

**National Instrument 45-106**  
***Prospectus and Registration Exemptions***

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**National Instrument 45-106**  
*Prospectus and Registration Exemptions*

**PART 1: DEFINITIONS AND INTERPRETATION**

**Definitions**

**1.1** In this Instrument

**“accredited investor”** means

- (a) a Canadian financial institution, or a Schedule III bank,
- (b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada),
- (c) 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) a person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer, other than a person registered solely as a limited market dealer under one or both of the *Securities Act* (Ontario) or the *Securities Act* (Newfoundland and Labrador),
- (e) an individual registered or formerly registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (d),
- (f) 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) a municipality, public board or commission in Canada,
- (h) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government,
- (i) a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a jurisdiction of Canada,

- (j) an individual who, either alone or with a spouse, beneficially owns, directly or indirectly, financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds \$1 000 000,
- (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 persons
  - (i) who are or were accredited investors at the time of the distribution, or
  - (ii) in the circumstances referred to in sections 2.10 [*Minimum amount investment*], and 2.19 [*Additional investment in investment funds*],
- (o) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator 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 an account that is fully 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
  - (i) a jurisdiction of Canada, or
  - (ii) except in Ontario, 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) and paragraph (i) in form and function,
- (t) a person in respect of which all of the owners of interests, direct or indirect, legal 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, or
- (v) a person that is recognized or designated by the securities regulatory authority as an accredited investor;

**“AIF”** means

- (a) for financial years starting before January 1, 2004, a current AIF as defined in MI 45-102 effective November 30, 2001, and
- (b) for financial years starting on or after January 1, 2004,
  - (i) an AIF as defined in NI 51-102,
  - (ii) 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 NI 51-102, or
  - (iii) a QT circular if the issuer has not filed or been required to file annual financial statements under NI 51-102 subsequent to filing its QT circular;

**“approved credit rating”** has the same meaning as in National Instrument 81-102 *Mutual Funds*;

**“approved credit rating organization”** has the same meaning as in National Instrument 81-102 *Mutual Funds*;

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

**“Canadian financial institution”** means

- (a) the Confédération des caisses populaires et d'économie Desjardins du Québec,
- (b) 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
- (c) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, 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;

**“control person”** has the same meaning as in securities legislation except in British Columbia, Manitoba, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island and Quebec where control person means any person that holds or is one of a combination of persons that holds

- (a) a sufficient number of any of the securities of an issuer so as to affect materially the control of the issuer, or
- (b) more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holding of those securities does not affect materially the control of the issuer;

**“CPC instrument”** means a rule or regulation of a jurisdiction of Canada or a rule, regulation or policy of an exchange in Canada that applies only to capital pool companies;

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

**“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;

**“eligibility adviser”** means

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

**“eligible investor”** means

- (a) a person whose
  - (i) net assets, alone or with a spouse, in the case of an individual, exceed \$400 000,
  - (ii) net income before taxes exceeded \$75 000 in each of the 2 most recent calendar years and who reasonably expects to exceed that income level in the current calendar year, or
  - (iii) net income before taxes, alone or with a spouse, in the case of an individual, exceeded \$125 000 in each of the 2 most recent calendar years and who reasonably expects to exceed that income level in the current calendar year,
- (b) a person of which a majority of the voting securities are beneficially owned by eligible investors or a majority of the directors are eligible investors,
- (c) a general partnership of which all of the partners are eligible investors,



- (d) a limited partnership of which the majority of the general partners are eligible investors,
- (e) a trust or estate in which all of the beneficiaries or a majority of the trustees are eligible investors,
- (f) an accredited investor,
- (g) a person described in section 2.5 [*Family, friends and business associates*], or
- (h) 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,
- (c) an officer of the issuer or any of its subsidiaries and who performs a policy-making function in respect of the issuer, or
- (d) 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;

**“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 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*;

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

**“MD&A”** has the same meaning as in NI 51-102;

**“MI 45-102”** means Multilateral Instrument 45-102 *Resale of Securities*;

**“NI 51-102”** means National Instrument 51-102 *Continuous Disclosure Obligations*;

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

**“person”** includes

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

**“private issuer”** means an issuer

- (a) that is not a reporting issuer or an investment fund,
- (b) whose securities, 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, directly or indirectly, by not more than 50 persons provided that each person is counted as one

beneficial owner unless the person is created or used primarily 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 but not including employees and former employees of the issuer or its affiliates, and

- (c) that has distributed securities only to persons described in section 2.4(1) [*Private issuer*];

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

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

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

**“related liabilities”** means

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

**“reporting issuer”** means, in Northwest Territories, Nunavut and Prince Edward Island, an issuer that is a reporting issuer in a jurisdiction of Canada;

**“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);

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

**“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;

**“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 a mortgage;

**“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.

### **Affiliate**

**1.2** 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**

**1.3** 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, directly or indirectly, beneficially owns or 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**

**1.4 (1)** An exemption from the dealer registration requirement or from the prospectus requirement 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)** An exemption from the dealer registration requirement is deemed to be an exemption from the underwriter registration requirement.

### **Underwriter exemption**

**1.5** Under this Instrument, the only exemption available for a trade in a security where the purchaser is acting as an underwriter is section 2.34 [*Acting as underwriter*].

