERENCE
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)

ANNEX D

Blackline

Form 45-106F2 reflecting the Proposed Amendments,
compared by way of blackline to that material as currently in-force

FORM 45-106F2
OFFERING MEMORANDUM FOR NON-QUALIFYING ISSUERS

Date: [Insert the date from the certificate page.]

The Issuer

Name:

Head office: Address:
 Phone #:
 Website address:
 E-mail address:
 ~~Fax #:~~

Currently listed or quoted? [If no, state in bold type: "**These securities do not trade on any exchange or market.**". If yes, ~~state where, e.g., TSX/TSX Venture Exchange~~identify the exchange or market.]

Reporting issuer? [Yes/No. If yes, state where.]

~~SEDAR filer? [Yes/No]~~

The Offering

Securities offered:

Price per security:

Minimum/Maximum offering: [If there is no minimum, state in bold type: "**There is no minimum.**" and also state in bold type: "**You may be the only purchaser.**"]

~~State in bold type: Funds available under the offering may not be sufficient to accomplish our proposed objectives.~~

Minimum subscription amount: [State the minimum amount each investor must invest, or state "There is no minimum subscription amount an investor must invest."]

Payment terms:

Proposed closing date(s):

Income tax consequences: There are important tax consequences to these securities. See item 6. [If income tax consequences are not material, delete this item.]

~~Selling agent? [Yes/No. If yes, state "See item 7". The name of the selling agent may also be stated.]~~

Insufficient Funds

If item 2.6 applies, state in bold type: "Funds available under the offering may not be sufficient to accomplish the proposed objectives. See item 2.6."

Compensation Paid to Sellers and Finders

If item 7 applies, state the following: "A person has received or will receive compensation for the sale of securities under this offering. See item 7."

Underwriter(s)

State the name of any underwriter.

Guidance: The requirements of National Instrument 33-105 *Underwriting Conflicts* may be applicable.

Resale ~~restrictions~~Restrictions

State: "You will be restricted from selling your securities for [4 months and a day/an indefinite period]. See item 10."

Working Capital Deficiency

If the issuer is disclosing a working capital deficiency under item 1.1, state the following, with the bracketed information completed: "[name of issuer] has a working capital deficiency. See item 1.1."

Payments to Related Party

If the issuer is disclosing payment to a related party under item 1.2, state the following, with the bracketed information completed as applicable: "[All of][Some of] your investment will be paid to a related party of the issuer. See item 1.2."

Certain Related Party Transactions

If the issuer is making disclosure under item 2.8(b), or subsection 7(2) of Schedule 1, state the following with the bracketed information completed as applicable: "This offering memorandum contains disclosure with respect to one or more transactions between [name of issuer] and a related party, where [name of issuer] [paid more to a related party than the related party paid for a business, asset or real property] [and] [was paid less by a related party for a business, asset or real property than [name of issuer] paid for it]. See [item 2.8(b)] [and] [subsection 7(2) of Schedule 1]."

Certain Dividends or Distributions

If the issuer is making disclosure under item 5B, state the following with the bracketed information completed: "[name of issuer] has paid dividends or distributions that exceeded cash flow from operations. See item 5B."

Redemption or Retraction Right

If the purchaser will have a right to require the issuer to repurchase its securities and there is any restriction, fee or price associated with this right, state in bold type with the bracketed information completed, as applicable: "**You will have a right to require the issuer to repurchase its securities from you, but this right is qualified by [a specified price] [and] [restrictions] [and] [fees]. As a result, you might not receive the amount of proceeds that you want. See item 5.1.**"

Purchaser's ~~rights~~Rights

State: "You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this offering memorandum, you have ~~the a~~ right to ~~sue either for~~ damages or to cancel the agreement. See item 11."

State in bold type:

"No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment. See item 8."

Instructions

1. ~~[All]include all~~ of the above information ~~must appear on a single cover page.]at the beginning of the offering memorandum.~~
2. ~~After the above information, include a table of contents for the rest of the information in the offering memorandum.~~

Item 4:**Item 1: Use of Available Funds**

4.1-1.1 Funds - Using the following table, disclose the funds available as a result of the offering. If the issuer plans to combine additional sources of funding with the available funds from the offering to achieve its principal capital-raising purpose, ~~please~~ provide details about each additional source of funding. If there is no minimum offering, state "\$0" as the minimum. Disclose ~~also the amount of~~ any working capital deficiency, ~~if any,~~ of the issuer as at a date not more than 30 days ~~prior to~~before the date of the offering memorandum. If the working capital deficiency will not be eliminated by the use of available funds, state how the issuer intends to eliminate or manage the deficiency.

		Assuming min- <u>minimum</u> offering	Assuming max- <u>maximum</u> offering
A.	Amount to be raised by this offering	\$	\$
B.	Selling commissions and fees	\$	\$
C.	Estimated offering costs (e-g-, <u>including</u> legal, accounting, <u>and</u> audit-)	\$	\$
D.	Available funds: D = A - (B+C)	\$	\$
E.	Additional sources of funding required	\$	\$
F.	Working capital deficiency	\$	\$
G.	Total: G = (D+E) - F	\$	\$

4.2-1.2 Use of Available Funds - Using the following table, provide a detailed breakdown of how the issuer will use the available funds. If any of the available funds will be paid to a related party, disclose in a note to the table the name of the related party, the relationship to the issuer, and the amount. ~~If the issuer has a working capital deficiency, disclose the portion, if any, of the available funds to be applied against the working capital deficiency.~~ If more than 10% of the available funds will be used by the issuer to pay debt and the issuer incurred the debt within the two preceding financial years, describe why the debt was incurred.

Description of intended use of available funds listed in order of priority	Assuming min- <u>minimum</u> offering	Assuming max- <u>maximum</u> offering
	\$	\$
	\$	\$
Total: Equal to G in the Funds table above	\$	\$

4.3 Reallocation ~~The available funds must be used for the purposes disclosed in the offering memorandum. The board of directors can reallocate the proceeds to other uses only for sound business reasons. If the available funds may be reallocated, include the following statement:~~

~~"We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons."~~

1.2.1 Proceeds Transferred to Other Issuers - If a significant amount of the proceeds of the offering will be invested in, loaned to, or otherwise transferred to another issuer that is not a subsidiary controlled by the issuer, or a significant amount of the issuer's business is carried out by another issuer that is not a subsidiary controlled by the issuer, provide the disclosure specified by items 2, 3, 4.1, 4.2, 8 and 12 and, as applicable, Schedule 1 of this form if the other issuer is engaged in real estate activities, and Schedule 2 of this form if the other issuer is a collective investment vehicle, as if each of those other issuers were the issuer preparing the offering memorandum. In addition, describe the relationship between the issuer and each of those other issuers, and supplement the description with a diagram.

1.3 [Repealed]

~~**Item 2: Business of [name of issuer or other term used to refer to issuer]**~~ **Item 2: Business of the Issuer and Other Information and Transactions**

2.1-2.1 Structure - State ~~the business structure (e.g., whether the issuer is a~~ partnership, corporation or trust), ~~the statute and the province, state or other jurisdiction, or if the issuer is not a corporation, partnership or trust then state what type of business association the issuer is.~~ State any statute under which the issuer is incorporated, continued or organized, and the date of incorporation, continuance or organization.

2.2-Our-2.2 The Business - Describe the issuer's business. ~~The disclosure must provide sufficient information to enable a prospective purchaser to make an informed investment decision.~~

- (a) For a non-resource issuer ~~this disclosure may include~~ in the description the following:
 - (i) principal products or services~~;~~
 - (ii) operations~~;~~
 - (iii) market, marketing plans and strategies ~~and~~
 - (iv) a discussion of the issuer's current and prospective competitors.
- (b) For a resource issuer ~~this will require include in the description the following~~:
 - (i) a description of principal properties (including interest held) ~~and~~
 - (ii) a summary of material information including, ~~if as applicable~~, the stage of development, reserves, geology, operations, production and mineral reserves or mineral resources being explored or developed. **A**

Guidance

1. For a resource issuer disclosing scientific or technical information for a mineral project ~~must follow, see~~ General Instruction A.8 of this Form. **A**
2. For a resource issuer disclosing information about its oil and gas activities ~~must follow, see~~ General Instruction A.9 of this Form.

2.3-2.3 Development of Business - Describe ~~(generally, in one or two paragraphs)~~ the general development of the issuer's business over at least its two most recently completed financial years and any subsequent period. Include ~~the any~~ major events that have occurred or conditions that have influenced (favourably or unfavourably) the development or financial condition of the issuer.

2.4-2.4 Long Term Objectives ~~Describe~~ With respect to the issuer's objectives subsequent to the next 12 months after the date of the offering memorandum, describe each significant event ~~that must occur to accomplish the issuer's long term~~ associated with those objectives, state the specific time period in which each event is expected to occur, and the costs related to each event.

2.5-2.5 Short Term Objectives and How We Intend to Achieve Them

- (a) Disclose the issuer's objectives for the next 12 months after the date of the offering memorandum.
- (b) Using the following table, disclose how the issuer intends to meet those objectives ~~for the next 12 months~~.

What we must do and how we will do it <u>Actions to be taken</u>	Target completion date or, if not known, number of months to complete	Our cost <u>Cost</u> to complete
		\$
		\$

2.6-2.6 Insufficient Funds

If applicable, disclose that the funds available as a result of the offering either may not or will not be sufficient to accomplish all of the issuer's proposed objectives and there is no assurance that alternative financing will be available. ~~If~~ With respect to any alternative financing that has been arranged, disclose the amount, source and all outstanding conditions ~~that must be satisfied~~.

2.6.1: Additional Disclosure for Issuers Without Significant Revenue

- (1) If the issuer has not had significant revenue from operations in either of its two most recently completed financial years, or has not had significant revenue from operations since inception, provide, for each period referred to in subsection (2), a breakdown of the material components of the following:
 - (a) exploration and evaluation assets or expenditures and, if the issuer's business primarily involves mining exploration and development, provide the breakdown on a property-by-property basis;
 - (b) expensed research and development costs;
 - (c) intangible assets arising from development;
 - (d) general and administration expenses;
 - (e) any material costs, whether expensed or recognized as assets, not referred to in paragraphs (a) through (d).
- (2) Include the disclosure in subsection (1) with respect to each period for which financial statements are included in the offering memorandum.
- (3) Subsection (1) does not apply to any period for which the information specified under subsection (1) has been disclosed in the financial statements that are included in the offering memorandum.

2.7-2.7 Material Agreements/Contracts - Disclose the key terms of all material ~~agreements(a)~~ contracts to which the issuer is currently a party, ~~or~~

- (b) ~~with a related party~~ including, for certainty, the following ~~information:~~
 - (a) ~~(i)~~ if the ~~agreement~~contract is with a related party, the name of the related party and the relationship, to the issuer;
 - (b) ~~(ii)~~ a description of any asset, property or interest acquired, disposed of, leased, or under option, ~~etc.;~~
 - (c) ~~(iii)~~ a description of any service provided;
 - (d) ~~(iv)~~ purchase price and payment terms (e.g., ~~paid in~~ including payment by instalments, cash, securities or work commitments);
 - (e) ~~(v)~~ the principal amount of any debenture or loan, the repayment terms, security, due date and interest rate;
 - (f) ~~(vi)~~ the date of the ~~agreement,~~contract;
 - (g) ~~(vii)~~ the amount of any finder's fee or commission paid or payable to a related party in connection with the ~~agreement,~~contract;
 - (h) ~~(viii)~~ any material outstanding obligations under the ~~agreement, and~~contract.

