

## **REGULATION 45-513 RESPECTING PROSPECTUS EXEMPTION FOR DISTRIBUTION TO EXISTING SECURITY HOLDERS**

Securities Act

(chapter V-1.1, s. 331.1, par. (1), (3), (8), (11), (14), (32.1) and (34))

### **Definitions**

1. Terms defined in Regulation 14-101 respecting Definitions (chapter V 1.1, r. 3) or Regulation 45-106 respecting Prospectus and Registration Exemptions (chapter V-1.1, r. 21) have the same meaning in this Regulation.

2. In this Regulation:

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

“listed security” means a security of an issuer of a class of equity security listed on the TSX Venture Exchange;

“offering news release” means a news release of an issuer announcing its intention to conduct a distribution under section 3 of this Regulation;

“record date” is the date that is • days 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 distribution 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 if all of the following conditions apply:

(a) the issuer is a reporting issuer in at least one jurisdiction of Canada;

(b) the issuer’s equity securities are listed for trading on the TSX Venture Exchange;

(c) 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 each of the following,

(i) applicable securities legislation;

(ii) an order issued by the regulator or securities regulatory authority;

(iii) an undertaking to the regulator or securities regulatory authority;

(d) the issuer has issued and filed an offering news release;

(e) the distribution is of a listed security or a unit consisting of a listed security and a warrant;

(f) the purchaser represents 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 and neither the issuer nor any salesperson acting on behalf of the issuer in connection with the distribution has any reason to reasonably believe that the purchaser’s representation is untrue;

(g) one of the following applies:

(i) the purchaser is 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 a person that is registered as an investment dealer;

(ii) the acquisition cost to the purchaser, when combined with the acquisition cost to the purchaser for the purchase of any other security from the issuer under this Regulation in the last 12 months, does not exceed \$15,000;

(h) the purchaser pays the acquisition cost in cash at the time of the distribution; and

(i) the purchaser purchases the security as principal.

4. The offering news release must include reasonable detail of the proposed distribution and proposed use of net proceeds including:

(a) the minimum and maximum number of securities proposed to be distributed and the minimum and maximum aggregate gross proceeds of the distribution; and

(b) a description of the principal purposes with approximate amounts, for which the issuer will use the net proceeds, assuming both the minimum and maximum offering.

5. The subscription agreement must contain a certificate that

(a) states the following:

“The issuer’s documents and core documents, each as defined in section 225.3 of the Securities Act (chapter V-1.1), do not contain a misrepresentation. There is no material fact or material change related to the issuer which has not been generally disclosed.”; and

(b) is signed by the chief executive officer and chief financial officer of the issuer or, in the case of an issuer that does not have a chief executive officer or chief financial officer, each individual that performs similar functions to those of a chief executive officer or chief financial officer.

### **Disclosure document**

6. Other than the subscription agreement, any disclosure document provided to a purchaser in connection with a distribution under section 3 must be filed without delay with the Authority, unless it has previously been filed.

### **Resale restrictions**

7. The first trade of a security acquired under section 3 is subject to section 2.5 of Regulation 45-102 respecting Resale of Securities (chapter V-1.1, r. 20).

### **Report of exempt distribution**

8. An issuer that distributes a security under this Regulation must file to the Authority a report of the distribution that complies with Form 45-106F1 no later than 10 days after the distribution.

### **Application of statutory secondary market civil liability provisions to a purchaser under this Regulation**

9. Division II of Chapter II of Title VIII of the Securities Act applies to a security distributed under section 3.