### **Definition of distribution - Manitoba and Yukon**

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

### **Definition of trade - Quebec**

**1.7** For the purpose of this Instrument, in Quebec, “trade” means

- (a) the sale or disposition of a security for valuable consideration, whether the terms of payment are on margin, installment or otherwise, but does not include,
  - (i) except as provided in paragraph (d), a transfer, pledge or encumbrance of securities for the purpose of giving collateral for a debt made in good faith, or
  - (ii) the purchase of a security,
- (b) participation as a trader in any transaction in a security through the facilities of an exchange or a quotation and trade reporting system,

- (c) receipt by a registrant of an order to buy or sell a security,
- (d) a transfer, pledge or encumbering of securities of an issuer from the holdings of a control person for the purpose of giving collateral for a debt made in good faith,
- (e) entering into a derivative,
- (f) any act, advertisement, solicitation, conduct or negotiation directly or indirectly in furtherance of any of the activities referred to in paragraphs (a) to (e), or
- (g) any act in furtherance of the business of dealing in securities.

## **PART 2: PROSPECTUS AND REGISTRATION EXEMPTIONS**

### **Division 1: Capital Raising Exemptions**

#### **Rights offering**

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

**2.1 (1)** The dealer registration requirement does not apply to a trade by an issuer in a right to purchase a security of its own issue to an existing security holder if

- (a) the issuer has given the regulator prior written notice stating the date, amount, nature and conditions of the trade, including the approximate net proceeds to be derived by the issuer on the basis of the additional securities being fully taken up,
- (b) except in British Columbia, the regulator has not objected in writing to the trade within 10 days of receipt of the notice referred to in paragraph (a) or, if the regulator objects to the trade, the issuer has delivered to the regulator information relating to the securities that is satisfactory to and accepted by the regulator, and
- (c) the issuer has complied with the applicable requirements of National Instrument 45-101 *Rights Offerings*.

**(2)** The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

## **Reinvestment plan**

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

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

- (a) a trade in a security of the issuer's own issue to an existing security holder where the security holder directs that dividends or distributions out of earnings, surplus, capital or other sources payable in respect of the issuer's securities be applied to the purchase of securities of the same class or series as the securities to which the dividends or distributions out of earnings, surplus, capital or other sources is attributable, and
- (b) subject to subsection (2), a trade in a security of the issuer's own issue to an existing security holder where the security holder makes optional cash payments to purchase additional securities of the issuer of the same class or series 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 issuer during which the trade 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 trades described in subsection (1) must be available to every security holder to which the dividend or distribution is available.

(4) Subject to subsections (3) and (5), the prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

(5) This section does not apply to a trade in or distribution of a security of an investment fund.

## **Accredited investor**

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

**2.3 (1)** The dealer registration requirement does not apply to a trade in a security to a purchaser if the purchaser purchases the security as principal and is an accredited investor.

- (2) The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).
- (3) Subject to subsection (4), for the purpose of this section, 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.
- (4) Subsection (3) 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.
- (5) For the purpose of this section, a person described in paragraph (q) of the definition of “accredited investor” in section 1.1 [*Definitions*] is deemed to be purchasing as principal.
- (6) This section is not available for a trade in a security to a person described in paragraph (m) of the definition of “accredited investor” in section 1.1 [*Definitions*] if that person is
- (a) created primarily to permit purchases of securities in reliance on an exemption from the dealer registration requirement or the prospectus requirement, or
  - (b) used primarily to purchase securities under these exemptions.

**Private issuer**

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

- 2.4 (1) The dealer registration requirement does not apply to a trade in 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 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 current holder of securities 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 are persons described in paragraphs (a) to (h), or
- (k) a person that is not a member of the public.

(2) The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

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

**Family, friends and business associates**

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

**2.5 (1)** Except in Ontario and subject to section 2.6 [*Family, friends and business associates - Saskatchewan*], the dealer registration requirement does not apply to a trade in 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 or child of a director, executive officer or control person of the issuer, or of an affiliate of the issuer,

- (c) a parent, grandparent, brother, sister or child 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, close personal friend or close business associate of a founder of the issuer,
- (g) a parent, grandparent, brother, sister or child 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 are persons described in paragraphs (a) to (g).

(2) Except in Ontario and subject to section 2.6 [*Family, friends and business associates - Saskatchewan*], the prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

(3) 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 trade under subsection (1) or (2).

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

**2.6 (1)** In Saskatchewan, section 2.5 [*Family, friends and business associates*] does not apply unless the seller obtains a signed risk acknowledgement from the purchaser in the required form for a trade 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 trade is based in whole or in part on a close personal friendship or close business association.

(2) The seller must retain the required form referred to in subsection (1) for 8 years after the trade.

#### **Family, founder and control person - Ontario**

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

**2.7 (1)** In Ontario, the dealer registration requirement does not apply to a trade in a security to a person who purchases the security as principal and is

- (a) a founder of the issuer,
- (b) an affiliate of a founder of the issuer,
- (c) a spouse, parent, brother, sister, grandparent or child of an executive officer, director or founder of the issuer, or
- (d) a person that is a control person of the issuer.

(2) In Ontario, the prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

#### **Affiliates**

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

**2.8 (1)** The dealer registration requirement does not apply to a trade by an issuer in a security of its own issue to an affiliate of the issuer who is purchasing as principal.

(2) The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

#### **Offering memorandum**

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

**2.9 (1)** In British Columbia, New Brunswick, Nova Scotia and Newfoundland and Labrador, the dealer registration requirement does not apply to a trade by an issuer in 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 (7) to (13), and
  - (ii) obtains a signed risk acknowledgement from the purchaser in compliance with subsection (14).