2.8 Related Party Transactions

With respect to any purchase and sale transaction between the issuer and a related party that does not relate to real property,

- (a) using the following table and starting with the most recent transaction, provide the specified information, and

<u>Description of business or asset</u>	<u>Date of transfer</u>	<u>Legal name of seller</u>	<u>Legal name of buyer</u>	<u>Amount and form of consideration exchanged in connection with transfer</u>

- (b) ~~(ix) for any transaction involving the purchase of assets by or sale of assets to the issuer from a related party, state the cost of the assets to the related party, and the cost of the assets to the issuer. explain the reason for~~

any material difference between the amount of consideration paid by the issuer and the amount of consideration paid by a related party for the business or asset.

Item 3: Interests of Directors, Management, Promoters and Principal Holders

Item 3: Compensation and Security Holdings of Certain Parties

3.1-3.1 Compensation and Securities Held

Using the following table, provide the specified information ~~about~~ for the following:

- (a) each director, officer and promoter of the issuer ~~and each person who, directly or indirectly, beneficially owns or controls;~~
- (b) each person that has beneficial ownership of, or direct or indirect control over, or a combination of beneficial ownership and direct or indirect control over, 10% or more of any class of voting securities of the issuer ~~(a "principal holder"). If the principal holder is not an individual, state in a note to the table the name of any person that, directly or indirectly, beneficially owns or controls more than 50% of the voting rights of the principal holder. If the issuer has not completed its first financial year, then include compensation paid since inception. Compensation includes any form of remuneration including cash, shares and options.~~
- (c) any related party not specified in paragraph (a) or (b) that received compensation in the most recently completed financial year, or is expected by the issuer to receive compensation in the current financial year.

<u>Name</u> Full legal name and municipality <u>place of principal residence or, if not an individual, jurisdiction of organization</u>	Positions held (e.g., if paragraph (a) or (b) applies, specify whether the person is a director, officer, promoter and/or principal holder) and the date of obtaining <u>or person referred to in paragraph (b); if paragraph (c) applies, specify the person's relationship to the issuer; in all cases, specify the date that the person became a person identified in paragraph (a), (b) or (c)</u>	Compensation paid by issuer or related party in the most recently completed financial year and the compensation anticipated <u>expected</u> to be paid in the current financial year	Number, type and percentage of securities of the issuer held after completion of min- <u>minimum</u> offering	Number, type and percentage of securities of the issuer held after completion of max- <u>maximum</u> offering

Instructions

1. If the issuer has not completed its first financial year, disclose for the period from the date of the issuer's inception to the date of the offering memorandum.
2. Compensation includes any form of remuneration including, for certainty, cash, shares and options.
3. If a person identified in paragraph (a), (b) or (c) is not an individual, state in a note to the table the full legal name of any person that has beneficial ownership of, or direct or indirect control over, or a combination of beneficial ownership and direct or indirect control over, more than 50% of the voting rights of the person.

3.2-3.2 Management Experience - Using the following table, ~~disclose the principal occupations of~~ provide the specified information for the directors and executive officers ~~over of the issuer for the past five~~ 5 years ~~preceding the date of the offering memorandum. In addition, for each individual, describe any relevant experience in a business similar to the issuer's.~~

Full Legal Name	Principal occupation and related <u>description of</u> experience <u>associated with the occupation</u>

~~3.3.3.3~~ Penalties, Sanctions and Bankruptcy, Insolvency and Criminal or Quasi-Criminal Matters

- (a) ~~Disclose any penalty or~~ If the following have occurred during the 10 years preceding the date of the offering memorandum with respect to a director, executive officer or control person of the issuer, or an issuer of which any of those persons was a director, executive officer or control person at the time, describe the penalty, other sanction (or order, including the reason for it and whether it is currently in effect) that has been in effect during the last 10 years, or any cease trade order that has been in effect for a period of more than 30 consecutive days during the past 10 years against:
- (i) a penalty or other sanction imposed by a court relating to a contravention of securities legislation;
 - (ii) a penalty or other sanction imposed by a regulatory body relating to a contravention of securities legislation;
 - (iii) an order restricting trading in securities, not including an order that was in effect for less than 30 consecutive days.
- (b) If the following have occurred during the 10 years preceding the date of the offering memorandum with respect to a director, executive officer or control person of the issuer, or an issuer of which any of those persons was a director, executive officer or control person at the time, state that it has occurred:
- (i) a declaration of bankruptcy;
 - (ii) a voluntary assignment in bankruptcy;
 - (iii) a proposal under bankruptcy or insolvency legislation;
 - (iv) a proceeding, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets.
- (c) Disclose and describe the following, if the issuer or a director, executive officer or control person of the issuer has ever pled guilty to or been found guilty of:
- (i) a director, executive officer or control person of the issuer, or summary conviction or indictable offence under the *Criminal Code* (Canada);
 - (ii) a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction;
 - (iii) a misdemeanour or felony under the criminal legislation of the United States of America, or any state or territory of the United States of America;
 - (iv) ~~(ii) an issuer of which a person referred to in (i) above was a director, executive officer or control person at the time.~~ offence under the criminal legislation of any other foreign jurisdiction.
- ~~(b) Disclose any declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, that has been in effect during the last 10 years with regard to any~~
- ~~(i) director, executive officer or control person of the issuer, or~~
 - ~~(ii) issuer of which a person referred to in (i) above was a director, executive officer or control person at that time.~~

~~3.4.3.4~~ Certain Loans—Disclose the principal amount of any debenture or loan

For any debenture, bond or loan agreement between the issuer and a related party, disclose the following:

Request for Comments

- (a) as at a date not more than 30 days before the date of the offering memorandum, the parties to the agreement, including which party is lender and which party is borrower, the principal amount, the repayment terms, any security, due date and interest rate ~~due to or from the directors, management, promoters and principal holders as at;~~
- (b) during the two most recently completed financial years and up to a date not more than 30 days prior to before the date of the offering memorandum, any material amendment to the agreement, or any release, cancellation or forgiveness.

Item 4: ~~Item 4:~~ Capital Structure

~~4.1 Share Capital~~ **4.1 Securities Except for Debt Securities** - Using the following table, provide the ~~required~~ specified information about outstanding securities of the issuer ~~(, not including options, warrants and other debt securities convertible into shares). If necessary, Add notes to the table may be added to describe the material terms of the securities, including, for certainty, voting rights or restrictions on voting, exercise price and date of expiry, rights of redemption or retraction, including redemption or retraction price and any fee or restriction, and any interest rate or dividend or distribution policy.~~

Description of security	Number authorized to be issued	Price per security	Number outstanding as at [a date not more than 30 days prior to before the date of the offering memorandum-date]	Number outstanding after min-minimum offering	Number outstanding after max-maximum offering

~~4.2 4.2 Long Term Debt Securities~~ - Using the following table, provide the ~~required~~ specified information about outstanding ~~long term debt of the issuer. Disclose the portion of the debt debt of the issuer for which all or a portion is due, or may be outstanding, more than 12 months from the date of the offering memorandum. Add notes to the table to disclose any amounts of the debt that are due within 12 months of the date of the offering memorandum. In addition, add notes to the table to describe any conversion terms.~~ If the securities being offered are debt securities, ~~add a column complete the applicable parts of the table for the debt, and add columns~~ to the table disclosing the amount of the debt that will be outstanding after both the minimum and maximum offering. ~~If the debt is owed to a related party, indicate that in a note to the table and identify the related party.~~

Description of long term debt (including whether secured)	Interest rate	Repayment terms	Amount outstanding at [a date not more than 30 days prior to before the date of the offering memorandum-date]
			\$
			\$

~~4.3 4.3 Prior Sales~~ - If the issuer has issued any securities of the class being offered under the offering memorandum (or convertible or exchangeable into the class being offered under the offering memorandum) within the ~~last~~ 12 months before the date of the offering memorandum, use the following table to provide the information specified. If securities were issued in exchange for assets or services, describe in a note to the table the assets or services that were provided.

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received

Item 5: ~~Item 5:~~ Securities Offered

~~5.1 5.1 Terms of Securities-~~

- (a) Describe the material terms of the securities being offered, including, for certainty, the following:

Request for Comments

- (i) ~~(a)~~ voting rights or restrictions on voting;
 - (ii) ~~(b)~~ conversion or exercise price and date of expiry;
 - (iii) ~~(c)~~ rights ~~right~~ of redemption or retraction, ~~and~~ including redemption or retraction price and any fee or restriction;
 - (iv) ~~(d)~~ interest rates or rate, and dividend rates or distribution policy.
- (b) Provide a sample calculation in relation to any redemption or retraction right included in the terms of the securities being offered.

5.2-5.2 Subscription Procedure

- (a) Describe how a purchaser can subscribe for the securities and the method of payment.
- (b) State that the consideration will be held in trust and the period that it will be held (refer at least to the mandatory two day period).
- (c) Disclose any conditions to closing, ~~e.g.~~ including any receipt of additional funds from other sources. If there is a minimum offering, disclose when consideration will be returned to purchasers if the minimum is not met, and whether the issuer will pay the purchasers interest on consideration.

Item 5A: Redemption and Retraction History

(1) With respect to any securities of the issuer for which investors have a right of redemption or retraction, disclose the following:

(a) for each of the two most recently completed financial years, the information specified by the following table:

<u>Description of security</u>	<u>Date of end of financial year</u>	<u>Number of securities with outstanding redemption or retraction requests on the first day of the year</u>	<u>Number of securities for which investors made redemption or retraction requests during the year</u>	<u>Number of securities redeemed or retracted during the year</u>	<u>Average price paid for the securities redeemed or retracted</u>	<u>Source of funds used to complete the redemptions or retractions</u>	<u>Number of securities with outstanding redemption or retraction requests on the last day of the year</u>

(b) for the period after the end of the issuer’s most recently completed financial year and up to a date not more than 30 days before the date of the offering memorandum, the information specified by the following table:

<u>Description of security</u>	<u>Date of beginning of period and date of end of period</u>	<u>Number of securities with outstanding redemption or retraction requests on the first day of the period</u>	<u>Number of securities for which investors made redemption or retraction requests during the period</u>	<u>Number of securities redeemed or retracted during the period</u>	<u>Average price paid for the securities redeemed or retracted</u>	<u>Source of funds used to complete the redemptions or retractions</u>	<u>Number of securities with outstanding redemption or retraction requests on the last day of the period</u>

(c) with respect to the periods specified in (a) and (b), the reason for any non-fulfillment of investor

requests for redemption or retraction, unless the non-fulfillment was in accordance with terms governing the redemption or retraction right.

Item 5B: Certain Dividends or Distributions

If in the two most recently completed financial years, or any subsequent interim period, the issuer paid dividends or distributions that exceeded cash flow from operations, disclose the source of those payments.

Item 6: Item 6: Income Tax Consequences and RRSP Eligibility

~~6.1~~ 6.1 State: “You should consult your own professional advisers to obtain advice on the income tax consequences that apply to you.”

~~6.2~~ 6.2 If income tax consequences are a material aspect of the securities being offered (~~e.g., flow-through shares~~), provide

- (a) a summary of the significant income tax consequences to Canadian residents, and
- (b) the name of the person providing the income tax disclosure in (a).

~~6.3~~ 6.3 Provide advice regarding the RRSP eligibility of the securities and the name of the person providing the advice or state “Not all securities are eligible for investment in a registered retirement savings plan (RRSP). You should consult your own professional advisers to obtain advice on the RRSP eligibility of these securities.”

Item 7: Item 7: Compensation Paid to Sellers and Finders

If any person has or will receive any ~~compensation (e.g., commission, corporate finance fee or finder’s fee)~~ or any other compensation in connection with the offering, provide the following information ~~to the extent applicable~~:

- (a) a description of each type of compensation and the estimated amount to be paid for each type;
- (b) if a commission is being paid, the percentage that the commission will represent of the gross proceeds of the offering (assuming both the minimum and maximum offering);
- (c) details of any broker’s warrants or agent’s option (including number of securities under option, exercise price and expiry date), ~~and~~;
- (d) if any portion of the compensation will be paid in securities, details of the securities (including number, type and, if options or warrants, the exercise price and expiry date).

