

A NEW OPPORTUNITY FOR TSX-V ISSUERS: PROPOSED PROSPECTUS EXEMPTION FOR PLACEMENTS TO EXISTING SECURITY HOLDERS

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In a move that could benefit many junior issuers on the TSX Venture Exchange (TSX-V), Canadian securities regulators in all jurisdictions except Ontario and Newfoundland and Labrador published for comment a draft prospectus exemption for existing security holders (Multilateral CSA Notice 45-312). The proposed prospectus exemption would provide TSX-V issuers a more efficient avenue to offer securities to existing security holders.

Currently, issuers offering securities to retail investors (those not considered "accredited investors") are limited to using a prospectus or an exemption requiring a disclosure document. As TSX-V issuers are also held to continuous disclosure obligations, regulators recognize that duplicative disclosure under current exemptions may cause issuers to incur unnecessary and prohibitive costs. Retail investors are in turn limited to purchasing additional securities on the secondary market, where market prices and brokerage fees may reduce their incentive to invest.

In the interest of market growth, the proposed exemption will allow TSX-V issuers to raise capital through direct issues to existing security holders, subject to the following conditions:

- i. the issuer has a class of securities listed on the TSX-V;
- ii. the issuer has filed all required timely and periodic disclosure documents;
- iii. the offering consists only of the class of securities listed on the TSX-V or units consisting of the listed security and a warrant to acquire the listed security;
- iv. the issuer issues a news release disclosing the proposed offering, including details of the use of the proceeds; and,
- v. each investor confirms in writing to the issuer that, as at the record date, the investor held the type of listed security that the investor is acquiring under the exemption.

Each investor would be limited to investing a maximum of \$15,000 in a 12 month period under the exemption,

unless the investor obtains suitability advice from a registered investment dealer. Additionally, issuers must provide investors with rights of action in the event the issuer makes a misrepresentation in its continuous disclosure, or in an offering document it may voluntarily provide. Further, securities issued under the proposed exemption will be subject to a four month resale restriction and issuers will be required to file a report of exempt distribution within ten days after each distribution under the exemption. Finally, issuers must represent to prospective purchasers in a subscription agreement that there are no material facts or material changes that have not been disclosed.

This proposed exemption has the potential to assist many junior venture issuers to raise additional capital more efficiently with lower upfront costs. Additionally, it provides active investors an attractive avenue to acquire further securities. The regulators invite and encourage written comments on the proposal until January 20, 2014. For more information, please see the Multilateral CSA Proposed Prospectus Exemption 45-312, the parallel BCI Proposed Exemption 45-5XX.

A Cautionary Note

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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