(2) In Alberta, Manitoba, Northwest Territories, Nunavut, Prince Edward Island, Quebec and Saskatchewan, the dealer registration requirement does not apply to a trade by an issuer in 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 (7) to (13), and
  - (ii) obtains a signed risk acknowledgement from the purchaser in compliance with subsection (14),

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) a reporting issuer, and
    - (B) in Manitoba, Quebec and Saskatchewan, is an issuer listed for trading on an exchange or quoted on an over-the-counter market.

(3) In British Columbia, New Brunswick, Nova Scotia and Newfoundland and Labrador, the prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

(4) In Alberta, Manitoba, Northwest Territories, Nunavut, Prince Edward Island, Quebec and Saskatchewan, the prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (2).

(5) In Alberta, Manitoba, Northwest Territories, Nunavut, Prince Edward Island, Quebec and Saskatchewan, this section is not available for a trade in a security to a person described in paragraph (a) of the definition of “eligible investor” in section 1.1 [*Definitions*] if that person is

- (a) created primarily to permit purchases of securities in reliance on an exemption from the dealer registration requirement or the prospectus requirement, or
- (b) used primarily to purchase securities under the exemptions described in subsections (2) and (4).

(6) No commission or finder’s fee may be paid to any person, other than a registered dealer, in connection with a trade to a purchaser in

- (a) Northwest Territories, Nunavut and Saskatchewan under subsections (2) and (4), or
- (b) New Brunswick under subsections (1) and (3).

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

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

(9) 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
- (c) is in addition to, and does not detract from, any other right of the purchaser.

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

“This offering memorandum does not contain a misrepresentation.”

**(11)** A certificate under subsection (10) 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, a person acting in that capacity,
- (b) on behalf of the directors of the issuer,

- (i) by any 2 directors who are authorized to sign, other than the persons referred to in paragraph (a), or
- (ii) by all the directors of the issuer, and
- (c) by each promoter of the issuer.

**(12)** A certificate under subsection (10) must be true

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

**(13)** If a certificate under subsection (10) ceases to be true after it is delivered to the purchaser, the issuer cannot accept an agreement to purchase the security from the purchaser unless

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

**(14)** A risk acknowledgement under subsection (1), (2), (3) or (4) must be in the required form and an issuer relying on subsection (1), (2) (3) or (4) must retain the signed risk acknowledgment for 8 years after the distribution.

**(15)** The issuer must

- (a) hold in trust all consideration received from the purchaser in connection with a trade in a security under subsection (1), (2), (3) or (4) until midnight on the 2<sup>nd</sup> business day after the purchaser signs the agreement to purchase the security, and
- (b) return all consideration to the purchaser promptly if the purchaser exercises the right to cancel the agreement to purchase the security described under subsection (8).

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

(17) If a qualifying issuer uses a form of offering memorandum that allows the qualifying issuer to incorporate previously filed information into the offering memorandum by reference, the qualifying issuer is exempt from the requirement under National Instrument 43-101 *Standards of Disclosure for Mineral Projects* to file a technical report to support scientific or technical information about the qualifying issuer's mineral project in the offering memorandum or incorporated by reference into the offering memorandum if the information about the mineral project is contained in a previously filed technical report under National Instrument 43-101 *Standards of Disclosure for Mineral Projects*.

#### **Minimum amount investment**

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

**2.10 (1)** The dealer registration requirement does not apply to a trade in a security to a person if

- (a) that person purchases as principal, and
- (b) the security has an acquisition cost to the purchaser of not less than \$150 000 paid in cash at the time of the trade.

(2) The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

(3) This section is not available for a trade in a security to a person if that person is

- (a) created primarily to permit purchases of securities in reliance on an exemption from the dealer registration requirement or the prospectus requirement, or
- (b) used primarily to purchase securities under these exemptions.

(4) This section is only available for a trade in a security of a single issuer.

#### **Division 2: Transaction Exemptions**

##### **Business combination and reorganization**

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

**2.11 (1)** The dealer registration requirement does not apply to a trade in 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 NI 51-102 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.

(2) The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

#### **Asset acquisition**

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

**2.12 (1)** The dealer registration requirement does not apply to a trade by an issuer in a security of its own issue to a person as consideration for the assets of the person, if those assets have a fair value of not less than \$150 000.

(2) The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

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

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

**2.13 (1)** The dealer registration requirement does not apply to a trade by an issuer in a security of its own issue as consideration for the acquisition of petroleum, natural gas or mining properties or any interest in them.

(2) The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

### **Securities for debt**

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

**2.14 (1)** The dealer registration requirement does not apply to a trade by a reporting issuer in a security of its own issue to a creditor to settle a bona fide debt of that reporting issuer.

**(2)** The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

### **Issuer acquisition or redemption**

**This provision will not be cited in any Appendix of MI 45-102 *Resale of Securities*.**

**2.15 (1)** The dealer registration requirement does not apply to a trade in a security to the issuer of the security.

**(2)** The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

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

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

**2.16 (1)** The dealer registration requirement does not apply to a trade in a security under a take-over bid or issuer bid.

**(2)** The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

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

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

**2.17 (1)** The dealer registration requirement does not apply to a trade by a security holder outside the local jurisdiction to a person in the local jurisdiction if the trade would have been under 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.