Item 8: Item 8: Risk Factors

Describe in order of importance, starting with the most important, the risk factors material to the issuer that a reasonable investor would consider important in deciding whether to buy the issuer’s securities.

Guidance: Risk factors will generally fall into the following three categories:

- (a) Investment Risk – risks that are specific to the securities being offered. Some examples include
 - arbitrary determination of price,
 - no market or an illiquid market for the securities,
 - resale restrictions, and
 - subordination of debt securities.
- (b) Issuer Risk – risks that are specific to the issuer. Some examples include
 - insufficient funds to accomplish the issuer’s business objectives,
 - no history or a limited history of revenue or profits,
 - lack of specific management or technical expertise,

- management's regulatory and business track record,
 - dependence on key employees, suppliers or agreements,
 - dependence on financial viability of guarantor,
 - pending and outstanding litigation, and
 - political risk factors.
- (c) Industry Risk - risks faced by the issuer because of the industry in which it operates. Some examples include
- environmental and industry regulation,
 - product obsolescence, and
 - competition.

~~Item 9:~~ **Item 9: Reporting Obligations**

~~9.1~~ **9.1** Disclose the documents, including any financial information required by the issuer's corporate legislation, constating documents, or other documents under which the issuer is organized, that will be sent to purchasers on an annual or on-going basis. If the issuer is not required to send any documents to the purchasers on an annual or on-going basis, state in bold type: **"We are not required to send you any documents on an annual or ongoing basis."**

~~9.2~~ **9.2** If corporate or securities information about the issuer is available from a government, securities regulatory authority or regulator, SRO or quotation and trade reporting system, disclose where that information can be located (including website address).

~~Item 10:~~ **Item 10: Resale Restrictions**

~~10.1~~ **General Statement** — For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, Québec, Saskatchewan and Yukon, state:

~~"These securities will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation."~~

10.1 [Repealed]

~~10.2~~ **10.2** Restricted Period - For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, Québec, Saskatchewan and Yukon state one of the following, as applicable:

- (a) If the issuer is not a reporting issuer in a jurisdiction at the distribution date state:
- "Unless permitted under securities legislation, you cannot trade the securities before the date that is 4 months and a day after the date [insert name of issuer ~~or other term used to refer to the issuer~~] ~~becomes~~ became a reporting issuer in any province or territory of Canada."
- (b) If the issuer is a reporting issuer in a jurisdiction at the distribution date state:
- "Unless permitted under securities legislation, you cannot trade the securities before the date that is 4 months and a day after the distribution date."

~~10.3~~ **10.3** Manitoba Resale Restrictions - For trades in Manitoba, if the issuer will not be a reporting issuer in a jurisdiction at the time the security is acquired by the purchaser state:

"Unless permitted under securities legislation, you must not trade the securities without the prior written consent of the regulator in Manitoba unless

- (a) [name of issuer ~~or other term used to refer to issuer~~] has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus, or
- (b) you have held the securities for at least 12 months.

The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.”

~~Item 11:~~ **Item 11: Purchasers' Rights**

11.1 Statements Regarding Purchasers' Rights - State the following:

“If you purchase these securities you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

- (1) Two Day Cancellation Right - You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the agreement to buy the securities.
- (2) Statutory Rights of Action in the Event of a Misrepresentation [Insert this section only if the securities legislation of the jurisdiction in which the trade occurs provides purchasers with statutory rights in the event of a misrepresentation in an offering memorandum. Modify the language, if necessary, to conform to the statutory rights.] If there is a misrepresentation in this offering memorandum, you have a statutory right to sue:
 - (a) [name of ~~issuer or other term used to refer to~~ issuer] to cancel your agreement to buy these securities, or
 - (b) for damages against [state the name of issuer ~~or other term used to refer to issuer~~ and the title of any other person against whom the rights are available].

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within [state time period provided by the securities legislation]. You must commence your action for damages within [state time period provided by the securities legislation].

- (3) Contractual Rights of Action in the Event of a Misrepresentation - [Insert this section only if the securities legislation of the jurisdiction in which the purchaser is resident does not provide purchasers with statutory rights in the event of a misrepresentation in an offering memorandum.] If there is a misrepresentation in this offering memorandum, you have a contractual right to sue [name of issuer ~~or other term used to refer to issuer~~]:
 - (a) to cancel your agreement to buy these securities, or
 - (b) for damages.

This contractual right to sue is available to you whether or not you relied on the misrepresentation. However, in an action for damages, the amount you may recover will not exceed the price that you paid for your securities and will not include any part of the damages that [name of issuer ~~or other term used to refer to issuer~~] proves does not represent the depreciation in value of the securities resulting from the misrepresentation. [Name of issuer ~~or other term used to refer to issuer~~] has a defence if it proves that you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and 3 years after you signed the agreement to purchase the securities.”

11.2 Cautionary Statement Regarding Report, Statement or Opinion by Expert - If a report, statement or opinion by a solicitor, auditor, accountant, engineer, appraiser, notary in Québec or other person or company whose profession or business could, to a reasonable person, be viewed as giving authority to a statement made by that person or company, is included or referenced in the offering memorandum, and purchasers do not have a statutory right of action in the local jurisdiction against that person or company for a misrepresentation in the offering memorandum, state the following, with the bracketed information completed, as applicable:

“This offering memorandum [includes][references] [describe any report, statement or opinion, the party that gave it, and the effective date of the document]. You do not have a statutory right of action against [this party][these parties] for a misrepresentation in the offering memorandum. You should consult with a legal adviser for further information.”

~~Item 12:~~ Item 12: **Financial Statements**

Include in the offering memorandum immediately before the certificate page of the offering memorandum all ~~required~~ financial statements ~~as set out~~ specified in the Instructions.

~~Item 13:~~ Item 13: **Date and Certificate**

State the following on the certificate page of the offering memorandum:

“Dated [insert the date the certificate page of the offering memorandum is signed].

This offering memorandum does not contain a misrepresentation.”

**Instructions for Completing
Form 45-106F2
Offering Memorandum for Non-Qualifying Issuers**

A. General Instructions

0.1 [Refer to subsections 2.9\(13.1\) and \(13.3\) of the Instrument, which set out the standard of disclosure for an offering memorandum.](#)

1. Draft the offering memorandum so that it is easy to read and understand. Be concise and use clear, plain language. Avoid technical terms. If technical terms are necessary, provide definitions.
2. Address the items required by the form in the order set out in the form. However, it is not necessary to provide disclosure ~~about an item~~ [in response to a requirement or part of a requirement](#) that does not apply.
3. The issuer may include additional information in the offering memorandum other than that specifically required by the form. ~~An offering memorandum is generally not required to contain the level of detail and extent of disclosure required by a prospectus. Generally, this description should not exceed 2 pages. However, an offering memorandum must provide a prospective purchaser with sufficient information to make an informed investment decision.~~
4. The issuer may wrap the offering memorandum around a prospectus or similar document. However, all matters required to be disclosed by the offering memorandum must be addressed and the offering memorandum must provide a cross-reference to the page number or heading in the wrapped document where the relevant information is contained. The certificate to the offering memorandum must be modified to indicate that the offering memorandum, including the document around which it is wrapped, does not contain a misrepresentation.
5. It is an offence to make a misrepresentation in the offering memorandum. This applies to both ~~to~~ information that is required by the form and ~~to~~ additional information that is provided. Include particulars of any material facts, which have not been disclosed under any of the Item numbers and for which failure to disclose would constitute a misrepresentation in the offering memorandum. Refer also to section 3.8(3) of Companion Policy 45-106CP for additional information.

5.1 [Do not disclose a maximum offering amount unless the issuer reasonably expects, as at the date of the offering memorandum, to distribute that amount under the offering memorandum.](#)

6. ~~When the term "related party" is used in this form, it refers to:~~ [\[Repealed\]](#)
 - ~~(a) — a director, officer, promoter or control person of the issuer,~~
 - ~~(b) — in regard to a person referred to in (a), a child, parent, grandparent or sibling, or other relative living in the same residence,~~
 - ~~(c) — in regard to a person referred to in (a) or (b), his or her spouse or a person with whom he or she is living in a marriage-like relationship,~~
 - ~~(d) — an insider of the issuer,~~
 - ~~(e) — a company controlled by one or more individuals referred to in (a) to (d), and~~
 - ~~(f) — in the case of an insider, promoter or control person that is not an individual, any person that controls that insider, promoter or control person.~~

~~(If the issuer is not a reporting issuer, the reference to "insider" includes persons or companies who would be insiders of the issuer if that issuer were a reporting issuer.)~~

7. ~~Disclosure is required in item 3.1 of compensation paid directly or indirectly by the issuer or a related party to a director, officer, promoter and/or principal holder if the issuer receives a direct benefit from such compensation paid.~~ [\[Repealed\]](#)
8. Refer to National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (NI 43-101) when disclosing scientific or technical information for a mineral project of the issuer.
9. If an oil and gas issuer is disclosing information about its oil and gas activities, it must ensure that the information is disclosed in accordance with Part 4 and Part 5 of National Instrument 51-101 *Standards of Disclosure for Oil and Gas*

Activities (NI 51-101). Under section 5.3 of NI 51-101, disclosure of reserves or resources must be consistent with the reserves and resources terminology and categories set out in the Canadian Oil and Gas Evaluation Handbook. For the purposes of this instruction, references to reporting issuer in Part 4 and Part 5 of NI 51-101 will be deemed to include all issuers.

10. Securities legislation restricts what can be told to investors about the issuer's intent to list or quote securities on an exchange or market. Refer to applicable securities legislation before making any such statements.
11. If an issuer uses this form in connection with a distribution under an exemption other than section 2.9 (*offering memorandum*) of [National Instrument 45-106 Prospectus and Registration Exemptions](#), the issuer must modify the disclosure in item 11 to correctly describe the purchaser's rights. If a purchaser does not have statutory or contractual rights of action in the event of a misrepresentation in the offering memorandum, that fact must be stated in bold on the face page.
12. During the course of a distribution of securities, any material forward-looking information disseminated must only be that which is set out in the offering memorandum. If an extract of FOFI, as defined in National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102), is disseminated, the extract or summary must be reasonably balanced and have a cautionary note in boldface stating that the information presented is not complete and that complete FOFI is included in the offering memorandum.

[13. The term quasi-criminal offence includes offences under tax, immigration or money laundering legislation.](#)

B. Financial Statements – General

1. All financial statements, operating statements for an oil and gas property that is an acquired business or a business to be acquired, and summarized financial information as to the aggregated amounts of assets, liabilities, revenue and profit or loss of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method included in the offering memorandum must comply with National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*, regardless of whether the issuer is a reporting issuer or not.

Under National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*, financial statements are generally required to be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises. An issuer using this form cannot use Canadian GAAP applicable to private enterprises, except, subject to the requirements of NI 52-107, certain issuers may use Canadian GAAP applicable to private enterprises for financial statements for a business referred to in C.1. An issuer that is not a reporting issuer may prepare acquisition statements in accordance with the requirements of NI 52-107 as if the issuer were a venture issuer as defined in NI 51-102. For the purposes of Form 45-106F2, the "applicable time" in the definition of a venture issuer is the acquisition date.

