

ALBERTA SECURITIES COMMISSION RULE 45-516
PROSPECTUS EXEMPTIONS FOR
RETAIL INVESTORS AND EXISTING SECURITY HOLDERS

Definitions

1. Terms defined in National Instrument 14-101 Definitions have the same meaning in this Rule.

2. In this Rule

“announcement date” is the day that an issuer issues an offering news release;

“investment dealer” has the same meaning as in section 1.1 of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations;

“listed security” means a security of an issuer of a class of equity security listed on the TSX Venture Exchange, the Toronto Stock Exchange, the Canadian Securities Exchange, or Aequitas Neo Exchange Inc.;

“offering material” means a document purporting to describe the business and affairs of an issuer that has been prepared primarily for delivery to and review by a prospective purchaser so as to assist the prospective purchaser to make an investment decision in respect of securities being sold in a distribution under this Instrument;

“offering news release” means a news release issued by an issuer announcing its intention to conduct a distribution under either or both of section 3 and section 4 of this Rule;

“record date” is the date that is at least one day prior to the announcement date;

“warrant” means a purchase warrant issued by an issuer that entitles the holder to acquire a listed security or a fraction of a listed security of the same issuer.

Exemption for Sales to Existing Security Holders

3. The prospectus requirement does not apply to a distribution by an issuer of a security of its own issue to a security holder of the issuer purchasing as principal if all of the following applies:

(a) the issuer is a reporting issuer in at least one jurisdiction of Canada with a class of equity securities listed on one or more of the TSX Venture Exchange, the Toronto Stock Exchange, the Canadian Securities Exchange and Aequitas Neo Exchange Inc.;

- (b) the issuer has filed in each jurisdiction of Canada in which it is a reporting issuer all periodic and timely disclosure documents that it is required to have filed in that jurisdiction as required by all of the following:
 - (i) applicable securities legislation;
 - (ii) an order issued by the regulator or securities regulatory authority of that jurisdiction;
 - (iii) an undertaking provided to the regulator or securities regulatory authority in that jurisdiction;
- (c) the issuer has issued and filed an offering news release describing in reasonable detail the proposed distribution, including, without limitation,
 - (i) the minimum and maximum number of securities proposed to be distributed under this section and the minimum and maximum aggregate gross proceeds of the distribution,
 - (ii) the proposed principal uses, including estimated dollar amounts, of the gross proceeds of the distribution, assuming both the minimum and maximum offering, and
 - (iii) a description of how the issuer intends to allocate securities if aggregate subscriptions for securities under the proposed distribution exceed the maximum number of securities proposed to be distributed;
- (d) subject to applicable securities legislation, the issuer permits each person or company who, as of the record date, held a listed security of the issuer of the same class and series as the listed security to be distributed under this section to subscribe for securities in the distribution;
- (e) the distribution is of a listed security or a unit comprised of a listed security and a warrant;
- (f) the purchaser has represented in writing to the issuer that, on or before the record date the purchaser acquired and continues to hold, a listed security of the issuer of the same class and series as the listed security to be distributed under this section;
- (g) neither the issuer nor any salesperson acting on behalf of the issuer in connection with the distribution under this section has any reason to reasonably believe that the purchaser's representation, referred to in paragraph (f), is untrue;
- (h) unless the purchaser has obtained advice regarding the suitability of the investment and, if the person is resident in a jurisdiction of Canada, that advice is from a person or company registered in the jurisdiction as an investment dealer, the aggregate acquisition cost to the purchaser for the securities purchased under this section, when combined with the acquisition cost to the purchaser of all other

securities of the issuer distributed under this section in the last 12 months, does not exceed \$15,000;

- (i) the purchaser and the issuer enter into a subscription agreement that contains the representations set out in section 5.

Exemption for Sales to Purchasers Advised by Investment Dealers

- 4. The prospectus requirement does not apply to a distribution by an issuer of a security of its own issue to a purchaser purchasing as principal if all of the following applies:
 - (a) the issuer is a reporting issuer in at least one jurisdiction of Canada with a class of equity securities listed on one or more of the TSX Venture Exchange, the Toronto Stock Exchange, the Canadian Securities Exchange and Aequitas Neo Exchange Inc.;
 - (b) the issuer has filed in each jurisdiction of Canada in which it is a reporting issuer all periodic and timely disclosure documents that it is required to have filed in that jurisdiction as required by all of the following:
 - (i) applicable securities legislation;
 - (ii) an order issued by the regulator or securities regulatory authority in that jurisdiction;
 - (iii) an undertaking to the regulator or securities regulatory authority of that jurisdiction;
 - (c) the purchaser has obtained advice regarding the suitability of the investment and, if the person is resident in a jurisdiction of Canada, that advice is from a person or company registered in the jurisdiction as an investment dealer;
 - (d) the issuer has issued and filed an offering news release that
 - (i) describes in reasonable detail the proposed distribution, including, without limitation,
 - (A) the minimum and maximum number of securities proposed to be distributed under this section and the minimum and maximum aggregate gross proceeds of the distribution, and
 - (B) the proposed principal uses, including estimated dollar amounts, of the gross proceeds of the distribution, assuming both the minimum and maximum offering, and
 - (ii) includes a statement confirming that there is no material fact or material change related to the issuer which has not been generally disclosed;

- (e) the distribution is of a listed security, a unit comprised of a listed security and a warrant, or a security convertible into a listed security at the security holder's sole discretion;
- (f) the purchaser and the issuer enter into a subscription agreement that contains the representations set out in section 5.

Subscription Agreement

- 5. An issuer relying on either or both of section 3 and section 4 of this Rule must represent each of the following to each purchaser in the subscription agreement:
 - (a) the issuer's "core documents" and "documents", as those terms are defined in Part 17.01 of the *Securities Act* (Alberta), do not contain a misrepresentation;
 - (b) there is no material fact or material change related to the issuer which has not been generally disclosed.

Removal of Exemptions

- 6. The exemptions in section 3 and section 4 are not available if the class of listed security that is being distributed has been suspended from trading for failure to comply with the ongoing requirements of the applicable exchange.

Offering Material

- 7. Other than the subscription agreement, any offering material provided to a purchaser in connection with a distribution under section 3 or section 4, must be filed no later than the day that the offering material is first provided to a purchaser.

Resale Restrictions

- 8. The first trade of a security acquired under section 3 or section 4 is subject to section 2.5 of National Instrument 45-102 *Resale of Securities*.

Report of Exempt Distribution

- 9. On or before the 10th day after a distribution under either or both of section 3 and section 4, the issuer must file a report of the distribution that complies with Form 45-106F1 *Report of Exempt Distribution*.

Application of Statutory Secondary Market Civil Liability Provisions to this Rule

- 10. Part 17.01 of the *Securities Act* (Alberta) applies to a security distributed under section 3 or section 4.

Repeal of ASC Rule 45-513

- 11.** Alberta Securities Commission Rule 45-513 *Exemption for Distribution to Existing Security Holders* is repealed effective January 14, 2016.
- 12.** This Rule comes into force on January 14, 2016.