(2) The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

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

#### **Investment fund reinvestment**

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

**2.18 (1)** Subject to subsections (3), (4) and (5), the dealer registration requirement does not apply to the following trades by an investment fund if the trades are permitted by a plan of the investment fund:

- (a) a trade in a security of the investment fund's own issue to an existing security holder where the security holder directs that dividends or distributions out of earnings, surplus, capital or other sources payable in respect of the investment fund's securities be applied to the purchase of securities of the same class or series as the securities to which the dividend or distributions out of earnings, surplus, capital or other sources is attributable, and
- (b) subject to subsection (2), a trade in a security of the investment fund's own issue to an existing security holder where the security holder makes optional cash payments to purchase additional securities of the investment fund of the same class or series 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 trade 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 trades described in subsection (1) must be available to every security holder to which the dividend or distribution is available.

(4) No sales charge is payable on a trade described in subsection (1).

(5) The most recent prospectus of the investment fund, if any, must set out

- (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) Subject to sections (3), (4) and (5), the prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

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

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

**2.19 (1)** The dealer registration requirement does not apply to a trade by an investment fund in a security of its own issue to an existing security holder that initially acquired securities as principal for an acquisition cost of not less than \$150 000 paid in cash at the time of the trade if

- (a) for any subsequent trade, the purchase of securities is for the same class or series as the initial trade, and
- (b) the acquisition cost or the net asset value of securities of the investment fund held by the existing security holder as at the date of any subsequent trade is not less than \$150 000.

(2) The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

#### **Private investment club**

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

**2.20 (1)** The dealer registration requirement does not apply to a trade in 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.

(2) The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

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

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

**2.21 (1)** The dealer registration requirement does not apply to a trade in 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 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) Despite subsection (1), 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 subsection (1)(a).

(3) Subject to subsection (2), the prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

#### **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 in a similar capacity,
- (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, 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;

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

**“investor relations activities”** means activities or communications, by or on behalf of an issuer or a security holder of the issuer, that promote or could

reasonably be expected to promote the purchase or sale of securities of the issuer, but does not include

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

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

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

or

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

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

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

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

- (a) are listed and not suspended, or the equivalent, from trading on
  - (i) the Toronto Stock Exchange,
  - (ii) TSX Venture Exchange Inc.,
  - (iii) the American Stock Exchange LLC,
  - (iv) The New York Stock Exchange, Inc.,

- (v) the London Stock Exchange Limited, or
  - (vi) any successor to any of the entities listed in subparagraphs (i) to (v), or
- (b) are quoted on the Nasdaq Stock Market or any successor to that entity;

**“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) an RRSP or a RRIF 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) an RRSP or a RRIF 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;

**“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 trade 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 trade 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 trade by expectation of appointment, employment, continued appointment or continued employment of the executive officer with the issuer or a related entity of the issuer, and

- (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 trade 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.

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

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

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

- (a) a trade by an issuer in a security of its own issue, or
- (b) a trade by a control person of an issuer in a security of the issuer or in 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 trade is voluntary.

**(2)** A trade under subsection (1) with a person referred to in paragraph (c), (d) or (e) includes a trade with a trustee, custodian or administrator acting as agent to facilitate a trade under a plan.

**(3)** The dealer registration requirement does not apply to an act by a related entity of an issuer in furtherance of a trade referred to in subsection (1).

**(4)** The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

**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 trade to an employee or consultant of the unlisted reporting issuer who is an investor relations person, 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 trade,

- (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 trade 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;
- (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.

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

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

**2.26 (1)** Subject to subsection (2), the dealer registration requirement does not apply to a trade in 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 trade 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 traded 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.

(3) The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

#### **Permitted transferees**

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

**2.27 (1)** The dealer registration requirement does not apply to a trade in 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 trade

- (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) The dealer registration requirement does not apply to a trade in 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 exemption in subsections (1) and (2) (c) and (d), all references to employee, executive officer, director, or consultant include a former employee, executive officer, director, or consultant.

(4) The prospectus requirement does not apply to a distribution in the circumstances referred to in subsection (1) or (2), 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 MI 45-102, or
- (b) in Manitoba, and the Yukon, by a person described in section 2.24(1) [*Employee, executive officer, director, and consultant*].

#### **Resale - non-reporting issuer**

**2.28** The dealer registration requirement does not apply to the resale of a security that was acquired under this Division or by a person described in section 2.24(1) [*Employee, executive officer, director, and consultant*] if the conditions in section 2.14 of MI 45-102 are satisfied.

#### **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**  
**Incorporation or organization**

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

**2.30 (1)** Subject to subsection (2), the dealer registration requirement does not apply to a trade by an issuer in a security of its own issue if the trade is reasonably necessary to facilitate the incorporation or organization of the issuer and the securities are traded for a nominal consideration to not more than 5 incorporators or organizers.

**(2)** If the statute under which the issuer is incorporated or organized requires the trade to be for a greater consideration or to a larger number of incorporators or organizers, the securities may be traded for that greater consideration or to that larger number of incorporators or organizers.

**(3)** The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

**Isolated trade by issuer**

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

**2.31 (1)** The dealer registration requirement does not apply to a trade by an issuer in a security of its own issue if the trade is an isolated trade 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.