2. Include all financial statements required by these instructions in the offering memorandum immediately before the certificate page of the offering memorandum.
3. If the issuer has not completed one financial year or its first financial year end is less than 120 days from the date of the offering memorandum, include in the offering memorandum financial statements of the issuer consisting of:
 - (a) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the period from inception to a date not more than 90 days before the date of the offering memorandum,
 - (b) a statement of financial position as at the end of the period referred to in paragraph (a), and
 - (c) notes to the financial statements.
4. If the issuer has completed one or more financial years, include in the offering memorandum annual financial statements of the issuer consisting of:
 - (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 that ended more than 120 days before the date of the offering memorandum, and
 - (ii) the financial year immediately preceding the financial year in clause (i), if any,
 - (b) a statement of financial position as at the end of each of the periods referred to in paragraph (a),

- (c) a statement of financial position as at the beginning of the earliest comparative period for which financial statements that are included in the offering memorandum comply with IFRS in the case of an issuer that
 - (i) discloses in its annual financial statements an unreserved statement of compliance with IFRS, and
 - (ii) does any of the following:
 - (A) applies an accounting policy retrospectively in its annual financial statements;
 - (B) makes a retrospective restatement of items in its annual financial statements;
 - (C) reclassifies items in its annual financial statements,
 - (d) in the case of an issuer's first IFRS financial statements as defined in NI 51-102, the opening IFRS statement of financial position at the date of transition to IFRS as defined in NI 51-102, and
 - (e) notes to the financial statements.
- 4.1 If an issuer presents 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 filed under Item 4 above.
5. If the issuer has completed one or more financial years, include in the offering memorandum an interim financial report of the issuer comprised of:
- (a) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the most recently completed interim period that ended
 - (i) more than 60 days before the date of the offering memorandum, and
 - (ii) after the year-end date of the financial statements required under B.4(a)(i),
 - (b) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the corresponding period in the immediately preceding financial year, if any,
 - (c) a statement of financial position as at the end of the period required by paragraph (a) and the end of the immediately preceding financial year,
 - (d) a statement of financial position as at the beginning of the earliest comparative period for which financial statements that are included in the offering memorandum comply with IFRS in the case of an issuer that
 - (i) discloses in its interim financial report an unreserved statement of compliance with International Accounting Standard 34 *Interim Financial Reporting*, and
 - (ii) does any of the following:
 - (A) applies an accounting policy retrospectively in its interim financial report;
 - (B) makes a retrospective restatement of items in its interim financial report;
 - (C) reclassifies items in its interim financial report,
 - (e) in the case of the first interim financial report in the year of adopting IFRS, the opening IFRS statement of financial position at the date of transition to IFRS,
 - (f) for an issuer that is not a reporting issuer in at least one jurisdiction of Canada immediately before filing the offering memorandum, if the issuer is including an interim financial report of the issuer for the second or third interim period in the year of adopting IFRS include
 - (i) the issuer's first interim financial report in the year of adopting IFRS, or
 - (ii) both
 - (A) the opening IFRS statement of financial position at the date of transition to IFRS, and

(B) the annual and date of transition to IFRS reconciliations required by IFRS 1 *First-time Adoption of International Financial Reporting Standards* to explain how the transition from previous GAAP to IFRS affected the issuer's reported financial position, financial performance and cash flows, and

(g) notes to the financial statements.

- 5.1 If an issuer presents 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 filed under item 5 above.
6. An issuer is not required to include the comparative financial information for the period in B.4.(a)(ii) in an offering memorandum if the issuer includes financial statements for a financial year ended less than 120 days before the date of the offering memorandum.
7. For an issuer that is not an investment fund, the term "interim period" has the meaning set out in NI 51-102. In most cases, an interim period is a period ending ~~nine, six, 9, 6,~~ or ~~three~~3 months before the end of a financial year. For an issuer that is an investment fund, the term "interim period" has the meaning set out in National Instrument 81-106 *Investment Fund Continuous Disclosure* (NI 81-106).
8. The comparative financial information required under B.5(b) and (c) may be omitted if the issuer has not previously prepared financial statements in accordance with its current or, if applicable, its previous GAAP.
9. The financial statements required by ~~B.3 and the financial statements of the most recently completed financial period referred to in B.4.3, B.4 and B.12.1(a)~~ must be audited. The financial statements required ~~under~~by B.5, B.6, ~~B.12.1(b)~~ and the comparative financial information required by B.4 may be unaudited; however, if any of those financial statements have been audited, the auditor's report must be included in the offering memorandum.
10. Refer to National Instrument 52-108 *Auditor Oversight* for requirements relating to reporting issuers and public accounting firms.
11. All unaudited financial statements and unaudited comparatives must be clearly labelled as unaudited.

12. [Repealed]

~~12.~~ 12.1 If the distribution is ongoing, the issuer must do the following:

(a) if the offering memorandum does not contain audited annual financial statements for the issuer's most recently completed financial year, ~~and if the distribution is ongoing, update~~ the issuer must do the following:

(i) amend the offering memorandum to include the ~~annual~~ audited annual financial statements and the accompanying auditor's report as soon as the issuer has approved the audited financial statements, but in any event no later than the 120th day following the financial year end;

(ii) present the offering memorandum and the audited annual financial statements in accordance with the instructions in A, B and C and, for that purpose, the reference to the financial year in B.4(a)(i) shall mean the issuer's most recently completed financial year;

(b) ~~13.~~ 13. ~~The~~ if the offering memorandum does not ~~have to be updated~~ contain an interim financial report for the issuer's most recently completed 6-month period, the issuer must do the following:

(i) amend the offering memorandum to include the interim financial ~~reports for periods completed after the date that is 60 days before~~ report no later than the 60th day following the ~~date of the offering memorandum unless it is necessary to prevent the offering memorandum from containing a misrepresentation.~~ end of the period;

(ii) present the offering memorandum and the interim financial report in accordance with the instructions in A, B and C and, for that purpose, the reference to the interim period in B.5(a) shall mean the issuer's most recently completed 6-month period.

12.2 If the issuer has included in its offering memorandum an interim financial report for its most recently completed 9-month period, B. 12.1(b) does not apply.

13. [Repealed]

14. Forward looking information, as defined in NI 51-102, included in an offering memorandum must comply with section 4A.2 of NI 51-102 and must include the disclosure described in section 4A.3 of NI 51-102. In addition to the foregoing, FOFI or a financial outlook, each as defined in NI 51-102, included in an offering memorandum must comply with Part 4B of NI 51-102. For an issuer that is not a reporting issuer, references to “reporting issuer” in section 4A.2, section 4A.3 and Part 4B of NI 51-102 ~~should~~must be read as references to an “issuer”. Additional guidance may be found in the companion policy to NI 51-102.
15. ~~If the issuer is a limited partnership, in addition to the financial statements required for the issuer, include in the offering memorandum the financial statements in accordance with Part B for the general partner and, if the limited partnership has active operations, for the limited partnership. [Repealed]~~
16. ~~Despite section B.5, an issuer may include a comparative interim financial report of the issuer for the most recent interim period, if any, ended [Repealed]~~

~~(a) — subsequent to the most recent financial year in respect of which annual financial statements of the issuer are included in the offering memorandum, and~~

~~(b) — more than 90 days before the date of the offering memorandum.~~

~~This section does not apply unless~~

~~(a) — the comparative interim financial report is the first interim financial report required to be filed in the year of adopting IFRS, and the issuer is disclosing, for the first time, a statement of compliance with International Accounting Standard 34 Interim Financial Reporting,~~

~~(b) — the issuer is a reporting issuer in the local jurisdiction immediately before the date of the offering memorandum, and~~

~~(c) — the offering memorandum is dated before June 29, 2012.~~

C. Financial Statements - Business Acquisitions

1. If the issuer

- (a) has acquired a business during the past two years and the audited financial statements of the issuer included in the offering memorandum do not include the results of the acquired business for 9 consecutive months, or
- (b) is proposing to acquire a business and the acquisition has progressed to a state where a reasonable person would believe that the likelihood of the acquisition being completed is high,

include the financial statements specified in C.4 for the business if either of the tests in C.2 is met, irrespective of how the issuer accounts, or will account, for the acquisition.

2. Include the financial statements specified in C.4 for a business referred to in C.1 if either:

- (a) the issuer's proportionate share of the consolidated assets of the business exceeds ~~40~~100% of the consolidated assets of the issuer calculated using the annual financial statements of each of the issuer and the business for the most recently completed financial year of each that ended before the acquisition date or, for a proposed acquisition, the date of the offering memorandum or
- (b) the issuer's consolidated investments in and advances to the business as at the acquisition date or the proposed date of acquisition exceeds ~~40~~100% of the consolidated assets of the issuer, excluding any investments in or advances to the business, as at the last day of the issuer's most recently completed financial year that ended before the date of acquisition or the date of the offering memorandum for a proposed acquisition. For information about how to perform the investment test in this paragraph, please refer to subsections 8.3(4.1) and (4.2) of NI 51-102. Additional guidance may be found in the companion policy to NI 51-102.

2.1 [Repealed]

3. If an issuer or a business has not yet completed a financial year, or its first financial year ended within 120 days of the offering memorandum date, use the financial statements referred to in B.3 to make the calculations in C.2.

4. If under C.2 you must include in an offering memorandum financial statements for a business, the financial statements must include:
- (a) If the business has not completed one financial year or its first financial year end is less than 120 days from the date of the offering memorandum
 - (i) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows
 - (A) for the period from inception to a date not more than 90 days before the date of the offering memorandum, or
 - (B) if the date of acquisition precedes the ending date of the period referred to in (A), for the period from inception to the acquisition date or a date not more than 45 days before the acquisition date,
 - (ii) a statement of financial position dated as at the end of the period referred to in clause (i), and
 - (iii) notes to the financial statements.
 - (b) If the business has completed one or more financial years include
 - (i) annual financial statements comprised of:
 - (A) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the following annual periods:
 - i. the most recently completed financial year that ended before the acquisition date and more than 120 days before the date of the offering memorandum, and
 - ii. the financial year immediately preceding the most recently completed financial year specified in clause i, if any,
 - (B) a statement of financial position as at the end of each of the periods specified in (A),
 - (C) notes to the financial statements, and
 - (ii) an interim financial report comprised of
 - (A) either
 - i. a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the most recently completed year-to-date interim period ending on the last date of the interim period that ended before the acquisition date and more than 60 days before the date of the offering memorandum and ended after the date of the financial statements required under subclause (b)(i)(A)(i), and a statement of comprehensive income and a statement of changes in equity for the ~~three~~-3-month period ending on the last date of the interim period that ended before the acquisition date and more than 60 days before the date of the offering memorandum and ended after the date of the financial statements required under subclause (b)(i)(A)(i), or
 - ii. a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the period from the first day after the financial year referred to in subparagraph (b)(i) to a date before the acquisition date and after the period end in subclause (b)(ii)(A)(i),
 - (B) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the corresponding period in the immediately preceding financial year, if any,
 - (C) a statement of financial position as at the end of the period required by clause (A) and the end of the immediately preceding financial year, and

(D) notes to the financial statements.

Refer to Instruction B.7 for the meaning of "interim period".

5. The information for the most recently completed financial period referred to in C.4(b)(i) must be audited and accompanied by an auditor's report. The financial statements required under C.4(a), C.4(b)(ii) and the comparative financial information required by C.4(b)(i) may be unaudited; however, if those financial statements or comparative financial information have been audited, the auditor's report must be included in the offering memorandum.
6. If the offering memorandum does not contain audited financial statements for a business referred to in C.1 for the business's most recently completed financial year that ended before the acquisition date and the distribution is ongoing, update the offering memorandum to include those financial statements accompanied by an auditor's report when they are available, but in any event no later than the date 120 days following the year-end.
7. The term "business" should be evaluated in light of the facts and circumstances involved. Generally, a separate entity or a subsidiary or division of an entity is a business and, in certain circumstances, a lesser component of an entity may also constitute a business, whether or not the subject of the acquisition previously prepared financial statements. The subject of an acquisition should be considered a business where there is, or the issuer expects there will be, continuity of operations. The issuer should consider:
 - (a) whether the nature of the revenue producing activity or potential revenue producing activity will remain generally the same after the acquisition, and
 - (b) whether any of the physical facilities, employees, marketing systems, sales forces, customers, operating rights, production techniques or trade names are acquired by the issuer instead of remaining with the vendor after the acquisition.
8. If a transaction or a proposed transaction for which the likelihood of the transaction being completed is high has been or will be a reverse take-over as defined in NI 51-102, include financial statements for the legal subsidiary in the offering memorandum in accordance with Part A. The legal parent is considered to be the business acquired. C.1 may also require financial statements of the legal parent.
9. An issuer satisfies the requirements in C.4 if the issuer includes in the offering memorandum the financial statements required in a business acquisition report under NI 51-102.

D. Financial Statement - Exemptions

1. ~~An issuer will satisfy the financial statement requirements of this form if it includes the financial statements required by securities legislation for a prospectus.~~ [\[Repealed\]](#)
2. Notwithstanding the requirements in section 3.3(1)(a)(i) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*, an auditor's report that accompanies financial statements of an issuer or a business contained in an offering memorandum of a non-reporting issuer may express a qualification of opinion relating to inventory if
 - (a) the issuer includes in the offering memorandum a statement of financial position that is for a date that is ~~subsequent to~~[after](#) the date to which the qualification relates, ~~and~~
 - (b) the statement of financial position referred to in paragraph (a) is accompanied by an auditor's report that does not express a qualification of opinion relating to closing inventory, and
 - (c) the issuer has not previously filed financial statements for the same entity accompanied by an auditor's report for a prior year that expressed a qualification of opinion relating to inventory.
3. If an issuer has, or will account for a business referred to in C.1 using the equity method, then financial statements for a business required by Part C are not required to be included if:
 - (a) the offering memorandum includes disclosure for the periods for which financial statements are otherwise required under Part C that:
 - (i) summarizes information as to the aggregated amounts of assets, liabilities, revenue and profit or loss of the business, and

- (ii) describes the issuer's proportionate interest in the business and any contingent issuance of securities by the business that might significantly affect the issuer's share of profit or loss;
- (b) the financial information provided under D.3(a) for the most recently completed financial year has been audited, or has been derived from audited financial statements of the business; and
- (c) the offering memorandum discloses that:
- (i) the financial information provided under D.3(a) for any completed financial year has been audited, or identifies the audited financial statements from which the financial information provided under D.3(a) has been derived; and
- (ii) the audit opinion with respect to the financial information or financial statements referred to in D.3(c)(i) was an unmodified opinion.
4. Financial statements relating to the acquisition or proposed acquisition of a business that is an interest in an oil and gas property are not required to be included in an offering memorandum if either of the following apply:
- (a) the acquisition is significant based only on the asset test ~~or~~;
- (b) ~~(a)~~ the issuer is unable to provide the financial statements in respect of the significant acquisition otherwise required because those financial statements do not exist or the issuer does not have access to those financial statements, and the following apply:
- (i) ~~(b)~~ the acquisition was not or will not be a reverse take-over, as defined in NI 51-~~102, and~~ 102;
- ~~(c) — [Repealed]~~
- (ii) the following apply:
- (A) ~~(d)~~ the offering memorandum ~~contains alternative disclosure for the business which includes:~~ ~~(i)~~ an operating statement for the business or related businesses for each of the financial periods for which financial statements would, but for this section, be required under C.4 prepared in accordance with subsection 3.11(5) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*. ~~The~~;
- (B) the operating statement for the most recently completed financial period referred to in C.4(b)(i) ~~must be~~ is audited.;
- (C) ~~(ii)~~ the offering memorandum includes a description of the property or properties and the interest acquired by the issuer.;
- (D) ~~(iii)~~ the offering memorandum includes information with respect to the estimated reserves and related future net revenue attributable to the business, the material assumptions used in preparing the estimates and the identity and relationship to the issuer or to the seller of the person who prepared the estimates.;
- (E) ~~(iv)~~ the offering memorandum includes actual production volumes of the property for the most recently completed year, ~~and~~;
- (F) ~~(v)~~ the offering memorandum includes estimated production volumes of the property for the first year reflected in the estimate disclosed under D.4(d)(iv).
5. Financial statements for a business that is an interest in an oil and gas property, or for the acquisition or proposed acquisition by an issuer of an oil and gas property, are not required to be audited if, during the 12 months preceding the acquisition date or the proposed acquisition date, the daily average daily production of the property ~~on a barrel of oil equivalent basis (with gas converted to oil in the ratio of six thousand cubic feet of gas being the equivalent of one barrel of oil) is less than 20 per cent~~ is less than 20% of the ~~total daily~~ average daily production of the seller for the same or similar periods and:
- (i) despite reasonable efforts during the purchase negotiations, the issuer was prohibited from including in the purchase agreement the rights to obtain an audited operating statement of the property,

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- (ii) the purchase agreement includes representations and warranties by the seller that the amounts presented in the operating statement agree to the seller's books and records, and
- (iii) the offering memorandum discloses
 - 1. that the issuer was unable to obtain an audited operating statement,
 - 2. the reasons for that inability,
 - 3. the fact that the purchase agreement includes the representations and warranties referred to in D.5(ii), and
 - 4. that the results presented in the operating statements may have been materially different if the statements had been audited.

Schedule 1- Additional Disclosure Requirements for an Issuer Engaged in Real Estate Activities

Guidance

For an issuer engaged in real estate activities, see subsection 6.4(4) of the Instrument with respect to the completion of this schedule.

General Instructions

1. Despite General Instruction A. 2, an issuer may choose where to integrate the disclosure specified by this schedule within the offering memorandum.
2. Information specified by this schedule that is disclosed in the offering memorandum in response to another provision of this form need not be repeated.

1. Definitions

In this schedule

“rental management agreement” means an agreement, other than a rental pool agreement, under which a person manages the generation of revenue from real property for another person;

“rental pool agreement” means an agreement creating a rental pool;

“rental pool” means an arrangement under which revenues derived from, or expenses relating to, two or more properties are pooled and shared among the owners of the properties in accordance with their proportionate interests in the pool.

2. Application

- (1) This schedule applies to the following:
 - (a) each interest in real property held by the issuer;
 - (b) each interest in real property proposed to be acquired by the issuer, if the proposed acquisition has progressed to a state where a reasonable person would believe that the likelihood of the issuer completing the acquisition is high.
- (2) Despite subsection (1), and except in the circumstances described in section 4, 5, 10 and 11, this schedule does not apply in respect of an interest in real property, or more than one interest in real property taken together, that when considered in relation to all interests in real property held by the issuer, is not significant enough to influence a decision by a reasonable investor to buy, hold or sell a security of the issuer.

3. Description of Real Property

- (1) Describe the following with respect to each interest in real property:
 - (a) the real property’s location, both legal and descriptive;
 - (b) the nature of the interest;
 - (c) any encumbrances;
 - (d) any restriction on sale or disposition;
 - (e) any environmental liabilities, hazards or contamination;
 - (f) any tax arrears;
 - (g) who provides any utilities and other services or, if utilities and other services are not currently being provided, describe how they will be provided and who will provide them;
 - (h) the current use;

- (i) the proposed use and why the issuer considers the real property to be suitable for its plans;
 - (j) with respect to any buildings affixed to the real property, the type of construction, age and condition, and a description of any units for sale or rental;
 - (k) for real property that the issuer leases to others, the occupancy level as at a date not more than 60 days before the date of the offering memorandum.
- (2) If the issuer is providing disclosure on 20 or more interests in real property, it may for the purposes of subsection (1) disclose the information on a summarized basis with respect to either of the following:
- (a) the portfolio of real property interests as a whole;
 - (b) the portfolio of real property interests broken into subgroups.
- (3) Describe any current legal proceedings, or legal proceedings that the issuer knows to be contemplated, relating to each interest in real property, including, for each proceeding, the name of the court, the date instituted, the parties to the proceeding, the nature of the claim, any amount claimed, whether the proceeding is being contested, and the present status of the proceeding.

Instruction to Section 3

With respect to a proposed acquisition of one or more interests in real property, disclose the issuer's expectations regarding the matters set out in paragraphs (1)(b), (c) and (d) for the event that the acquisition is completed.

4. Appraisal

- (1) If subsection 2.9(19.6) of the Instrument applies, disclose the following for any appraisal:
- (a) the appraised fair market value of the interest in real property that is the subject of the appraisal;
 - (b) the effective date of the appraisal;
 - (c) that the appraisal is required to be delivered to the purchaser at the same time or before the offering memorandum is delivered to the purchaser.
- (2) For each interest in real property to which subsection (1) applies, provide the most recent assessment by any assessing authority.

5. Purchaser's Interest in Real Property

If the purchaser will acquire an interest in real property, disclose the following:

- (a) a description of the interest;
- (b) how the interest will be evidenced in a public registry;
- (c) any existing or anticipated encumbrances on the interest.

6. Developer, or Manager under a Rental Pool Agreement or Rental Management Agreement, Organization, Occupation and Experience, and Penalties, Sanctions, Bankruptcy, Insolvency and Criminal or Quasi-Criminal Matters

- (1) Subsection (2) applies for the following persons:
- (a) a person other than the issuer that is or will be acting in the role of developer in respect of an interest in real property;
 - (b) in respect of real property in which the purchaser will acquire an interest, a person other than the issuer that will be acting in the role of manager under a rental management agreement, or manager for a rental pool.
- (2) For each person described in subsection (1),

- (a) state the legal name of the person, describe the business of the person and any experience that the person has in similar projects or a similar business, and, if the person is not an individual, the laws under which the person is organized or incorporated and the date that the person was organized or incorporated.
- (b) if the person is not an individual, in the form of the following table, provide the specified information for any directors and executive officers of the person for the 5 years preceding the date of the offering memorandum.

<u>Full legal name</u>	<u>Principal occupation and description of experience associated with the occupation</u>

- (c) if the following have occurred during the 10 years preceding the date of the offering memorandum with respect to the person, a director, executive officer or control person of the person, or an issuer of which any of those persons was a director, executive officer or control person at the time, describe the penalty, sanction or order, including the reason for it and whether it is currently in effect:
 - (i) a penalty or other sanction imposed by a court relating to a contravention of securities legislation;
 - (ii) a penalty or other sanction imposed by a regulatory body relating to a contravention of securities legislation;
 - (iii) an order restricting trading in securities, not including an order that was in effect for less than 30 consecutive days.
- (d) if the following have occurred during the 10 years preceding the date of the offering memorandum with respect to the person, a director, executive officer or control person of the person, or an issuer of which any of those persons was a director, executive officer or control person at the time, state that it has occurred:
 - (i) a declaration of bankruptcy;
 - (ii) a voluntary assignment in bankruptcy;
 - (iii) a proposal under bankruptcy or insolvency legislation;
 - (iv) a proceeding, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, and
- (e) disclose and describe the following, if the person, or a director, executive officer or control person of the person has ever pled guilty to or been found guilty of:
 - (i) a summary conviction or indictable offence under the *Criminal Code* (Canada);
 - (ii) a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction;
 - (iii) a misdemeanour or felony under the criminal legislation of the United States of America, or any state or territory of the United States of America;
 - (iv) an offence under the criminal legislation of any other foreign jurisdiction.

7. Transfers

- (1) For each interest in real property, for any transaction that a related party was party to, using the following table, starting with the most recent transaction and specifying which party was the related party, disclose the following.

<u>Date of transfer</u>	<u>Legal name of seller</u>	<u>Legal name of buyer</u>	<u>Amount and form of consideration</u>

- (2) Explain the reason for any material difference between the amount of consideration paid by the issuer and the amount of consideration paid by a related party for the interest in real property.