**(2)** The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

**Dividends**

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

**2.32 (1)** The dealer registration requirement does not apply to a trade by an issuer in a security of its own issue to an existing security holder as a dividend or distribution out of earnings, surplus, capital or other sources.

**(2)** The dealer registration requirement does not apply to a trade by an issuer in a security of a reporting issuer to an existing security holder as a dividend in specie.

(3) The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1) or (2).

#### **Trade to lender by control person for collateral**

**This provision will not be cited in any Appendix of MI 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 MI 45-102.**

**2.33 (1)** The dealer registration requirement does not apply to a trade in 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.

(2) The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

#### **Acting as underwriter**

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

**2.34 (1)** The dealer registration requirement does not apply to a trade in a security between a person and a purchaser acting as an underwriter or between or among persons acting as underwriters.

(2) The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

#### **Guaranteed debt**

**This provision will not be cited in any Appendix of MI 45-102 *Resale of Securities*. These securities will be free trading.**

**2.35 (1)** In this section

“**Asian Development Bank**” means a bank established pursuant to a resolution adopted by the United Nations Economic and Social Commission for Asia and the Pacific in 1965;

“**Inter-American Development Bank**” means a bank established by the Agreement establishing the Inter-American Development Bank which became effective December 30, 1959, as amended from time to time, of which Canada is a member;



**“International Bank for Reconstruction and Development”** means the bank established by the Agreement for an International Bank for Reconstruction and Development approved by the *Bretton Woods and Related Agreements Act* (Canada);

**“International Finance Corporation”** means the corporation established by Articles of Agreement approved by the *Bretton Woods and Related Agreements Act* (Canada);

**“permitted supranational agency”** means the Asian Development Bank, the International Bank for Reconstruction and Development, the Inter-American Development Bank and the International Finance Corporation.

- (2) The dealer registration requirement does not apply to a trade in a debt security
- (a) of or guaranteed by the Government of Canada or the government of a jurisdiction of Canada,
  - (b) of or guaranteed by a government of a foreign jurisdiction if the debt security has an approved credit rating from an approved credit rating organization,
  - (c) of or guaranteed by any 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 to be collected by or through the municipality in which the property is situated,
  - (d) of 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,
  - (e) of any school board in Ontario or of a corporation established under section 248(1) of the *Education Act* (Ontario),
  - (f) of the Comité de gestion de la taxe scolaire de l’île de Montréal, or
  - (g) of or guaranteed by a permitted supranational agency if
    - (i) the debt securities are payable in the currency of Canada or the United States of America, and
    - (ii) with respect to those securities, all documents or other information required by the regulator, or in Ontario, the

securities regulatory authority, are filed with the regulator or securities regulatory authority, as the case may be.

(3) If the trade referred to in subsection (2)(c) or (d) occurs in British Columbia, then the debt security must be rated by a rating agency designated by the securities regulatory authority in British Columbia.

(4) The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (2).

#### **Short-term debt**

**This provision will not be cited in any Appendix of MI 45-102 *Resale of Securities*. These securities will be free trading.**

**2.36 (1)** The dealer registration requirement does not apply to a trade in a negotiable promissory note or commercial paper maturing not more than one year from the date of issue, if the note or commercial paper traded

- (a) is not convertible or exchangeable into or accompanied by a right to purchase another security other than a security described in this section, and
- (b) has an approved credit rating from an approved credit rating organization.

(2) The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

#### **Mortgages**

**This provision will not be cited in any Appendix of MI 45-102 *Resale of Securities*. These securities will be free trading.**

**2.37 (1)** The dealer registration requirement does not apply to a trade in a mortgage on real property by a person who is registered or licensed, or exempted from registration or licensing, under mortgage brokerage or mortgage dealer legislation of a jurisdiction of Canada.

(2) Subsection (1) does not apply to a syndicated mortgage.

(3) The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

### **Personal Property Security Act**

**This provision will not be cited in any Appendix of MI 45-102 *Resale of Securities*.  
These securities will be free trading.**

**2.38 (1)** The dealer registration requirement does not apply to a trade in a security evidencing indebtedness secured by or under a security agreement provided for under personal property security legislation of a jurisdiction providing for the acquisition of personal property if the security is not offered for sale to an individual.

**(2)** The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

### **Not for profit issuer**

**This provision will not be cited in any Appendix of MI 45-102 *Resale of Securities*.  
These securities will be free trading.**

**2.39 (1)** The dealer registration requirement does not apply to a trade 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,
- (b) no commission or other remuneration is paid in connection with the sale of the security, and
- (c) the trade occurs in British Columbia, the issuer has delivered an information statement in the form required by the securities regulatory authority in British Columbia to the purchaser before the purchaser agrees in writing to purchase the security.

**(2)** The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

### **Variable insurance contract**

**This provision will not be cited in any Appendix of MI 45-102 *Resale of Securities*.  
These securities will be free trading.**

**2.40 (1)** The dealer registration requirement does not apply to a trade in a variable insurance contract by an insurance company incorporated by or under an act of the legislature of a jurisdiction 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.

(2) The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

(3) For the purposes of subsection (1), “contract”, “group insurance”, “life insurance” and “policy” have the respective meanings assigned to them in the legislation for a jurisdiction set out in Appendix A.