8. Approvals

For each interest in real property, if that real property is being developed, disclose the following:

- (a) any approval required from a regulatory body or any level of government;
- (b) the anticipated cost and timing of the approval;
- (c) any reports required as part of the approval process, including the anticipated cost and timing of producing or procuring those reports;
- (d) what will happen if the approvals are not obtained, including the effect on the following:
 - (i) the project;
 - (i) the purchaser's investment;
 - (ii) if applicable, the purchaser's interest in the real property.

9. Costs and Objectives

For each interest in real property, if that real property is being developed, disclose the following:

- (a) estimated costs to complete the development;
- (b) any significant assumptions that underlie the cost estimates;
- (c) when significant costs will be incurred;
- (d) the objectives of the project that are expected to be met within the 24 months following the date of the offering memorandum, including the following:
 - (i) the expected timeline for meeting the objectives;
 - (ii) how the issuer will meet the objectives;
 - (iii) the estimated costs of meeting each objective;
 - (iv) how the issuer will fund the cost of meeting each objective;
- (e) the objectives for the project that are expected to be met after the 24-month period following the date of the offering memorandum, including the following:
 - (i) the expected timeline for meeting the objectives;
 - (ii) how the issuer will meet the objectives;
 - (iii) if the objectives are to be completed in phases, details about each phase;
 - (iv) the estimated cost of meeting each objective;
 - (v) how the issuer will fund the cost of meeting each objective;
- (f) what reasonably might happen if any of the stated objectives are not met, including the effect of not meeting on objective on the following:

- (i) the project;
- (ii) the purchaser's investment;
- (iii) if applicable, the purchaser's interest in the real property.

10. Future Cash Calls

If the purchaser is required to contribute additional funds in the future, disclose the following:

- (a) the amount the purchaser is required to contribute;
- (b) when the purchaser will be required to contribute;
- (c) the effect on the purchaser's investment and, if applicable, the purchaser's interest in the real property, if the purchaser fails to contribute;
- (d) the effect on the purchaser's investment and, if applicable, the purchaser's interest in the real property, if the purchaser contributes, but other purchasers fail to contribute.

11. Rental Pool Agreement or Rental Management Agreement

If the purchaser will acquire an interest in real property, and that interest will be or could be subject to a rental pool agreement or a rental management agreement, disclose the following:

- (a) the key terms of the agreement, including, for certainty, those provisions dealing with whether the agreement is mandatory or optional, the duration of the agreement, opting out of the agreement, termination of the agreement, the sharing of revenues and losses, the payment of expenses, and any fees payable under the agreement;
- (b) whether financial or other information about the rental pool or the results arising from the rental management agreement will be made available to purchasers, and if so, include the following:
 - (i) a description of the information;
 - (ii) if the information will include financial information, whether that financial information will be audited or subject to an independent review;
 - (iii) the frequency with which the information will be made available;
 - (iv) whether the information will be delivered to purchasers or whether access will be provided to it;
 - (v) if purchasers are to be provided access to the information, a description of the means of gaining access to it;
- (c) the following statement, with the bracketed information completed as applicable:

"The success or failure of the [rental pool][arrangement resulting from the rental management agreement] will depend in part on the abilities of the manager";
- (d) if the purchaser will be responsible for paying any loss arising pursuant to the rental pool agreement or rental management agreement, the following statement, with the bracketed information completed as applicable:

"If the [rental pool][rental management agreement] generates a loss, the purchaser must contribute further funds in addition to the purchaser's initial investment."

12. Information Statements

If the purchaser will acquire an interest in real property, state the following in bold type:

“Your rights relating to your interest in real property will be those provided under the laws of the jurisdiction in which the real property is located. Therefore, it is prudent to consult a lawyer who is familiar with the laws of that jurisdiction before making an investment.”

All real estate investments are subject to significant risk arising from changing market conditions.”

13. Risk Factors Relating to Real Property

With respect to the issuer’s interests in real property, and any interest in real property to be acquired by the purchaser, describe the risk factors that would influence a reasonable investor’s decision whether to invest, including, if applicable:

- (a) risks associated with the following:
 - (i) the development of undivided real property into subdivisions;
 - (ii) the leasing of real property;
 - (iii) the holding of real property for sale or development;
- (b) risks associated with encumbrances, conditions, or covenants on the real property that could affect the following:
 - (i) the purchaser’s interest in the real property, if applicable;
 - (ii) the completion of the development of real property;
- (c) risks pertaining to the development of real property, including the following:
 - (i) a right or lack of right of the purchaser with respect to the management and control of the real property;
 - (ii) a right or lack of right of the purchaser to change the developer of the property;
- (d) risks pertaining to potential liability for the following:
 - (i) environmental damage;
 - (ii) unpaid obligations to builders, contractors and tradespersons;
- (e) risks associated with litigation that relates to the real property.

Schedule 2 – Additional Disclosure Requirements for an Issuer That is a Collective Investment Vehicle

Guidance

For an issuer that is a collective investment vehicle, see subsection 6.4(5) of the Instrument with respect to the completion of this schedule.

General Instructions

1. Despite General Instruction A. 2, an issuer may choose where to integrate the disclosure specified by this schedule within the offering memorandum.
2. Information specified by this schedule that is disclosed in the offering memorandum in response to another provision of this form need not be repeated.

1. Investment Objectives and Strategy

- (1) Except with respect to mortgage lending, describe the following:
 - (a) the issuer's investment objectives, investment strategy and investment criteria;
 - (b) any limitations or restrictions on investments, including concentration limits and use of leverage;
 - (c) how securities are identified, selected and approved for purchase or sale.
- (2) For any mortgage lending by the issuer, describe the following:
 - (a) the issuer's investment objectives with respect to the following:
 - (i) the type of properties for which the issuer lends money;
 - (ii) the issuer's geographical focus;
 - (iii) the material mortgage terms, including range of interest rates and length of term;
 - (iv) the priority ranking of mortgages, in terms of first priority, second priority and third or lower priority;
 - (b) any policies or practices of the issuer with respect to the following:
 - (i) after initial funding of a mortgage, conducting any subsequent valuation of a property;
 - (ii) loaning money to a related party;
 - (iii) renewals;
 - (iv) concentrating funds in a single mortgage or lending funds to a single borrower or group of affiliated borrowers;
 - (v) determining that a borrower has the ability to repay a mortgage.

2. Portfolio Management and Penalties, Sanctions, Bankruptcy, Insolvency and Criminal or Quasi-Criminal Matters

- (1) Identify the person responsible for the following:
 - (a) establishing and implementing the issuer's investment objectives and investment strategy;
 - (b) setting any limitations or restrictions on investments;
 - (c) monitoring the performance of the portfolio;
 - (d) making any adjustments to the issuer's portfolio.

(2) For each person described in subsection (1) that is not registered under the securities legislation of a jurisdiction of Canada,

(a) in the form of the following table, provide the specified information for the person and any directors and executive officers of the person for the 5 years preceding the date of the offering memorandum,

Full legal name	Principal occupation and description of experience associated with the occupation

(b) if the following have occurred during the 10 years preceding the date of the offering memorandum with respect to the person, or an issuer of which the person was a director, executive officer or control person at the time, describe the penalty, sanction or order, including the reason for it and whether it is currently in effect:

- (i) a penalty or other sanction imposed by a court relating to a contravention of securities legislation;
- (ii) a penalty or other sanction imposed by a regulatory body relating to a contravention of securities legislation;
- (iii) an order restricting trading in securities, not including an order that was in effect for less than 30 consecutive days,

(c) if the following have occurred during the 10 years preceding the date of the offering memorandum with respect to the person, or an issuer of which the person was a director, executive officer or control person at the time, state that is has occurred:

- (i) a declaration of bankruptcy;
- (ii) a voluntary assignment in bankruptcy;
- (iii) a proposal under bankruptcy or insolvency legislation;
- (iv) a proceeding, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets,

(d) disclose and describe the following, if the person has ever pled guilty to or been found guilty of:

- (i) a summary conviction or indictable offence under the *Criminal Code* (Canada);
- (ii) a quasi-criminal offence in any jurisdiction of Canada or a foreign jurisdiction;
- (iii) a misdemeanour or felony under the criminal legislation of the United States of America, or any state or territory of the United States of America;
- (iv) an offence under the criminal legislation of any other foreign jurisdiction, and

(e) disclose any exemption relied on by the person from the requirement to be registered under the securities legislation of a jurisdiction of Canada.

(3) For any person identified in subsection (1) that is not an employee of the issuer, disclose any remuneration paid to the person, and how the remuneration is calculated.

(4) Identify any person that is not an employee of the issuer, other than a person identified under subsection (1), that performs a significant role or provides a significant service for the issuer with respect to the securities in the issuer's portfolio, and describe the following:

(a) the role performed or service provided;

- (b) the remuneration paid to the person and how that remuneration is calculated.

3. Portfolio Summary

- (1) Except with respect to mortgage lending, as at a date not more than 60 days before the date of the offering memorandum, disclose the following:
 - (a) a description of the portfolio, or a description of the portfolio divided into subgroups including the percentage of the net asset value in each subgroup;
 - (b) the percentage of the net asset value that is impaired;
 - (c) the total number of positions held in securities.
- (2) Except with respect to mortgage lending, if a security comprises 10% or more of the issuer's net asset value, disclose the following with respect to the security:
 - (a) the percentage of net asset value represented;
 - (b) a description of the security;
 - (c) any security interest held against the security;
 - (d) the amount of any impairment assigned to the security.
- (3) For any mortgage lending by the issuer, disclose the following:
 - (a) the average of the interest rates payable under the mortgages, weighted by the principal amount of the mortgages;
 - (b) the average of the terms to maturity of the mortgages, weighted by the principal amount of the mortgages;
 - (c) the average loan-to-value ratio of the mortgages, calculated for each mortgage by dividing the total principal amount of the issuer's mortgage and all other loans ranking in equal or greater priority to the issuer's mortgage by the fair market value of the property, weighted by the principal amount of each mortgage;
 - (d) the principal amount, and the percentage of the total principal amount of the mortgages, that rank in the following:
 - (i) first priority;
 - (ii) second priority;
 - (iii) third or lower priority;
 - (e) the principal amount, and the percentage of the total principal amount of the mortgages, that is attributable to each jurisdiction of Canada, each state or territory of the United States of America and each other foreign jurisdiction;
 - (f) a breakdown by property type, and the principal amount, and the percentage of the total principal amount of the mortgages, that is attributable to each property type;
 - (g) with respect to mortgages that will mature in less than one year of the date of the summary provided in subsection (1), the percentage that those mortgages represent of the total principal amount of the mortgages;
 - (h) with respect to mortgages with payments more than 90 days overdue, the number of those mortgages, the principal amount of those mortgages, and the percentage that those mortgages represent of the total principal amount of the mortgages;

- (i) with respect to mortgages that have an impaired value, the principal amount, and the percentage that those mortgages represent of the total principal amount of the mortgages;
- (j) if known by the issuer, or if reasonably available to the issuer, the average credit score of the borrowers, weighted by the principal amount of the mortgages;
- (k) if a mortgage comprises 10% or more of the total principal amount of the mortgages, disclose the following with respect to the mortgage:
 - (i) the principal amount, and the percentage of the total principal amount of the mortgages;
 - (ii) the interest rate payable;
 - (iii) the term to maturity;
 - (iv) the loan-to-value ratio, calculated by dividing the total principal amount of the issuer's mortgage and all other loans ranking in equal or greater priority to the issuer's mortgage by the fair market value of the property;
 - (v) whether the mortgage ranks in first, second, or third or lower priority;
 - (vi) the property type;
 - (vii) where the property is located;
 - (viii) any payment that is more than 90 days overdue;
 - (ix) any impairment of the mortgage;
 - (x) if known by the issuer, or if reasonably available to the issuer, the credit score of each borrower.
- (4) If the issuer's portfolio includes self-liquidating financial assets other than mortgages, with respect to those assets, and for any subgroups identified in paragraph (1)(a), disclose the following:
 - (a) the collection rate for each of the issuer's two most recently completed financial years that ended more than 120 days before the date of the offering memorandum;
 - (b) the issuer's reasonably anticipated loss and collection rate for the current financial year.