#### **RRSP/RRIF**

**These securities will be cited in Appendix D and Appendix E of MI 45-102 *Resale of Securities*. The resale restriction is determined by the exemption under which the security was first acquired.**

**2.41 (1)** The dealer registration requirement does not apply to a trade in a security between

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

(2) The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

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

**This provision will not be cited in any Appendix of MI 45-102 *Resale of Securities*. These securities will be free trading.**

**2.42 (1)** The dealer registration requirement does not apply to a trade in an evidence of deposit issued by a Schedule III bank or an association governed by the *Cooperative Credit Associations Act* (Canada).

(2) The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

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

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

**Subsection (1)(b) will be cited in Appendix E of MI 45-102 *Resale of Securities*. First trades are subject to a seasoning period on resale.**

**2.43 (1)** The dealer registration requirement does not apply to a trade by an issuer if

- (a) the issuer trades a security of its own issue to an existing 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 trades a security of a reporting issuer to an existing security holder in accordance with the terms and conditions of a security previously issued by that issuer.

(2) For a trade under subsection (1)(b),

- (a) the issuer must give the regulator prior written notice stating the date, amount, nature and conditions of the trade, and
- (b) except in British Columbia, the regulator must not object in writing to the trade within 10 days of receipt of the notice referred to in paragraph (a) or, if the regulator objects to the trade, the issuer must deliver to the regulator information relating to the securities that is satisfactory to and accepted by the regulator.

(3) The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

### **Removal of exemptions – market intermediaries**

**2.44 (1)** Subject to subsection (2), in Ontario, the exemptions from the dealer registration requirement in sections s.2.1 [*Rights offering*], 2.3 [*Accredited investor*], 2.4 [*Private issuer*], 2.7 [*Family, founder and control person - Ontario*], 2.10 [*Minimum amount investment*], 2.11 [*Business combination and reorganization*], 2.12 [*Asset acquisition*], 2.14 [*Securities for debt*], 2.15 [*Issuer acquisition or redemption*], 2.16 [*Take-over bid and issuer bid*], 2.17 [*Offer to acquire to security holder outside local jurisdiction*], 2.19 [*Additional investment in investment funds*], 2.21 [*Private investment fund - loan and trust pools*], 2.31 [*Isolated trade by issuer*], 2.32 [*Dividends*], 2.34 [*Acting as underwriter*] 2.35 [*Guaranteed debt*], 2.36 [*Short-term debt*], 2.40 [*Variable insurance*

*contract*], and 2.43 [*Conversion, exchange, or exercise*] are not available for a market intermediary except for a trade in a security with a registered dealer that is an affiliate of the market intermediary.

(2) Subsection (1) does not apply to a trade in a security by a lawyer or accountant if the trade is incidental to the principal business of that lawyer or accountant.

### **PART 3: REGISTRATION ONLY EXEMPTIONS**

#### **Registered dealer**

**3.1** The dealer registration requirement does not apply to a trade by a person acting solely through an agent who is a registered dealer.

#### **Exchange contract**

**3.2 (1)** In Alberta, British Columbia, Quebec and Saskatchewan, the dealer registration requirement does not apply to the following trades in exchange contracts:

- (a) a trade by a person acting solely through a registered dealer;
- (b) subject to subsection (2) and (3), a trade resulting from an unsolicited order placed with an individual who is not a resident of and does not carry on business in the jurisdiction;
- (c) a trade that may occasionally be transacted by employees of a registered dealer if the employees
  - (i) do not usually trade in exchange contracts, and
  - (ii) have been designated by the regulator as “non-trading” employees, either individually or as a class.

(2) An individual referred to in subsection (1)(b) must not

- (a) advertise or engage in promotional activity that is directed to persons in the jurisdiction during the 6 months preceding the trade, and
- (b) pay any commission or finder’s fee to any person in the jurisdiction in connection with the trade.

(3) Subsection (1)(b) does not apply in Saskatchewan.

**Isolated trade**

**3.3** The dealer registration requirement does not apply to a trade in a security by a person if the trade is an isolated trade and is not made

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

**Estates, bankruptcies, and liquidations**

**3.4** The dealer registration requirement does not apply to a trade by a person acting under the authority of

- (a) a direction, order or judgment of a court,
- (b) a will, or
- (c) any law of a jurisdiction

in the course of enforcing legal obligations or administering the affairs of another person.

**Employees of registered dealer**

**3.5** The dealer registration requirement does not apply to a trade by an employee of a registered dealer in a security if the employee does not usually trade in securities and has been designated by the regulator as a “non-trading” employee, either individually or as a class.

**Small security holder selling and purchase arrangements**

**3.6 (1)** For the purposes of this section

“exchange” means

- (a) the Toronto Stock Exchange,
- (b) the TSX Venture Exchange Inc., or
- (c) an exchange that
  - (i) has a policy that is substantially similar to the policy of the Toronto Stock Exchange, and
  - (ii) is designated by the securities regulatory authority for the purpose of this section;

**“policy”** means

- (a) in the case of the Toronto Stock Exchange, the latest edition of Policy Statement on Small Shareholder Selling and Purchase Arrangements,
- (b) in the case of the TSX Venture Exchange Inc., the latest edition of Policy 5.7 Small Shareholder Selling and Purchase Arrangements, or
- (c) in the case of an exchange referred to in paragraph (c) of the definition of “exchange”, the rule, policy or other similar instrument of the exchange on small shareholder selling and purchase arrangements and every successor to that rule, policy or other similar instrument published by that exchange as amended from time to time.