Instruction to Section 3

Calculate impairment in accordance with the accounting standards applicable to the issuer, and in a manner that is consistent with the disclosure in the issuer's financial statements.

4. Portfolio Performance

- (1) For the 10 most recently completed financial years of the issuer ended more than 120 days before the date of the offering memorandum, provide performance data for the issuer's portfolio.
- (2) Describe the methodology used with respect to the following:
 - (a) determining the value of the securities in the portfolio for the purposes of calculating the performance data;
 - (b) calculating the performance data of the portfolio.

Instruction to Section 4

The methodology described in paragraph (2)(a) must be the same as the methodology used in the issuer's financial statements.

5. **Ongoing Disclosure**

Describe any information that purchasers will receive on an ongoing basis about the issuer's portfolio. If none, state that fact.

6. **Conflicts of Interest**

Describe any conflicts of interest, including, for certainty, with respect to related parties, that a reasonable purchaser would need to be made aware of to make an informed investment decision.

ANNEX E

LOCAL MATTERS (ONTARIO)

Overview

The Proposed Amendments and Proposed Changes have been informed by the types of issuers that use the OM Exemption. The OM Exemption was designed to be used by relatively simple operating businesses. However, in Ontario, the primary users of the OM Exemption have been mortgage investment entities and issuers engaged in real estate activities.

Affected Stakeholders

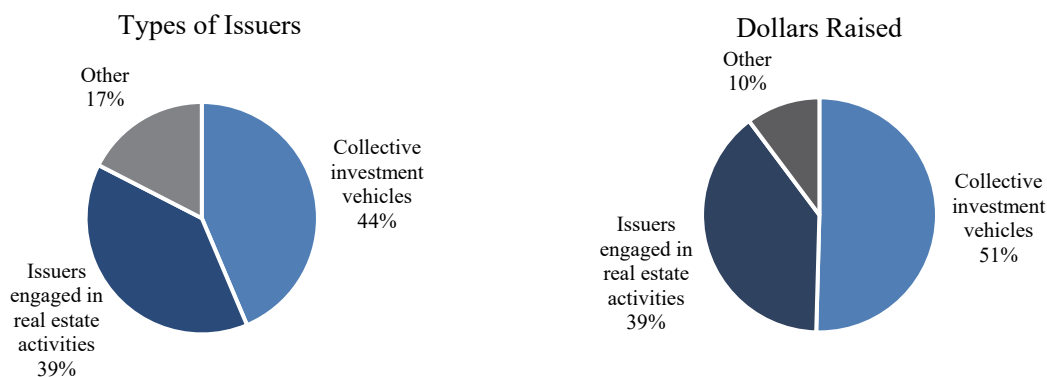
Issuers

All issuers that distribute securities under the OM Exemption (**OM Issuers**) will be affected by the Proposed Amendments. The OM Exemption is a very small portion of the exempt market. In Ontario, annually the OM Exemption only represents less than 1% of the dollars raised and less than 10% of Canadian issuers that raise capital from Ontario investors in the exempt market.¹

The extent to which an issuer will be affected will depend on whether the issuer is engaged in real estate activities, is a collective investment vehicle or is engaged in ongoing distributions of its securities under the same offering memorandum.

In Ontario, an estimated 149 unique issuers rely on the OM Exemption each year to raise an estimated \$180 million.² As illustrated in Figure 1, the majority of these issuers would be, under the Proposed Amendments, collective investment vehicles or issuers engaged in real estate activities.

Figure 1 - Issuers Relying on the OM Exemption



Investors

Investors that purchase securities under the OM Exemption will also be affected by the Proposed Amendments.

Based on our estimates, the OM Exemption affects approximately 8,600 Ontario investors representing approximately \$180 million in gross proceeds annually.³ Approximately 95% of these investors are individuals who represent approximately 90% of the gross proceeds and approximately 80% of these investors are small investors who invested \$30,000 or less.

Anticipated Benefits of the Proposed Amendments

Investors under the OM Exemption are predominantly the most vulnerable segment of the retail market: small individual investors. The Proposed Amendments will benefit investors by providing them with enhanced disclosure, including more tailored disclosure where an issuer is engaged in real estate activities or is a collective investment vehicle. For issuers engaged in

¹ Estimates based on data from Forms 45-106F1 *Report of Exempt Distribution* filed with the OSC (**F1 filings**) and represent the median annual figures of issuers with a head office in Canada in respect of distributions to investors resident in Ontario from January 2017 to August 2019. The annual number for 2019 was extrapolated based on a pro-rated estimate of issuer activity over the first 8 months.

² Based on data from F1 filings in Ontario. Estimate calculated from the sum of the median annual number of three groups of OM Issuers (collective investment vehicles, issuers engaged in real estate activities and others) with a head office in Canada and in respect of distributions to investors resident in Ontario from January 2017 to August 2019. The annual number for 2019 was extrapolated based on a pro-rated estimate of issuer activity over the first 8 months.

³ Estimates based on data from F1 filings and represent the median annual number of Ontario investors and amount invested under the OM Exemption from January 2017 to August 2019. The annual number for 2019 was extrapolated based on a pro-rated estimate of issuer activity over the first 8 months. Approximately half of these investors are investors in a single peer-to-peer lending platform.

ongoing distributions under the same offering memorandum, investors will also be provided with more current information because the issuer will be required to amend its offering memorandum under certain circumstances and include a 6-month interim financial report. We anticipate that this tailored and more current disclosure will allow investors to make more informed investment decisions.

The benefit of the Proposed Amendments to issuers is that they will clarify the disclosure requirements and, in many instances, will codify the comments that have been routinely raised by staff in certain CSA jurisdictions during compliance reviews. In addition, the Proposed Changes will provide additional guidance for issuers, which will assist them when preparing an offering memorandum. The Proposed Amendments also include new requirements that are based on issues that were present in failed OM Issuers that resulted in significant investors losses, including the requirement for issuers engaged in real estate activities to provide an independent property appraisal when real estate is acquired from a related party and portfolio disclosure for collective investment vehicles. Therefore, not only will the Proposed Amendments provide investors with more tailored disclosure, they will also increase market confidence, which will assist OM Issuers in raising capital.

Where securities of OM Issuers are distributed through a registered dealer, we anticipate the Proposed Amendments will benefit the dealer in that the enhanced disclosure will assist the dealer in performing its know-your-product and suitability obligations.

Anticipated Costs of the Proposed Amendments

The General Amendments and Schedule 1 are not expected to result in any significant additional costs for issuers other than a one-time cost to review and familiarize themselves with the new requirements. The General Amendments are intended to clarify or streamline parts of the instrument or improve disclosure for investors. Schedule 1 includes information about properties that is generally provided by issuers engaged in real estate activities under the current requirements of the F2. Accordingly, the General Amendments and Schedule 1 are only expected to require a one-time cost for issuers to review and become familiar with them.

We expect the following requirements in the Proposed Amendments will potentially impose costs in addition to one-time costs to review and become familiar with the new requirements:

- **Property appraisals for certain issuers engaged in real estate activities** – There is currently no requirement to provide a property appraisal under the OM Exemption. The Proposed Amendments will require an independent property appraisal where the issuer:
 - proposes to acquire or has acquired an interest in real property from a related party;
 - except for in its financial statements, discloses a value for an interest in real property in its offering memorandum, or
 - proposes to use a material amount of the proceeds of the offering to acquire an interest in real property.
- **Schedule 2 for collective investment vehicles** – Issuers are currently required to provide sufficient information for an investor to make an informed investment decision. However, there is no specific requirement for portfolio disclosure by issuers that would, under the Proposed Amendments, be collective investment vehicles and such disclosure is frequently not provided. The Proposed Amendments include specific portfolio disclosure requirements.
- **Amending offering memoranda** – Currently issuers that are in continuous distribution generally amend their offering memorandum on an annual basis. The Proposed Amendments will require an amendment to include unaudited semi-annual financial statements as well as other amendments, in certain circumstances. There will be a cost associated with amending the offering memorandum disclosure, including Schedule 2.

The tables below set out the estimated quantitative costs (subject to the assumptions below) that may arise as a result of the Proposed Amendments. The estimated costs fall broadly into the following categories:

- (1) estimated one-time administrative cost for all issuers associated with reviewing and familiarizing themselves with the new requirements (see **Table 1**);
- (2) estimated cost for issuers engaged in real estate activities to obtain a property appraisal (see **Table 2**);
- (3) estimated cost for collective investment vehicles to verify Schedule 2 disclosure (see **Table 3**);

- (4) estimated cost for all issuers engaged in ongoing distributions to include 6-month interim financial report and amend disclosure to date of new offering memorandum (see **Table 4**).

One-time Administrative Cost

With respect to the one-time administrative costs for an OM Issuer to become familiar with the new requirements, we have estimated the costs in two scenarios: (A) where the OM Issuer does not use the assistance of external legal counsel and (B) where the OM Issuer does use the assistance of external legal counsel (see **Table 1**).

Table 1 – Estimated One-Time Administrative Cost per Issuer

	Min. Estimated Time ^[1] (hrs)	Max. Estimated Time ^[1] (hrs)	Average Hourly Wage ^[2]	Min. Estimated Cost	Max. Estimated Cost
A. Issuer's Internal Review					
Junior In-house Counsel	5	10	\$58	\$292	\$585
Senior In-house Counsel	2	4	\$86	\$172	\$344
General Counsel/Executive	1	2	\$111	\$111	\$222
Estimated cost for Internal Review	8 hrs	16 hrs		\$575	\$1,151
B. External Assistance					
Senior Counsel (6-10 yr experience)	4	8	\$328	\$1,310	\$2,620
Issuer's General Counsel/Executive	1	2	\$111	\$111	\$222
Estimated cost for External Assistance	5 hrs	10 hrs		\$1,421	\$2,842

[1] OSC estimated minimum and maximum hours.

[2] Average Hourly Wage includes overhead cost (25%) and based on Base Salary for Ontario in-house legal counsels and average work week statistics from *Counsel Network In-House Counsel Compensation & Career Survey Report 2018*.

Estimated Cost for Issuers Engaged in Real Estate Activities

The primary costs associated with the Proposed Amendments for issuers engaged in real estate activities will be the costs of required property appraisals. The number of appraisals that will be required, if any, depends on the activities of the issuer and the disclosure included in its offering memorandum. The estimates below assume that an issuer will be required to prepare one property appraisal.

The estimated cost of commercial real estate appraisals will vary depending on multiple factors including not only those specific to the property, but also the firm providing the appraisal. We estimated appraisal costs to range from approximately \$2,500 from a small appraisal firm to approximately \$12,500 for appraisals of larger developments from a larger firm.

Table 2 – Estimated Cost for Property Appraisals

Property Appraisal	Min. Estimated Cost	Max. Estimated Cost
Commercial Real Estate Appraisals (small firm)	\$2,499	\$7,496
Commercial Real Estate Appraisals (large firm)	\$4,165	\$12,494

[1] OSC appraisal estimates based on average commercial real estate appraiser salary in Canada from Payscale.com and the following assumptions: i) 40 hour work week; ii) appraiser(s) cost represents 1/3rd of small appraisal firms' fees and 1/5th of large appraisal firms' fees; iii) minimum estimate based on 30 hours of appraiser's time and maximum estimate based on 90 hours of appraiser's time.

Estimated Cost for Collective Investment Vehicles

The primary requirements under the Proposed Amendments is complying with the disclosure requirements under Schedule 2. This disclosure requires updated portfolio-level disclosure. We understand that the information required for Schedule 2 would be readily available to the issuer. Accordingly, the costs will be primarily related to preparing the disclosure in the prescribed form and internal compliance costs to verify the disclosure.

Similar to our estimates for the one-time administrative cost, we expect firms to either internally review and verify Schedule 2 compliance or to seek external counsel. **Table 2** provides an estimate of the cost per issuer of these two options.

Table 3 – Estimated Cost to Verify Schedule 2 Disclosure Per Issuer

	Min. Estimated Time ^[1] (hrs)	Max. Estimated Time ^[1] (hrs)	Average Hourly Wage ^[2]	Min. Estimated Cost	Max. Estimated Cost
A. Issuer's Internal Review					
Junior In-house Counsel	3	6	\$58	\$175	\$351
Senior In-house Counsel	1	3	\$86	\$86	\$258
Issuer's General Counsel/Executive	1	1	\$111	\$111	\$111
Estimated cost for Internal Review	5 hrs	10 hrs		\$373	\$720
B. External Assistance					
Junior Counsel (2-5 years experience)	3	6	\$268	\$803	\$1,606
Senior Counsel (6-10 years experience)	1	3	\$328	\$328	\$983
Issuer's General Counsel/Executive	1	1	\$111	\$111	\$111
Estimated cost for External Assistance	5 hrs	10 hrs		\$1,242	\$2,700

[1] OSC estimated minimum and maximum hours.

[2] Average Hourly Wage based on Base Salary for Ontario in-house legal counsels and average work week statistics from **Counsel Network In-House Counsel Compensation & Career Survey Report 2018**.

Estimated Cost for Issuers with On-Going Distributions

Under the Proposed Amendments, issuers in continuous distribution would be required to amend their offering memorandum at least every 6 months.

Based on a sampling of historical offering memorandum filings, about half of the issuers disclosed total offering costs of \$60,000 or less and an average offering cost of \$133,400 (**Table 4**).⁴

Table 4 - Estimated Cost of Amending an Offering Memorandum

	Reported Offering Cost ^[1]	Min - OM update cost	Max - OM update cost
Median Estimate	\$60,000.00	\$15,000	\$30,000
Average Estimate	\$133,401.99	\$33,350	\$66,701

[1] Based on a random sample of offering cost from 84 issuers that relied on the OM Exemption to raise capital from January 2017 to August 2019.

[2] OSC estimates that at a minimum 25% of the initial offering memorandum cost up to a maximum of 50% of the initial offering memorandum cost will be incurred by the issuer to amend an offering memorandum.

Estimated Total Costs

The estimated total one-time administrative cost for an OM Issuer to familiarize itself with the new requirements is \$575 to \$2,842 (see **Table 5**). As detailed in **Table 1**, this cost will be on the higher-end of this range if the issuer uses the assistance of external legal counsel.

⁴ Based on random sample of offering cost reported by 84 issuers that relied on the OM Exemption to raise capital from January 2017 to August 2019.

Table 5 - Estimated Total One-Time Administrative Cost

Type of Issuer	Estimated annual issuers ^[1]	One-time admin. cost per issuer		Total one-time cost for all issuers	
		Minimum	Maximum	Minimum	Maximum
Collective investment vehicles	65	\$575	\$2,842	\$37,401	\$184,758
Issuers engaged in real estate activities	58	\$575	\$2,842	\$33,373	\$164,861
Other issuers	26	\$575	\$2,842	\$14,960	\$73,903
Total	149			\$85,735	\$423,523

[1] Estimate based on the median annual number of issuers that raised capital under the OM Exemption for distributions to Ontario residents from January 2017 to August 2019. The annual number for 2019 was extrapolated based on a pro-rated estimate of issuer activity over the first 8 months.

The estimated annual cost of the additional issuer specific requirements is \$373 to \$2,700 for each issuer that would, under the Proposed Amendments, be a collective investment vehicle, and \$2,499 to \$12,494 for each issuer that would be engaged in real estate activities (see **Table 6**). For issuers engaged in real estate activities, this assumes every such issuer will incur the cost of one property appraisal (see **Table 2**). Issuers engaged in real estate activities are only required to provide a property appraisal in specific circumstances (e.g., the interest in real property was acquired from a related party), so the assumption that each issuer will be required to provide an appraisal will overestimate the total costs to issuers engaged in real estate activities. For collective investment vehicles, the primary on-going cost is the cost of reviewing and verifying the Schedule 2 disclosure (see **Table 3**).

Table 6 - Estimated Total Cost of Issuer Specific Requirements

Type of Issuer	Estimated annual issuers ^[1]	Issuer Specific costs per issuer OM		Estimated Total Cost of Issuer Specific Req. (all issuers)	
		Minimum	Maximum	Minimum	Maximum
Collective investment vehicles	65	\$373	\$2,700	\$24,215	\$175,510
Issuers engaged in real estate activities	58	\$2,499	\$12,494	\$144,925	\$724,626
Other issuers	26	\$0	\$0	\$0	\$0
Total	149			\$169,140	\$900,137

[1] Estimate based on the median annual number of issuers that raised capital under the OM Exemption for distributions to Ontario residents from January 2017 to August 2019. The annual number for 2019 was extrapolated based on a pro-rated estimate of issuer activity over the first 8 months.

Assuming the issuer has ongoing distributions throughout the year, they will be required to provide an amended offering memorandum and may also incur additional issuer specific cost outlined above. The estimated annual cost of the amended offering memorandum and additional issuer specific requirements is \$15,373 to \$69,401 for each issuer that would, under the Proposed Amendments, be a collective investment vehicle; \$17,499 to \$79,195 for each issuer that would be engaged in real estate activities; and \$15,000 to \$66,701 for all other types of issuers (see **Table 7**). For issuers that would, under the Proposed Amendments, be engaged in real estate activities, this assumes issuers will incur the cost of preparing its 6-month interim financial report and amending its offering memorandum disclosure generally (see **Table 4**) and the cost of one property appraisal (see **Table 2**). As noted with respect to **Table 6**, the assumption that each issuer that would be engaged in real estate activities will be required to provide an appraisal will overestimate the total costs to these issuers because an appraisal is only required in certain circumstances. For collective investment vehicles, this assumes the issuer will incur the cost of preparing its 6-month interim financial report and amending its offering memorandum disclosure generally (see **Table 4**) and verifying Schedule 2 (see **Table 3**). For all other issuers, the costs are just those to prepare its 6-month interim financial report and amending its offering memorandum disclosure generally (see **Table 4**).

Table 7 - Estimated Total Cost of 6-month Amendment of Offering Memorandum

Type of Issuer	Estimated annual issuers ^[1]	Estimated issuers in continuous distribution ^[2]		Per Issuer Cost: 6-month updated OM ^[3]		Estimated Annual Total Cost	
		Percent	Issuers affected	Minimum	Maximum	Minimum	Maximum
Collective investment vehicles	65	74%	48	\$15,373	\$69,401	\$738,057	\$3,332,044
Issuers engaged in real estate activities	58	34%	20	\$17,499	\$79,195	\$343,765	\$1,555,790
Other issuers	26	27%	7	\$15,000	\$66,701	\$105,000	\$466,907
Total	149		75			\$1,186,822	\$5,354,741

[1] Estimate based on the median annual number of issuers that raised capital under the OM Exemption for distributions to Ontario residents from January 2017 to August 2019. The annual number for 2019 was extrapolated based on a pro-rated estimate of issuer activity over the first 8 months.

[2] Estimated based on historical filings of issuers in continuous distribution over multiple 6-month periods from January 2017 to August 2019 based on reported F1 filings.

[3] Estimate includes issuer specific cost in addition to the estimated cost of updating an offering memorandum.

As detailed in **Table 8**, we estimate an issuer's total costs in the first year after the Proposed Amendments are adopted to be the sum of the one-time administrative costs (see **Table 1**), issuer-specific costs (see **Table 6**) and cost of preparing a 6-month amendment of its offering memorandum (see **Table 7**), as applicable depending on the type of issuer and whether it is ongoing distribution.

Table 8 - Estimated Cost of Proposed Amendments Per Issuer

Type of Issuer	Continuous Distribution?	Estimated Total 1st-Year Cost		Estimated Total Annual Ongoing Cost	
		Minimum	Maximum	Minimum	Maximum
Collective investment vehicles	No	\$948	\$5,543	\$373	\$2,700
	Yes	\$16,320	\$74,944	\$15,745	\$72,101
Issuers engaged in real estate activities	No	\$3,074	\$15,336	\$2,499	\$12,494
	Yes	\$20,573	\$94,531	\$19,997	\$91,688
Other issuers	No	\$575	\$2,842	\$0	\$0
	Yes	\$15,575	\$69,543	\$15,000	\$66,701

Based on historical data, we estimate that approximately 149 issuers will rely on the OM Exemption in Ontario on an annual basis. Additionally, we expect approximately 75 or approximately half of those issuers to be in continuous distribution throughout the year and hence would incur additional cost as indicated in **Table 7**

In aggregate, the total expected cost of the Proposed Amendments in the first year after their adoption would be approximately \$1.44 million to \$6.68 million and would be approximately \$1.36 million to \$6.25 million each year thereafter (**Table 9**). The expected ongoing annual cost of the Proposed Amendments represents approximately 0.8% to 3.5% of the total capital raised under the OM Exemption by Canadian issuers from Ontario investors. In fact, the expected cost for issuers would represent a much smaller proportion of the total capital raised from all investors, not just those resident in Ontario. It is also important to note that the estimated costs are the lowest for issuers that, under the Proposed Amendments, would not be engaged in real estate activities or a collective investment vehicle. We believe that this small cost as a portion of capital raised by OM Issuers is appropriate considering the benefit it will provide to investors of providing them with more tailored and timely disclosure with which to make an investment decision.

Table 9 - Estimated Total Cost of Proposed Amendments

Type of Issuer	Estimated annual issuers ^[1]	Estimated Total 1st-Year Cost		Estimated Total Annual On-going Cost	
		Minimum	Maximum	Minimum	Maximum
Collective investment vehicles	65	\$0.80M	\$3.69M	\$0.76M	\$3.51M
Issuers engaged in real estate activities	58	\$0.52M	\$2.45M	\$0.49M	\$2.28M
Other issuers	26	\$0.12M	\$0.54M	\$0.11M	\$0.47M
Total	149	\$1.44M	\$6.68M	\$1.36M	\$6.25M

Estimated Cost as % Annual Gross Proceeds ^[2]	Estimated Total 1st-Year Cost (%)		Estimated Total Annual On-going Cost (%)	
	Minimum	Maximum	Minimum	Maximum
All Issuers	0.8%	3.7%	0.8%	3.5%
Collective investment vehicles	0.9%	4.1%	0.8%	3.9%
Issuers engaged in real estate activities	0.7%	3.5%	0.7%	3.2%
Other issuers	0.7%	3.0%	0.6%	2.5%

[1] Estimate based on the median annual number of issuers that raised capital under the OM Exemption for distributions to Ontario residents from January 2017 to August 2019. The annual number for 2019 was extrapolated based on a pro-rated estimate of issuer activity

[2] Estimate based on the median annual gross proceeds raised under the offering memorandum exemption for distributions to Ontario residents from January 2017 to August 2019. The annual number for 2019 was extrapolated based on a pro-rated estimate of issuer activity

Alternatives Considered

No alternatives to rule-making were considered.

Reliance on Unpublished Studies

In developing the Proposed Amendments and Proposed Changes, we did not rely on any significant unpublished study, report or other written material.

Authority for Proposed Amendments

In Ontario, the rule-making authority for the Proposed Amendments is paragraph 20 of subsection 143(1) of the *Securities Act* (Ontario).

Questions

Please refer your questions on this Annex to either of the following:

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