**(2)** The dealer registration requirement does not apply to a trade by an issuer or its agent, in securities of the issuer that are listed on an exchange if

- (a) the trade is an act in furtherance of participation by the holders of the securities in an arrangement that is in accordance with the policy of that exchange,
- (b) the issuer and its agent do not provide advice to a holder of securities about the security holder’s participation in the arrangement referred to in paragraph (a), other than a description of the arrangement’s operation, procedures for participation in the arrangement, or both,
- (c) the trade is made in accordance with the policy of that exchange, without resort to an exemption from, or variation of, the significant subject matter of the policy, and
- (d) at the time of the trade after giving effect to a purchase under the arrangement, the market value of the maximum number of securities that a holder of a security is permitted to hold in order to be eligible to participate in the arrangement is not more than \$25 000.

**(3)** For the purposes of subsection (2)(c), an exemption from, or variation of, the maximum number of securities that a holder of a security is permitted to hold under a policy in order to be eligible to participate in the arrangement provided for in the policy is not an exemption from, or variation of, the significant subject matter of the policy.



## Adviser

3.7 The adviser registration requirement does not apply to

- (a) the following persons if performance of services as an adviser are incidental to their principal business or occupation:
  - (i) a Canadian financial institution and a Schedule III bank;
  - (ii) the Business Development Bank of Canada continued under the *Business Development Bank of Canada Act* (Canada);
  - (iii) a société d'entraide économique or the Fédération des sociétés d'entraide économique du Québec governed by the Act respecting the sociétés d'entraide économique (Quebec);
  - (iv) a lawyer, accountant, engineer or teacher, or, in Quebec, a notary, if that individual
    - (A) does not recommend securities of an issuer in which that individual has an interest, and
    - (B) does not receive remuneration for the performance of services as an adviser separate from remuneration received by that individual for practicing in their professions;
  - (v) a registered dealer or any partner, officer or employee of a registered dealer;

or

- (b) a publisher or a writer for a newspaper, news magazine or business or financial journal or periodical, however delivered, that is of general and regular paid circulation, and only available to subscribers for value, or purchasers of it, if the publisher or writer
  - (i) gives advice only through the publication,
  - (ii) has no interest either directly or indirectly in any of the securities on which that individual gives advice, and
  - (iii) receives no commission or other consideration for giving the advice other than for acting in that person's capacity as a publisher or writer.

### **Investment dealer acting as portfolio manager**

**3.8 (1)** Subject to subsection (2), the adviser registration requirement does not apply to a registered investment dealer who manages the investment portfolios of its clients through discretionary authority granted by the clients if the investment dealer follows the rules, policies or other similar instruments made by the Investment Dealers Association of Canada for portfolio managers.

**(2)** In Ontario, the registered investment dealer must provide the securities regulatory authority with

- (a) the names of any partner, director, officer or employee of the investment dealer designated and approved by the Investment Dealers Association of Canada pursuant to the rules, policies or other similar instruments referred to in subsection (1) to make investment decisions on behalf of or to offer advice to clients, and
- (b) any changes made from time to time in the designation and approval of any partner, director, officer or employee referred to in paragraph (a).

**(3)** The designated and approved individuals referred to in subsection (2)(a) must be registered under securities legislation to trade in securities.

### **Removal of exemptions – market intermediaries**

**3.9 (1)** Subject to subsection (2), in Ontario, the exemptions from the dealer registration requirements in sections 3.1 [*Registered dealer*] and 3.3 [*Isolated trade*] are not available for a market intermediary except for a trade in a security with a registered dealer that is an affiliate of the market intermediary.

**(2)** Subsection (1) does not apply to a trade in a security by a lawyer or accountant if the trade is incidental to the principal business of that lawyer or accountant.

## **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;

“**NI 62-103**” means National Instrument 62-103 *The Early Warning System and Related Take-over Bid and Insider Reporting Issues*.

**(2)** Terms defined or interpreted in NI 62-103 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) files the reports required under the early warning requirements or Part 4 of NI 62-103,
  - (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 was 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 of 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.

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

**4.2 (1)** Subject to subsection (2), the prospectus requirement does not apply to a trade in a security from the holdings of a control person acquired under a take-over bid 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 trade is disclosed in the take-over bid circular issued in respect of the take-over bid,
- (c) the trade 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 MI 45-102 Resale of Securities* under MI 45-102 is filed before the trade,
- (e) an insider report of the trade in Form 55-102F2 *Insider Report* or Form 55-102F6 *Insider Report*, as applicable, under NI 55-102 is filed within 3 days after the completion of the trade,
- (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 trade.

**(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 the latest edition of Exchange Policy 4.6 - *Public Offering by Short Form Offering Document* and Exchange Form 4H - *Short Form Offering Document*, of the TSX Venture Exchange;

**“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;

**“NI 43-101”** means National Instrument 43-101 *Standards of Disclosure for Mineral Projects*;

**“NI 51-101”** means National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*;

**“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, subject to any waiver or variation the TSX Venture Exchange permits;

**“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 MI 45-102 *Resale of Securities*. These securities will be free trading unless**

**(i) the purchaser who acquires the security was an insider, a promoter of the issuer, an underwriter of the issuer, or a member of the underwriter's professional group at the time the security was acquired, or**

**(ii) any other purchaser who purchases 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 with the securities regulatory authority of that jurisdiction
  - (i) a TSX Venture exchange offering document that has been accepted by the TSX Venture Exchange,
  - (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, and the TSX Venture Exchange has accepted, 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, for financial years starting on or after January 1, 2004, the MD&A relating to those financial statements,

- (C) all unaudited interim financial statements and, for financial years starting on or after January 1, 2004, the MD&A relating to those financial statements, 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 NI 43-101 and NI 51-101 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, subject to any waiver or variation the TSX Venture Exchange permits,
  - (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 MI 45-102.

#### **Underwriter obligations**

**5.3** An underwriter that qualifies as a “sponsor” under the latest edition of TSX Venture Exchange Policy 2.2 - *Sponsorship and Sponsorship Requirements* 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** Subject to section 6.2 [*When report not required*], if an issuer distributes a security of its own issue, the issuer must file a report in the local jurisdiction in which the distribution takes place on or before the 10<sup>th</sup> day after the distribution under the following exemptions:

- (a) section 2.3(2) [*Accredited investor*];
- (b) section 2.5(2) [*Family, friends and business associates*];
- (c) section 2.9 (3) and (5) [*Offering memorandum for Alberta, B.C., Manitoba, New Brunswick, Nova Scotia, Newfoundland and Labrador, Northwest Territories, Nunavut, Prince Edward Island, Quebec, and Saskatchewan*];
- (d) section 2.10 (2) [*Minimum amount investment*];
- (e) section 2.12 (2) [*Asset acquisition*];



- (f) section 2.13(2) [Petroleum, natural gas and mining properties];
- (g) section 2.14 (2) [*Securities for debt*];
- (h) section 2.19 (2) [Additional investment in investment funds];
- (i) section 2.31(2) [*Isolated trade*];
- (j) section 5.2 [TSX Venture offering].

### **When report not required**

**6.2 (1)** An issuer is not required to file a report under section 6.1(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 sections 2.3 (2) [*Accredited investor*], 2.10 (2) [*Minimum amount*] and 2.19 (2) [*Additional investment in investment funds*] if the investment fund files the report not later than 30 days after the financial year-end of the investment fund.

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

**6.3 (1)** Except in British Columbia, 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)** Except in British Columbia, 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.

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

**6.5 (1)** Except in British Columbia, the required form of risk acknowledgement under section 2.9(15) [*Offering memorandum*] is Form 45-106F4.

**(2)** In Saskatchewan, the required form of risk acknowledgement under section 2.6(1) [*Family, friends and business associates*] is Form 45-106F5.

### **Required forms in British Columbia**

**6.6** In British Columbia, the required forms are the forms specified by the securities regulatory authority under section 172 of the *Securities Act* (British Columbia).

## **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.

## **PART 8: TRANSITIONAL, COMING INTO FORCE**

### **Additional investment - investment funds**

**8.1 (1)** The dealer registration requirement does not apply to a trade by an investment fund in a security of its own issue to a purchaser that initially acquired securities as principal before this Instrument came into force if

- (a) the securities were acquired under any of the following provisions:
  - (i) in Alberta, sections 86(1)(e) and 131(1)(d) of the *Securities Act* (Alberta) and section 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* R.S.B.C. 1996, c. 418,
  - (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,
  - (v) 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,

- (viii) in Nunavut,
  - (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*;
  - (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 Quebec, section 51 and 155.1(2) of the *Securities Act* (Quebec);
  - (xii) in Saskatchewan, sections 39(1)(e) and 81(1)(d) of the *The Securities Act, 1988* (Saskatchewan);
  - (xiii) in Yukon.
- (b) for any subsequent trade, the purchase of securities is for the same class or series as the initial trade, and
  - (c) the acquisition cost or the net asset value of securities of the investment fund held by the purchaser as at the date of any subsequent trade is not less than the minimum amount prescribed by securities legislation referred to in paragraph (a) under which the initial trade was conducted.

(2) The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (1).

**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(1)(e) and 131(1)(d) of the *Securities Act* (Alberta) and section 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* R.S.B.C. 1996, c. 418,

- (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,
- (e) 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,
- (h) in Nunavut,
- (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*;
- (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 Quebec, section 51 and 155.1(2) of the *Securities Act* (Quebec);
- (l) in Saskatchewan, sections 39(1)(e) and 81(1)(d) of the *The Securities Act, 1988* (Saskatchewan);
- (m) in Yukon.

**Coming into force**

**8.3** This Instrument comes into force on \_\_\_\_\_ .

**Appendix A**  
**to**  
**National Instrument 45-106 Prospectus and Registration Exemptions**

**Variable insurance contract exemption**  
**(section 2.40)**

**JURISDICTION**

**LEGISLATION REFERENCE**

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

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

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

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

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

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

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

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

**Appendix B**  
to  
**National Instrument 45-106 Prospectus and Registration Exemptions**

**Control Block Distribution**  
**(Part 4)**

<b>JURISDICTION</b>	<b>SECURITIES LEGISLATION REFERENCE</b>
ALBERTA	Section 1(p)(iii) of the <i>Securities Act</i> (Alberta)
BRITISH COLUMBIA	Paragraph (c) of the definition of “offering” 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)
NOVA SCOTIA	Section 2(1)(1)(iii) of the <i>Securities Act</i> (Nova Scotia)
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)
QUEBEC	Paragraph 9 of the definition of “distribution” contained section 5 of the <i>Securities Act</i> (Quebec)
SASKATCHEWAN	Section 2(1)(r)(iii) of <i>The Securities Act, 1988</i> (Saskatchewan)